PERCEPTION OF UNIVERSITY EMPLOYEES ON THE IMPACT OF CONTRIBUTORY PENSION SCHEME ON EMPLOYEES' WELFARE

By

Yusuf ABDULAHI

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BEING 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 (PhD) IN BUSINESS ADMINISTRATION

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

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DECLARATION

I hereby declare that this dissertation entitled, "Perception of University Employees on the Impact of Contributory Pension Scheme on Employees' Welfare" is a product of my research work. To the best of my knowledge and belief, this work has never been submitted to any institution for an award of a degree or certificate of whatever kind. All borrowed materials are duly and properly acknowledged.

	…….	…….
Yusuf ABDULLAHI	**Signature**	**Date**

CERTTIFICATION

This is to certify that this dissertation entitled, "Perception of University Employees on the Impact of Contributory Pension Scheme on Employees' Welfare" written by Yusuf ABDULLAHI meets the regulations governing the award of the degree of Doctor of Philosophy in Business Administration, Department of Business Ahmadu Bello University, and is therefore approved for its contribution and literary presentation.

Prof. M. N. Maiturare	…….	…….
Chairman, Supervisory Committee	Signature	Date
Dr. A. M. Abu-Abdissamad	……..	…….
Member, Supervisory Committee	Signature	Date
Dr. Bello Sabo	……..	…….
Member, Supervisory Committee	Signature	Date
Dr Bello Sabo	……..	…….
Head of Department	Signature	Date
Prof. A. A. Joshua	……..	…….
Dean, Postgraduate School	Signature	Date

DEDICATION

This dissertation is dedicated to my late father Malam Abdullahi Muhammad and Grandmother Malama Bakuwa , my mother Hajia Ramatu, and also to my late brother and sister, Bross Mohammed Lawal and Hassana Abdullahi.

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ABSTRACT

The pension scheme prior to reform was characterized by inadequate funding, remittance and delay in paying retirees their benefits. These and other related problems led to the introduction of the pension reform Act 2004 with the sole aim of addressing some of these problems. This study evaluates Perception of University Employees on the Impact of Contributory Pension Scheme on Employees' Welfare. The techniques employed for the purpose of this study were Pearson correlation coefficient and Chi-square. Statistical analysis results showed that the new pension scheme gives the Employees the choice as to how their pension funds are managed and gives them the assurance about the security of their retirement benefits. Using a panel of data that included both primary and secondary sources, the findings of the study showed that the new pension scheme had a very significant impact on the welfare of University Employees. The study revealed that there was a significant relationship (r = 0.906) between pension benefits paid and the accumulated deductions by Pension Fund Administrators (PFAs). The result of the analysis also revealed that there was no significant relationship between awareness of new pension scheme and the welfare of Employees of federal universities in Nigeria. In line with the findings of the study, it is concluded that the employees had very low perception of their universities' organizational retirement plan. The study recommended that the PFAs should channel more efforts in trying to raise the level of awareness of employees and retirees so as to enhance their welfare.

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CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

Pension fund is a promising financial protection scheme put in place by employers to protect against unforeseen negative circumstances that may befall their present employees after retirement from service or their careers. As time went on, a clear cut pension regime became a permanent part of employment policy. A pension grant came to imply that payment would continue after the employee's retirement and that similar consideration would be given to other employees. In other words, pensions are social security payments for the aged, disabled and deceased based on past employment records (Maiturare, 2011).

However, in the past (pre Contributory Pension Scheme (CPS) era), the pension system in the country was characterized by pay-as-you-go (PAYG) defined benefit in the public sector. The system was a structure of non- contributory pensions, which was hampered by much operational difficulty. These difficulties include uncoordinated and inadequate funding, non-availability of records management, irregularities and conflicting laws, fraud, and the presence of retirees that are not eligible for salaries and pensions, and the inability to effectively implement the Federal Government budget and create adequate requirements by the authorities. It became fundamental to embark on transformation to restore the hope of retirees and the entire workers in Nigeria, who will retire in the future (Maiturare, 2011). Subsequently, the then president of the Federal Government of Nigeria, President Obasanjo brought about a change in the management and administration of pension funds in Nigeria with the enactment of the Pension Reform Act

2004 which introduced the new contributory pension scheme in the public and private sectors.

The reform came with establishment of the National Pension Commission to direct, oversee and ensure effective and efficient administration of pension affairs in the country. The commission will realize this aim by making sure that remittance of contributions are made and beneficiaries of retirement savings account (RSA) are paid when due. Above all, the commission is to make sure of the safety of pension funds by providing procedures for licensing, approving, regulating and supervising the investment performance of PFAs and PFC's (Ahmad, 2006 and Pension Reform Act 2004).

one of the circumstances that could spell doom for an individual or family would be the loss of its main sources of income. What could make such a loss even worse would be the need to pay daily expenditure and debts with no assets or resources available to make these payments. Such a situation could impoverish an individual or family, create untold hardship, force a dependence on public welfare, and so forth. These circumstances are the reasons that necessitated a revisiting of the issue of Social Security vis a vis Pension Funds Administration, which assist employees by ensuring that they save in order to cater for their source of revenue during old age (Barr and Diamond, 2009).

It must be mentioned that retirement has a deserved place in pension fund and the latter cannot be discussed without relating it to the former. This is reasonably justified on the ground that the problem emanating from retirement is an impending threat to the success of pension fund and vice-versa. Unfortunately, it has been observed over the years that

government actions are less concentrated in this direction in spite of the challenges it brings to the socio-economic setting in Nigeria (Idakwo, 2006). There is the outcry of irregularities in payment of gratuities and pensions to retired civil servants who have to lobby for what is in fact constitutionally their own by right. Retirees in Nigeria have in this respect suffered untold hardship in the past and even at present as a result of poor management of pension fund in the Nigeria.

Pension Administration had been largely pathetic, uneconomical and burdensome due to poor staffing and equipping. This had led to poor documentation of records at almost all pension offices in the country. This had resulted in many retirees spending years before their retirement benefits are paid.

Pension fund administration and paying attention to the welfare of retirees have continued to create a major ordeal to governments in Nigeria. Yet, pension which assure retired worker certain relief following his or her retirement is important to the sustenance of the life of the person, his family and the society. In the past most employees do not fall within any reasonable form of retirement benefit scheme while the few schemes that are available are suffering from poor management. It is common practice that pension schemes financed by the states are normally also administered by the federal government. Governments are clearly distancing themselves from such arrangements. Chile is the pioneer in that regard. However, since the ground-breaking pension reform of Chile in 1980, management of pensions has become one of the most important issues brought forward by researchers. Hence the shift to private management of personal accounts based on defined contribution plan as claimed by the proponents, to be beneficial both at

micro and macro levels of the country's economy. Proponents of the pension reform prefer private management network, claiming that under private management network efficiency and equity is strengthened. It is also true that those who criticize this approach of public reform do not understand it in terms of security, predictability and solidarity. But advocates of privatization argue that the potential disadvantage of publicly managed pension systems is the threat of fiscal imbalance.

It is generally perceived that public management would inevitably lead to overexpansion of the system and hence to unsustainability. Advocates of private pension schemes claim that, pension systems in developing countries have been used as political tools which have contributed toward the deterioration of the expenditure – revenue balances of these pension systems. Thus, this "failure" of publicly run Pay As You Go (PAYG) systems has led to recommendations for the replacement of publicly run PAYG systems with privately managed and individually funded pension systems.

Government establishments have not been successful in setting aside the recommended 2.5 percent of funds for the pension scheme from the total emolument of their employees for lack of funds. The subventions received from the authorities are sometimes inadequate to meet recurrent expenditure and overhead costs; talk less of having some surplus for other pension liabilities. Another problem is the phenomenon whereby pension funds are released directly to underwriters. In most cases, the Board of Trustees is not aware of the transactions that result in the amount so released. This scenario has further complicated the problem, resulting in accumulated arrears of pensioners' benefits.

The Board of Trustees is also faced with the problem of determining appropriate investment portfolio, underwriting insurance company as well as the insurance brokers/consultant. The practice, however, is that supervising ministries make such appointments without recourse to the Board of Trustees or the Office of the Establishment and Management Services which has the statutory responsibility for pension matters. At times, premiums paid are diverted for other purposes and interests from invested funds are not properly accounted for.

Incompetent and inexperienced staff without proper training is a dilemma in conflict with the management of pension schemes in Nigeria. This is compounded by lack of human relation's skill of these officials. Most of the time, members of the Board are not trained for the job, and apparently not equipped to handle the pension reforms of the 21st century and the challenges of globalization and technological advances. Continuous requests for more funds by the offices of the head of service of the federation, continuous plea for re-computations of pension benefits by retirees is another problem.

The commandeering effort of federal government on pension matters without consulting state governments and other stakeholders is a major obstacle that affects the pension sector. Frequent criticisms have led to problems of implementation, such as the inability to obtain sufficient funds to meet current requirements. There is also the problem of strategic method of staff reduction and rationalization in order to reduce operating costs, labour costs and promote efficiency. The paradox here is that the cost of paying retirement benefits and pensions are higher than the cost of retaining them.

The combination of these problems is the research question that this study seeks to address. The study is therefore concerned with establishing the relationship between pension benefits paid to policy holders and the amount accumulated in the form of deductions by PFAs. This study is also out to address some of the shortcomings and to particularly assess the perception of university employees on the impact of contributory pension scheme (CPS) on the welfare of employees in the Nigerian Universities.

1.2 Statement of the Problem

Prior to 1979, little or no attention had been paid to pension and its attendant effect. Pension was seen as a voluntary process (Ajayi, 1994). Of recent, the reverse remains the case as a result of the dynamics and diversity of modern society, coupled with huge amount of money committed to pension annually (Femi, 2001). In spite of this, Nigeria is still faced with the problem of managing a proper pension scheme for its retirees, whether in the private or public sector. For instance, the pension industry in Nigeria is marred by corruption leading to frequent complaints of pensioners collapsing and dying in queues while attempting to collect their pension (Chamberlain, 2005). There are cases of underfunding (OJo-Aromokudo, 2008). This is coupled with lack of adequate record keeping. In most cases, families of deceased employees find it difficult to secure their bread winner's entitlement several years after beneficiary's death.

A classical example of the plight of Nigerian retiree is seen in the cases of non payment of benefit to retirees of Nigerian Railway Corporation (Mboto, 2005) and Nigeria Airways Workers Retirees (Clementina, 2004). In 2004, Railway pensioners were owed

twenty months pension money amounting to thirty seven million dollars ($37,000,000). The Nigerian Railway Corporation which had 18,974 pensioners on its record due to mass retrenchment in 1996 needed twenty four million dollars ($24,000,000) to pay pensioners every year (Onyeonoru, 2009). Complimenting this view was (Ihonvbere, 2008) who opined that despite government effort to clear the pension backlog, it still owes over two trillion naira to workers with the Nigerian Railway. Also, there are several categories of Federal civil servants who are owed pensions for upward of four to five years. These and other factors characterized the Nigerian pension system, thereby further increasing the plight of pensioners. There came the pension administrators with a lot of promises to ease the difficulties being experienced by pensioners and make it easy for them to access their entitlements as provided by the Pension Reform Acts 2004.

Even with emergence of Pension Fund Administrators (PFA), it is evident that certain problems within the pension sphere still exist. Pension Administration had been largely pathetic, uneconomical and burdensome due to poor staffing and equipping. This had led to poor documentation of records at almost all pension offices in the country. This had resulted in many retirees spending years before their retirement benefits are paid. Pension fund administration and payment of adequate attention to the welfare of retirees have continued to create major challenges to governments in Nigeria. Yet, pension which assures retired worker certain relief following his or her retirement is important to the sustenance of the life of the person, his family and the society. In the past (pre cps era) most employees do not fall within any reasonable form of retirement benefit scheme while the few schemes that are available are suffering from poor management. There is

also the problem of whether the new contributory pension policy has made a considerable impact on the welfare of Employees of federal universities in Nigeria and finally the problem of awareness of the new pension scheme in Nigeria remains to be seen from this study.

However, the setting up of all Pension Schemes in Nigeria is always done with good intent. All seems to have had a smooth take off, and after sometime, suffers setbacks (the pre 2004 pension Schemes). Some notable examples are the Pension Ordinance of 1956, the National Provident Fund, the Pension Act 102 of 1979 and the Nigerian Social Insurance Trust Fund. However, the emergence of the 2004 pension scheme seems to give succour to pensioners when compared to the previous ones and should be encouraged.

1.3 Objectives of the Study

The primary objective of this study is to examine operational procedures in pension fund management and some necessary reviews to be made to ensure effective Pension Fund Administration in Nigeria. The specific objectives are:

i. To assess the impact of the new pension policy on the welfare of retirees of federal universities in Nigeria.

ii. To assess the relationship between pension benefits paid to retirees and the accumulated deductions by Pension Fund Administrators (PFAs).

iii. To identify a relationship that exists between total assets of PFAs and accumulated deductions by PFAs in Nigeria.

iv. To determine whether there is a relationship between awareness of the new pension scheme and the welfare of retirees of federal universities in Nigeria.

1.4 Research Questions

i. Does the new pension policy takes care of the welfare of retirees of the federal universities?

ii. How do benefits paid, by the PFAs to retirees relates to PFAs accumulated deductions?

iii. Does the total Assets of the PFAs relates to their accumulated deductions?

iv. How aware are the employees of federal universities of the welfare packages offered by the new pension scheme?

1.5 Statement of Hypotheses

For the purpose of this study, the following hypotheses are hereby developed for testing:-

H_{o1}: The new pension policy (CPS) has not made any significant impact on the welfare of retirees of Federal Universities in Nigeria.

H_{o2}: There is no significant relationship between pension benefits paid to the retirees of Federal Universities and the accumulated deductions by Pension Fund Administrators (PFAs).

H_{o3}: There is no significant relationship between total assets of PFAs and accumulated deductions by PFAs in Federal Universities in Nigeria..

H_{o4}: There is no significant relationship between awareness of the new pension scheme and the welfare of retirees of Federal Universities in Nigeria.

1.6 Significance of the Study

The pension scheme DB prior to the new CPS is bedevilled by the challenges of the over dependence on erratic budgetary allocations from various tiers of governments for funding. A major significance of this study, to the Employee is that His funds in possession of the PFAs are invested with a view to improving return on investment. To the PFAs, the contribution provides a source of additional much needed investible funds for investment in high yielding ventures. To the economy, the regime imposes fiscal discipline in the nation and is a solid foundation for economic development. There is an expansion of convertible funds, creating a huge amount of long-term funding and greater accountability. For the Pensions Commission (PenCom), there is the benefit of separation of investment, asset management and custody. Transparency is also guaranteed by the requirements for statements published rate, periodic statements of contributions and earnings and annual audited accounts. the scheme imposes fiscal discipline on the nation and is a solid foundation for economic development. There is an expansion of convertible funds, creation of a huge pool of long term funds and enhanced accountability. To Pension Commission (PENCOM), there is a separation of investment, administration and custody of assets. Transparency is also ensured by the requirements for published rate of returns, regular statements of contributions and earnings and annual audited accounts. The study will also serve as a material for those students and scholars seeking to expand their knowledge in understanding the new contributory pension scheme.

1.7 Scope of the Study

This study captures the perception of university employees on the impact of contributory pension scheme (CPS) on the welfare of employees in the Nigerian Universities from 2004 to 2010. The study also focuses on the establishment, funding, administration and operations of the new contributory pension scheme in Nigeria, which ensures that pension payments are provided on monthly basis, just like salaries. The population of the employees of Federal Universities and staff of PFA's also were used in the study. A sample of the population was obtained using Dillman (2000) sample size formula. The finite nature of the population of employees justifies the sample size formulae.

1.8 Operational/Conceptual Definition of Key Terms

Active members: These are employees, or officers of an organization who are members of the pension scheme.

Actuarial Basis: This is the set of assumptions used to represent the events that the pension scheme is expected to experience in the future. It includes the demographic experience of the members and their dependents, as well as the general economic framework in which the pension scheme will operate. The assumptions used are, for example, rates of mortality and rates of investment return. These are drawn from observations of events that are drawn and it is possible to set up a basis that reflects the presence of an underlying set of random variables.

Advance funding: This means that each generation of pensioner has contributed toward its own benefits, and so any element of cross-subsidy between generations that arises due to pension provision is reduced.

Aggregate Method: Aggregate method should not be used to describe the method of expressing contribution rate as a percentage of the total earning roll.

Attained Age Method: this is the standard contribution rate which is appropriate to the future service benefits of present members.

Death in Service Benefits: This has to do with the dying of a prospective pensioner whilst employed by the company and while being a member of the pension scheme.

Early leavers: Those who live employment other than as a result of retirement or death are known as early leavers.

Entry Age Method: under this, the standard contribution rate is the rate appropriate to a new entrant.

Final Pensionable Emolument or Total Annual Emolument: This means the basic Salary plus all forms of approved allowances for the purpose of calculating pension to be paid to the retired officer at the date of his retirement, or withdrawal from service.

Investment: This refers to an economically prudent manipulation of funds by a trustee for the benefit of the equitable owner.

Level of Funding: This entails the percentage cover of benefits by assets. The phrase should not be used to refer to the contribution rate.

Normal Retirement: This has to do with the compulsory retirement age of a worker who is enrolled in the pension scheme.

Pension: This means a sum of money paid regularly (usually on monthly basis) by former employer to a retired officer or worker.

Pensionable Years of Service: This normally means any number of years of service, which is more than 10 years but less than or up to 35 years. It follows therefore that any service after 35 years is non-pensionable.

Project Unit Method: under this, the standard fund is the value now of accumulated benefits with emphasis to future final earnings.

Regular Sum Paid: A sum of money paid regularly as compensation for example, for an injury sustained on a job, or as a reward for service, for example to an ex soldier, is called regular sum paid.

Retirement Pay: This is usually a fixed amount of money paid regularly to somebody during retirement by the government, a former employer, or an insurance company.

Public Service: Public service means a service under Government of the Federation in a civil capacity or such other service in any organization specified in Schedule 2 to the Decree. Schedule of that Decree shows the list of organizations already declared as Public Service. This list is regularly up-dated through publications in the Federal Government Gazette.

Qualifying Service: This has to do with service in the public service or any approved service which may be taken into account in determining whether an officer is eligible by length of service to pension or not.

Scheme: A system for providing payment of pensions or gratuities set out in an arrangement is known as scheme.

Standard Fund: This phrase has been used in the study to mean actuarial liability.

Termination in relation to an officer's service: This means termination of service by withdrawal/resignation or retirement.

Trustees Pension: Trustees Pension is a pension plan that uses a trust as its funding agency. Other terms used for such a plan are self-administered pension plan, self-insured pension plan, and uninsured or non-insured pension plan.

Valuation: This term has been as used in the study to mean the spreading of the cost of pension benefits in a reasonable way.

Abbreviations:

NPF: National Provident Fund.

NSITF: National Social Insurance Trust Fund.

PENCOM: Pension Commission of Nigeria

RSA: Retirement Savings Account.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter has reviewed existing literature on Pension Fund Administrations and the welfare of Nigerian Universities Employee. It has also reviewed recent developments in pension administrations in Nigeria. The chapter has also traced the history of pension administrations in Nigeria. Subsequently, the review has focused on studies that were conducted to examine the relationship between pension fund administrations and the welfare of Employee. Finally, the chapter was concluded by an investigation of various theories with the view to identifying a suitable theory for the study.

2.2 Historical Background of Pension Fund Administration (PFA)

This part looks at the Nigerian experience and to see the link between the Chilean experience that many countries copy from and the extent of progress or the success story made in copying the Chilean model.

2.2.1 Nigerian Experience

There has been no exact information concerning the origin of pension in Nigeria. However, whatever the history may be the fact that employees receive gratuity and pension is a demonstration of the victory of employees in their quest for improved conditions of service.

The pension ordinance of 1951 was the first legislative instrument on pension matters in Nigeria. The ordinance had retrospective effect from 1st January, 1946. The edict was meant to address pension issues of the Nigerian public sector. The first legislation to address private pension issues was the establishment of National Provident Fund (NPF) scheme in 1961. It was then followed by the Pension Act No. 102 of 1979 as well as the Armed Forces Pension Act No. 103 of the same year. The police and other Government Agencies' pension schemes were established under the Pension Act No. 75 of 1987. The Pension Edict of local government council was enacted in 1987 which gave rise to the Local Government Staff Pension Board. Also, in 1993, the National Social Insurance Trust Fund (NSITF) scheme was established to replace the NPF scheme with the mandate to provide protection employees in the private sector of the economy against loss of employment income in old age or death. Prior to the pension Reform Act 2004, all the Pension Boards in the public sector operated a Defined Benefit (pay-as-you-go) scheme. Pensions under this arrangement were based on length of service and terminal emoluments. The Defined Benefit (DB) scheme was funded by the Federal Government through budgetary allocation, and administered by pensions Department of the office of Head of Service of the Federation (Balogun, 2006).

Because of the huge liability associated with the DB scheme, it became a great burden on the government, as it could no longer cope with the payment of legitimate pension and gratuities to the retirees. This was apparently due to the fact that there was no plan put in place to forestall this problem (Maiturare, 2011). This has created a huge problem to pension administration and had continued to pose a major challenge to successive

administrations in the country. Yet pension which guarantees an employee certain comfort in his or her inactive years following retirement is critical to the sustenance of the life of the individual and the society (Nkanga, 2005).

The first experience of pension in Nigeria perhaps took place in the Northern part of Nigeria, particularly, in areas that constituted the Sokoto and Borno Caliphates. The Sokoto Jihad of the 19th Century brought about some significant changes in the social, economic, and political settings of the emirate. One of the changes was a comprehensive social security system which evolved around Zakat (poor rate). This became institutionalised and was given to eight (8) categories of people namely: the poor, the needy, those charged with its administration, those whose hearts were to be reconciled to the state ideology, the slaves, the debtors in the way of God, war farers as well as travellers (Gratton, 1985 and Maiturare, 2006). Law rigorously defined all these categories listed above; hence, the government was empowered to administer the system. Interestingly, even the state officials with poor collection rates were also paid their salaries and allowances from its proceeds. There was also a scheme or mechanism by which a person will be certified as entitled to receive assistance from the state. Subsequently, the system extended to other parts of the country.

The history of pension fund administration in Nigeria is equally linked to the development of the subject matters in the United Kingdom. According to (Gratton 1985), Pension has become a significant feature of the pay package in United Kingdom over the last sixty years. Over the same period, successive governments have become increasingly

involved with national pension scheme. The first statute, to deal with relief of destitution, the Poor Relief Act of 1601 is regarded as the starting point of state provision for social securities. The Old Age Pension was the provision of regular payments by the government to its aged employees. Despite the fact that the pension provided was very small and subject to a means test, this legislation represented new thinking on the part of the government of the day.

Shortly after, in 1829, a formal pension scheme for the Metropolitan Police was established. This was followed by the Civil Service Scheme in 1834. However, in the private sector, the history of occupational scheme is much more recent, less widespread, and in the main far less generous. In the year leading to the Second World War, following the introduction of the Income Tax Act of 1918 and 1921, there was significant increase in the number of private and occupational schemes and several minor developments in the coverage and benefits of the state pension provision throughout the period. In 1925, the Widows and Orphans and Old Age Contributory Pension Act were introduced to mark the first National Scheme of Contributory pension scheme. In 1942, the British Government constituted a committee headed by Sir Williams Beveridge. The commitee reported on "The Future of Social Insurance and the Allied Services." The report recommended an extensive development of the Social Insurance Services to provide more and adequate funds in respect of sickness, disablement and old age. It also recommended the establishment of a "Minimum subsistence level" in respect of all these categories.

Following these developments and laws made in England, the Colonial Government in Nigeria enacted in 1951 the Pension Ordinance which had retrospective effect from 1st January, 1946. CAP 147 of the 1958 Ordinance provided that pension is to be granted by the Governor General with regards to regulations in the Ordinance. Section 5 of the Ordinance provided that:

> There shall be a charge on the pay out of the revenue of the Federal Government of all sums of money as may from time to time be regarded by the Governor General by way of pension or gratuity in accordance with the Ordinance… and for the Regional staff, the Region and the Governor of the Region concerns.

However, Section 6 of the ordinance provided that "An officer shall have an absolute right to compensation for past service or to pension or gratuity." This marked the starting point of formal pension fund administration in Nigeria. Between 1958 and 1974, several other laws and regulations were made for specific occupational groups. These included:

i. Non – Government Certified Teachers Superannuation Scheme Rules of 1958.
ii. Native Authority Staff in Northern Nigeria.
iii. Uncertified Teachers Superannuation Scheme Rules of 1973.
iv. Circular No 5/1973 for Non Pensionable Public Servants.
v. National Provident Fund now (NSITF) of 1961.

