NATIONAL PENSION COMMISSION (PENCOM) AND THE IMPLEMENTATION OF THE CONTRIBUTORY PENSION SCHEME AT INDUSTRIAL TRAINING FUND (ITF), 2004-2019

BY

AMINA BALA SALEH
NSU/PhD/PPA/0005/16/17

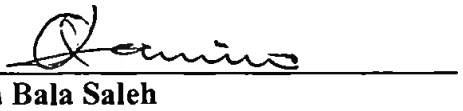
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DEPARTMENT OF POLITICAL SCIENCE
FACULTY OF SOCIAL SCIENCES
NASARAWA STATE UNIVERSITY, KEFFI
NIGERIA

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DECLARATION

I hereby declare that this thesis has been written by me and it is the report of my research work. It has not been presented in any previous application for dissertation. All quotations are indicated and sources of information specially acknowledged by means of references.



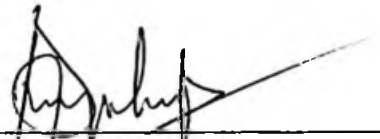
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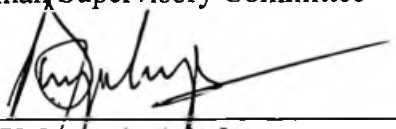
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This thesis titled "National Pension Commission (PENCOM) and the Implementation of the Contributory Pension Scheme at Industrial Training Fund (ITF), 2004-2019" meets the regulations governing the award of Doctor of Philosophy Degree (PhD) in Political Science (Public Policy Analysis), of the School of Postgraduate Studies of Nasarawa State University Keffi for its contribution to knowledge and literary presentation.



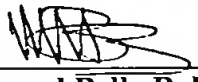
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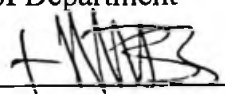
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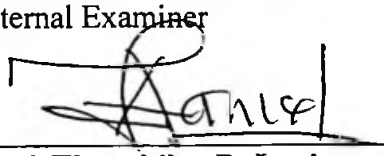
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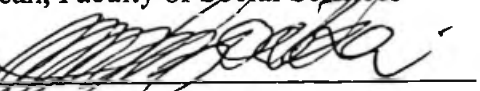
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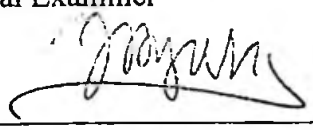
Prof. Theophilus D. Lagi
Dean, Faculty of Social Sciences

05/05/21
Date



Prof. Ali Yusuf Zoaka
External Examiner

2/8/2021.
Date



Prof. Jonathan Mamu Ayuba
Dean, School of Postgraduate Studies

02/05/2021
Date

DEDICATION

The research work is dedicated to Almighty Allah who spared my life and provided all I needed throughout the study.

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LIST OF ABBREVIATIONS

CPS:	Contributory Pension Scheme
DB:	Defined Benefit
DBPS:	Defined Benefit Pension Scheme
GDP:	Gross Domestic Product
ILO:	International Labour Organization
IMF:	International Monetary Fund
ITF:	Industrial Training Fund
MDAs:	Ministries, Departments and Agencies
NECA:	Nigerian Employers Consultative Association
NLC:	Nigerian Labour Organization
NSITF:	Nigerian Insurance Trust Fund
PAYG:	Pay As You Go
PENCOM:	National Pension Commission
PFA:	Pension Fund Administrators
PFC:	Pension Fund Custodians
PRA:	Pension Reform Act
PRTF:	Pension Reform Task Force
RSA:	Retirement Savings Account
SAPP	Structural Adjustment Programme
SIWES:	Students Industrial Work Experience Scheme
TUC:	Trade Union Congress
UAC:	United African Company