All of these laws culminated in the Pension Decree No. 102 of 1979 which had retrospective effect from 1st April, 1974. This decree had been amended several times and some of its provisions have been modified by the constitution. The law has been amended amongst others, in the following areas:

i. Reduction in qualifying service for gratuity and pension from 10 to 5 and from 15 to 10 years respectively;

ii. Change in the minimum age of entry into the service from 15 to 18 years;

iii. Mandatory retirement age from 30 to 60 years;

iv. Increase in maximum pension rate for 35 years service from 70% to 80% of total final annual emolument.

For quite some time, various administrations in Nigeria were laden with numerous problems associated with the pension system operated in both the public and private sector. Henshaw (2006) asserted that the Defined Benefit (Pay-As-You-Go) scheme operated in the public sector was characterized by inadequate funding, discrimination in coverage, demographic shifts and weak administration. The combined effect of these factors led to the accumulation of unsustainable pension liabilities and huge pension arrears.

The Public Service Pension Scheme was largely unfunded which meant that it was wholly dependent on erratic budgetary allocations. Even where budgetary provisions were made, they were inadequate and usually not released in a timely manner to trustees. This ugly trend added to the feeling of hopelessness, insecurity and escalated corruption among the active work force as people struggled to get their share of the national cake sometimes before it was fully baked. Regrettably, even in the private sector, most workers were not covered by any form of retirement benefit arrangement, thereby undermining the social security of Employees in the country (Alabadan, 2006).

For the few schemes that existed, they were governed by diverse operational rules and standards and in some cases full of malpractices between the funds' managers and trustees of these funds. It was based on these problems that necessitated the need for a paradigm shift to Defined Contribution Pension Scheme which according to government is more sustainable. Under this arrangements, the payment of benefit to retirees will depend on the growth of the scheme' s assets. The pension reform act 2004 has made it mandatory for employers and workers in the public and private sectors with 5 or more employees to contribute 7.5% each of the emoluments of the respective employee into a Retirement Savings Account (RSA). For the military, the contribution is 2.5% with the government contributing 12.5% making a total of 15%. One of the major objectives of the new scheme is to enable improvident individuals to save part of their earnings during their active working life in order to cater for their livelihood during old age (Pension Reform Act, 2004).The scheme has made it compulsory for each employee to open a Retirement Savings Account (RSA). This arrangement gives every employee the responsibility over his/her retirement savings. Also, workers are required to choose a Pension Fund Administration (PFA) of their choice, which will manage their retirement savings and diversify their investments (Alabadan, 2006).

Apart from the benefits of getting pensions as and when due, the scheme would generate massive long term funds, for productive investment in the economy. The scheme has the potentials to promote national savings, economic growth and capital market development. Also, having a pension scheme that pays out benefits in the form of a life annuity as

provided by the Act would afford the worker the protection against longevity risk, by pooling mortality risk across others (Alabadan, 2006).

2.2.2 Chilean Pension System

Before 1980, Chile adopted a social security system that was aimed at providing retirement income for the elderly as well as other social benefits. During that period different pension schemes existed to serve the interest of various occupational groups. The difference that existed among the various schemes emanated from the level of lobbying and interest group pressures a scheme is able to exert. By the 1970s, and as a result of this trend, significant differences were noticed in the benefits received by the different groups of workers. As at 1979 there were about 32 pension funds all operated under the pay-as-you-go system. Under this scheme, active employees financed retirement payments to pensioners. In order to avoid deceit and give a public guarantee to compulsory contributions, the surplus of the funds (contributions minus benefits) were transferred to the government for investment.

OECD (1998) reported that during the first decades of operation, the ratio of active employees to pensioners generated a sizeable surplus in the system. The surplus generated at early stage motivated the schemes to increase retirement benefits without recourse to the issue of sustainability in the long run. In 1955, government had to raise contribution rates in order to finance the pension deficits. While in 1955 there was one pensioner for every 12.2 active members, by 1980 this ratio had changed to 3 active members for every pensioner. Because of the continuous increment of contribution rate

active participant started evading payment of contribution and government could only pay the legal minimum benefits. This trend is explained basically by evasion and an increase in the unemployment rate which rose from 3.3% in 1972 to 14.9% in 19759 (OECD, 1998). The system as a whole was progressive, but it was confronted with many inequities. Benefits were higher for the groups which exerted the most pressure; upper and middle class workers were able to get substantial benefits making the system increasingly unfair. According to OECD (1998) it was the unfairness of the system link with the fiscal consequences of the highly inefficient management and the desire to reduce the role of the government in economic affairs that stirred the government to introduce pension reforms in 1981. The reform created a new pension system based on individual investment accounts managed by private institutions.

The reform adopted a new scheme that replaced the pay-as-you-go regime with a fully-funded pension system based on individual capital accounts, managed by private companies known as *Administradoras de Fondos de Pensiones* (AFPs). At the early years of the reform, contributions were set at low level in order to reduce political disagreement and to encourage participation. In an effort to recognise workers past contributions to the old system, the government issued special bonds referred to as "recognition bonds" and deposited them in the transferring workers individual capital accounts. The bonds are paid in full upon retirement.

All employed workers (including civil servants) must contribute to the retirement system. It is, however, optional for self employed people. Contributions were set at 10% of the

monthly salary and additional contribution of 3% of salary as a premium for disability and term life insurance, making the effective contribution rate equal to 13% of the pensionable salary. The low rate of contributions has played a significant role in reducing evasion and stimulated participation in the system.

Table 1 below shows that, before August 2002, each PFA was allowed to manage two types of funds. Fund I invested basically in fixed income securities while the Type II held fixed and variable income assets. An amendment introduced in August 2002 permitted each PFA the management of five types of funds. The policy makers' aim was to spread out portfolio choice in terms of risk and return and investment time horizon. Table 2 describes upper and lower limits that each fund allocates in variable income assets as proportion of the total portfolio. Fund A is designed for young investors who may bear more volatility and higher expected performance in the long term. Investment in Fund C placed in the middle point of the table below shows lower limit of 15% and upper limit of 40% in investment of variable income securities. While Fund E, is planned for elderly investors who are close to retirement date.

Table 1: Investment Limit in Variable Income Securities

Type of Fund	**Upper Limit**	**Lower Limit**
Fund A	80%	40%
Fund B	60%	25%
Fund C	40%	15%
Fund D	20%	5%
Fund E	Not allowed	Not allowed

Source: U.S. Pension and Investment Journal, Michigan vol.5 issue 3 2006

2.2.2.1 Lessons for Nigerian Pension System

Nigeria implemented a pension reform in 2004 following the Chilean model of defined contribution scheme. (Bernard & Jörg, 2007). This decision was justified by the argument that pensions are seen as tools that supports economic growth and development. Countries that have set up the right policies and have put in place appropriate reforms, such as Chile, have reaped very numerous economic benefits, even beyond the dreams of the initiators.

In addition, by the early years of the new millennium, when the Nigerian government was giving serious attention to pension reform, the Chilean model was being criticized not only by those who favoured a redistributive approach to pension provision but even by the World Bank. The Bank came to recognise that reforms along Chilean model had not always delivered the benefits that were proclaimed at the outset and that to realise the benefits that were expected, other reforms were also required to complement, or even precede pension reform (Bernard & Jörg, 2007).

In 2006, there was a glaring dissatisfaction with the Chilean contributory pension system, as opined by (Bernard & Jörg, 2007) in terms of its costs and its failure to make adequate provision for the old. This had provided an opportunity for politicians to persistently cite it during presidential elections. By the end of 2006, the new administration was announcing wide-ranging changes to pension provision, placing greater emphasis on solidarity and tax financing and tighter controls on the operation of the providers of the individual accounts to which employees are required to subscribe (Gobierno de Chile,

2006). In this respect, Nigeria needed to have unearthed some of the issues that have surrounded the Chilean pension system before introducing it in 2004.

Chile might seem an unlikely candidate for Nigeria to focus on in seeking a model. Nigeria is not proximate with or even in the same continent with Chile. But at least it could be apparently similar in terms of economic or social growth. However, a major similarity between the two countries is that when the Nigerian pension reform was initially conceived, the country was ruled by a military dictatorship, as was Chile when the pension reform there was carried out. It might be possible to argue that this gave Chile a "high status" in the eyes of the then policy makers (Bernard & Jörg, 2007).

Moreover, by the early years of the new millennium, when the Nigerian government was giving serious attention to pension reform, the Chilean model was being criticized not only by those who favoured more collectivist or redistributive approaches to pension provision but even by the World Bank. The Bank had come to recognise that reforms along Chilean lines had not always delivered the benefits that were proclaimed for them at the outset and that to realise the benefits that were expected, other reforms were also required to complement, or even precede pension reform (Gill, Packard and Yermo, 2005; Holzmann and Hinz, 2005; World Bank, 2005a).

In Chile, itself, frustration with the existing system, in terms of its costs and its failure to make satisfactory provision to many who were old, had been a persistent theme of the winning candidate's campaign in the 2005-6 presidential elections. By the end of 2006,

the new government was announcing wide-ranging transformation to pension provision, placing greater emphasis on solidarity and tax financing and tighter controls on the operation of the providers of the individual accounts to which employees are required to subscribe (Gobierno de Chile, 2006 and Bernard & Jörg 2007)). In this respect, Nigeria seems to be at the very end of the "ogive- or S-shaped" path of policy dispersion (Orenstein, 2003). It was made at a time when initial enthusiasm had passed and disenchantment had set in. Such disenchantment had, indeed, even reached its peak in 2009.

The pension reform project, itself, appears to have been initiated as early as 1996 (Bernard & Jörg, 2007). In Nigeria, it was an element of the Vision 2010 report that was intended to chart the way forward for the country, giving goals that were to be reached by the time the country had achieved the 50^{th} anniversary of political independence (Pension Subcommittee, 1997). Those who drew up the blueprint for pension reform in 1996 and 1997 made an inventory of other countries' systems, in line with what most policy advisers elsewhere do. In their end report, they presented the pension systems of Ghana, one of Nigeria's neighbours, of the UK, the former colonial power, the United States, a dominant world power and of Chile (Pension Subcommittee, 1997). When proposing the way forward, the report was emphatic that a Chilean-type system provided the best solution. This decision was justified by the argument that pensions were "tools for the promotion of economic growth and development".

Nations that have laid down the right policies and have put in place proper reforms, such as Chile, have reaped very numerous economic benefits, even further than the thoughts of the initiator. Chile, with near zero GDS/GDP ratio [savings rate] and very low per capita income in the early 80s, is today a completely transformed economy and the envy of other South American countries and Nigeria alike (Bernard & Jörg, 2007).Chile's rapid economic growth was mostly financed by long-term savings primarily from pension funds; channelled to the real sector through the capital market. Nigeria can perform the same feat if not better if it learns from the Chilean example and implements the appropriate measures (World Bank, 2005a).

Indeed, the authors of the report were sufficiently bold to suggest that Chile's economic circumstances in the 1980's were almost similar to that of Nigeria today: low GDP per capita, low savings, high unemployment, high inflation, etc. Nigeria desires a quantum leap in her economic output just as Chile in the early 1980s. If the reformed pension system-facilitated Chile's economic renaissance, adapting same by Nigeria is only natural and sensible (Bernard & Jörg, 2007).

2.2.2.2 Conceptual Thoughts

Defined Benefit (DB) plan is a retirement pension arrangement by which a retired employee receives a specific income based on salary history and years of service (Jim, James &Yvonne, 2008). In such a situation the employer bears the risk of the investment. Funding of the DB plan is typically borne by the employer, with the employee sometimes

also making contributions. Upon retirement the employer is contractually obligated to deliver a pension income to the employee on a regular basis.

In contrast, a defined contribution (DC) pension plan is a plan by which the employer contributes a specified amount toward an employee's retirement. Typically, the employer will contribute a fixed percentage of an employee's salary to an account with the employee also contributing a given percentage into the account. The risk associated with the investment is completely borne by the employee. Upon retirement, the employee uses the funds from this account to fund his or her retirement (Jim, James &Yvonne (2008)

2.2.3 Employee Benefits, Retirement Plan, and Organisational Performance

Study carried out by Jim ,James &Yvonne, (2008) on the importance of compensation to an employee's performance, withdrawal, lateness, absences, and turnover has established a clear level of relationship between compensation benefits and work performance as culled also in (Currall, Towler, Judge, & Kohn, 2005). As noted by (Heneman and Judge, 2000). "Research has unequivocally shown that pay dissatisfaction can have important and undesirable impacts on numerous employee outcomes". Although research that specifically focused on the longitudinal behavioural impacts of pension plan funding as a form of employee compensation is generally lacking, there exists a fair amount of literature indicating the critical importance of employee benefits to human resource (HR) outcomes, including organizational citizenship behaviour, job satisfaction, and intention to remain with an organization. For example, by using social exchange theory, (Lambert, 2000) it was found out that enhanced organizational citizenship behaviours resulted from

the provision of valued benefits programs by employers. Valued benefit offerings led employees to increase the frequency of helpful behaviours at work by providing voluntary creative behaviours such as submitting suggestions for product improvements.

Research by Lane (1993) found that dissatisfaction with benefits was a predictor of intention to leave an organization. (Williams, Malos, and Palmer, 2002) established that job satisfaction was a result of satisfaction with employee benefits. Similarly, (Covin, et al., 1993) concluded that benefit and satisfaction had a favourable influence over a wide range of workplace attitudes and behaviours. Benefits are of value to employees if they meet employees' needs and preferences (Dencker, Joshi, & Martocchio, 2007). Hence, practicing managers need to be aware of the needs of their particular workforce and provide benefits accordingly. Benefits that do not meet employees' needs will not result in the expected and desired HR outcomes. Therefore, in deciding what kind of retirement plan to offer, employers need to carefully consider the overall benefits of such to their particular workforce and be mindful of existing different plans as well as the cost of the programme they want to institute. One factor to be mindful of is the proportion of older workers in today's workforce since a higher percentage increases the saliency of pensions as an increasingly valued form of benefits. Age is clearly related to the importance of employee benefits in general and retirement benefits in particular (Dencker, Joshi, & Martocchio, 2007). Therefore, relative to other non-mandatory benefits such as vacation time, retirement benefits are of increasing importance to managing an aging workforce.

2.2.3.1 Strategic Perspective of Employee Benefits

In their paper Jim, James &Yvonne; (2008) viewed in (Barney, 2002). Observed from a strategic management standpoint, the research finds similar arguments for the importance of compensation benefits as a tool and source of competitive advantage for organizations. The resource-capability based view of the firm suggests that firms build competitive advantage and earn excess returns when in the possession of valuable and unique resources

In this respect, human resources refer to the accumulated stock of knowledge, skills, and abilities that the employees possess, which the firm has built up over time into an identifiable expertise framework which contributes to the firm's strategic objectives. Research in this area has shown that "firm-specific skills" acquired through "long-term on the- job training" have been found to be associated with higher economic returns (Bishop, 1991; and Castanias & Helfat, 1991). This resource-based strategic view of human resources suggests that firms should develop policies and practices to prevent the loss of such an asset or value. In summary, this research clearly asserts that employee benefits are related to important HR outcomes. This can serve as a source for higher levels of individual performance, and as a strategic resource providing a competitive advantage to organizations. Thus, managers should view benefits and pension plans as strategic assets to be managed in the same vein as a brand name or research and development capability. (Neuberger, 2005) contends that:

> Discussion of occupational pensions has been obscured by emotive language about good employers offering generous pension schemes designed to recruit and retain loyal and able

> employees; the government has talked about the principles of voluntarism as if employers provide pensions out of some sense of public duty. This is sentimentalism that dangerously masks reality. The true cost of providing a DB pension (after stripping out bogus arguments and offsetting investment returns) is at least 20 per cent of salary. Companies bear that sort of cost only if there is good reason to do so, and not out of public duty.

Viewed in this frame the fundamental questions that employers must address with regard to pensions are as noted by (Jim, James &Yvonne, 2008):

(1) What does the pension plan cost?

(2) What is the strategic benefit of the pension investment?

While evaluating the cost difference between a DB and DC pension plan is straightforward, evaluating the change in strategic human resource benefits is not. For example, DC plans provide enhanced portability, involvement in investment decision-making, and frequent feedback on fund performance which may result in higher levels of motivation, improved attitudes, and increased performance of employees (Westerman and Sundali, 2005).

However, it is also possible that the fluctuations in the value of the DC plans and the variability of the expected cash flows may have powerful negative effects on employee perceptions of the value of this retirement benefit. Employees who have subscribed to DC plans may experience increased financial anxiety and have greater concern about how financially prepared they are for retirement (Westerman and Sundali, 2005). Employers should consider whether the benefits gained from the shift to DC plans exceed the associated costs in a larger, more strategic sense. For example, providing the enhanced

employee mobility inherent in DC plans may lead to the unintended consequence of increasing employee turnover amongst the firm's most experienced, skilled, and valued employees and reducing a firm's human resource-based competitive advantage.

(Komoche, 1996) noted that "… building a human resource (HR) capability based on retention capacity is a preliminary step in the creation of HR strategic assets". This suggests that deferred compensation such as pensions can be an effective tool in this regard. However, competitive pressures and accounting/financial cost considerations are arguably the primary forces in the design of a firm's benefits plan, with little consideration given of the potential impact on the firm's human resource-based strategic competitive advantage. Hence, the massive shift from DB to DC plans in organizations in the U.S. over the past 20 years, is considered as occurring without a great deal of consideration as to its larger strategic impacts beyond short-term accounting based cost savings. In fact, it appears that practicing managers may not be aware of the potential negative effects on employee attitudes and behaviours associated with the shift from DB to DC plans.

2.2.3.2 Funded Pensions in the Context of the Nigerian Political Economy

In the Nigerian context, analysis of how compulsory individual funded pensions might affect national savings levels and economic growth must be read against conventional wisdom (Bernard & Jörg, 2007). This is necessary in at least two respects. First, increased savings rates might not be desirable in a very poor country. In the context of lack of basic social security in the present, any forced saving for the future might not be rational or

desirable both at the level of individuals and society at large. Using funded pensions to develop the Nigerian financial market to provide long-term funding for productive investment and higher growth in the future is an experiment rather than a precondition for development in the present. The most urgent question in terms of how to accumulate resources for future development is to deal with the failure of the country's political economy to turn resource endowments into developmental gain for ordinary Nigerians. Short-term improvements in the provision of basic services and in creating preconditions for future economic development, such as the provision of electricity and treated water, might be available in a direct manner rather than through the detour of developing Nigerian capital markets.

Countries such as China can provide infrastructure in exchange for oil and basic social security could be financed from outside at limited cost by rich donor countries. Secondly, even if advancing funded pensions to increase national saving and develop capital markets were desirable, the existing scholarship on funded pensions points toward various barriers to achieving these objectives in low-income countries (Clunies-Ross and Huq, 2009). Thus, it must be stressed that the academic literature does not offer support for funded pensions in the context of developing countries with a GDP as low as that of Nigeria (Davis, 1995; Davis & Hu 2006 and Barr & Diamond 2008).

The literature above suggests that, there exists a very close link between GDP per capita and the development of financial markets. It is a well known view that it is to be impossible to skip stages in the build-up of regulatory capabilities because financial

market development must be advanced enough to allow for funded pensions to contribute to the system.

On the back of high oil prices, Nigeria has been classified by the World Bank as a lower-middle-income country rather than a low-income country. However, the large gap in development between Nigeria and countries with a more developed financial market such as South Africa continues to exist. Catalan, Impavido, and Musalem, (2000) acknowledged that their sample of developing countries consisted of only three cases including Chile out of which two, Malaysia and Singapore, exhibit little if any causality between institutions and markets. Similarly, some authors have also pointed to the potential of contractual savings, such as funded pensions, to be more beneficial in the context of developing rather than developed countries (Davis & Hu, 2006).

However, the literature uses the term "developing countries" for countries that are more advanced than Nigeria and the sample is too limited to allow for any generalization (Catalan *et al.* 2000). Thus, if regulation is poor and promising investment opportunities are limited, enforced long-term saving might fail to develop financial markets. In addition, contributions into individual funded accounts can affect national savings and the rate of growth in different ways. The contributions do not need to increase and might even decrease national savings if assets are primarily invested in newly created government bonds. Placing these bonds into individual accounts only increases public debt. On the other hand, savings might increase if existing bonds are purchased from the

public, and that is the difference between narrow funding and broad funding (Holzmann and Hinz, 2005; Barr and Diamond, 2008).

In the last one decade, since pension reforms became very prominent, a number of studies, particularly the work of Hu wei (2005) have established a positive relationship between economic growth and pension reform in the long run, while indicating a negative relationship in the short run. Specifically on pension fund assets and economic growth, several studies have found a positive link between these two variables. In other words, there is evidence that pensions are a good predictor of economic growth Maiturare (2011).

Also on the relationship between pension assets and financial development, empirical research suggests that pension funds growth leads to financial development. Yet a few studies have come out with opposite results. Prominent in this category is the work of (Spierdijk, Laura, Zandberg and Eelco, 2010). The study showed empirically that there is no relation between funding of pensions and economic growth in a sample of OECD- as well as non-OECD countries over the period 2001-2008. Clearly, this finding contradicts findings of earlier studies. The earlier studies do not have control over capital market returns of pension funds.

In the Nigerian context, one can expect a mismatch between the accumulation of pension savings and the failure to find appropriate investment outlets that would produce real

returns to pension savers. Some of the relevant problems with the funded pension system in the Nigerian context are outlined in Table 2:

Table 2: The Nigerian case of funded pensions: Selected problems

Perspective	Problem	Applicability to the Nigerian case	Feedback from practical experience 2004-9
Institutional capabilities	Pension authority's regulatory capability limited	Highly applicable	Doubt expressed by observers
	Poor data gathering and management	Highly applicable	Doubt expressed by observers
	Instability of the banking system	Highly applicable	Large-scale crisis in the Nigerian banking sector in mid-2009
	Political interference with investment decisions	Possibly applicable	President's "seven points" suggest using pension savings for house building
	Limit in the number of asset classes available for investment	Highly applicable	Pension regulator's guidelines limit investment to domestic government and bank money instruments and some domestic equity
	High transition costs in moving from old unfunded DB system and PAYGO system (NSITF) to funded pensions	Highly applicable	Pension arrears of pre-2004 unfunded public sector DB schemes reach record level in 2009. Additional costs arise from transferring existing NSITF pension claims into the new system
Individual saver's interests	Credibility of future pension promises in doubt	Highly applicable	Reports about large-scale effort to avoid contributions by workers and employers
	Inadequate returns on low-yielding assets	Possibly applicable	Very limited reliable data available but small (<20 per cent) equity share of investment said to have contributed 50 per cent of overall returns until the 2008 Nigerian stock market crash
	High management charges question returns	Highly applicable	Charge by Pension Fund Administrators, Pension Fund Custodians and Pension Commission very high by international standards – reduced from 3 per cent to 2.25 per cent in 2 quarter of 2009.
	High rate of inflation questions returns	Possibly applicable	Average consumer price inflation between 2004-2009 11.7 per cent/year
	Frequent change in labour market status questions build-up of significant sums in individual accounts	Highly applicable	Nigerian data points to frequent change in labour market status between formal and informal sector

Source: http://www.indexmundi.com/nigeria/inflationβrateβ (accessed 25/08/09)

2.2.4 The Nigerian Case for Pension Reform

As in other countries of sub-Saharan Africa, Nigerian pension issues have a fairly limited relevance for the country's social protection system. The demographic profile of the population is biased towards young people with older people mostly relying on informal provisions for survival in old age. Formal social security, including pension provision, is limited to the formal sector. This includes civil servants at each of the three levels of government (federal, state and local), the military and employees of public sector (Faruk, 2011) in (Barr and Diamond, 2009).

In spite of low coverage rates in relation to the overall size of the Nigerian workforce, many pension systems existed at parallel levels before the 2004 reform. There were special schemes for public servants in the Nigerian federation, such as the federal police, security services and the military. In addition, each of the 36 federal states, plus the capital territory, had their own pension schemes for their respective public servants, as did each of the 774 local government authorities. (Maiturare 2011)

These public sector pension schemes were non-contributory and unfunded based on PAYGO arrangement (Casey and Dostal, 2008). By contrast, the formal private sector was pre-2004 reform covered by a PAYGO pension scheme, the Nigerian Social Insurance and Trust Fund (NSITF). However, the scope and coverage of the schemes were more limited than in the public sector. Only some large enterprises offered access to the scheme and, since its foundation in 1994, the Fund's accumulated capital as well as pension payouts have been low while administrative costs have been high (ILO, 2006). In

sum, the resulting pattern of pension provisions was highly fragmented and the available data suggests that only 10 per cent of the Nigerian work force (about 4.8 million out of approximately 48 million) belonged to the formal employment sector out of which about 3.7 million also belonged to a pension scheme (Casey & Dostal, 2008).

The 2004 pension reform did not expand the scope of pension provisions in comparison to the pre-reform period. Although data on pensions under the variety of old systems and the new system is difficult to compare, the reform might have worked to limit coverage further. It took the emerging system of retirement savings accounts until the first quarter of 2009 to reach 3.5 million registrations, which was still below the pre-reform level (Pension Commission, 2009). This slow growth of coverage was partly due to the slowness with which legislatures at states and local governments' levels agreed with the terms of the federal legislation for pension reform at their various levels of authority.

Another significant factor was the reluctance of private sector employers to join the new scheme and the general doubts of would be beneficiaries about the credibility of the new system. The shortcomings of the pre-2004 Nigerian pension systems such as the existence of large-scale unfunded entitlements under the DB pension scheme for civil servants matched by large-scale arrears of pension payments in all sectors of the system were some of the reasons for undertaking 2004 reform. However, a prominent line of reasoning has stressed that pension reform in Nigeria should follow the Chilean model of providing long-term capital to develop financial markets and improve economic growth.

The basis for the line of reasoning is clear following a number of high profile reports issued by subsequent Nigerian governments (Pencom, 2009).

The first mention of the 2004 pension reform project idea can be found as early as 1997 in the Vision 2010 document of the then military government. It stated that "by the year 2010 most Nigerians shall have access to some form of social protection offered by the formal Social Security Program" (Pension Subcommittee, 1997). After the military regime gave up power and, following elections, a civilian government took office in 1999. The new administration then put forward its own programme for economic and political renewal, known as National Economic Empowerment and Development Strategy (NEEDS). The NEEDS document referred only in passing to pension reform but reiterated the view that the reform might help to develop the Nigerian capital market (Government of Nigeria, 2004).

Another characteristic statement from the same period suggests that pension reform has created a platform for the realization of all other reform programs of the Federal Government of Nigeria. Without long term funds, there can be no significant development in the much needed sectors that would promote economic growth. In the short term, the regulations [on pension reform] seek to point to the need for the proactive and rapid development of the capital market through the creation of quality investment outlets for different asset classes to absorb these long term funds being accumulated for the first time in the financial history of Nigeria (Henshaw, 2006). However, the

international financial institutions such as the IMF and the World Bank did not offer any significant support for the country's pension reform.

The Fund engaged in two technical assistance missions to estimate pension arrears of the pre-reform pension system in the context of a "policy Support Instruments" but offered no direct financial assistance". The Bank originally offered Nigeria a technical assistance programme to improve economic reform and governance in general which included funding for a pension reform component. However, the funding was not paid out but subsequently diverted to address Nigerian aviation safety (World Bank, 2009). One might detect three main explanatory factors for the decision to enact the 2004 pension reform: (1) the existing unfunded pension promises under the old -reform DB system for civil servants resulted in quickly growing pension entitlements that the government was unable or unwilling to fund; (2) the example of Chile suggested that pension reform might be a significant component in improving the functioning of Nigerian financial markets; (3) the government hoped that pension reform would add to the credibility of the general economic reform effort, since funding pensions would put the federal and state budgets on a fiscally sustainable footing (IMF, 2005).

Under the new system, the replacement rate of future pension benefits in relation to wages is uncertain. Some simulation exercises by IMF and World Bank suggest that the replacement rate will be in the order of 40 per cent of final wage or salary in the case of a 30-year contribution record – much lower than under the former public and private sector schemes that, admittedly, often went unpaid (Casey & Dostal, 2008). Other problematic

features of the new system concern the decision to make low-wage earners pay full contribution rates and the failure to clarify the value and financing of a minimum pension that the Pension Reform Act of 2004 provides for but that still remains undefined in 2009. In addition, authorities at all levels of the Nigerian state have failed to deal with existing pension arrears deriving from the earlier pension systems. The figure reached new record high in 2009 (Nzeshi, 2009).

However, pension reform was downgraded during Jonathan's government and emphasis shifted towards other issues, such as efforts to develop Nigerian export oriented industries. Shortly thereafter, the financial sector was forced into crisis management as the country's stock market declined in 2008 and the banking sector faced large-scale instability in 2009.

2.2.4.1 Contributory Pension Scheme (contributory Pension system)

Under this system, an employer is obliged to deduct and remit contributions to a custodian within 7 days from the day the employee is paid his Salary, while the Custodian shall notify the PFA within 24 hours of the receipt of such Contribution. Contribution and retirement benefits are exempted from any form of taxation. At the presentation of licenses to Pension Fund Administrators and Custodians the then president Olusegun Obasanjo in 2006 noted that

> it is the desire of the country to remain a key player in the world economic scene that necessitated the adoption of the pension reform programme by the Federal Government. The country's bitter experience with old pension schemes informed the government decision to explore the possibility of overhauling the pension schemes by opting for a

contributory fully funded and mandatory pension scene. This led to signing into law of the Pension Reform Act 2004 on Friday 25th June 2004.

The Pension Reform Act 2004 in effect, repeals the Pension Act 102 of 1979 Cap.346 and establishes a uniform contributory pension scheme for both the private and public sectors of the economy.

i) Objectives of the Scheme

Section 2 of the Pension Reform Act 2004 enumerated the objectives of the scheme among others as follows:

i. Ensure that every person who has worked in either the public or private sector receives his or her retirement benefits as and when due;
ii. Assist improvident individuals by ensuring that they save in order to cater for their livelihood during old age;
iii. Establish a uniform set of rules and regulations for the administration and payment of retirement benefits in both the public and private sectors;
iv. Stem the growth of outstanding pension liabilities.

ii) Nature of the Scheme

The new pension scheme is contributory and fully funded by both the employer and employee based on individual' s account that is privately managed by Pension Fund Administrators (PFAs) with the pension fund assets held by Pension Assets Custodians (PACs) (Pencom, 2005).

iii) Contribution rate

Section 9 of the Act stipulates that contribution for any employee to which the Act applies shall be a minimum of 7.5% of his/her Basic salary, Housing and Transport

Allowances and 2.5% is that for Military personnel. Employees shall contribute 7.5% in the case of the Public Sector while 12.5% is that in the case of those in the Military personnel. Employers and employees in the private sector will contribute a minimum of 7.5% each. An employer may elect to contribute on behalf of the employees such that the total contribution shall not be less than 15% of the Basic salary, Housing and Transport Allowances of the employees.

iv) Remittance of Contribution:

An employer is obliged to deduct and remit contributions to a Pension Fund Custodian within 7 days from the day the employee is paid his or her salary while the PFC shall notify the PFA within 24 hours of such the receipt of contribution115(Pension Reform Act, 2004).

v) Tax Exemption

Section 10 of the Act provides that both contributions of the employer and the employee and retirement benefits are exempted from tax. This implies that they form part of tax-deductible expenses. However, employees are entitled to make additional payments into their retirement savings account apart from the mandatory contributions from both the employer and employee. This contribution of additional payment is regarded as voluntary contribution and is subject to taxation at the point of withdrawal.

vi) Retirement Savings Account (RSA)

Section 11 of the Act provides that every employee will open an account to be known as "Retirement Savings Account" in his name with a PFA of his/ her choice. An individual's account once opened remains one's him throughout one's life. He/ She may change employers or PFAs but the account remains in one's name in perpetuity. The employee is

allowed to change his/her PFA and transfer his/her retirement savings account to another PFA not more than once in a year. Usually, the employee will not have access to his/ her Retirement Savings Account and would also not have any direct dealing with his/her custodian except through his/her PFA.

vii) Withdrawal from (RSA)

Section 3(1) of the Act provides that no person shall be entitled to withdraw from his/ her RSA until he/ she attains the age of 50 years or upon retirement thereafter. However section 3(2) states that an employee can withdraw from his RSA before attaining the age of 50 years where the employee:

a. Is retired on the advice of a suitably qualified physician or a properly constituted medical Board;
b. Is retired due to total or permanent disability either of mind or body or;
c. Retires before the age of 50 years in accordance with the terms and conditions of his/ her employment.

viii) Retirement Benefits

According to Section 4 of the Act, a holder of a RSA upon retirement or attaining the age of 50 years whichever is later shall take a lump sum from his/ her retirement savings account provided that the balance standing to his/her credit will be sufficient to:

a. Procure an annuity or fund programmed withdrawal that will produce an amount not less than 50% of his/ her annual remuneration as at the date of his retirement;
b. To make a programme of monthly or quarterly withdrawals to be calculated on the basis of an expected life span; or

c. To cover an annuity for life purchased from a life assurance company licensed by the National Insurance Commission with monthly or quarterly payments. With any of the above options, there is an assurance that the pensioner has sufficient funds available to him/ her for his/ her old age.

By the provision of Section 4(2), an employee whose retirement before the age of 50 years is as a result of the terms and conditions of hi his/her employment may request to withdraw a lump sum of money not more than 25% of the amount standing to his credit and can only do so if within 6 months of his retirement he does not secure a new job.

ix) Life assurance policy

In addition to the minimum contribution of the employer under the Act, Section 9(3) provides that the employer should undertake a life insurance policy in favour of his/her employees for a minimum of three times the annual total emolument of the employees.

x) Death of an Employee

In the event of the death of an employee, his/ her entitlement under the life insurance policy shall be paid to his Retirement Saving Account and the Pension Fund Administrator is required to apply it in favour of the beneficiary under the will or the spouse and children of the deceased employee or in any other way provided by the Act (Section 5 of the pension reform Act 2004).

xi) Missing Officer

Section 6 of the Act provides that, where an officer is missing and is not found within a year and a Board of Inquiry set up by the Commission concludes that it is reasonable to presume that he is dead, his/her entitlement, under the Life Insurance Policy, will be paid

into his RSA. The PFA will thereafter allow his spouse and children or designated survivor(s) to take a lump sum while the balance will be accessed by monthly or quarterly withdrawals.

xii) Eligibility of the Scheme

The Act, specifically in Section 1(2), makes it mandatory for all workers in the public service of the federation, Federal Capital Territory and workers in the private sector where the total number of employees is 5 and above to participate in the programme.

xiii) Exemptions from the Scheme

According to Section 8 of the Act, any employee who at the commencement of this Act is entitled to retirement benefits under any pension scheme existing before the commencement of this Act but has 3 or less years to retire shall be exempted. This also includes the categories of persons under Section 291 of the 1999 Constitution.

xiv) Transitional Provision for Existing Public Sector Retirees

There shall be established Pension Departments under the scheme to continue to administer the affairs of existing retirees. The Department is made up of the existing Pension Board or Offices and shall consist of the following Departments:

i. The Civil Service Pension Department
ii. The Military Pension Department
iii. The Police Pension Department
iv. The Customs, Immigration and Prison Pension Department
v. The Security Agencies Pension Department.

The National Pension Commission is to make rules, regulations and directives for the purpose of enabling these departments to operate (See Section 30 of the Act). The

responsibilities, funds, and assets of relevant existing Pension Boards or Offices shall be transferred and vested in the respective Departments. The Departments meant to be undertakers whose offices cease to exist upon the completion of their assignment. Section 35 of the Act provides for the existence of the Department up till the death of the last retiree or category of employees entitled to retire with pension before the commencement of the Act.

xv) Retirement Benefit Bond:

Section 12 of the Act provides that employees who were already under any pension scheme before the commencement of this Act and have more than 3 years to retire in the Public Service of the Federation, whose scheme is unfunded, shall have such service recognized in the form of an amount acknowledge through the issuance of a bond known as Federal Government Retirement Bond. The bond issued under this circumstance shall be redeemed upon the retirement of the employee and the amount added to the Retirement Savings Account of the employee. This is of significant benefit to the Government, as it will not have to furnish immediately the entire funds required to change to the new system, known as Transition Cost. In the case of employees of the Public Service of the Federation whose schemes are funded by the Private Sector, Both the employer and the employee credit the RSA of the employee as his entitlement.

In the case of insufficiency of funds to meet this liability, the shortfall shall be treated as debt and be treated with the same priority as salaries by the employer. The employer is expected to issue an acknowledgement of such a debt to the relevant employee and take steps to meet the shortfall.

xvi) Retirement Benefits Bond Redemption Fund

The Act requires the Central Bank of Nigeria to establish, invest and manage funds to be known as the Retirement Benefit Bond Redemption Funds in respect of the federal Public Service and FCT. The Federal Government will pay an amount equal to five percent of the total monthly wage bill payable to employees in the public service of the federation and FCT. The total amount in this fund shall be used to redeem any retirement benefit bond issued in accordance with the Act and payment into this fund shall cease after all retirement benefit bonds have been redeemed.

xvii) Transitional Provisions for the Private Sector

Initially, the Pension Reform Bill merged the existing Public Pension Scheme with that of the Private Sector Scheme. This, in effect, had abolished Private Sector Pension Schemes. This was one of the areas that attracted the most serious criticism during the debates on the Bill by stakeholders. However, bond modifications were effected but still below the expectation of the private sector operators, who do not want the existing scheme in the sector to be tampered with.

Section 39 of the Act provides that viable pension schemes in the private sector already in existence shall continue to exist provided that:

i. They can demonstrate that they are fully funded at all times and that any shortfall can be made up within 90 days;
ii. The assets of the company are fully segregated from the pension fund assets;
iii. The pension fund assets are held by a custodian;
iv. The company has the requisite capacity for the management of pension fund assets;

v. The company must also show that they it has managed a pension scheme effectively for at least 5 years before the commencement of the new scheme;

vi. The old scheme will retain its present membership but this will not be allowed further increase;

vii. Existing members shall have the option to join the new scheme; and

Where an employee exercises that option, the employer shall compute his/ her retirement benefits to date and such amount will be transferred to his/ her RSA as maintained with a PFA of his/ her choice.

The private pension scheme may retain all its existing investments but may not make new ones 4subject to the regulations, rules and standards established by the commission. The Pension Reform Act 2004, further provides that any employer managing pension fund assets of N500, 000, 000 and above shall apply to the Commission for a license as a Closed Pension Fund Administrator in order to manage such funds directly or through a wholly owned subsidiary dedicated exclusively to the management of such pension fund assets. On issuance of the license, the commission will supervise and regulate the activities of the Closed PFA. However, where an employer is managing pension fund assets of less than N500, 000,000 and desires to maintain its existing scheme, such an employer shall have such pension scheme administered by a duly licensed PFA. The Act further requires any employer operating any defined benefit scheme to undertake an actual valuation to determine the adequacy of its pension fund assets at the end of every financial year. It also directs all such existing schemes to 5submit to the commission a statement of Affairs which shall include assets, liabilities, list of members, and current

statement in the case of contributory scheme and permeable salary in the case of a benefit scheme.

2.2.5 Review of Operations of Public Sector Pension Schemes in Nigeria

There are two public sector retirement benefit schemes currently in operation in Nigeria. A noticeable trend in the present state of pension fund in Nigeria is in terms of both the psychological and financial shock that affect every pensionable worker as a result of disheartening problems in the scheme.

(Puch and Wood, 1967) indicated that the design of a pension scheme as seen by its members may be regarded as completely divorced from the more technical issues that lie behind it. Such issues are the undefined benefit and the defined benefit pension schemes.

2.2.6 The Undefined Benefit Pension Scheme

The public sector pension scheme essentially relates to the arrangement whereby retiring employees of government at all levels and of all types are provided for after satisfying predetermined conditions of service. The public sector pension scheme revolves around an undefined benefit scheme otherwise known as Pay As You Go (Oredugba, 1998).

The public sector in this instance includes Federal, States and Local Governments civil service, the Armed Forces, Police, Parastatals and other government agencies funded from the annual budget of the federation.

In the exercise of its exclusive powers, the Federal Government enacted Decree No. 102 in 1979 CAP 346 of this regulates all matters relating to Pension and Gratuity in the public sector. The Decree was to have a retrospective effect from 1st April 1974 and it consolidated all earlier enactment's dealing with Pensions, War pensions, and disability benefits and Gratuities for civilian employees in the public service of the Federation.

The Pension Act 102 of 1979 was based on an unfunded non – contributory scheme. Benefit payment under this scheme was defined and paid based on the Pay – As – You – Go principle. The Act also covered only public officers in Nigeria and its administration was under the Pension and Records Department of the Office of the Head of Service of the Federation.

2.2.7 Requirement of Notice by an Officer who is leaving the Service.

Section 21 of the Act provides for the requirement of notice by an officer who is leaving the service as follows:

i. **Withdrawal/Retirement:** An officer may decide to leave the service voluntarily at anytime provided that:

a. If he/she has served for less than 10 years and is willing to give one month's notice or pay one month's salary in lieu of notice, where the withdrawal is immediate.

If he has served for more than 10 years, he/she is displaced to give 3 month's notice or where the retirement is immediate; his/her will be required to pay 3 months' salary in lieu of notice.

ii. **Termination of Appointment:** An officer whose appointment is terminated in public interest is entitled to one month's salary in lieu of notice. The word

termination is used for an officer who ordinarily should be dismissed from service for an act of gross misconduct. Note that all cases of dismissal shall not attract any benefit.

iii. **Compulsory Retirement:** An officer who is compulsorily retired is entitled to receive payments of 3 months' salary in lieu of notice. He is also to start receiving pension immediately.

iv. **Service to be taken into Account**

For the purpose of computation and payment of benefits under the pension law, section 12 generally provides that: it is only continuous and unbroken period of service that shall be taken into account. Given then any break in an officer's public service that is condoned by the Authority shall be regarded or taken into account.

Where an officer who had retired from the service of the Authority or from another public service in the Federation of Nigeria without a pension on account of ill-health, abolition of office or a re-organization for the purpose of effecting greater efficiency or economy, is subsequently re-employed in the service of the Authority within a period of not more than five years of such retirement, he shall be entitled to retiring benefits in respect of his total length of service but less than actual period of break provided that the gratuity already paid shall be refunded in full (Yaroson, 2000).

2.2.8 Comparison between Chilean and Nigerian Mandatory Pension Systems

(Casey, 2007) observes that, The Nigerian reform is similar to the Chilean system which it emulates very closely. The resemblance can be observed in Table 4 below. The Chilean reform is applied to all who had in the past been in a public pension system – with the

exclusion of the armed forces and the police force who retained their old rights. The Nigerian reform affects, in the first instance only to federal government workers, who had been covered by their respective job-related schemes, and private sector employees were covered by the NSITF system.

Table 3: Comparison between Chilean and Nigerian mandatory pension systems

	Chile	**Nigeria**
public PAYGO	closed	closed
covered workers	all employees, including agricultural workers and domestic workers	all federal civil servants, military, police, private sector employees in enterprises with 5 or more employees
non-covered workers	self-employed (unless choosing), family workers, the military	state and local government employees, self employed and employees in enterprises with fewer than 5 employees (unless choosing)
for new/for existing employees	mandatory/voluntary	mandatory/mandatory (unless within 3 years of retirement)
contribution (pension only)	10%, employee only	private sector and federal government – 7.5% employee, 7.5% employer; military – 2.5 employee, 12.5% employer
payout	annuity, deferred annuity and drawdown, scheduled drawdown	annuity, deferred annuity and drawdown, scheduled drawdown
minimum pension	yes, but set on ad hoc basis at about 75% of minimum wage, subject to min. 240 months contributions	under old system 80% of min wage, under new system, yes but not specified
disability pension	excluded, requirement to take out a separate insurance with pension fund	early pension permitted but no enhancement of benefits
survivors benefit	covered by supplementary disability insurance	employer required to take out life insurance for the employee
mandatory investment targets	relative to average	separate targets per asset category (e.g., for govt. bonds, weighted average of 2 year bond rate; for equities, Nigeria all shares index)
asset allocation rules or "prudent man"	asset allocation rules	asset allocation rules
contribution collection	decentralised (by pension funds)	decentralised (by pension funds)
past contributions	covered via recognition bonds (redeemed at point	public sector unfunded schemes– covered via
transfers between funds	max twice per year	max once per year

Source: Pension Commission of Nigeria, 2010.

Table 3 (back page) shows a relationship of Chilean and Nigerian pension systems, where the public PAYGO is both closed for both Chile and Nigeria; while in terms of coverage of workers, all employees are covered. But in terms of non-coverage of workers, self employed, family workers and the military are not covered and in Chile, and as is the case in Nigeria, state and local government employees and employees in enterprises with less than five (5) employees are not covered. Similarly, in the case of contribution collection, both Chile and Nigeria have decentralised collection by PFAs. The Chilean pension system is created to cover all salary earners including those in agriculture and together with domestic servants. Only the self-employed are given the option of whether to contribute or not. The Nigerian system eliminate the self-employed and also employees in small firms. The small firm exemption – which applies to enterprises with fewer than five employees – was taken over from the Nigeria Social Insurance Trust Fund (NSTIF) system. Under the NSTIF, voluntary affiliation was possible and it is possible also under the new system. Presumably in the interest of granting some security of expected benefits, the new Nigerian system excludes those within three years of retirement from participation.

Unlike in Chile, as observed by Casey & Michael (2007), conversion to the new system is mandatory for those employees that covered by the Act. The main enticement for Chilean workers to transfer to the new system was that they are to enjoy a substantial increase in their take-home pay since the contribution they would make is only about half as compared to the old system. In Nigeria, from the table above, contribution rates for employees will actually increase because civil servants moved from paying no

contribution at all to paying 7.5 per cent of their salaries while private sector workers saw their contribution rate rise from 3.5 per cent to 7.5 per cent. There is no provision in the legislation for any compensation to be made to employees for the fall in pay experienced. The contribution rate for private sector employers also rose – from 6.0 per cent to 7.5 per cent. For federal organizations, pension costs were made more explicit, since they had to pay the 7.5 per cent contribution by the employer.

Comparing benefits between old and new systems as asserted by Casey & Michael (2007) is fraught with a number of questions which depend upon a myriad of assumptions. At the time of the Chilean reform, it was argued that the new system would offer benefits as favourable as those of its predecessor amounting to about 80 per cent of last earnings. Subsequently, estimates have been revised downward. Using "more realistic" rates of return and expected persistence of contribution, they suggest a replacement rate of about 40 per cent, with somewhat more for men and somewhat less for women (Mesa-Lago, 1994; IMF, 2005b). The proponents of the Nigerian reform were not particularly explicit about what the scheme would offer, beyond describing it as being intended to provide a "stable, predictable and adequate source of retirement income"

With respect to the fashion in which benefits can be taken upon retirement in the form of an annuity but with opportunities to take a lump sum and to make programmed withdrawals. The Nigerian scheme mimics the Chilean one almost exactly. Like the Chilean scheme, it also provides for a minimum pension. Casey & Michael (2007) though, nothing is said in relation to the level of this pension before how it will be

financed. If the minimum is the same level as under the NSITF system (80 per cent of the minimum wage), it is not high.

One major difference as opined by Casey & Michael (2007) between the two systems is the treatment of disability and of survivors. The Chilean system keeps disability benefits outside the old age pension system. Disability insurance is mandatory, and is purchased through the administrator of pension fund to which a person belongs. An additional contribution some 1.5 per cent of insurable wages is required. The new Nigerian scheme is in line with the NSTIF scheme offering an early pension to those deemed "no longer mentally or physically capable" of carrying out their current job or who are retired due to "total or permanent disability either of mind or body". It is also the case that, there is no suggestion as to the pension being enhanced or topped up in any way to take account of lost years. The supplementary coverage for disability mandated under the Chilean scheme also provides benefits to survivors. Under the NSITF, survivor benefits were available, but under the new scheme these are provided by life insurance policies that employers are required to take out for their employees. If called upon, these policies pay out a lump-sum payment equal to three years earnings. The policy is taken up by the employer, who is obliged to cover the premium in addition to the contribution made for a pension.

In order to deal with accrued entitlements, Casey & Michael (2007) further observed that the Nigerian reform copied the Chilean reform by granting recognition bonds in the Nigerian case called "Federal Government Retirement Bonds". However, these bonds cover only the pensions of federal civil servants and other federal employees. Under the

Chilean reform, a recognition bond was made out in the name of each contributor and placed in such a contributor's individual account. The value of the entitlement was calculated as amount sufficient to pay that fraction of the full pension that had been earned by service and wage to date. Under the Nigerian reform, arrangements are less clear. Bonds are to be issued to individuals, but their value are not spelt out beyond requiring that it is through these that "the right to retirement benefits … be recognized" (Pension Reform Act, 2004).

The absence of clarity in this matter is a cause for some concern. As the Chile example shows, calculating transfer values was not without problems. Assessment was made on the basis of wages in the period two years prior to the reform. Since wages had been falling, this tended to disadvantage employees. Unemployment had also been rising, and there were only limited arrangements to accommodate those who had gaps in their earnings in the reference period. Similar problems occurred following the pension reform in Latvia at the end of the 1990s. Initially those who, as a result of the high levels of unemployment in the transition period, could show no contribution record during the years over which notional entitlements were calculated and were excluded from receipt of all but a minimum pension (Casey, 2005). In Nigeria, where record keeping is acknowledged as a problem and where inflation rate is high, it is uncertain what value the Retirement Bonds will have or how much of the real value of accruals will be transferred. Moreover, the opportunities for favouritism and discrimination are potentially rife.