ABSTRACT

This study examines the National Pension Commission and the Implementation of the Contributory Pension Scheme at the Industrial Training Fund (ITF). Survey and content analysis research design methods were used to generate primary and secondary data respectively. Primary data were collected through the instruments of questionnaire and interview while, the secondary data were collected from textbooks, journals, magazines, periodicals, internet, ITF bulletins and newsletters etc. The study adopted the Structural Functional theory. The theory recognizes pension coverage as a responsibility of the government and it simultaneously creates the channels through which pension benefits can be paid to retirees. Findings from the study reveals that, Pension Fund Administrators under supervision of National Pension Commission have over the years of their operation remitted some pension funds to the ITF Retiree's Retirement Savings Account, but that of the accumulated arrears are yet to be remitted to the individual RSA accounts. Although the Pension Fund Administrators in line with National Pension Commission (PENCOM) directives have provided the ITF employees with various investment alternative opportunities to choose from, and also provided the platform for employees to decide which Pension Fund Administrators (PFAs) they wish to commit their pension funds into. The new pension scheme under supervision of PENCOM has not eliminated delay in disbursement of pension benefits to ITF Retirees, and as such has not eradicated the problems being faced by the retirees in accessing their pension benefits at ITF. The study therefore recommends among other issues that government should look into the law that guides Pension so that some amendments are made that would ensure Pension Funds are better secured and Retirees should also be allowed to withdraw at retirement a huge chunk of their savings instead of the meager amount they are given as lump sum. Through the instrument of PENCOM, Pension Fund Administrators and other stakeholders should as a matter of necessity constitute a committee to remit all the outstanding debts of pension arrears owed to ITF Retirees.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Pension reflects money withheld during the period of employment and returned with interest to an employee after cessation of work that is at retirement. A retirement scheme is a way of providing an employee with a lump sum of money when leaving the service by an employer. It provides benefits which can be regarded as compensation to an employee for the services rendered to an organization.

Prior to the emergence of the present pension regime, Nigeria's pension scheme was largely in a state of flux. The schemes were underfunded or unfunded; there was weak and inefficient pension administration; most workers in the private sector were not covered by any form of retirement benefits and cases of unsustainable outstanding pension liabilities were rife. Infact pension liabilities of the government at the inception of the Pension Reform Act (PRA) in 2004 was estimated to be about N2 trillion (PTAD). Financial forecasts projected that in a few years to come, pension obligations would exceed the salary of active workers. This was an economic scourge waiting to happen and its prognosis was not encouraging. The administration of Obasanjo set up a committee (Fola Adebola's committee) to look into the pension matter and make recommendations on the best possible pension system that should be adopted for the country. The committee recommended the Chilean pension reforms (Chilean model) Known as the Contributory Pension Scheme. The introduction in the early eighties of a privately managed pension system in Chile was based on individual capital accounts which attracted world-wide attention. This reform - as well as other market oriented structural

changes - and the significant improvement in Chilean economic performance has led many observers to conclude a direct link, especially through the rise in private domestic savings generated through the new pension system. As is usually the case, things are somewhat less clear when examined in depth. Although there is ample evidence of the positive impacts of the new Chilean pension system, there are a number of issues that are not as good. These include the high - and rising - administrative costs as well as the size of the fiscal guarantees involved. On the other hand, the very significant fiscal impact of the transition from a mature pay-as-you-go system to a private capital system should dampen the enthusiasm of many potential reformers who already face large fiscal deficits.

Nigerian Government adopted the Contributory Pension Scheme from success story of Chilean and Sweden Pension System. Chilean Pension Systems / Reform of 1981 replaced its PAYG retirement scheme with a private system where workers funded their own retirements through compulsory savings. This system is a fully funded DC scheme that is mandatory for all workers who entered the labour force after January 1983. Workers, who were in the labour force prior to January 1983, had the option of remaining in the old government run system, or moving to the new system. Workers who remained in the old system received their pension rights guaranteed under the new law, while those who moved received from government "recognition bonds" that acknowledged their contributions under the old system. The recognition bond matures when the workers reaches retirement age, dies, or becomes disabled (ARMC, 2004). The new DC Pension Scheme is administered by specialised private companies called Administrasdor as de Fondos de Pensiones (AFPs) which are pension fund administrators. Each month workers

deposit a minimum of 10% of their wages in their individual pension savings accounts, managed by AFPs of their choice (ARMC, 2004). This percentage applies only to the first $22,000 of annual income. Therefore, as wages go up with economic growth, the "mandatory savings" content of the pension system goes down. A worker may contribute an additional 10% of his wages each month, which is also tax deductible, as a form of voluntary savings. The workers contribution are invested in various securities such as equities and fixed income instruments amongst others. The contributions and the returns are tax deductible (ARMC, 2004). The Chilean Pension System is regulated by an independent government agency, i.e., the Superintendencia de Administradoras de Fondos de Pensiones. At the point of retirement, beneficiaries are provided with three retirement options, viz: a lifetime annuity, programmed withdrawals (based on their life expectancy and those of their dependants) or a temporary programmed withdrawal with a deferred lifetime annuity (ARMC, 2004).