2.2.9 The Nigeria Social Insurance Trust Fund (NSITF)

The history of regulated private sector pension scheme in Nigeria began in 1961 with the establishment of the National Provident Fund (NPF), which was established by an Act of Parliament in 1961. In 1993, the National Provident Fund (NPF) was converted to a limited social insurance scheme, administered by the Nigeria Social Insurance Trust Fund (NSITF). Trust fund Pensions Plc was incorporated by the NSITF, in collaboration with other institutional investors and social partners, as a Pension Fund Administrator, in accordance with the provisions of the Act. The sole business of Trust fund Pensions Plc is the administration and management of retirement savings otherwise known as pension funds.

The history of regulated private sector pension scheme in Nigeria began in 1961 with the establishment of the National Provident Fund (NPF), which was established by an Act of Parliament in 1961. Its purpose was to provide income loss protection for employees as required by the International Labour Organization (ILO) and Social Security (Minimum Standards) Convention 102 of 1952. The scheme covered only employees in the private sector, and the monthly contribution was 6% of basic salary, subject to a maximum of N8.00 to be contributed in equal proportion of N4.00 each by the employer and the employee. In 1993, the National Provident Fund (NPF) was converted to a limited social insurance scheme, administered by the Nigeria Social Insurance Trust Fund (NSITF). The NSITF was a defined benefits scheme and covered employees in the private sector working for organizations with a workforce of not less than 5 employees. The initial monthly contribution of members was 7.5% of basic salary, shared in the proportion of

2.5% by the employee, and 5% by the employer this was later revised in 2002 to 10% of gross salary (comprising basic salary, transport and housing allowances) shared in the proportion of 3.5% by the employee and 6.5% by the employer.

The Federal Government of Nigeria, in 2004, revolutionized pension management and administration in Nigeria, with the enactment of the Pension Reform Act 2004. The Act assigned the administration, management, and custody of pension funds to private sector companies, the Pension Fund Administrators (PFA) and the Pension Fund Custodians (PFC). The Act further mandated the Nigeria Social Insurance Trust Fund (NSITF) to set up its own Pension Fund Administrator (PFA) to compete with other PFAs in the emerging pensions industry, and also to manage the accumulated pension funds of current NSITF contributors for a transitional period of five years. Against this background, Trust Fund Pensions Plc was incorporated by the NSITF, in collaboration with other institutional investors and social partners, as a Pension Fund Administrator, in accordance with the provisions of the Act. As already stated the sole business of Trust Fund Pensions Plc is the administration and management of retirement savings of pension funds.

2.2.9.1 Growth and Success Story of the NSITF

Despite the humble beginning, low funding, and low compliance level, the Nigeria Social Insurance Trust Fund, grew significantly in every area of its operations from 1961 to 2004. The following are some of the significant growth areas:

i. The number of registered employers grew to a total of 41,800, while registered members grew to 5 million.

ii. The net value of pension fund assets under management grew by 566%, from N6bn to N40bn within the last 5 years from 2000 to 2005.

iii. Total benefit payments to retirees by December 2004 was N440 million.

iv. NSITF remains one of the few government agencies that is not funded by the Federal Government. The Fund sustains itself solely from revenue generated from its operations.

v. NSITF has a total of 38 branch offices covering all states of Nigeria, with its Head Office in Abuja, the Federal Capital Territory.

vi. NSITF is a major player in the Real Estate & Property Development sector, providing affordable houses to Nigerians. Real estate constitutes a minimum of 29% of its total portfolio.

vii. NSITF is a major institutional player and investor in the Nigerian capital and money markets. Capital market instruments make up not less than 50% of its total investment portfolio, with prime investment in virtually all blue chip and successful companies across various sectors of the Nigerian economy.

viii. NSITF has two subsidiaries, namely: Profound Securities Ltd, an asset management and stock broking company, and Profound Properties Limited, an estate management and property development company.

ix. NSITF sits on the board of the Nigeria Stock Exchange (NSE) and Central Securities Clearing System (CSCS).

x. NSITF shall according to the Pension Reform Act 2004, establish a company to undertake the business of a PFA. Contributors under the NSITF shall, at least 5 years after the commencement of the Act, select a PFA of their choice for the management of Pension Fund standing to their credit. However, the pension funds and assets held by NSITF shall be transferred to a custodian.

xi. NSITF shall also be supervised and regulated by the National Pension Commission.

2.2.10 National Pension Commission (NPC)

Section 14 of the Pension's Act establishes a body known as the National Pension Commission (NPC) with the principal objective to regulate, supervise and ensure the effective administration of pension matters in Nigeria.

The Act provides for the composition of the commission as well as the qualification of its members. The Director General, who is the chief Executive Officer of the commission, shall be responsible for its day to day administration. He shall be a fit and proper person possessing professional skill and with not less than twenty (20) years cognate experience relating to pension matters and or insurance, actual service or other related field.

For an effective discharge of the duties of the commission, the Act provides for the creation of four specialized departments namely: Technical, Administration, Inspectorate and Finance & Investment. Each of these departments is to be headed by a commissioner.

The Chairman, Director General and Commissioners are to hold office for a term of four years and could be reappointed for a further term of four years. In the event of a vacancy,

the president is empowered to appoint a new member from the appropriate zone to complete the tenure of his successor.

2.2.10.1 Powers of the National Pension Commission

The powers of the commission as spelt out by Section 20 of the Act include:-

a. Formulate, direct and oversee the overall policy on pension matters in Nigeria;

b. Fix the terms and conditions of service including remuneration of the employees of the commission;

c. Request or call for information from any employer or PFA or PFC or any other person or institution on matters relating to retirement benefit;

d. Change and collect such fees, levy or penalties, as may be specified by the commission;

e. Establish and acquire offices and other premises for the use of the commission in such locations as may be deemed necessary for the proper performance of its function under this Act;

f. Establish standards, rules and regulations for the management of pension funds under this Act;

g. Investigate any pension fund administrator, custodian or other parties involved in the management of the pension funds;

h. Impose administrative sanctions or fines on erring employers or PFAs or PFCs;

i. Order the transfer of management or custody of all pension funds or assets being managed by a PFA or held by a PFC whose license has been revoked under this Act

or is subject to insolvency proceedings to another PFA or PFC, as the case may be; and

j. Do such other things which in its opinion are necessary to ensure the efficient performance of the function of the commission under this Act.

2.2.10.2 Functions of the National Pension Commission

The functions of the commission as contained in Section 21 of the Act are to:-

i. Regulate and supervise the scheme established under this Act;

ii. Ensure guidelines for the investment of pension funds;

iii. Approve, license, regulate and supervise pension fund administrators, custodians and other institutions relating to pension matters as the commission may from time to time determine;

iv. Establish standards, rules and guidelines for the management of the pension funds under this Act;

v. Ensure the maintenance of a National Data Bank on all pension matters;

vi. Carryout public awareness and education on the establishment and management of the scheme;

vii. Promote capacity building and institutional strengthening of PFAs and PFCs;

viii. Receive and investigate complaints of impropriety levelled against any PFA, PFC or employer or any of their staff or agent;

ix. Perform such other duties which in the opinion of the commission are necessary or expedient for the discharge of its functions under this Act.

x. The Act also makes provisions for other staff of the commission such as a secretary and Legal Adviser and other categories of staff.

2.2.11 Pension Fund Administrators (PFAs)

The total number of the PFAs as at March 2010 stood at 26 (see appendix 1). According to Section 44 of the Act, pension funds shall only be managed by PFAs licensed by the commission under the Act. A Pension Fund Administrator shall not be granted license to operate unless it is a limited liability company incorporated under the companies and Allied Matters Act 1990 whose object is to manage pension funds. It must have a minimum paid up share capital of ₦150, 000,000 or such sum as may be prescribed from time to time by the commission. It has to satisfy the commission that it has the capacity to manage pension funds and administer retirement benefits.

Also to qualify as an administrator, the company or person must never have been a manager or administrator of any fund which was mismanaged or has been in distress due to any fault, either fully or partially of the PFA or any of its subscribers, directors or officers. It must also undertake to the satisfaction of the commission, that it shall not engage in any business other than the management of pension funds.

2.2.11.1 Functions of the PFAs

The functions of the PFAs as enumerated in Section 45 of the Act are:-

i. Open retirement savings account (RSA) for all employees with a personal Identity Number (PIN) attached;

ii. Invest and manage pension funds and assets in accordance with the provisions of the Act;

iii. Maintain books of account on all transactions relating to pension funds managed by it;

iv. Provide regular information on investment strategy, market returns and other performance indicator to the commission and employees or beneficiaries of the retirement savings account;

v. Provide customer service support to employees; including access to employees account balances and statements on demand;

vi. Course to be paid retirement benefit to employees in accordance with the provisions of the Act;

vii. Be responsible for all calculations in relation to retirement benefit; and

viii. Carryout other functions as may be directed, from time to time, by the commission.

It is to be noted that every employee shall nominate his or her PFA and may once in a year, transfer his RSA from one PFA to another without adducting any reason. PFAs are not permitted to keep the funds created, but to maintain the accounts opened in the name of each employee.

2.2.12 Pension Fund Custodians (PFC's)

An important part of this Act is Section 46 which states that pension funds and assets shall only be held by Pension Funds Custodian Licensed by the commission. A custodian, according to Section 52, shall be a licensed financial institution registered

under the Companies and Allied Matters Act 1990. It must have a minimum net worth of ₦5, 000,000,000.00 unimpaired by the losses or any such sum as may by prescribed from time to time, by the commission.

The custodian is also expected to have a total Balance Sheet of at least ₦125 billion. That apart, the custodian company shall issue a guarantee to the full sum and value of pension funds and assets held by it or to be held by it. However, where the application custodian company is a subsidiary of a qualified parent company, such guarantee shall be issued by the parent company. The custodian shall also undertake to hold the pension fund to the exclusive order of the Pension Fund Administrator on trust for the respective employees as may be instructed by the pension fund administrator appointed by each employee. The custodian must also never have been a custodian of any fund which was mismanaged or was in distress due to any default, either fully or partially of the custodian.

2.2.12.1 Functions of the PFCs

The custodian shall carryout the following functions as listed under Section 47 of the Pension Act:-

a) Receive the total contributions remitted by the employer on behalf of the PFA;

b) Notify the PFA within 24 hours of receipt of contributions from any employee;

c) Hold pension funds and assets in safe custody on trust for the employee and beneficiaries of the retirement savings account;

d) On behalf of the pension fund administrator, settle transactions and undertake activities relating to the administration of pension fund investments including the collection of dividends and related activities;

e) Relate to the commission on matters relating to the assets being held by it on behalf of any PFA at such intervals as may be determined, from time to time, by the commission.

f) Undertake statistical analysis on the investments and returns on investments with respect to pension funds in its custody and provide data and information to the PFA and the commission.

2.2.13 Actuarial Considerations in Pension Fund Administration

Abdul (2005) asserted that Consideration must be given to the requirements of the employer and employees involved in a pension scheme when devising a strategy for funding the pension scheme. Some of these requirements will be specific to each pension scheme or company and others will be determined by the legislative framework in which the pension schemes operate. However, he reported four fundamental concerns that should be understood in all cases: The security the method offers; how contribution is expected to be over the long term; how the method reacts to adverse or unusual experience; and whether the method provides sufficient liquidity.

(i) **Security:** In order to ensure security of the pension scheme, the funding method used must have a standard fund that is calculated allowing for all past service benefits, and for expected future salary increases. For some employers and actuaries the ideal level of security might be that, should the pension scheme be

wound up, the fund would then offset the liabilities as determined by the trust deed and rules. Not all trust deeds specify exactly the benefits to be paid in the event of the winding up of a pension scheme. When they do, the level is often just the minimum which legislation allows.

(ii) **Stability:** A stable contribution rate is useful for management processes, for example when planning future cash flows. It also imposes a useful discipline on the employer. Even so, there are funding methods that place little or no importance on stability. There should be no objection to this if it is acceptable to the employer and trustees. However, if contributions vary frequently it could be difficult for the trustees to account for whether or not they have paid, and this can place an extra burden of responsibility on the trustees.

(iii) **Durability:** Durability concerns the way contribution rates might be affected should the circumstances of the pension scheme charge suddenly. Ready examples include the effect on the contribution rate of opening up the pension scheme to new entrants.

(iv) **Liquidity:** Most funding methods that satisfy the above criteria would be liquid because they ensure regular flow of contribution income. In addition, since there are some advance funding, there should be some investment income available for benefit payment, should there be a problem with contributions. There are some special cases where liquidity becomes be an important issue. This could involve:

In small pension schemes, particularly if a senior employee is about to retire, when lump sum is taken at retirement;

a. If the employer is taking a contribution holiday. In such a case the pensions is unlikely to be paid from contribution income;
b. If the death benefit is not insured. In this instance payment of large lump sum death benefits can affect liquidity, particularly in a small pension scheme;
c. Pension scheme invested in units where investment income is automatically reinvested.

These potential problems can be addressed through sound investment policy.

2.2.14 Funding Methods in Pension Fund Administration

The five basic methods of determining standard contribution rate as highlighted in Abdul (2005) are described below:

1. **Entry Age Method**

i. **Standard Contribution Rate:** This is expressed as percentage of earnings and is arrived at by dividing the present value of all future benefits by reference to projected final earnings for a member entering at a normal age, by the present value of his total projected earnings throughout his expected future membership. The normal entry age is estimated from the actual membership, assumed, or calculated from the decrement table employed.

ii. **Standard Fund:** The standard fund is established by deducting from the present value of total benefits on projected final earnings for all members, the value of the standard contribution rate multiplied by the present value of total projected earning for all members throughout their future membership.

iii. **Characteristics:** For stability of contribution rate, it is necessary that the new entrant should have an entry age equal on average to the "normal" which has been assumed. It is therefore possible for contribution rate to be stable for funds which are growing in numbers, and even for funds which are closed to a new entrant. However, it should be noted that if a scheme were to be set up to provide benefits for future service only, the new entrant contribution rate would usually be insufficient to meet the cost of future service benefits, since the initial members would probably have a higher average age than the normal new entrant. Thus an additional contribution would be required.

2. **Attained Age Method**:

i. **Standard Contribution Rate:** Expressed as a percentage of earnings, is usually arrived at by dividing the present value of all benefits which will accrue to present members after the valuation date, by reference to service after the valuation date and projected final earning, by the present value of total projected earnings for all members throughout their expected future membership.

ii. **Standard Fund:** Is the present value of all benefits accrued at the valuation date by reference to projected final earnings. This is the same as under the project unit method described below in 3.

iii. **Characteristics:** No account is opened of new entrants to the scheme. This implies that if the scheme were closed to new entrants the contribution rate required should remain stable.

3. Project Unit Method

i. **Standard Contribution Rate:** Expressed as a percentage of earnings, this is got by dividing the present value of all benefits which will accrue in the year following the valuation date, by reference to service in that year and protected final earning, by the present value of members' earnings in that year.

ii. **Standard Fund:** Is the present value of all benefits accrued at the valuation date by reference to projected final earnings.

iii. **Characteristics:** The contribution rate will be stable if the age and sex distribution of the membership remain constant. This generally implies a continuing flow of new entrants.

Generally, the contribution rate produced by the projected unit method is less than that produced by the attained age method based on the same actuarial assumptions.

4. **Current Unit Method**

i. **Standard Contribution Rate:** Expressed as a percentage of earning, is the outcome of dividing the sum of:

   a. The present value of benefits which will accrue in the year following the valuation date, by reference to service in that year and projected earnings at the end of the year.

   b. The present value of the benefit accrued by the valuation date multiplied by the expected percentage increase in earning over the next year by the present value of members' total projected earnings over that year.

ii. **Standard Fund:** Is the present value of benefits accrued at the valuation date by reference to current earnings at the valuation date.

iii. **Characteristics:** The contribution rate will be stable if the age and sex structure of the membership remains constant and average past service at each age remains constant.

5. Aggregate Method

The standard fund and the standard contribution rate are not defined. The contribution rate is calculated as present value of the total liabilities of the existing membership, allowing for all expected future pay increases, less the present value of the assets. The contribution rate is expressed as a percentage of all future pensionable pay calculated, allowing for future increases.

2.2.15 Valuation of Assets

Asset may be shown in the accounts of the scheme either at historic cost or at market value regardless of the figure shown in the account. There are several different methods of valuing the assets for purposes of an actuarial valuation. The main methods are as follows:

i. **Historical Cost:** This is the price at which an investment was originally purchased by the scheme. This ignores any appreciation or depreciation until investment is sold, when it becomes an item of profit or loss in the accounts.

ii. **Market Value:** The mid-market price is usually used. Since market values are liable to fluctuate from day to day, particularly in the case of equities, the market value at the valuation date may be adjusted (either up or down) by reference to the way the market generally has moved over a period, to give a more stable value. There may be difficulties in determining the market value of unquoted securities, property investments, etc.

iii. **Discounted Value:** Under this method, the expected income from investment by way of dividends, interest, redemption monies and state proceeds, is discounted in the same way as benefit outgo is discounted. A valuation of this method is to assume the notional investment of the market value in one or more indices and then to discount the income from the indices.

2.3 Review of Empirical Studies

The review comprises empirical literature. The emphasis here is on literature that has a bearing on the variables of the study. The variables which include, Pension Policy, Retirees' Welfare and Contribution Pension Scheme(CPS).

2.3.1 Literature on Pension Policy, Retirees' Welfare and Contribution Pension Scheme (CPS)

Chizueze, Nwosu, and Agba, (2011) evaluated the effect of contributory pension scheme (CPS) on workers commitment, retention and attitude towards retirement in the Nigerian Civil Service. The study drew respondents from the federal and state civil service in Calabar Metropolis. Five hundred and forty eight participants were purposely selected from the University of Calabar, Cross River University of Technology and the Governor's Office, Calabar. The study used four point Likert scale questionnaire. The data obtained were analyzed using Pearson product moment correction (r). The study revealed that contributory pension scheme significantly affects workers commitment to work, retention and attitude towards retirement. The study recommended for strict measures to be put in place by government to ensure effective monitoring and

implementation of the provisions of the 2004 Pension Reform Act. Though the study is timely, it constrained itself to calabar, which is about one fifth of the south-south region.

This current study looks beyond the scope of Chizueze, et al's study focusing rather on the entire country. Okechukwu and Chijioke (2011) examined the laws and administration of retirement in Nigeria. The study reported that retirement pensions constitute the largest component of the set of public interventions that make up a social insurance system. In nations that have evolved over the years, effective and functional pension schemes, majority of the retired personnel can live comfortably with their pension allowances without so much discomfort to their family's economic stability. Despite the important nature of the study it could not suggest laws that could decisively punish corrupt officials found carting away the millions of naira (N) of retiree's hard earned benefits.

Olanrewaju (2011) investigated the effect of pension reform's act on the welfare of Nigerian retirees. The study reported that for the past three decades, the living conditions of older persons in Nigeria had deteriorated due to the erosions of their economic power, changes in the family structures and roles, particularly on the care of older members of the immediate family, unsustainability of the pension schemes and inability of government to provide an effective social security system in support of older persons in the country. The study also reported that efforts by various successive regimes in the country at addressing the needs of older members of the society have proved abortive. The study concluded that on the overall the policy may not be able to achieve its targeted

objective. This correctly represent the true picture of the despicable condition our older citizens are living in, fighting a protracted war till some of them are overcome by untimely deaths on queues waiting to collect what is rightly theirs.

Nnanta, Chukwuma and Chijioke (2011) asserted that the need for pension reform was necessitated by the innumerable problems that beset both the Defined Benefit (DB) arrangement Pay-As–You-Go- (PAYG) in the public sector and other forms of pension systems. One of the challenges of the public sector DB scheme was in its dependence on budgetary allocations from various tiers of governments for funding. As such, the scheme became largely unsustainable due to lack of adequate and timely budgetary provisions. This was the reason for the high gap between pension fund obligations and revenues, which threatened not only economic stability but also frustrated necessary investments in education, health and infrastructure. This was exacerbated by various increases in salaries, which ultimately led to increase pensions and hence undue pressure on government fiscal responsibilities. This has made Pension Administration to be weedy, inefficient and awkward. This has not been helped by poor staffing and equipping infrastructure of the scheme. This has more often than not led to poor record keeping at all pension offices throughout the country as a result of which many retirees are compelled to spend years before their retirement benefits were paid.

They further reported that the spending phase was quite challenging where payment procedure was often very tedious. Sometimes the retirees had to wait for days and years, to collect their entitlements. Similarly, the reimbursement process for the split of pension

and gratuity payments between Federal and State services and other agencies was very clumsy, untidy and sometimes fraught with bribery and corruption. There were undocumented cases of the reimbursing agency holding beneficiaries to ransom. On the whole, private sector pension schemes were characterized by very low compliance ratio due to lack of effective regulation and supervision of the system. Most of these schemes were akin to Provident Fund Schemes, which did not provide for periodic benefits. Even at this, many private sector employees were not covered by any form of the pension scheme.

Faruk, (2011) observed that sustainable pension scheme is an important ingredient in every society regardless of the nature of the political system. According to him the CPS has put in place undeniable measures to enable investment in pension funds complete at the stock market with minimum risk. This is a boost for the insurance company as well as another reliable means of sustenance for the employee at retirement in the country.

In examining the effect of welfare programmes on social security, Christian (2006) observed that countries, particularly across East Asia, had implemented one form of welfare programme or the other. For example, he further noted that Japanese government introduced a long-term care insurance scheme in 1997, South Korea and Taiwan extended pension and healthcare coverage significantly, and both also introduced unemployment benefit schemes in 1995 and 1998 respectively. Singapore improved its social security system by adding new benefit categories to its provident fund system. This became possible due to boost in poverty, unemployment and other social problems in the society.

Fedelis (2008) have identified some of the major challenges of the new pension scheme in Nigeria to include: high transition cost, high commissions that are most likely to be charged by the profit maximizing PFAs which would tremendously reduce the percentage of returns on workers' investments; and the possibility of the minimum pension guarantee creating contingent liability for the government.

Olivia (1998) observed, in the United States, the social security program concentrates mainly on old age, survivor, and disability benefits, while, in Europe, medical and unemployment insurance programs are also included under the social security umbrella. The form of the benefit varies a great deal across countries, too; some follow a defined-benefit formula, wherein the benefit payment is linked to years of service and earned income, while others follow a defined-contribution approach, tying payments to assets accumulated in an investment account.

Ibe (2008) examined the challenges and opportunities of the new pension reform Act facing the financial institutions in Nigeria. The study revealed that the new pension scheme would result in increased demand for term deposit and corporate finance services for banks, as well as increased demand for life insurance policies and annuities from insurance companies. The study further reported that the major challenge of the new pension system is its potential to create a yield problem in the money and capital markets, as pension funds bid up stock prices in Nigeria's shallow capital market and saturate the money market with liquidity at a time of declining public sector borrowing requirements. The concern of defined contribution (DC) as a new retirement scheme was based on

concerns for both old age income security and broader developmental considerations for emerging economies.

Goswami (2007) reviewed the Indian Pension System. The study identified low coverage level, underperformance of provident fund schemes due to investment restrictions, and financial difficulties in administering public pension programs. The study argued that these factors have rendered the current system ineffective and unsustainable.

Amininiye and Patrick (2010) examined the influence of perception of the University retirement plans on workers' attitude to work. The study adopted a survey design and had a sample population of two hundred persons who participated as respondents. The study revealed that workers had very low perception of their universities' organizational retirement plans. It also revealed that workers' attitude to work was largely unfavourable. They further reported that university workers that have retired from service spend over five years without receiving their retirement benefits indicating that university management seems not to have credible plans for its workers in terms of retirement. The awareness of this scenario by university workers tends to make them develop certain negative attitudes towards work.

Uzoeshi and Ubulom (2006) reported that the new scheme is worse than the old one following a mathematical model showing that a minimum of 20-year savings is what can afford a retiree a meaningful living. There is no evidence in any of the countries implementing this scheme that has been successful not even in the advanced countries

practicing it. These apprehensions, fears and anxieties provide the background and justification for this study.

Exley, Mehta and Smith (1997) asserted that the normal mechanism to reduce the risk of pension fund is to create a special purpose vehicle to hold assets broadly corresponding to the value of the liabilities being created. It is only when that is done that employees are then largely insulated from the possibility that the firm will go bankrupt or that things could go wrong. They further noted that it would not be possible to determine the existence of any optimal investment policy by looking only at the pension fund assets and liabilities. It is important to look at the total remuneration package to find whether or not there really is an overall gain to shareholders by adopting a particular investment strategy. This will go down well with government by critically examining the various types of investments that the PFAs commit shareholders funds.

2.3.2 Pension Reforms and the Retirees Welfare

Public pension rights have the potential to affect old-age mortality mainly through two mechanisms. First, the more generous the pension benefits, the higher the income of the older population. This provides more resources that can be invested in health enhancing products and activities. Second, a more generous pension system may, in addition, have a redistributive impact, thus reducing income differences in society, and particularly amongst the elderly. Of particular importance is the potential of well designed pension programmes to reduce poverty amongst older population (Palme, 2006). There are many findings suggesting that lower income differences are associated with better health and lower mortality (Wilkinson, 1992). Deaton (2003) believed that the evidence is far from

being conclusive. For historical and political reasons, countries have followed different paths in the development of pension systems, and these paths have led to somewhat different profiles in terms of the level and distribution of benefits. The question that a defined contribution has to address is what happens if the actual life span of the retiree is longer than the estimated expected life span. In such a case who supplies the shortfall to maintain the retiree for the rest of his or her life? This is a critical question that the purchase of annuity for life with monthly or quarterly payments will address. In the situation of the absence lack of any government welfare to provide social services for vulnerable groups, for example, children and the aged, in the absence of any form of social security as a right, the tendency of retired persons in Nigeria is to use the lump-sum benefit received as gratuity to invest in some form of business activity to yield them income to supplement their pensions and so maintain themselves and their families. Salvador (2008) reported that the adequacy of contributory pensions for the middle classes depends on the density of contribution. The contribution rate is another important factor that has direct bearing on the welfare of retiree.

2.3.3 Assessing the Nigerian Reform

Nigeria's reformers made determined claims with respect to the benefits the new pension system would bring. There are some lessons that can be drawn from the experience of Chile and of other countries. The reform has changed the way in which pensions are to be provided and has established a new structure. This new structure implies its own costs. The reform also changes the balance of inflows and outflows into various government accounts. Even if reform produces savings in the long run, in the short and medium term,

the government is making the same level of payments outward but is receiving a lower level of income (Bernard & Jörg, 2007).

The pension reform was not, however, merely intended to alter the way in which pensions were delivered. It was also conceived as a vehicle that would assist the economy to modernize and grow. It was seen as encouraging the development of capital markets and of raising the level of productive investment and thus potentially playing a vital role in lifting the level of national income and wellbeing.

2.3.4 Costs of the New System

The major weakness of pension systems built around private, individual accounts has always been the costs associated with it. These costs relate to collection of contributions, management of accounts and management of assets. On retirement, there are costs associated with annuitisation of the assets saved. Recently, the comparison of pension costs in the UK, the Turner Commission suggested that, whilst the overall costs of running the public pension system accounted for about 0.1 per cent of contribution income, the costs of running a system based upon private accounts accounted for between 1-1.5 per cent. This was sufficient to reduce the amount saved by up to 30 per cent (Pensions Commission, 2005) curled in (Bernard & Jörg, 2007).

Many of the criticisms of the Chilean system have centred upon the costs that this implied. Under that system, charges are levied directly, as a supplement to contributions. There is no attempt to regulate the level of the charge in the presumption that competition between pension funds would keep these down. In reality, this has failed to happen.

Whilst a considerable number of funds some 12 were established initially, rather than there being a competitive market of providers, an oligopoly, characterised by a lack of transparency with respect to essential details, prevailed in practice (World Bank, 2005).

Pension providers competed with one another not on cost but on the efficiency of services provided. However, service meant superficial attractiveness. Pension plans were marketed, and an army of salespeople, rewarded on a commission basis, was recruited. In the early years, these numbered as many as 80,000, the equivalent of two per cent of the labour force (Mesa-Lago, 1989; Bernard & Jörg, 2007). Commission-based salespeople offered gifts to those that signed up, and sought to win members of other plans to the plan they represented. Winning over the members of other plans was made easier since there were no restrictions on the number of switches permitted. Thus, there was no correlation between charges and number of members, or between charges and nominal returns (Mesa-Lago, 1994; World Bank, 2005). In an attempt to bring charges down, the government is now proposing that each year all new entrants be allocated to the provider offering the lowest charges and committing it to apply these to existing members (Gobierno de Chile, 2006).

In so far as it was modelled along the Chilean system, (Bernard & Jörg, 2007) further observed that, the new Nigeria's pension system suffers the same weaknesses. There are currently 13 open plans providers competing for members and four custodians competing to manage the assets the plans collect. Charges are regulated so long as there is a maximum charge levied on assets under management. This is three percent (3%) twice as

high as that referred to in the UK comparison cited above. What is more, even 1.5 per cent can be regarded as destructively high. The Turner Commission concluded that an efficient, privately managed system of individual accounts ought to be able to function at a charge level no higher than 0.3 per cent of assets under management. Each of the Nigerian PFAs engages in advertising, and each has its own website. Some of these websites are highly sophisticated and contain animated features which make them difficult to access without a broadband facility.

The private pensions industry in Nigeria, the PFAs and the PFCs already employ some 3,500 people (PenCom, 2006). Certain number of the PFAs has a relatively privileged position, particularly Trust fund that was set under the primary legislation as the successor to the NSITF. If the experience of Chile is valid, it is likely that few of the PFAs will survive. At its inception, there was one pension fund provider in Chile for every 300,000 people in the labour force, but consolidation now means there is one for every 600,000. In Nigeria, there is, currently, one PFA for every 350,000 in the formal labour force (PenCom, 2006). The fewer the PFAs, the less the likelihood that competition will drive down charges and the higher the likelihood that individual savings will not be channelled to financing old age but in supporting a new branch of the financial services industry.

Failure of PFAs will not necessarily be without cost. At the very least, the government might find itself obliged to pay minimum pensions to members of schemes that have failed. In fact, political pressure is likely to require intervention on a greater scale. In the

early years of the reformed Chilean system, a number of pension fund providers were obliged to cease operating. Four of the largest funds came close to insolvency during the early 1980s and were rescued only by the government effectively taking them over and becoming, at least temporarily, the majority shareholder. A fifth was taken over by a creditor bank (Mesa-Lago, 1989). In this respect, it is clear that the Chilean system was supposedly private; its survival depended upon support from the state. The same could be said to hold for the new Nigerian system. It is not in the interest of the government to allow it to fail.

Other costs to the state are those commonly referred to as "transition costs". Between half and three quarters of the value of the accounts of people retiring in Chile in the first twenty years of the reform was made up of the recognition bonds they had been awarded when they transferred to the new system (Mesa-Lago, 1994). Redeeming these bonds placed a burden upon public finances that had to be met either by the issuance of new debt or by a renunciation of spending for other purposes. Transition costs are unavoidable.

In the case of Nigeria, (Bernard & Jörg, 2007) reports that the sole attempt at costing appears to be that carried out by the IMF and the World Bank in late 2003. The detail of this has not been published. In so far as details are available, over an unspecified period the new system for federal government employees will be only ten per cent cheaper than the old system. However, it is agreed that even this might be an overestimate, since it takes no account of the contingent liabilities of the minimum pension (IMF, 2005a).

The ILO has undertaken an analysis of liabilities of the NSTIF with respect to current retirees and those still in employment that are entitled to draw NSTIF benefits. This has suggested that liabilities might be as high as Two Hundred and Eleven Billion Naira more than five times the value of the reserve fund that the system has built up to date. Ultimately, none of the estimates of transition costs have taken into account any costs that might be associated with bailing out non- and under-performing PFAs, or the costs of paying a minimum pension should retirees be required to claim one of these.

2.4 Theoretical Framework

Pension as a scheme is designed to cater for the welfare of retired workers. This practice has long gained global recognition and acceptance. Workers generally, whether in the public or private sectors are expected to live a comfortable life devoid of any form of dependency after their successful retirement from active service. The working lives of employees move continuously towards a certain direction that is from employment, to growth, to retirement. Some are fortunate to save enough money to take them through the retirement period or the "rainy day" while majority leaves the service with little or no savings at all. In view of this the theories below were identified and consequently, the study adopted on theory of contribution density.

2.4.1 Theories of Social Security

The efficiency theories of Social Security (SS) identify some market inefficiency and argue that SS is a way to regain optimality by alleviating this inefficiency. The study found eight theories (Mulligan and Sala-i-Martin 1999b) in this category: optimal

redistribution or risk sharing, human capital spillovers, optimal retirement insurance, prodigal father problem, Keynesian savings extraction, optimal longevity insurance, return on human capital investment, and administrative scale economies. The discussion of one of these theories and its theoretical and empirical predictions as it relates to the study is theory of contribution density as mentioned in 2.4.3.

2.4.2 Social Security as Longevity Insurance vs. Theory of contribution Density

The theory of social security emphasizes the issue of uncertainty about the length of life of a retiree, the theory of contribution density looks at contributions employees make in the form of invested funds by the PFAs, so that when he retires, he will fall back on an acceptable level of income that will keep him afloat for the rest of his life. The current pension reform act 2004 provides that no person shall be entitled to withdraw from his RSA until he attain the age of 50 years or upon retirement thereafter. According to Section 4 of the Act, a holder of a RSA upon retirement or attaining the age of 50 years whichever is later shall take a lump sum from his retirement savings account provided that the balance standing to his credit will be sufficient to procure an annuity or fund programmed withdrawal that will produce an amount not less than 50% of his annual remuneration as at the date of his retirement. The issue of annuity is critical in the current pension scheme because it is one of the strategies that can protect retirees against the risk of longevity (prolonged existence).

Kotlikoff and Spivak (1981) suggested that risk prone older individuals or retirees might be willing to give up as much as one half of their resources in order to gain access to an

actuarially fair annuity. In principle, the existence of uncertainty does not imply that government intervention is essential. However, where individuals have substantial private information about their health (and their mortality) annuity markets will encounter adverse selection problems. Hamermesh (1987) opined that this explains why governments run mandatory SS programs in order to enhance the efficiency and participation in annuity markets.

Obviously this theory explains why the SS is run by the government and why it is mandatory. The theory is also consistent with the fact that benefits are increasing function of lifetime earnings, the fact that they are usually paid as annuities, or that proof of disability is usually not required, since the program has nothing to do with disabilities. The theory has problems explaining why governments are so heavily involved in longevity insurance but not other forms of insurance. Moreover, if SS were solving adverse selection problems in private sector insurance markets, why do governments so often give citizens choices about when to retire and start taking the annuity? Some governments even allow citizens to opt out of the annuity and take lump sums upon retirement. It has also been observed in Mulligan and Sala-i-Martin (1999) that there is little evidence for adverse selection in private life insurance and annuities markets. Most importantly, this theory does not explain why SS induces retirement. It is interesting that implicit taxes on the elderly are an even more prevalent feature of SS than is its annuity feature.

Examples of countries inducing retirement but not requiring full annuitization are Bahrain, Egypt, and Mexico's new system (U.S. SSA Programs 1995). Since the longevity insurance model does not predict induced retirement, the government retirement age in the model (Chilean model) is the age where retirement inducements begin. Hence, the theory does not offer predictions for changes over time in the government retirement age hence the adoption of the theory of contribution density

2.4.3 Theory of contribution density

The adequacy of contributory pensions for the middle classes depends on the density of contribution as posited (Valdés-Prieto, 2006). Density can be far below 100% because the State is unable or unwilling to impose the mandate to contribute on all jobs, especially on poor workers such as many in self-employment and small firms.

The study presents a model (Chilean model) where individuals choose whether or not to bundle savings for old age in a covered job or to save independently while choosing an uncovered job. The determinants of the effective rate of return offered by the contributory pension plan include the earnings differential. This return is then compared with the returns offered by pure savings in the financial market, to determine the equilibrium density of contribution.

One of the major assumptions of the theory is that for a retiree to have sufficient retirement income the contribution density is critical in the management of DC scheme. Also, it is important to note that in a DC pension plans, the two most important determinants of the retirement benefits are the contribution density and the investment

returns that are made on those contributions. And that the social cost and benefit of any pension reform should be outlined and quantified to the extent possible so as to ensure that result of the reform if not optimal is at least welfare increasing. The study therefore adopts this theory because the welfare of retirees in defined contribution pension plan depends to a large extent on the contribution and the investment return generated from the contributions.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

For any research conducted to yield the desired outcome its methodology and the instruments of its data collection must be relevant to the issues under investigation. This chapter presents the basic research methods used in data collection as well as data analysis and the sources of data to be used. It also presents the modes of collection, the techniques, analysis and justification for the adoption of the techniques of analysis deployed for the study.

3.2 Research Design

The methods adopted by this research are both descriptive and historical. A descriptive method is where data are collected for the purpose of describing and interpreting existing conditions, purposely to make discovery and explanation of past events. The historical method involves using data from past records; these methods are essential for the purpose of facilitating both a clearer understanding of the research and in investigating the necessary aspects of pension fund administration in relation to the welfare of retirees from the federal universities.

3.3 Population of the Study

The population of this study has two (2) components. The employees of some selected Federal Nigerian Universities and PFAs. The total number of the PFAs as at March 2010 stood at 26 (see appendix 1). The population of the study is a finite one considering the fact that universities are employers of a sizeable number of employees. In this

circumstance Universities usually have to cope with an ever growing number of employees at any given period of time. As at 2006 the staff strength of the selected Universities stood at 11,448 (NUC, 2006). While the total number of employees of PFAs as at 2010, is 118 (PENCOM, 2010). The total population under study is N=11,566.

3.4 Sample Size and Sampling Technique

Given the population size of 11,566, the sample size is computed using the formula suggested by Dillman (2000) and Weaver (2006). The formula for computing sample size is as shown below:

$$n = \frac{(N)(p)(1-p)}{(N-1)(\frac{B}{C})^2 + (p)(1-p)}$$

Where,

n = the computed sample size needed for the desired level of precision.

N = the population size.

p = the proportion of population expected to choose. In this study before collecting data, the proportion of respondents who answer "yes" or "no" is unknown, so the proportion of 0.80 was used instead of 0.50 for a more homogenous sample (Dillman, 2000). However, using 0.80 provides an adequate sample size for a smaller or greater population (Biemer & Lyberg, 2003).

B=acceptable amount of sampling error or precision. It can be set at 0.1, 0.05, or 0.03, which are $\pm$ 10, 5, or 3% of the true population value, respectively. In this study, the acceptable amount of sampling error or precision is set at 0.05 or 5%.

C = Z statistic associated with the confidence level; 1.96 corresponds to the 95% level.

Where, N = 11566, p = 0.8, B = 0.05, C = 1.96

$$n = \frac{(11{,}566)(0.8)(1-0.8)}{(11{,}566-1)\left(\frac{0.05}{1.96}\right)^2 + (0.8)(1-0.8)} = 240.76$$

For the purposes of the study, a sample of six (6) Federal universities taking one from each of the six geopolitical zones of Nigeria. This sample, it is believed would afford each of the six geopolitical zones the opportunity to be represented in the study. The procedure for the selection was stratified sampling with each geo-political zone constituting a strata. These geo-political zones are the Northwest (NW), Northeast (NE), North central (NC), Southwest (SW), South-South (SS), and Southeast (SE). Using the stratified sampling technique questionnaire was administered on each selected federal university. It is important to note that since this study requires qualitative data; both teaching and non-teaching staff in the universities were sampled for the study. Going by the NUC requirement of 60-40 ratio of Teaching to Non-teaching staff and considering the fact that in most federal universities the number of non teaching staff is greater than the number of teaching staff, the researcher shall apportion the ratio of 60-40 for the respondents while the secondary data in respect of the two will be utilized as obtained.. The choice of sample size, that is, the number of units from the population that are selected for observation are determined by some factors namely: The population size which is denoted by (11,448) for university employees and (118) for employees of the PFAs totalling 11,566 and the sample size is denoted by n= (240). Hence, on the basis of

this sample 240 (obtained from the Dillman's formula above), samples were drawn from each of the selected universities using their staff strength as the major index.

Table 3.1 Population of University Employees and PFAs

S/No	Zone	University	Staff Strength of Employees (Population)
1.	North West	Ahmadu Bello University	6774
2.	South West	University of Ibadan	1130
3.	South South	University of Calabar	1181
4.	North East	University of Maiduguri	680
5.	South East	University of Nigeria Nsukka	989
6.	North Central	University of Ilorin	694
7.	Employees of PFAs		118
	Total		**11566**

Source: Field Work 2010

Similarly, the sample of employees was drawn randomly from each of the sampled federal universities proportionate to the staff strength in each of the six federal universities. In order to determine the appropriate sample size for this study, Dillman (2000) and Weaver (2006) sample size formula was employed, using 5% margin of sampling error, and 95% confidence interval as stated above.

It is important to point out at this point that, the researcher has made several efforts in getting the officially updated version of the staff list of various Nigerian Universities from Nigerian Universities Commission (N.U.C.) Abuja, but this have not produced the desired result. The desk officer kept explaining that the N.U.C. was Compiling a

comprehensive data base in respect of the list of university staff, but up to the time of completion of data analysis for this study, the updated version of the staff list was not received hence the study utilized the 2006 edition which was the only version officially published as the bases for sampling

The selection of the sample size of each category was made based on disproportionate stratified random sampling technique of the population elements from each stratum . The breakdown of the stratified sample size and number of questionnaire distributed to each category of the employees is as shown in Table 3.2 below

Table 3.2
Proportionate stratified random sampling

University/PFAs	*Population*	*Calculation of the elements by proportion)*	*Proportionate Sample size*	*Questionnaire distribution & new sample size*
University Employees	*11448*	*11448/11566*240*	*237*	*300*
Staff of PFAs	*118*	*118/11566*240*	*3*	*118*
Total	*11566*	*11566/11566*240*	*240*	*418*

Source: Field Work 2010

Furthermore, a representative sample using the disproportionate sampling technique is important for wider generalization purposes (Sekaran, 2003). In this study, simple random sampling is used, which guarantees equal and independent representation of the data chosen. The advantage of this sampling method is that there is no bias that one person would be chosen over another and the choice of one person does not bias the researcher against the choice of another (Salkind, 2003). It is also regarded for its high generalizability (Cavana et al., 2001).

For this study, a total of 418 questionnaires were distributed among the employees of the universities and PFAs stated inTable 3.2. The aim was to achieve at least 50% response rate of the respondents who are 240. The response rate was set in order to ensure that the non-response bias and non-response rate did not affect the results. Moreover, this percentage was established in accordance with a response rate of previous studies such as Sindhu and Pookboonmee, (2008) ; Phokhwang, (2008) and Ringim (2012) that used stratified random sampling received response rate of 47 % ; a response rate of 77.7% and a response rate of 82.14% respectively. Going by the computation, this study is expected to sample 418 employees with an expected response rate of at least 50% for reliable and valid results.

3.5 Methods of Data Collection

For the purpose of this study, both secondary and primary data were utilised. Secondary data were obtained from sources that existed largely in documented form. The study also collected primary data through questionnaires, interviews, and personal observations. Since this study is focused largely on retired workers in the Nigerian University, data in the form of primary and secondary were collected to facilitate the data analysis and hypothesis testing. Hence, the research instruments for this study are publication such as journals, newspapers, textbooks, annual reports, statistical bulletins as well as primary data.

Documentary sources, such as seminar papers and workshops were used for literature purposes. Also, interviews were systematically conducted with the following organisations: some selected staff of Pension Fund Administrators (PFAs), some staff

members of PENCOM and some workers and retirees in such a way that materials which ordinarily could not have been obtained through questionnaire were made available through verbal discussions.

3.6 Techniques of Data Analysis

This study uses a combination of parametric and non-parametric tools. Chi-square statistic ($\chi 2$) was employed in testing Hypothesis H_{01} and hypothesis H_{04} because the data to be analysed were qualitative in nature and drawn largely from the questionnaire administered. The chi-square was computed on the results of cross tabulation between two arms of one question relating to a problem being investigated. The chi-square statistic was computed using the Computer software program, Statistical Packages for Social Sciences (SPSS).

Where the calculated value is greater than the tabulated or critical value the null hypothesis is rejected and it is accepted if the calculated value is less than critical value. The test was conducted at α = 0.05, level of significance and the degree of freedom will be determined by the Statistical Package for Social Science (SPSS) depending on the size of the questionnaire and the number of respondents that attempted it.

On the basis of rejection or acceptance of any of the two hypotheses the results shall be interpreted appropriately. In the case of hypothesis H_{02} and H_{03} and considering the fact that it is based on time series quantitative data, the researcher utilise the Pearson's correlation coefficient to test the hypothesis. The Pearson's correlation coefficient will

help in assessing the strength of association between the two variables and by so doing determine whether or not a significant relationship exists between them. The Pearson's correlation coefficient is calculated also using the Computer software program, SPSS.

The model that this study adopted is the Chilean model. Nigeria implemented a pension reform in 2004 following the Chilean model of defined contribution scheme. This decision was justified by the argument that pensions are seen as tools that supports economic growth and development.

The value of r lies between –1 to +1 inclusive. If the value of r is equal to one (1) or minus one (-1) there is a perfect correlation in the same or opposite directions respectively. If the value of r is equal to zero then there is no correlation between the two variables. Sabo (2007) adopted the following criteria for interpreting the value of r.

Table 3.1: Interpretation procedure of correlation coefficient

Value of r	Interpretation
Between 0 and $\pm$0.25	Zero or weak correlation
Between $\pm$0.25 and $\pm$0.50	Moderately weak correlation
Between $\pm$0.50 and $\pm$0.75	Moderately strong correlation
Between $\pm$0.76 and $\pm$1.00	Strong to perfect correlation

Source: adopted from Sabo (2007).

For the purposes of this study these criteria were adopted for interpreting r. In order to form and establish the significance of the computed value, the study used the t-test for the significant difference of correlation and this enabled the substantiation of the computed r under each data set of the study. According to Gupta (1996), in order to further

substantiate the results of correlation (value of r), there is need to perform a t-test for the significance of an observed correlation coefficient. This test is performed using the t- test formula adopted from Gupta 1996 and is given below:

$$t = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}}$$

Where:

r = coefficient of correlation

n = number of periods

This study performed this test using level of significance of $\alpha = 0.05$ and the degree of freedom of n-2. The critical value for the t-test was obtained from tabulated values for the purpose of acceptance or rejection of the hypothesis. The null hypothesis is rejected where the calculated value is greater than critical value and the null hypothesis is accepted if the calculated value is less than critical value.

Usually, the higher the value of "r", the higher the relationship between the two variables which are, the dependent (benefits paid in H_{02} and PFAs Assets in H_{03}) and the independent variables (accumulated deductions in H_{02} and H_{03} respectively) . On the basis of this, the researcher can test for the significant relationship of correlation. In like manner, on the basis of the computed "r", the critical value can be determined. However, in order to establish further the significance of the tests and the reliability of the results, the researcher shall subject our results to "t" test for the significance of correlation using the formula presented above. Taking all these into consideration the results are interpreted.

3.7 Summary

This chapter examined the introduction, research design, population of the study, sample size and sampling techniques, method of data collection and techniques of data analysis. The nature of the research, as regard data analysis, the tools adopted for the study were: Pearson's correlation coefficient and Chi-Square statistic.

CHAPTER FOUR

DATA PRESENTATION AND RESULTS

4.0 Introduction

This chapter presents data used to answer research questions and test hypotheses developed. Two sets of questionnaires were designed and administered with the aim of obtaining information from staff and retirees of the universities within the six geo-political zones and some selected PFAs as the sample of the study. Copies of the questionnaires are attached as Appendix II (A and B)

The data collected from the respondents through the questionnaires were presented under two headings. The first is data obtained from the existing and retired staff members of the universities and the second is data obtained from Staff of PFAs. Chi–Square methods, Percentages and Pearson's correlation methods are used in analysing the data. The information gathered is hereby presented in table 4.1:

4.1 Data Presentations and Results

The Response of Existing Staff Members

Table 4.1 Number of Questionnaire Administered

Details	Existing Employee	percentages
Distributed	300	(100%)
Returned	282	(94%)
Not returned	18	(6%)

Source: Questionnaire Administered, 2010

From table 4.1, a total number of 300 questionnaires were administered to the existing staff of the various universities. Of the 300, 282 representing (94%) were returned and usable while the remaining 18 representing (6%) were not returned. The analysis in this section was based on the response made by the existing and retired staff combined.

Table 4.2 Gender distribution of respondents

Gender	**Number of Respondents**	**percentages**
Male	251	(89%)
Female	31	(11%)
Total	282	(100%)

Source: Questionnaire Administered, 2010

The above table shows that 89% or 251 respondents are male while the remaining (11%) or 31 respondents are female. From the table it implied that more of the respondents are males, consequently there are more male participants in the new CPS than the females.