The Pension Reform in Chile has been reported to have contributed significantly to savings and economic growth of the country. For example, the private Pension System has been a major factor in increasing savings. Between 1984 and 1997, the country's economy grew at about 7% on average per year, investment and savings increased and inflation was reduced from around 25% to below 10% range (ARMC, 2004).

Swedish Pension Systems on the other hand is known as Sweden's Public PAYG Pension System underwent sweeping reforms in 1999, intended to eliminate most of the subsidy in the system and tie benefit more closely to contributions. The new system applies to all employees born after 1954 and is being gradually applied to those born between 1938 and 1953; employees born before 1938 will not participate in the new system. The new public

system has three tiers: an "Income Pension", a "Premium Pension" and a "Guarantee Pension" (Palme, 2003). One fundamental change is that the earnings related component becomes the "first tier" with the benefit formula adhering to the principle of DC. Here, the total size of the contribution (18.5%) has been defined with a view to maintaining the replacement levels of the old system in expenditure terms. The reform involves an increase roughly equal to a scenario in which the ceiling of the old system is linked to earnings. The concept of notional accounts means that the PAYG character of the system is retained in this part since the contributions (which is 16% of earnings) of the working age population are used to pay the pensions of the retired population. However, the size of the contribution is registered in the individual (notional) accounts. The principle is that all contributions are "accumulated" and attributed a rate of return equal to the growth in average annual pensionable income of all insured person (Palme, 2003).

Before the adoption of Contributory Pension Scheme in Nigeria, there was a Pension system established by the Basic Pension Decree 102 of 1979. Commenting on the provisions of the Decree 102 of 1979, Uzoma (1993) noted that, in the special case of the public scheme the office of Establishment and Pensions acts as the trustee which constitutes the rules of the scheme. The scheme was for all public servants except those who were on temporary or contract employment. The compulsory retirement age for such workers was 60 years for both male and female workers except for high court Judges that was 65 years and 70 years for Justices of the Court of Appeal and the Supreme Court. However, the earliest retirement age was put at 45 years provided the worker had put in 15 years of service or more. In the same 1979, the Armed Forces Pension Scheme was

created through Decree 103 of 1979 with retroactive effect from April 1974. Similarly, in the same year the Armed Forces Pension Act No. 103 was enacted.

There was also the Pensions Rights of Judges Decree No.5 of 1985 as amended by the Amendment Decree Nos. 51 of 1988, 29 and 62 of 1991. The police and other government agencies' pension scheme were enacted under the Pension Act No. 75 of 1987. The Local Government Pension Edict culminated into the establishment of the Local Government Staff Pension Board in 1987.

The Pension Scheme Decree No: 75 of 1993 took retroactive effect from 1990. At this time all government parastatals and agencies directly funded by the treasury had a unified pension scheme that was virtually managed by insurance companies, many of which were unable to honor their pension obligations. In the private sector, the first pension scheme in Nigeria was set up for the employees of the Nigerian Breweries in 1954. This was followed by United African Company (UAC) scheme in 1957. These Decrees remained the operative laws on Public servants and Military Pensions in Nigeria until June 2004 though there were several government circulars and regulations issued to alter their provisions and implementations. For instance in 1992, the qualifying period for gratuity was reduced from ten to five years while for pension it was reduced from 15 to 10 years. In all, there have been about eight (8) registered pension schemes in the country before 2004 which were largely unfunded, self-administered and uninsured.

There are two notable schemes, the self -administered scheme and the insured scheme. The self-administered scheme is administered on behalf of the staff by the trustees, in line with the Trust Deed and Rules. The administrators collect the contributions and invest

such contributions through external or in-house fund managers. For the insured scheme, the administration of the pension is transferred to a life insurance company that collects the premium and invests the premium and on retirement, pays the retirees pensions. The most common form of this scheme is the deposit administration which allows the insurance company involved to invest accumulated pension fund contributions with subsequent interest. It is through the use of the insured scheme or the use of pension fund managers that the private sector managed its schemes effectively before 2004.

The 1999 constitution (as amended) of the Federal Republic of Nigeria captures vividly how pensions are expected to be handled. Section 173(3) of the constitution provides that pensions of the Federal Public Servants shall be reviewed every five years or together with any Federal civil service salary reviews, whichever is earlier. Consequently, there is need to give effect to this constitutional provision for the benefit of individuals in the public service of the Federation that cut over to the Contributory Pension Scheme under the Pension Reform Act 2004. Therefore, by virtue of the provisions of Section 173(3) of the constitution, the pension component of the accrued right qualifies for any pension increase or review from the date of its determination.