Table 4.3 Departmental Distribution of Respondents

Department	**Number of Respondent**	**percentages**
Teaching staff	226	(80%)
Non-Teaching staff	56	(20%)
Total	282	(100%)

Source: Questionnaire Administered, 2010

The above table shows that 226 representing 80% of respondents are teaching staff, while 56 or 20% are non-teaching staff from the universities. This implies that the researcher targets more academic staff than the non teaching staff. This is deliberate because responses are more forth coming with the teaching staff.

Table 4.4: Gender of Respondents

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
	male	251	89.0	89.0	89.0
	female	31	11.0	11.0	100.0
	Total	282	100.0	100.0	

Source: Questionnaire Administered, 2010

Table 4.4 shows that the frequency for Employees both male and female stood at 282 comprising of 251 males and 31 females representing 89% and 11% respectively. This shows that the number of males that are retired benefiting from the new pension scheme is greater than that of female.

Table 4.5 Responses on Academic Qualifications

Highest academic qualification					
		Frequency	Percent	Valid Percent	Cumulative Percent
	SSCE	31	11.0	11.0	11.0
	Diploma	51	18.1	18.1	29.1
	HND/B.Sc.	102	36.2	36.2	65.2
	PGD	17	6.0	6.0	71.3
	Masters Degree	68	24.1	24.1	95.4
	PhD	13	4.6	4.6	100.0
	Total	282	100.0	100.0	

Source: Questionnaire Administered, 2010

The table shows that retirees with SSCE are 31 representing 11% of the number of samples retired and respondents with diploma are 51 representing 18.1%. Those with HND or B.Sc. qualifications are 102 representing 36.2%. Respondents with PG, Masters Degree and PhD have 17, 68 and 13 respondents representing 6.0%, 24.1% and 4.6% respectively.

Table 4.6 Staff responses: Academic and Administrative

Are you academic or administrative staff					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Academic	103	36.5	56.6	56.6
	Administrative	79	28.0	43.4	100.0
	Total	182	64.5	100.0	
Missing	System	100	35.5		
Total		282	100.0		

Source: Questionnaire Administered, 2010

Table 4.6 shows that the number of academic staff is 103 representing 36.5% while Administrative staff members are 79 representing 28.0% .The table also shows that the number of academic staff is more than that of non academic or administrative staff of universities. This may be due to the fact that the Universities are essentially educational institution. However, it is implied from the responses here that the academic staff members benefit more than the non academic staff members from the scheme.

Table 4.7 Age Distribution of Respondents

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
	21-30	10	3.5	3.5	3.5
	31-40	75	26.6	26.6	30.1
	41-50	90	31.9	31.9	62.1
	51 and above	107	37.9	37.9	100.0
	Total	282	100.0	100.0	

Source: Questionnaire Administered, 2010

The table above indicates that 107 representing 37.9% are aged 51 and above while those staff aged 41-50 are 90 representing 31.9%. However respondents that are between ages

of 31-40 and 21-30 represent a total number of 85, making up a total of 30.1% which shows that the target audience have carefully been selected because of the topical issue at hand. However, 90 respondents are between ages 41 - 50 years and the least recorded age interval is 21-30 years representing 3.5%.

Table 4.8 Staff Cadre of the Respondents

Staff Cadre					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Junior	82	29.1	29.1	29.1
	Senior	183	64.9	64.9	94.0
	Management	17	6.0	6.0	100.0
	Total	282	100.0	100.0	

Source: Questionnaire Administered, 2010

Table 4.8 presents the three (3) categories of junior, senior and management as retirees and beneficiaries of the scheme. It shows the senior staff cadre representing 64.9% with 183 as the highest number of the beneficiaries. This is followed by junior staff with 29.1% representing 82 and then lastly the management category with only 6%. This signifies that senior staff members have more retired persons than the junior and management staff categories.

Table 4.9 Respondents Registration with the various PFAs

PFA you registered with					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Sigma Pensions Limited	80	28.4	28.4	28.4
	Leadway Pensure PFA Limited	51	18.1	18.1	46.5
	Fidelity Pension Managers	32	11.3	11.3	57.8
	IGI Pension Fund Managers Limited	22	7.8	7.8	65.6
	Legacy Pension Managers Limited	28	9.9	9.9	75.5
	OAK Pension Limited	12	4.3	4.3	79.8
	Citi Trust Pension Managers Limited	33	11.7	11.7	91.5
	Others	24	8.5	8.5	100.0
	Total	282	100.0	100.0	

Source: Questionnaire Administered, 2010

Table 4.9 has shown the distribution of the respondents in terms of registration with various PFAs. Out of a total sample of 282, sigma pensions limited got a total of 80 respondents (28.4%) closely followed by Leadway Pensure limited with a total of 51 respondents representing 18.1%. The least number of respondents 12 representing 4.3% registered with OAK pension limited.

Table 4.10 Respondents with 5 or more years in service, as at 30th june2004

As at 30 June, 2004 have you spent up to 5 or more years in service					
		Frequency	Percent	Valid Percent	Cumulative Percent
	yes	185	65.6	69.3	69.3
	no	82	29.1	30.7	100.0
	Total	267	94.7	100.0	
Missing	System	15	5.3		
Total		282	100.0		

Source: Questionnaire Administered, 2010

Table 4.8 shows that, 185 are those who have 5 years or more years in service representing 65.6%, while 82 representing 29.1% have less than 5 years in service as at 30th June, 2004 while 15 did not respond.

Table 4.11 Working Experience

Working Experience					
		Frequency	Percent	Valid Percent	Cumulative Percent
	5-10yrs	15	5.3	5.6	5.6
	11-15yrs	56	19.9	20.7	26.3
	16-20yrs	62	22.0	23.0	49.3
	21-25yrs	70	24.8	25.9	75.2
	26-35yrs	67	23.8	24.8	100.0
	Total	270	95.7	100.0	
Missing	System	12	4.3		
Total		282	100.0		

Source: Questionnaire Administered, 2010

From table 4.11, the respondents that indicated 26-35 years of working experience made-up 23.8%, of the total sample while the highest percentage of 24.8%, was constituted by

those who have worked between 21 and 25 years. The least number of respondent 15 representing 5.3% are those with 5-10 years working experience.

Table 4.12 Extent of Familiarity with the Contributory Pension Scheme

How familiar are you with the contributory pension scheme Act 2004?					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Very familiar	69	24.5	24.5	24.5
	Familiar	191	67.7	67.7	92.2
	Not familiar	14	5.0	5.0	97.2
	Very Unfamiliar	8	2.8	2.8	100.0
	Total	282	100.0	100.0	

Source: Questionnaire Administered, 2010

When asked about their familiarity with the new CPS Act 2004, 24.5% of respondents replied that they are very familiar with it, while 67.7% are familiar and 5% are not familiar with it. Those who are very unfamiliar with the scheme make-up just 2.8% as shown in the table 4.12. This shows that as at the time of this analysis there is a high level of familiarity with the new Act.

Table 4.13 Employees with less than 3years to go from 1st July 2004

under the Act, employees who have less than 3 years in service from 1 July,2004					
		Frequency	Percent	Valid Percent	Cumulative Percent
	yes	48	17.0	17.8	17.8
	No	222	78.7	82.2	100.0
	Total	270	95.7	100.0	
Missing	System	12	4.3		
Total		282	100.0		

Source: Questionnaire Administered, 2010

Table 4.13 shows that employees with less than 3 years remaining of their service as at 1st July 2004 are made up of 48 respondents representing 17% while 222 respondents representing 78.7% have more than 3 years of service. 12 respondents did not respond to the question.

Table 4.14 Respondents that have Started Contributing towards Retirement

Have you started contributing towards your retirement benefits?					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Yes	212	75.2	79.7	79.7
	No	54	19.1	20.3	100.0
	Total	266	94.3	100.0	
Missing	System	16	5.7		
Total		282	100.0		

Source: Questionnaire Administered, 2010

Table 4.14 shows that 212 respondents representing 75.2% have started contributing towards their retirement benefits and 19.1% representing 54 did not responds at all. This implies that the majority has started contributing towards their retirement benefits.

Table 4.15 Respondents' Awareness of Contribution Deduction from Salary

How aware are you that your contribution is being deducted from your monthly salary					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Very aware	67	23.8	24.8	24.8
	Aware	169	59.9	62.6	87.4
	Not aware	28	9.9	10.4	97.8
	Very Unaware	6	2.1	2.2	100.0
	Total	270	95.7	100.0	
Missing	System	12	4.3		
Total		282	100.0		

Source: Questionnaire Administered, 2010

The table shows 169 representing 59.9% of respondents being aware of deduction from their monthly salary. 28 or 9.9% are not aware of deductions from their salary and 12 or 4.3% of the respondents did not respond to the question.

Table 4.16 Respondents' Awareness of the Amount Deducted

How aware are you that the amount deducted is equal to 7.5% of the total of Basic Salary+Housing+Transport Allowances					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Very aware	42	14.9	14.9	14.9
	Aware	167	59.2	59.2	74.1
	Not aware	60	21.3	21.3	95.4
	Very Unaware	13	4.6	4.6	100.0
	Total	282	100.0	100.0	

Source: Questionnaire Administered, 2010

Table 4.16 shows, 167 respondents representing 59.2% of total sample size replied that they are aware that the amount deducted is equal to 7.5% of the total basic salary + housing + transport allowances, while 60 or 21.3% are not aware of the deductions.

Table 4.17 Respondents' Awareness of Employers Deduction

How aware are you that your employer is contributing the same on your behalf					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Very aware	39	13.8	13.8	13.8
	Aware	150	53.2	53.2	67.0
	Not aware	81	28.7	28.7	95.7
	Very Unaware	12	4.3	4.3	100.0
	Total	282	100.0	100.0	

Source: Questionnaire Administered, 2010

Table 4.17 shows, 81 or 28.7% claiming that they are not aware of their employers contributing the same amount on their behalf, 150 or 53.2% are aware. However 39 representing 13.8% are very aware of their employers' contributing 7.5% on their behalf.

Table 4.18 Issuance of PIN by the PFA

Has your PFA given you a PIN number					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Yes	50	17.7	18.9	18.9
	No	214	75.9	81.1	100.0
	Total	264	93.6	100.0	
Missing	System	18	6.4		
Total		282	100.0		

Source: Questionnaire Administered, 2010

Table 4.18 shows that, of the 282 respondents, 214 or 75.9%, were not given a PIN number by their PFAs and only 50 or 17.7% were given PIN by their PFAs while 18 respondents did not respond to the question.

Table 4.19 Statement of Account in Respect of Contribution

Does your PFA send to you statement of account in respect of your contribution					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Yes	190	67.4	80.9	80.9
	No	45	16.0	19.1	100.0
	Total	235	83.3	100.0	
Missing	System	47	16.7		
Total		282	100.0		

Source: Questionnaire Administered, 2010

Table 4.19 shows that 190 representing 67.4% of respondents indicated that their PFAs send to them statements of account in respect of their contribution, while 45 representing 16.0% said no statement of account have ever been sent to them. 47 respondents or 16.7% did not respond to the question.

Table 4.20 Frequency of Issuance of Statement of Account

If yes, How often					
		Frequency	Percent	Valid Percent	Cumulative Percent
	monthly	5	1.8	1.8	1.8
	Quarterly	209	74.1	75.7	77.5
	semi-annually	45	16.0	16.3	93.8
	annually	17	6.0	6.2	100.0
	Total	276	97.9	100.0	
Missing	System	6	2.1		
Total		282	100.0		

Source: Questionnaire Administered, 2010

From the table above, 5 or 1.8% of respondents collect their statements on a monthly basis while 209 representing 74.1% collect their statements quarterly. 45 respondents representing 16% receive theirs semi-annually while those who collect their statements annually account for 17 or 6%.

Table 4.21 Awareness of Life Insurance Policy Entitlement

under the contributory pension scheme, you are entitled to life insurance policy by your employer of a minimum of 3 times your total annual salary					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Very aware	22	7.8	7.8	7.8
	Aware	47	16.7	16.7	24.5
	Not aware	150	53.2	53.2	77.7
	Very Unaware	63	22.3	22.3	100.0
	Total	282	100.0	100.0	

Source: Questionnaire Administered, 2010

This section of the CPS law is either not properly understood respondents are or ignorant of its provision because the table indicates that 53.2% or 150 are not aware and 47

representing 16.7% are aware and there. However it should be noted that 7.8% of respondents are very aware of this aspect of the CPS laws.

Table 4.22 Showing those employees with more than 3years to spend in service.

Do you have more than 3 years to spend in service as at 1 July, 2004					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Yes	220	78.0	83.0	83.0
	No	45	16.0	17.0	100.0
	Total	265	94.0	100.0	
Missing	System	17	6.0		
Total		282	100.0		

Source: Questionnaire Administered, 2010

Table 4.22 shows that 220 or 78% respondents say they have more than 3 years of service left and 45 or 16% say they have less than 3 years of service with 17or 6.0% not responding to the question.

Table 4.23 Showing Accrued Benefits Awareness

If yes, are you aware that your accrued benefits have been computed					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Very aware	37	13.1	13.1	13.1
	Aware	101	35.8	35.8	48.9
	Not aware	124	44.0	44.0	92.9
	Very Unaware	20	7.1	7.1	100.0
	Total	282	100.0	100.0	

Source: Questionnaire Administered, 2010

Table 4.23 shows, 37 representing 13.1% are "very aware" that their benefits have been computed while 101 or 35.8% are aware. Also 124 or 44.0% are not aware whether their benefits have been computed or not. Lack of sensitization by the PFAs accounts for respondents not understanding the policies clearly.

Table 4.24 Showing Awareness of Bond issued by the CBN

are you aware of any retirement benefit bond issued by the CBN					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Very aware	9	3.2	3.2	3.2
	Aware	43	15.2	15.2	18.4
	Not aware	213	75.5	75.5	94.0
	Very Unaware	17	6.0	6.0	100.0
	Total	282	100.0	100.0	

Source: Questionnaire Administered, 2010

A greater percentage, that is 75.5% representing 213 respondents are not aware of any bond issued by the CBN. However of the total number, 43 representing 15.2% are aware. But the large number not aware is due to the fact that this are technical issues not understood by the employees. Some even when asked what do they understand by bond they out rightly said they don't know what it means.

Table 4.25 Showing Reasons for the Delay in Payment of Benefits

why do you think that retirees benefits are delayed and sometimes not paid at all					
		Frequency	Percent	Valid Percent	Cumulative Percent
	inappropriate investment by the PFA	21	7.4	7.4	7.4
	mismanagement by the PFA	41	14.5	14.5	22.0
	bureaucratic bottlenecks from the PFAs	161	57.1	57.1	79.1
	lack of awareness by the retirees on the process and procedures involved	58	20.6	20.6	99.6
	preferential treatment on the part of PFAs	1	.4	.4	100.0
	Total	282	100.0	100.0	

Source: Questionnaire Administered, 2010

Table 4.25 shows, 21 or 7.4% respondents say inappropriate investment by the PFA is responsible for retirees' benefits being delayed. 41 respondents blamed mismanagement by the PFAs and 161 representing 57.1% blame bureaucratic bottlenecks from the PFAs. 58 representing 20.6% blame lack of awareness by the retirees of the processes and procedures involved. One (1) person blamed preferential treatment on the part of PFA as being responsible. These are clearly negative issues that contribute to the problems of unnecessary delay in paying retirees their had earned entitlements.

Table 4.26 Showing new pension policy as impacting on your welfare

To what extent do you perceive the new pension policy as impacting on your welfare as a retiree of the Nigerian University?					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Very Significantly	36	12.8	12.8	12.8
	Significant	162	57.4	57.4	70.2
	Neutral	30	10.6	10.6	80.9
	Insignificantly	40	14.2	14.2	95.0
	Very Insignificantly	14	5.0	5.0	100.0
	Total	282	100.0	100.0	

Source: Questionnaire Administered, 2010

Table 4.26 shows that 36 or 12.8% of the total sample, sees the new pension scheme as impacting very significantly on their welfare, while 162 or 57.4% sees it as impacting significantly on their welfare. 40 or 4.2% see it as impacting very insignificantly on their welfare.

4.3 Questionnaire (set B) Frequency tables for the PFAs

The set of tables below indicate the responses made by the staff of PFAs with respect to their own opinion in terms of the issues and the subject matter under Study.

Table 4.27 Gender of Respondents

Respondents Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	79	66.9	76.7	76.7
	Female	24	20.3	23.3	100.0
	Total	103	87.3	100.0	
Missing	System	15	12.7		
Total		118	100.0		

Source: Questionnaire Administered, 2010

The table above indicates the response of staff of the PFAs according to their genders. Of the 118 respondents, 79 that is 66.9% are male, 24 representing 20.3% are female while 15 representing 12.7% did not fill out the portion on the questionnaire. This shows that the response made are male dominated. This is so since there are more males in the workforce of almost all the PFAs offices visited.

Table 4.28 Highest Academic Qualification of Respondents

Highest Academic Qualification of Respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
	SSCE	4	3.4	3.7	3.7
	Diploma	5	4.2	4.6	8.3
	HND/B.Sc	83	70.3	76.9	85.2
	PGD	2	1.7	1.9	87.0
	Masters Degree	12	10.2	11.1	98.1
	PhD	2	1.7	1.9	100.0
	Total	108	91.5	100.0	
Missing	System	10	8.5		
Total		118	100.0		

Source: Questionnaire Administered, 2010

The table above shows academic qualification attained by the various groups of respondents. From the responses, 4 representing 3.4% have S.S.C.E, those with diploma are 5 in number representing 4.25%. Those with the highest qualification of H.N.D/BSc have the majority of 83 which represents 70.3% while those that have a combination of Masters and PhD have a total of 14 respondents representing 11.9%. This shows that the literacy level of PFAs officials is very high.

Table 4.29 Respondent's Age

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
	21-30	15	12.7	12.7	12.7
	31-40	81	68.6	68.6	81.4
	41-50	19	16.1	16.1	97.5
	51 and above	3	2.5	2.5	100.0
	Total	118	100.0	100.0	

Source: Questionnaire Administered, 2010

The age bracket of the respondents who are between 21 – 30 had 15 representing 12.7%, while those within ages 31 – 40 had the highest population of 81 representing 68.6%. Those within the bracket 41 – 50 are 19 respondents representing 16.1%. Also those from the bracket age 51 and above are 3 in number representing 2.5% of the sample. This clearly shows that the bulk of the workforce is energetic and vibrant.

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Table 4.30 What Category of Staff is the Respondent

What category of staff are you?					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Junior	60	50.8	52.6	52.6
	Senior	30	25.4	26.3	78.9
	Management	24	20.3	21.1	100.0
	Total	114	96.6	100.0	
Missing	System	4	3.4		
Total		118	100.0		

Source: Questionnaire Administered, 2010

The staff categorizations of respondents from the table above are as follows: - junior staff stands at 60 that is 50.8%; senior staff stands at 30, that is 25.4% of respondents while management staff has 24 respondents making up 20.3%. 4 respondents making up 3.4% did not respond. This table shows a major characteristic of most organizations in the country, which is that the workforce is skewed towards the junior cadre. Lack of senior and well trained personnel is a problem militating against understanding and appreciating the issues in the new contributory pension scheme.

Table 4.31 Name of your PFA

Name of your PFA					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Sigma Pensions Limited	12	10.2	13.2	13.2
	Leadway Pensure PFA Limited	5	4.2	5.5	18.7
	Fidelity Pension Managers	2	1.7	2.2	20.9
	IGI Pension Fund Managers	3	2.5	3.3	24.2
	Legacy Pension managers Limited	4	3.4	4.4	28.6
	OAK Pension Limited	3	2.5	3.3	31.9
	Citi Trust Pension Managers Limited	2	1.7	2.2	34.1
	Others	60	50.8	65.9	100.0
	Total	91	77.1	100.0	
Missing	System	27	22.9		
Total		118	100.0		

Source: Questionnaire Administered, 2010

From the table, 12 respondents representing 10.2% are for Sigma Pensions Limited, while 5 respondents representing 4.2% represent Leadway Pensure Limited, 2 respondents that is 1.7% representing Fidelity Pension Managers, while 3 respondents that is 2.5% are personnel of IGI Pension Fund Managers. Also 4 representing 3.4% are from Legacy Pension Managers and 60 representing 50.8% belong to other pension Fund Managers.

Table 4.32 Period of incorporation of PFAs

The period your PFA was incorporated					
		Frequency	Percent	Valid Percent	Cumulative Percent
	2004-2005	4	3.4	17.4	17.4
	2006-2007	11	9.3	47.8	65.2
	2008-2009	5	4.2	21.7	87.0
	2010-2011	3	2.5	13.0	100.0
	Total	23	19.5	100.0	
Missing	System	95	80.5		
Total		118	100.0		

Source: Questionnaire Administered, 2010

When asked about the year of incorporation of the respondent's PFAs, 4 that is 3.4% of the returned questionnaire, that they commenced operation at inception between 2004 to 2005, while 11 that is 9.3% commenced operation between 2006 – 2007. A total of 5 PFAs that is 4.2% were incorporated between the years 2008 – 2009. For 2010 – 2011 a total of 3 representing 2.5% were incorporated. This shows that most of the PFAs were incorporated after the take off date, which is 2004. In other words, the period 2005 – 2006 saw a surge in the number of incorporated PFAs, because by then, the guidelines of operation were becoming clearer and the prospects for PFAs to succeed were becoming more feasible.

Table 4.33 Challenges facing PFAs

What are the challenges facing your PFA					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Non-release of employees contribution by the employers	13	11.0	16.7	16.7
	Non-release of employers contribution	17	14.4	21.8	38.5
	problems of risky or non-yielding investments	11	9.3	14.1	52.6
	problems of rising number of retirees	8	6.8	10.3	62.8
	Bureaucratic bottlenecks within the PFA	8	6.8	10.3	73.1
	Inexperienced personnel within the PFA	11	9.3	14.1	87.2
	Excessive interference of the regulatory authority	10	8.5	12.8	100.0
	Total	78	66.1	100.0	
Missing	System	40	33.9		
Total		118	100.0		

Source: Questionnaire Administered, 2010

Table 4.33 answers the question of challenges facing PFAs. Off all the staff of PFAs, 13 representing 11% claim that non-release of employees' contribution by the employers is their greatest challenge. 17 staff of PFAs representing 14.4% says non release of employer's contribution is a major worry for them. 11 staff of PFAs representing 9.3% are of the opinion that problems of risky or non-yielding investment is the biggest obstacle that they face. 8 staff of PFAs representing 6.8% blame rising number of retirees as a major encumbrance. Bureaucratic bottlenecks within the PFAs represent 8 or 6.8%

and this constitutes a major source of worry. Also, 11 representing 9.3% blame inexperienced staff/personnel within the PFA for the lack of performance of PFAs. 10 representing 8.5% blame excessive interference by the regulatory authorities as responsible for the lack of progress by PFAs. From the table, it implies that many respondents are blaming non-release of employers' contribution as a major challenge facing the PFAs.

When asked about some important factors that determine investment decision in their PFAs despite the challenges presented above, majority of the respondents explain that there are many factors that determine investment decisions by each PFA. Notable amongst them are; stringent government regulations and the income level in the economy determines investment decision by the PFAs. Some staff of SIGMA pension's ltd says that, the economic indicators such as per capital consumption, risk taking by the PFAs and the age of employees' are determining factors in the investment decisions of PFAs. The inflationary rate in the economy affects the level of investment decision by the PFAs as mentioned by some staff of CITI Trust pensions. While some staff of legacy pensions observes with concern that, Under-development of Nigerian capital market and Interest rate are determinants of investment decision by PFA managers since, PFAs investment is based on high risk, high return, this is a major challenge to investment decision making by PFAs. Effective internal control and operations can help to determine the level of investment in PFAs. Others lamented that Traditional beliefs and Social insecurity affects the level of investment decision by PFAs. Investment decision by PFAs is also determined by the level of

security of properties, PFA managers take into consideration risk elements in their investment decision Associated risk factor determines the level of investment decision by the PFAs Policy guidelines help to determine the conduct of PFAs in their investment decision.

Table 4.34 Registration with the PFAs

By way of estimation, how many people have registered with your PFA?					
		Frequency	Percent	Valid Percent	Cumulative Percent
	1-1000	15	12.7	65.2	65.2
	1001-2000	3	2.5	13.0	78.3
	2001-3000	3	2.5	13.0	91.3
	3001and above	2	1.7	8.7	100.0
	Total	23	19.5	100.0	
Missing	System	95	80.5		
Total		118	100.0		

Source: Questionnaire Administered, 2010

By estimation, and as at the time of analyzing this report, 15 representing 12.9% of PFAs have 1 – 1000 people, 3 representing 2.5% have a class interval of 1001 – 2000. Another 3 representing 2.5% have between 2001 – 3000 employees and 2 representing 1.7% have above 3000 employees. Thus table 4.34 shows that a greater number of PFAs have a registered strength of 1000 employees or less as at the time of administration of this questionnaire.

Table 4.35 Timing on the release of funds from the University

How often do you get the release of funds from the university?					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Monthly	2		30.2	30.2
	Quarterly	9		14.0	44.2
	Semi-annually	8		4.7	48.8
	Annually	4		51.2	100.0
	Total	23		100.0	
Missing	System	95			
Total		118	100.0		

Source: Questionnaire Administered, 2010

When asked about how often is the release of funds from the university 2 PFAs claim that this is done monthly, 9 PFAs say quarterly, 8 PFAs say semi-annually while 4 say annually. The implication of this is that a greater number of PFAs collect funds from the universities either quarterly or semi-annually.

Table 4.36 Modes of Investment of Funds

What are the modes of investment of funds remitted to your PFA?					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Shares	17	14.4	30.9	30.9
	Oil Industry	16	13.6	29.1	60.0
	Estate Business	9	7.6	16.4	76.4
	Maritime	6	5.1	10.9	87.3
	Trading	2	1.7	3.6	90.9
	Others	5	4.2	9.1	100.0
	Total	55	46.6	100.0	
Missing	System	63	53.4		
Total		118	100.0		

Source: Questionnaire Administered, 2010

Of the respondents asked, what investment methods are obtainable in their PFA, 14.4% representing 17 said investment in shares, while 13.6% representing 16 claimed that business in oil industry is their form of investment. 7.6% said Estate Business, while 5.1% and 1.7% says Maritime and trading business respectively are their means of investment.

Table 4.37 which of the investment represent risky investment

To the best of your knowledge which of the following investment option(s) is (are) more risky modes of investment by your PFA?					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Shares	18	15.3	36.7	36.7
	Oil industry	8	6.8	16.3	53.1
	Estate	8	6.8	16.3	69.4
	Maritime	5	4.2	10.2	79.6
	Trading	7	5.9	14.3	93.9
	Others	3	2.5	6.1	100.0
	Total	49	41.5	100.0	
Missing	System	69	58.5		
Total		118	100.0		

Source: Questionnaire Administered, 2010

When asked about the type of investments that are really risky, 18 respondents representing 15.3%, say that investment in shares. Oil industry and Estate business tied at 8 representing 6.8%, and then followed by maritime and trading both with 5 and 7 respondents representing 4.2% and 5.9% respectively.

4.4 Hypothesis Testing.

This section, tests the hypotheses formulated in the area of the study.

Hypothesis I:

This part looks at hypothesis one which states that,

H_{01}: The new pension policy (CPS) has not made any significant impact on the welfare of employees of Federal Universities in Nigeria.

By cross tabulating the responses (appendix III) of employees who have 3 years in service to retire, as a policy, and the extent to which they perceive the new pension reform policy, as seriously impacting on their welfare as Employee. It is evident from table 4.26 that 36 respondents of those who have less than 3 years to retire perceive the new pension policy as impacting very significantly on their welfare. Similarly, 12 respondents out of those who have less than three years to retire are of the view that the new pension policy has impacted positively on their welfare.

Also, from the same table (4.26), 150 respondents who did not fall under the category of staff that has less than 3 years to retire from 1st July, 2004 reported that the new scheme has a significant impact on the welfare of Employee. This number represents 92.5% of respondents. Thirty (30) respondents of the same category, are neutral with respect to the impact of the new scheme on Employee' welfare. Again, 40 respondents of the same category who have more than 3 years to retire reported that the new scheme has insignificant impact on the retiree's welfare. Fourteen (14) respondents of the same

category are of the view that the new pension reform act has very insignificant impact on the welfare of Employee. Based on the above this research concludes that those that have less than three years to retire are those that perceive the new pension scheme as having very significant impact on the welfare of Employee. The researcher can further conclude that 198 respondents are of the view that the new pension scheme has significant impact on the welfare of Employees as it appears in Table 4.39 showing a table of chi square values for analyzing hypothesis $H_{01.}$

Table 4.39: Table of Chi-Square Tests

Chi-Square Tests			
	Value	D_f	Asymp. Sig. (2-sided)
Pearson Chi-Square	193.986[a]	4	.000
Likelihood Ratio	167.171	4	.000
Linear-by-Linear Association	78.038	1	.000
N of Valid Cases	270		

Field work, 2010

Table 4.39 is a result of crosstabulating the response as in appendix I using the SPSS software. The same table gave a pearson's Chi Square value of 193.986 at degree of freedom of 4 with an asymptotic value .000 which is greater than the calculated value of 9.49 The first hypothesis states that the new pension policy has not made any significant impact on the welfare of Employee of federal universities in Nigeria. Chi-square was used to test the hypothesis.

Decision Rule

If computed $\chi^2 < \chi^2$ tabulated – fail to reject H_0

Now since the computed χ^2 (193.98) is greater than the χ^2 tabulated (9.49) at 5 percent level of significance, the researcher therefore rejects the null hypothesis (H_0) which states that the new pension policy has not made any significant impact on the welfare of Employee of federal universities in Nigeria.

Hypothesis II: The hypothesis states that,

There is no significant relationship between pension benefits paid to the retirees of Federal Universities and the accumulated deductions by Pension Fund Administrators (PFAs).

The table below shows the data used on the SPSS to show the outcome on table 4.40 for the computation of Pearson's coefficient of correlation**,**

ACCUMULATED DEDUCTIONS AND BENEFITS PAYMENTS

YEAR	ACCUMULATED DEDUCTIONS (BILLIONS) X	BENEFITS PAID (BILLIONS) Y
2004	15.60	0.60936
2005	34.68	1.22505
2006	60.41	8.11475
2007	148.97	15.12400
2008	180.09	47.76802
2009	201.94	61.02011

Source: Field work, 2010

Hypotheses H_{02} states that, there is no significant relationship between pension benefits paid and the accumulated deductions by Pension Fund Administrators (PFAs).

Table 4.40 Correlation

Correlations			
		Pension Payment to Beneficiaries	Accumulated Deductions
Pension Payment to Beneficiaries	Pearson Correlation	1	.906*
	Sig. (2-tailed)		.013
	N	6	6
Accumulated Deductions	Pearson Correlation	.906*	1
	Sig. (2-tailed)	.013	
	N	6	6
*. Correlation is significant at the 0.05 level (2-tailed).			

Field work, 2010

Decision Rule

Since the calculated value for Pearson Correlation Coefficient (r) is 0.906, This shows a strong correlation between the variables (benefits paid and accumulated deductions). This study therefore, rejects the null hypothesis and accepts the alternate hypothesis which states that there is a significant relationship between pension benefits paid and the accumulated deductions by Pension Fund Administrators (PFAs).

Hypothesis III: The hypothesis states that,

There is no significant relationship between Total Assets of PFAs and accumulated deductions by PFAs in Nigeria.

Table 4.41

Correlations			
		Accumulated Deductions	Total Investment/Assets of PFAs
Accumulated Deductions	Pearson Correlation	1	.871*
	Sig. (2-tailed)		.024
	N	6	6
Total Investment/Assets of PFAs	Pearson Correlation	.871*	1
	Sig. (2-tailed)	.024	
	N	6	6
*. Correlation is significant at the 0.05 level (2-tailed).			

Field work, 2010

Decision Rule

Since the calculated value for Pearson Correlation Coefficient (r) is 0.871 which shows a strong correlation between the variables tested, we therefore, reject the null hypothesis and accept the alternate hypothesis which states that there is significant relationship between total assets of PFAs and accumulated deductions by PFAs in Nigeria.

Hypothesis IV: This hypotheses states that,

There is no significant relationship between awareness of new pension scheme and the welfare of retirees of Federal Universities in Nigeria.

Table 4.42 Chi-square table

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	371.524[a]	12	.000
Likelihood Ratio	261.262	12	.000
Linear-by-Linear Association	151.383	1	.000
N of Valid Cases	282		
a. 10 cells (50.0%) have expected count less than 5. The minimum expected count is .40.			

Field work, 2010

Decision Rule

If χ^2 computed < χ^2 tabulated – accept H_0

Now since the computed χ^2 (371.524) is greater than the tabulated χ^2 (21.02) at 5 percent level of significance, the researcher therefore rejects the null hypothesis (H_0) that there is no significant relationship between awareness of new pension scheme and the welfare of Employee of federal universities in Nigeria.

4.5 Discussion of findings

This work has provided a basis for uncovering loopholes in Perception of University Employees on the Impact of Contributory Pension Scheme on Employees' Welfare in Nigeria since 2004. It makes a case for effective Contributory Pension Scheme in

addressing the welfare of employees. The study particularly in Nigerian Universities discovered from both Primary and secondary sources critical variables, issues that help in understanding the following:

From the table 4.2, it implied that more of the respondents are males; consequently there are more male participants in the new CPS than the females. As stated earlier also in (table 4.18), the PIN of the Employee continues till after retirement. Depending on the class of the retiree, certain documentation requirements are required to be met by the RSA holder or by his/her beneficiary in the case of death or missing member. The relevant documents, such as standard notice of retirement, bank account confirmation, Employer's letter of exit, court letters of administration, death certificate, etc. are submitted via the Sales Agents/Representatives of the PFA.

All outstanding contributions, accrued rights, pre scheme debts, life insurance (table 4.21), etc. owed by Employers or Financial Institutions are meant to be consolidated in the RSA before the PFA commences with a payment plan for the Retiree. Payment plans for regular Retirees are made based on a uniform programmed withdrawal template issued by PenCom to all the PFAs, where the Retiree can freely choose preferred values within the minimum and the maximum amount. The payment components for regular retirees are lump sum and periodic programmed withdrawals.

In accordance with Section 4 of PRA 2004, withdrawal of accrued benefits (table 4.23) by regular Retirees is subject to, if the RSA balance can fund programmed withdrawals of at least 50%, of the Retiree's remuneration as at retirement date. This consideration is

built into the programmed withdrawal template. The programmed withdrawal template also has an in-built actuarial table, which is such that after some data input, the estimated useful life of the retiree is produced. This in essence leads to the computation of the total periodic programmed withdrawals to be paid, and hence the lump sum that can be paid from the RSA balance.

The PFA sends every retiree's File to PenCom for approval after the payment plan has been concluded but before payments commence. After approval, the current investment value (investment income plus net contributions) as at payment date is paid in full and as one-off payment, while 25% of RSA balance is paid to loss of job members. After approval, regular Retirees are instantly paid their lump sum as computed in the programmed withdrawal template. All payments are made by instruction issued by the PFAs to the PFCs, who transfers the instructed amounts to the respective banks and into the respective bank accounts of the retiree or beneficiary. Neither the PFA nor the PFC handles any raw cash in its transactions.

In accordance with the provisions of the Act, the loss of job members can apply as regular Retirees when they get to 50 years of age or when they eventually retire after securing other jobs, whichever is later. During the loss of job period, the 75% RSA balance will continue to grow in the investment pool. Programmed withdrawals for regular Retirees continue every month (or quarterly, or bi-annually, or annually) as agreed for the remaining estimated useful years. The programmed withdrawal template is based on an estimated average annual rate of return of 8% by the PFA. Therefore any

PFA that can return more than 8% per annum on the average will have extra funds available to the Retiree after the estimated useful life.

The investment value of any retiree in the retiree fund is computed in exactly the same way as in the RSA Fund. However, in the case of Retirees, units are redeemed each time there is a transaction because payments are like negative contributions. Hence the units holding decrease and approach zero as the years go by. Where a Retiree dies while still under the programmed withdrawal plan, his/her beneficiary can claim the remaining RSA balance in a one-off payment, similar to what is obtainable for Employees that become deceased while in active service.

At point of retirement, a regular Retiree can elect to purchase an annuity from a Licensed Life Insurance Company, in accordance with Section 4 of PRA 2004. The PFA simply instructs its PFC to transfer the Retiree's investment value to the Insurance Company specified by the RSA Holder. No administration fee is allowed, by regulation, to be charged by any PFA on any payment made to Retirees. This again emphasizes protection of Retiree Funds for the ultimate benefit of the retiree.

4.6 Summary of Findings

It is clear that this research work has looked at the significant investment decisions in Nigerian PFAs (table 4.26 and table 4.33). The result of this research is also connected with pensions and the activities of PFAs, PFCs etc within the context of the Nigerian economy.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter provides both a summary of the research effort as well as a conclusion. The focus here is on the contribution made by the work to the field on the basis of which meaningful recommendations have been advanced.

5.1 Summary

In chapter one, the study highlighted the background of the study dwelling on a general overview of the Nigerian Pension industry was discussed in terms of the problems of the Defined Benefit Pay As You Go system and the need to overhaul the pension system in both the Private and Public Sector of the Nigerian economy. The subsequent introduction of the Contributory Pension Scheme that will help in diluting the problems of the past pension schemes in the country with particular emphasis to the staff of Federal Universities. Four hypotheses were developed to show how university employees perceive the new Contributory Pension Scheme (CPS) in the Federal universities in Nigeria, specifically universities within the six (6) geopolitical zones in the country. Also the scope and limitation of this study was also discussed, in order to show the areas that were covered by this research as well as the problems that were also encountered during the course of this study.

Chapter two dealt with the review of related and relevant literature in view of the focus of the research. The study was conducted using both the quantitative and qualitative approaches so as to assess the problems and prospects of existing pension schemes

effectively and the subsequent introduction of CPS. Relevant theories were introduced and theory of Contribution Density was adopted for this studies.

Chapter three dealt with the research methodology adopted for the research. It also provided the target population of the study, the method of data collection, instruments used, and the sampling method used. In this respect the employees of the Universities and staff of PFA's who formed the sample population was selected at random.

Chapter four, centred on the presentation and analysis of data elicited from the administered questionnaires. The data was analysed using both the percentage method and the chi-square technique (using the software package, SPSS) of data analysis which were used to determine the validity or otherwise of the hypotheses postulated in chapter one of this research. On testing the hypotheses, the decision rule was applied which led to the findings that the work has come up with.

Lastly, chapter five of this study dealt with the summary as well as the conclusion and recommendations and finally the chapter proposes area of further research.

5.2 Conclusion

The quandary of the previous Nigerian pension structure was due mostly to a mixture of bad administration and political manoeuvring of social security programs, and not so much as a result of demography trends and a burgeoning labour force. This fact has subjected the whole pension reform process and explains many of the specific design

characteristics of the new system, which were chosen in order to prevent future pension contributions from being used for purposes other than that of financing pensions. The contributory pension system would undoubtedly be successful in achieving this objective.

The new pension policy as was discovered had a significant impact on the welfare of the retirees. As in Olanrewaju (2011) who investigated the effect of pension reform's act on the welfare of Nigerian retirees. The study reported that for the past three decades, the living conditions of older persons in Nigeria had deteriorated due to the erosions of their economic power. By cross tabulating the responses of employees who have 3 years in service to retire and the extent to which they perceive the new pension reform policy as seriously impacting on their welfare as retirees. It is evident from the above table that 36 respondents of those who have less than 3 years to retire perceived that the new pension policy as impacting very significantly to their welfare. Also, 150 respondents who did not fall under the category of those staff that have less than 3 years to retire from 1st July, 2004 reported that the new scheme has significant impact on the welfare of retirees representing 92 percent.

The study of (Bernard & Jörg, 2007) in the area of benefits paid to retirees, observed that Banks came to recognise that reforms along Chilean model had not always delivered the benefits that were proclaimed at the outset and that to realise the benefits that were expected, other reforms were also required to complement. But as was observed in this study, benefits paid to the retirees are directly proportional to accumulated deductions by the PFAs. The combination of ownership rights over the accumulated balances in

personal accounts, private management of funds, and freedom of individual choice could prove to be an effective instrument in protecting pension funds from political risk. The new pension system has also been successful in encouraging the development of the capital market but it may prove less successful in improving the quality of benefits received by the worker, when compared with the old system.

Amininiye and Patrick (2010) examined the influence of perception of the University retirement plans on workers' attitude to work. The study adopted a survey design and had a sample population of two hundred persons who participated as respondents. The study revealed that workers had very low perception of their universities' organizational retirement plans. They further reported that university workers that have retired from service spend over five years without receiving their retirement benefits indicating that university management seems not to have credible plans for its workers in terms of retirement. The awareness of this scenario by university workers tends to make them develop certain negative attitudes towards work. But in one of the findings of this study, it was discovered that CPS has a vital role in uplifting the level of the national income and national welfare in general, also a relationship exists between welfare and awareness of the new CPS by the employees of the Federal Universities.

Perhaps a major improvement of the new contributory pension scheme is the removal of uncertainty and hassles associated with receiving benefits under the old PAYG scheme. Given the improvement in workers' emoluments, employees would significantly improve their retirement benefits with voluntary additional contribution to their RSA.

The stipulation of pension settlement may not automatically be said to be a product of legislation but rather laws that are put in place to regulate the practices in the overall interest of all stakeholders. Since the first law on pension was enacted in 1951, several lawful and strict structures have been put in place to guarantee safe, sound and efficient working of the Nation's Pension concern.

Though these structures are supposed to work in conformity, for the realization of the set intention, other basis has led to things functioning at cross purposes. The explanations that readily come to mind in this regard include:

i. Lack of sufficient knowledge of the Nigeria Pension business by some of those whose responsibility it is to control the market;
ii. unnecessary protection of corporate boundaries;
iii. Need for clarity of the legal framework as to the limit of regulatory authorities responsibility.

From all of these, it is clear irrespective of claims to the contrary that the Pension Industry has always been regulated, though inappropriately. This means that hard work towards reforming this business must take the benefit of the existing structures for the realization of the needed success.

5.3 Limitation of the Study

The study utilises both primary and secondary data. The primary data is subject to understanding and the interpretation of the respondents. Hence whatever affects the data

from this source may affect the findings of the study. However, this is mitigated by the use of Research assistants to clarify some questions. As for the secondary data, it is published and hence may be distorted from the source. However, this is lessened by ensuring that the data is from audited source.

5.4 Recommendations

The study recommended that In view of the above, the following more robust recommendations are however proposed for the successful implementation of the new CPS by the PFAs in particular and Nigeria in general.

i) the PFAs should adhere strictly to the policy guidelines stipulated by the regulations of the reform act. This is because the overall effect on this action will translate and catapult the economy to the desired healthy status. PFAs need to come up with a favorable implementation policy. PFAs should maintain a fair balance between returns on investment and the pension risks i.e. they should ensure that all investment decisions are made in the best interest of their contributors; diversification of investments, maturity matching etc. These are necessary policies recipe that will improve welfare and awareness in the long run.

ii) Pencom should continue to develop favorable investment and valuation guide lines, and to ensure compliance as well as taking prompt corrective actions where necessary. However, Pencom should allow fund managers some flexibility on asset allocation so that they can create optimum portfolio mix and get rewarded for intelligent risk taking; as good as regulatory restrictions on asset allocation might be, it has the tendency

of inhibiting growth as it prevents creativity and innovative thinking on the part of the fund manager.

iii) the study also recommends that pension payment to beneficiaries and the accumulated deductions are two areas that pencom should continue to focus on so that retirees do not suffer unnecessarily due to untimely disbursements by the PFAs.

iv) in the area of awareness of the new pension scheme, the federal government should focus more on educating the retirees a year or two to their final disengagement from active service. This could be done by a representative of PENCOM or PFAs that the retirees RSA are domiciled.

v) the new pension policy should focus more on the welfare of retirees because the new pension system is aimed at providing the employees of an establishment with the means of securing on withdrawal of service a standard of livelihood reasonably steady with that which they enjoyed while at work. It is therefore, the responsibility of a good employer to articulate and design a good pension plan that will encourage and retain experienced staff.

5.5 Areas of further Research

This study focus on the perception of university employees on the impact of contributory pension scheme on the employees' welfare, It is imperative to point out that this study would serve as an initial effort for further studies in order to improve the development of

a more extensive and robust asset portfolio investment decisions by the PFAs if given the free hand by the regulatory Authorities, but another area of interest in further research is the impact of risky investments on pension fund and the attendant consequences or otherwise this could have on the retiree's benefits.

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APPENDIX 1

Licensed PFAs

The following is a list of licensed Pension Fund Administrators by the National Pension Commission (PenCom) and names of their Chief Executives to date:

- 1. **AIICO Pension Managers Limited**
  - Mr. Bola Akindeinde MD
  - Plot 2, Oba Akran Avenue
  - Ikeja
  - Lagos
  - +234 8056177025-MD
  - +234 1 2624667
  - +234 1 2625003
  - +234 1 2624174 (Fax)
  - E-mail: info@aiicopension.com
  - Website: http://www.aiicopension.com
- 2. **Amana Pension Managers Limited**
  - Mr. Mohammed G. Shuaibu MD
  - 7, Victoria Falls
  - Off Shehu Shagari Way
  - Maitama
  - Abuja
  - +234 8022902465-MD
  - +234 9 4615300
  - +234 9 4615380 - 99
  - +234 9 4615372 (Fax)
  - E-Mail:
  - Website: http://www.amanapension.com
- 3. **APT Pension Fund Managers Limited**
  - Mr. Hamza Sule Wuro Bokki MD
  - Plot 266 Cadastral AO

- Central Business District
- Garki
- Abuja
- +234 8033139435-MD
- +234 8077090000
- +234 9 4614400-29
- +234 9 2340096 (Fax)
- E-mail:
- Website: http://www.aptpensions.com

- 4. **ARM Pension Managers Limited**
  - Mr. Funsho Doherty MD
  - Plot 698, Sanusi Fafunwa Street,
  - Victoria Island
  - Lagos
  - +234 8035260493-MD
  - +234 1 2715005
  - +234 1 2692097
  - +234 1 7737432
  - +234 1 2715061
  - E-mail: info@armpension.com
  - Website: http://www.armpension.com
- 5. **Citi Trust Pension Managers Limited**
  - Otunba Otukayode Otufale (Executive Chairman)
  - Citi Trust Plaza
  - 9/11 Catholic Mission Street
  - Lagos
  - +234 8027784632-Executive Chairman
  - +234 1 2632833
  - +234 1 26453860
  - +234 1 2635880
  - +234 1 2632839 (Fax)

- E-Mail: ctubs@infoweb.abs.net
- Email: o.otufale@cititrustpension.com
- Website:

- 6. **CRIB Pension Fund Managers Limited**
  - Akin Akinbola (Ag. MD)
  - Aret Adams House
  - Left Wing 2nd Floor
  - 233, Ikorodu Road
  - Ilupeju
  - Lagos
  - +234 8022912201-MD
  - +234 1 4331831
  - +234 1 4964769 (Fax)
  - E-Mail:
  - Website: http://www.cribpension.com
- 7. **CrusaderSterling Pensions Limited**
  - Mr. Adeniyi Falade MD
  - No. 42, Adeola Hopewell Street
  - Victoria Island, Lagos
  - +234 8058004953-MD
  - +234 1 271 3800-4
  - +234 1 271 3813
  - E-mail: info@crusaderpensions.com
  - Website: http://www.crusaderpensions.com
- 8. **Evergreen Pensions Limited**
  - Mr. Clement John MD
  - 74 Abak Road
  - Uyo
  - Akwa Ibom State
  - +234 8033238845-MD
  - +234 85 200285

- +234 85 200286
- +234 85 200778
- +234 85 200951 (fax)
- +234 87 772737 (fax)
- E-Mail: info@evergreenpensions.com
- Website: http://www.evergreenpensions.com

- 9. **Fidelity Pension Managers**
  - Mr. Obi John Okechukwu MD
  - 2 Adeyemo Alakija Street
  - Victoria Island
  - Lagos
  - +234 8033090800-MD
  - +234 1 4626963
  - +234 9 4626968/69
  - +234 9 6720547
  - +234 1 4626966 (Fax)
  - +234 9 5239434 (Fax)
  - E-Mail: info@fidelitypensionmanagers.com
  - Website: http://www.fidelitypensionmanagers.com
- 10. **First Alliance Pension & Benefits Limited**
  - Aliyu A. S. Yar'Adua (Ag. MD)
  - No. 23, Aminu Kano Crescent
  - Wuse II,
  - Abuja
  - +234 8053219192-MD
  - +234 9 4139107
  - +234 9 4139108
  - E-mail: enquiries@firstalliancepension.com
  - Website: http://www.firstalliancepension.com
- 11. **First Guarantee Pension Limited**
  - Mr. Wilson Ideva MD

- No. 3, Idowu Martins Street,
- Victoria Island,
- Lagos
- +234 8073399874-MD
- +234 1 2715500
- +234 1 274175-9
- +234 1 2610366
- +234 1 2613413
- E-mail: info@firstguaranteepension.com
- Website: http://www.firstguaranteepension.com

- 12. **Future Unity Glanvils Pensions Limited**
  - Mr. Usman B. Suleiman MD
  - Plot 1230B Bishop Oluwole Street
  - Victoria Island
  - Lagos
  - +234 8033435906-MD
  - +234 1 4627060
  - +234 1 4627067
  - +234 1 4627087 (Fax)
  - E-Mail:
  - Website: http://www.fugpensions.com
- 13. **IEI-Anchor Pension Managers Limited**
  - Oyebanji Alaga MD
  - Plot 51A, Oro Ago Street
  - Garki II
  - Abuja
  - 08033007696-MD
  - 09 3146526
  - 09 4618900 - 9
  - 09 3145171(Fax)
  - E-mail: info@anchorpension.com

- Website: http://www.anchorpension.com

- 14. **IGI Pension Fund Managers Limited**
  - Yinka Obalade MD
  - No. 8, Adeola Odeku Street
  - Victoria Island
  - Lagos
  - +234 8033608247-MD
  - +234 1 6213043 - 47
  - E-Mail: N/A
  - Website: N/A
- 15. **Leadway Pensure PFA Limited**
  - Mrs. Aderonke Adedeji MD
  - Afric Place
  - No. 7 Afric Road
  - Off Western Avenue
  - Lagos
  - +234 8022242181-MD
  - +234 1 2800850
  - +234 1 2800900
  - E-mail: pensions@pensure-nigeria.com
  - Website: http://www.pensure-nigeria.com
- 16**. Legacy Pension Managers Limited**
  - Bello Mohammed Maccido MD
  - 39, Ademola Adetokunbo Crescent
  - Wuse II, Abuja
  - +234 8059580002-MD
  - +234 9 4613501-3
  - +234 9 6738002
  - E-mail: info@legacypension.com
  - Website: http://www.legacypension.com

- 17. **NLPC Pension Fund Administrators Limited**
    - Mr. Adewale O. Kolawole MD
    - Location: 312A,
    - Ikorodu Road, Anthony
    - Lagos
    - +234 8034027008-MD
    - +234 1 2793580 - 2
    - +234 1 7610812
    - +234 1 2793583 (Fax)
    - E-mail: info@nlpcpfa.com
    - Website: http://www.nlpcpfa.com
- 18. **OAK Pensions Limited**
    - Mr. Michael Olayinka MD
    - No 15B, Oko Awo Street
    - Off Adetokunbo Ademola Street
    - Victoria Island, Lagos
    - +234 8034035607-MD
    - +234 1 4616680
    - +234 1 4614704-5
    - +234 1 2627490-1
    - +234 1 2627492 (Fax)
    - E-mail: info@oakpensions.com
    - Website:http://www.oakpensions.com
- 19. **Penman Pensions Limited**
    - Ahmad Bello (Ag. MD)
    - NACRDB Plaza, Link Block
    - Independence Avenue
    - Central Business District
    - Abuja
    - +234 8033118833-Ag. MD
    - +234 9 4619700

- +234 9 4619722 - 29
- +234 9 2349280/6
- +234 9 5237313(Fax)
- E-mail: info@penmanpensions.com
- Website: http://www.penmanpensions.com

- 20. **Pensions Alliance Limited**
  - Mr. Aigboje Higo MD
  - 7th Floor, Bull Plaza
  - No. 38/39 Marina
  - Lagos
  - +234 8023153323-MD
  - +234 1 2667710
  - +234 1 2667177
  - +234 1 2662002
  - E-mail: info@pensionsalliance.com
  - Website: http://www.pensionsalliance.com
- 21. **Premium Pension Limited**
  - Mr. Aliyu AbdulRahaman Dikko MD
  - No. 7, Dar-Essalam Street
  - Off Aminu Kano Crescent
  - Wuse II Abuja
  - +234 8035606044
  - +234 8044105768-MD
  - +234 9 4615707-9
  - +234 9 4615700
  - Email: info@premiumpension.com
  - Website: http://www.premiumpension.com
- 22. **Royal Trust Pension Fund Administrator Limited**
  - Lawal Alhassan MD
  - Plot 2107 Tafawa Balewa Way
  - Area 3

- Garki
- Abuja
- +234 8034533338-MD
- +234 9 2341151
- +234 9 2347919 (Fax)
- E-Mail:
- Website: www.royaltrustpension.com

- 23. **Sigma Pensions Limited**
  - Mr. Adamu M. Modibbo MD
  - No. 29 Durban Street
  - Off Adetokunbo Ademola Crescent
  - Wuse II – Abuja
  - +234 8025014950-MD
  - +234 9 5237787
  - +234 9 5237816
  - +234 9 5237787
  - E-mail: info@sigmapensions.com
  - Website: http://www.sigmapensions.com
- 24. **Stanbic IBTC Pension Managers Limited**
  - Mr. Obinnia Abajue (Ag. MD)
  - Plot 1678, Olakunle Bakare Close
  - Victoria Island
  - Lagos
  - +234 8034020098-Ag. MD
  - +234 1 2716000
  - +234 1 2716021/2
  - E-mail: pensionmanagers@stanbicibtc.com
  - Website: http://www.stanbicibtc.com
- 25. **Standard Allaince Pension Managers Limited**
  - Aina Ademola Adebayo MD
  - 9, Younis Bashorun Street

- Off Ajose Adeogun Street
- Victoria Island
- Lagos
- +234 8033205461
- +234 8060891432
- +234 1 4626921 - 3
- +234 1 4626923 (Fax)
- E-Mail: info@sapensionng.com
- Website: www.sapensionng.com

- 26. **Trustfund Pensions Plc**
  - Mr. Bernard N. Ekwe (Ag. MD)
  - Plot 820/821
  - Labour House
  - Behind Ministry Of Finance
  - Central Business District
  - Abuja
  - +234 8033034272-Ag. MD
  - +234 9 6725777
  - +234 9 6725946
  - +234 9 2340112
  - E-mail: enquiries@trustfundpensions.com
  - Website: http://www.trustfundpensions.com

Closed Pension Fund Administrators

The only Closed Pension Fund Administration licensed by the Commission to date is the Shell Nig. Closed Pension Fund Administrator Ltd.

Mrs. Yemisi Ayeni

11th Floor NAL Towers, 20 Marina, Lagos.

+234 - 8024462007-MD

+234 - 1 – 2601600,+234 - 1 – 7749593, +234 - 1 - 2645435

E-mail: yemisi.ayeni@shell.com Website: www.shellnigeria.com

Existing Pension Fund Custodians

The National Pension Commission has so far licensed four (4) PFCs to date. They are:-

1. UBA Pensions Custodian Limited

Mrs. Oluwatomi Soyode

No. 30 Adeola Hopewell Street, Victoria Island, Lagos

+234 - 8038077700-MD

+234 - 1 – 2702630, +234 - 1 - 2718000-4 ,+234 - 1 - 2718009

E-mail: ubapensions@ubagroup.com Website: www.ubagroup.com

2. Zenith Pensions Custodian Limited

Mr. Henry Lawrence Bruce

2nd Floor, Zenith Building

Plot 84 Ajose Adeogun Street

Victoria Island

Lagos

+234 - 8060608303-MD

+234 - 1 – 2712793, +234 - 1 - 2712794 , +234 - 1 - 2712795

Email: enquiries@zenithcustodian.com Website: www.zenithcustodian.com

3. First Pension Custodian Nigeria Limited

Mr. S. O. Onasanya

No. 124 Awolowo Road, Ikoyi, Lagos

+234 - 1 – 2692896, +234 - 1 – 2713019, +234 - 1 – 2713217,+234 - 1 - 2662721

E-mail: info@firstcustodiannigeria.com Website: www.firstcustodiannigeria.com

4. Diamond Pension Fund Custodian Limited

Emeka Osuji

No. 1A, Tiamiyu Savage Street,Victoria Island, Lagos

+234 - 1 – 2713680,+234 - 1 – 4613652,+234 - 1 - 4613754

+234 - 1 – 4613799, +234 - 1 - 4613753

E-mail: info@diamondpfc.com Website: www.diamondpfc.com

APPENDIX II A

QUESTIONNAIRE FOR EMPLOYEES

Dear Respondent,

I am a postgraduate student of PhD Degree in the Department of Business Administration in Ahmadu Bello University, Zaria. I am conducting a research on the perception of university employees on the impact of contributory pension scheme on employees' welfare. We are aware that your institution is one of the institutions in Nigeria where the pension scheme is applied. The study seeks to find out whether or not the pension fund administration has led to any improvement in the welfare of Employee of the Nigerian Universities.

In order to achieve the objectives of the study, we require some information from you as a retiree or retiree to be, so that we can conduct the study. Any information you provide will be treated as strictly confidential to be used only for the research purposes. Hence, your name or address will in no way be revealed or published in the reported findings. The result will only appear in the form of statistical reports and summarized figures.

Please read the questions below carefully and answer them as honestly as you can by ticking as appropriate or freely expressing your views in the questionnaire or interview as may be required.

Thank you for your cooperation.

Yours Faithfully,

ABDULLAHI, Yusuf
PhD/Admin/37025/01-02

INSTRUCTIONS:

You are pleased required to either Tick your answer in the appropriate boxes provided or fill in the spaces against each question.

1. What is your Gender?

Male ☐ Female ☐

2. What is your highest academic qualification?

SSCE	Diploma	HND/B.Sc.
☐	☐	☐
PGD	Masters Degree	PhD
☐	☐	☐

2. Are you academic or administrative staff?

Academic ☐ Administrative ☐

4. Age:

[ ]	[ ]	[ ]	[ ]
21-30	31-40	41-50	51 and above

5 What category of staff are you?

Junior ☐ Senior ☐ Management ☐

6 Which of the following PFA have you registered with?

a) Sigma Pensions Limited ☐
b) Leadway Pensure PFA Limited ☐
c) Fidelity Pension Managers ☐
d) IGI Pension Fund Managers Limited ☐
e) LegacyPension Managers Limited ☐
f) OAK Pension Limited ☐
g) Citi Trust Pension Managers Limited ☐

Others (please specify).....

7. As at 30th June, 2004 have you spent up to 5 or more years in service?

   Yes ☐ No ☐

8. Working Experience:

   [ ] [ ] [ ] [ ] [ ]

   5- 10 years 11-15 years 16-20 years 21-25 years 26-35yeas

9. How familiar are you with the Contributory Pension Scheme Act 2004? Please tick as appropriate.

Very familiar	**Familiar**	**Not Familiar**	**Very Unfamiliar**

10. Under the Act, employees who have less than 3 years in service from 1st July, 2004 are exempted from the scheme. Are you one of such persons?

    Yes ☐ No ☐

11. Have you started contributing towards your retirement benefits?

    Yes ☐ No ☐

12. If yes, when*? (state month & year)* .....

13. How aware are you that your contribution is being deducted from your monthly salary?

Very aware	**Aware**	**Not aware**	**Very Unaware**

14. How aware are you that the amount deducted equal to 7.5% of the total of Basic Salary + Housing + Transport Allowances?

Very aware	**Aware**	**Not aware**	**Very Unaware**

15. If No, what is the rate of the deduction? .....

16. How aware are you that your employer is contributing the same thing on your behalf?

Very aware	**Aware**	**Not aware**	**Very Unaware**

17. Has your Pension Fund Administrator given you Personal Identification Number (PIN)?

Yes ☐ No ☐

18. Does your PFA send to you statement of account in respect of your contribution?

Yes ☐ No ☐

19. If yes, how often?

Monthly ☐ Quarterly ☐ Semi-Annually ☐ Annually ☐

20. Under the Contributory Pension Scheme, you are entitled to Life Insurance Policy by your employer of a minimum of 3 times your total annual salary. How aware of this are you?

Very aware	Aware	Not aware	Very Unaware

Use the passage below to answer questions 21 to 23.

Under section 12 of the Pension Reform Act 2004, employees who have 3 or more years to spend in service will have their accrued benefits for the service rendered up to 30th June 2004 computed and the CBN will issue to them a Federal Government Retirement Benefit Bond to acknowledge the indebtedness.

21. Do you have 3 or more years to spend in service as at 1st July, 2004?

Yes ☐ No ☐

22. If yes, are you aware that your accrued benefits have been computed?

Very aware	Aware	Not aware	Very Unaware

23. Are you aware of any retirement benefit bond issued by the CBN?

Very aware	Aware	Not aware	Very Unaware

24. Why do you think that retirees' benefits are delayed and sometimes not paid at all?.

a. Inappropriate Investment by the PFA? [ ]
b. Mismanagement by the PFA [ ]
c. Bureaucratic bottlenecks from the PFAs [ ]
d. Lack of awareness by the retirees

on the process and procedures involved [ ]

e. Preferential treatment on the part of PFAs. [ ]

f. Any other factor Please specify

……

……

……

……

……

25. Please comment freely on Problems and Prospects of Pension fund administration in your university in particular.

.....

.....

.....

.....

.....

26. What suggestions do you want to offer in general as ways of improving the situation?

.....

.....

.....

.....

Thanks for your responses.

APPENDIX II B

QUESTIONNAIRE FOR STAFF OF PFAs

Dear Respondent,

I am a postgraduate student of PhD Degree in the Department of Business Administration in Ahmadu Bello University, Zaria. I am conducting a research on the perception of university employees on the impact of contributory pension scheme on employees' welfare. We are aware that your institution is one of the institutions in Nigeria where the pension scheme is applied. The study seeks to find out whether or not the pension fund administration has led to any improvement in the welfare of Employee of the Nigerian Universities.

In order to achieve the objectives of the study, we require some information from you as an official in your PFA so that we can conduct the study. Any information you provide will be treated as strictly confidential to be used only for the research purposes. Hence, your name or address will in no way be revealed or published in the reported findings. The result will only appear in the form of statistical reports and summarized figures.

Please read the questions below carefully and answer them as honestly as you can by ticking as appropriate or freely expressing your views in the questionnaire or interview as may be required.

Thank you for your cooperation.

Yours Faithfully,

ABDULLAHI, Yusuf

PhD/Admin/37025/01-02

INSTRUCTIONS:

You are please required to either Tick your answer in the appropriate boxes provided or fill in the spaces against each question.

1. What is your Gender?

   Male ☐ Female ☐

2. What is your highest academic qualification?

   SSCE ☐ Diploma ☐ HND/B.Sc. ☐

   PGD ☐ Masters Degree. ☐ PhD ☐

3. Age:

   ☐ 21-30 ☐ 31-40 ☐ 41-50 ☐ 51 and above

4 What category of staff are you?

   Junior ☐ Senior ☐ Management ☐

5. Please, tick the name of your PFA?

a) Sigma Pensions Limited ☐
b) Leadway Pensure PFA Limited ☐
c) Fidelity Pension Managers ☐
d) IGI Pension Fund Managers Limited ☐
e) LegacyPension Managers Limited ☐
f) OAK Pension Limited ☐
g) Citi Trust Pension Managers Limited ☐

   Others (please specify).....

6. State the period when your P.F.A. was incorporated

a. 2004 – 2005 ☐ b. 2006 – 2007 ☐

c. 2008 – 2009 ☐ d. 2010 ☐

7. What are the challenges facing your P.F.A.?

a. Non-release of employees' contributions by the employers ☐

b. Non-release of employers' contribution ☐

c. Problem of risky or non-yielding` investments ☐

d. Problem of rising number of retirees ☐

e. Bureaucratic bottlenecks within the P.F.A. ☐

f. Inexperienced personnel within the P.F.A. ☐

g. Excessive interference of the regulatory authority ☐

8. By way of estimation, how many people have registered with your P.F.A.?

a. 1 - 1,000 ☐ b. 1,001 – 2,000 ☐

c. 2,001 - 3,000 ☐ d. 3,001 and above ☐

9. How often do you get the release of funds from the university?

a. Monthly ☐ b. Quarterly ☐

c. Semi-annually ☐ d. Annually ☐

10. What are the modes of investment of funds remitted to your PFA?

a. Shares ☐ b. Oil industry ☐ c. Estate Business ☐

d. Maritime ☐ e. Trading ☐ f. Others ☐

11. Please tick any of the/or combinations of the following options which to the best of your knowledge is (are) more risky modes of investment by your PFA

a. Shares ☐ b. Oil industry ☐ c. Estate ☐

d. Maritime ☐ e. Trading ☐ f. Others ☐

12. Please comment freely on Problems and Prospects of Pension Fund Administration in your PFA in particular.

.....

.....

.....

.....

.....

13. What do you want to suggest for the improvement in Pension Fund Administration generally?

.....

.....

.....

Thank you for your responses

(Appendix III a)

Crosstabs

Hypothesis I:

The new pension policy has not made any significant impact on the welfare of retirees of federal universities in Nigeria.

To what extent do you perceive the new pension policy as impacting on your welfare as a employee of the Nigerian University? * under the Act, employees who have less than 3 years in service from 1 july,2004 Cross tabulation

			under the Act, employees who have less than 3 years in service from 1 july,2004		
			Yes	No	Total
To what extent do you perceive the new pension policy as impacting on your welfare as a retiree of the Nigerian University ?	Very Significantly	Count	36	0	36
		% within To what extent do you perceive the new pension policy as impacting on your welfare as a retiree of the Nigerian University?	100.0%	.0%	100.0%
		% of Total	13.3%	.0%	13.3%
	Significant	Count	12	150	162
		% within To what extent do you perceive the new pension policy as impacting on your welfare as a retiree of the Nigerian University ?	7.4%	92.6%	100.0%
		% of Total	4.4%	55.6%	60.0%
	Neuttral	Count	0	30	30

		% within To what extent do you perceive the new pension policy as impacting on your welfare as a retiree of the Nigerian University?	.0%	100.0%	100.0%
		% of Total	.0%	11.1%	11.1%
	Insignificantly	Count	0	40	40
		% within To what extent do you perceive the new pension policy as impacting on your welfare as a retiree of the Nigerian University ?	.0%	100.0%	100.0%
		% of Total	.0%	14.8%	14.8%
	Very Insignificantly	Count	0	2	2
		% within To what extent do you perceive the new pension policy as impacting on your welfare as a retiree of the Nigerian University?	.0%	100.0%	100.0%
		% of Total	.0%	.7%	.7%
Total		Count	48	222	270
		% within To what extent do you perceive the new pension policy as impacting on your welfare as a retiree of the Nigerian University?	17.8%	82.2%	100.0%
		% of Total	17.8%	82.2%	100.0%

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	193.986[a]	4	.000
Likelihood Ratio	167.171	4	.000
Linear-by-Linear Association	78.038	1	.000
N of Valid Cases	270		
a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is .36.			

The first hypothesis states that the new pension policy has not made any significant impact on the welfare of retirees/pensioners of Federal Universities in Nigeria. Chi-square was used to test the hypothesis.

Hypothesis II:

There is no significant relationship between pension benefits paid and the accumulated deductions by Pension Fund Administrators (PFAs).

Correlations			
		Pension Payment to Benficiaries	Accummulated Deductions
Pension Payment to Benficiaries	Pearson Correlation	1	.906*
	Sig. (2-tailed)		.013
	N	6	6
Accummulated Deductions	Pearson Correlation	.906*	1
	Sig. (2-tailed)	.013	
	N	6	6
*. Correlation is significant at the 0.05 level (2-tailed).			

Hypothesis III:
There is no significant relationship between total assets of PFAs and accumulated deductions by PFAs in Nigeria

Correlations			
		Accumulated Deductions	Total Investment /Assets of PFAs
Accummulated Deductions	Pearson Correlation	1	.871*
	Sig. (2-tailed)		.024
	N	6	6
Total Investment/Assets of PFAs	Pearson Correlation	.871*	1
	Sig. (2-tailed)	.024	
	N	6	6
*. Correlation is significant at the 0.05 level (2-tailed).			

Hypothesis IV:

There is no significant relationship between awareness of new pension scheme and the welfare of retirees/pensioners of Federal Universities in Nigeria.

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	371.524[a]	12	.000
Likelihood Ratio	261.262	12	.000
Linear-by-Linear Association	151.383	1	.000
N of Valid Cases	282		
a. 10 cells (50.0%) have expected count less than 5. The minimum expected count is .40.			

APPENDIX III B

ACCUMULATED DEDUCTIONS AND BENEFITS PAYMENTS

YEAR	ACCUMULATED DEDUCTIONS (BILLIONS) X	BENEFITS PAID (BILLIONS) Y
2005	15.60	0.60936
2006	34.68	1.22505
2007	60.41	8.11475
2008	148.97	15.12400
2009	180.09	47.76802
2010	201.94	61.02011

Source: Field work, 2010

Appendix III c

ACCUMULATED DEDUCTIONS AND PFAs ASSET

YEAR	ACCUMULATED DEDUCTIONS (BILLIONS) X	PFAs ASSET (contributions+ other assets) (BILLIONS) Y
2005	15.60	386.61
2006	34.68	503.57
2007	60.41	801.04
2008	148.97	1,099.01
2009	180.09	1,529.63
2010	201.94	2,029.77

Source: Field work, 2010

Three Year Summary of Pension Assets under Management

S/N	Asset Classes	2010		2009		2008	
1	Local Ordinary Shares	358.03	17.64	220.71	14.43	220.54	20.07
2	Foreign Ordinary Shares	24.10	1.19	2.80	0.18	2.23	0.20
3	FGN Securities	829.20	40.85	498.88	32.61	350.67	31.91
4	State Govt. Securities	69.60	3.43	33.71	2.20	0.16	0.01
5	Corporate Debt Securities	50.73	2.50	31.18	2.04	15.13	1.38
6	Local Money Market Securities	489.25	24.10	542.22	35.45	332.44	30.25
7	Foreign Money Market Securities	7.36	0.36	17.72	1.16	17.25	1.57
8	Open/Close-End Funds	8.61	0.42	5.74	0.38	9.03	0.82
9	Real Estate Properties	170.52	8.40	142.96	9.35	125.50	11.42
10	Unquoted Securities	8.18	0.40	6.18	0.40	6.86	0.62
11	Cash & Other Assets	14.19	0.70	27.53	1.80	19.20	1.75
Total Pension Fund Assets		**2,029.77**	**100.00**	**1,529.63**	**100.00**	**1,099.01**	**100.00**

SOURCE: PENCOM 2010

Table 4.8: Cumulative Quarterly RSA Assets Portfolio in 2007

Asset Type	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	Amt (N' billion)	***Proportion (%)***	**Amt (N' billion)**	**Proportion (%)**	**Amt (N' billion)**	**Proportion (%)**	**Amt (N' billion)**	**Proportion (%)**
FGN securities	*90.51*	64.91	101.88	58.66	119.39	56.95	166.61	59.87
State Government Securities	-	-	0.15	0.09	1.68	0.80	-	-
Corporate Debt Securities	*1.28*	0.92	0.81	0.47	0.02	0.01	-	-
Domestic Quoted Equities	*19.59*	14.05	29.4	16.93	32.77	15.63	43.39	15.59
Money Market Instruments	*25.97*	18.63	38.43	22.13	51.19	24.42	59.22	21.28
Mutual Funds	*0.71*	0.51	1.18	0.68	1.45	0.69	2.18	0.78
Real Estate	-	-	-	-	0.37	0.18	0.37	0.13
Credit Interest/Dividend	*0.79*	0.57	0.97	0.56	0.9	0.43	0.94	0.34
Expected Payables	-	-	-	-0.16	-0.08	-	-	
Others	*0.58*	0.42	0.85	0.49	2.03	0.97	5.59	2.01
Total	***139.43***	**100.00**	**173.67**	**100.00**	**209.64**	**100.00**	**278.30**	**100.00**

SOURCE: PENCOM 2010

Table 3.2: RSA Registrations in 2009

	Public Sector		Private Sector		Total		Grand Total	
Age Range	Male	Female	Male	Female	Male	Female	Number	Percentage
Less than 30 yrs	332,660	120,775	368,335	143,649	700,995	264,424	965,419	24.06
30 - 40 yrs	511,496	260,118	499,834	150,443	1,011,330	410,561	1,421,891	35.44
41 - 50 yrs	477,759	249,432	280,930	55,123	758,689	304,555	1,063,244	26.50
51 - 60 yrs	273,007	102,904	112,696	12,688	385,703	115,592	501,295	12.49
Above 61 yrs	23,095	5,043	16,838	1,345	39,933	6,388	46,321	1.51
Total	1,623,975	739,478	1,284,988	364,057	2,908,963	1,103,535	4,012,498	100.00

SOURCE: PENCOM 2010

The total pension contribution by RSA holders in both the public and private sectors was N668.06 billion as at 31 December 2009. The public sector contributions accounted for N404.67 billion (60.57 percent) while the private sector accounted for N263.39 billion (39.43 percent). The breakdown of the contributions from inception for the public and private sectors are shown in Tables 3.5 and 3.6 respectively. In each Table, the percentages show the rate of contributions in each year relative to the cumulative contribution as at 31 December, 2009. The increases show the level of increased compliance in both the public and private sectors, which are expected to continue in this upward trend as level of compliance increases and employees enjoy higher income due to career advancements.

SOURCE: PENCOM 2010