Prior to 2004, the pension scheme in operation was the Defined Benefit or Pay as You Go (PAYG). The government funded the public sector scheme hundred percent and it was a non-contributory pension scheme. Chilekezi (2005) observes that the pension payment was done through budgetary allocations for each fiscal year. The private sector scheme seemed better organized than the public sector and as Uzoma (1993) affirms it was mostly a contributory scheme, but in a few cases it was maintained as a non-contributory scheme 100% funded by the employers.

The 2004 pension reform was necessitated by the myriad of problems that plagued both the Pay As You Go (PAYG) operated in the public sector and other forms of pension systems like occupational schemes, mixture of funded and defined benefits (DB) schemes that operated in the private sector. A major challenge of the public sector defined benefit scheme (PAYG) was its dependence on budgetary provisions for funding. Gbitse (2006) observes that the scheme in the public sector became unsustainable and was further compounded by increase in salaries and pension payments. The corruption and embezzlement in the country also affected the pension scheme and funds meant for it. Moreover, resulting from lack of adequate and timely budgetary provisions the scheme became largely unsustainable and brought about not only soaring gaps between pension fund obligations and revenues, that threatened economic stability but also crowded out necessary investments in education, health and infrastructure.

In addition, Gbitse adds that the Pension Fund Administrators (PFAs) were largely weak, inefficient, and cumbersome and lacked transparency in their activities. Added to these was poor supervision of pension fund administrators in the effective collection, management and disbursement of pension funds. Commenting on the old pension scheme, Toye (2006) alludes to poor record management and documentation processes by the pension board as well as the inability of pension fund administrators to effectively carryout their duties in providing for the expected pension allowances as at when due. The aftermath of this development led retirees to become more or less beggars.

The eventual collapse of the non-contributory pension scheme is therefore a cumulative effect of all these problems that produced generally worsening living conditions for

pensioners. Compared to the 1980s and the 1990s, the pensioners became worse off because their pensions were significantly depreciated. Added to the foregoing, is the fact that inflation in the country has for over two decades remained in double digits, a situation which has undermined and made nonsense of not only the pension, but also the minimum wage. Therefore aside from the fact that pensions were not paid promptly, when they were eventually paid their real values had been gulped by inflation.

There were other challenges to the PAYG scheme. For instance it was limited in coverage since it only covered the public service and a few private organizations. It also lacked uniformity. There were disparities between public and private sector organizations and even among various cadres in the same organization. Moreover, the scheme was too generous to be sustainable. It crowded out other social expenditures in the budget since much was spent on it to the detriment of demands from other social responsibilities. Furthermore, there were distortions arising from changes in life expectancy because in reality retirees outlived their life expectancy by far, thereby putting pressure on budgetary provisions. Commenting on the pension scheme, Hassana (2008) affirms that most pension schemes in the public sector had been under- funded, owing to inadequate budgetary allocations in addition to which budget releases that seldom came were far short of the total benefits. This situation resulted in outstanding, unprecedented and unsustainable pension deficits that estimated to over two trillion naira before the commencement of the Pension Reform Act (PRA) in 2004. Others like Kunle and Iyefu (2004); Taiwo (2006) also observed that the administration of the pension scheme was weak, inefficient, and non-transparent.

Toye (2006) adds that there was no authentic list or data base for pensioners, and several documents were required to file pension claims. The restriction in investment and sharp practices in the management of pension fund exaggerated the problem of pension liabilities to the extent that pensioners were dying on verification queues for payments.

In 2004, the Federal Government of Nigeria revolutionized pension management and administration in the country 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.

As earlier noted, prior to the Pension Reform Act 2004 (PRA), most public organizations operated a Defined Benefit (pay-as-you-go) scheme in which final entitlement was based on length of service and terminal emoluments. The system failure gave birth to the new initiative, Pension Reform Act 2004 with a Contributory Pension Scheme (CPS) to provide remedy. The Pension Subcommittee of the Vision 2010 (1997) had suggested that only the rich countries can successfully operate an unfunded, non- contributory pension scheme. The Vision 2010 committee had set the objective of most Nigerians having access to a formal social security program and it argued that this could be achieved by establishing a funded pension system backed by large-scale privatization.

The major objectives of the new scheme were to: ensure that every person who has worked in either the public or private sector receives his retirement benefits as and when

due; assist improvident individuals by ensuring that they save to cater for their livelihood during old age; establish a uniform set of rules and regulations for the administration and payment of retirement benefits in both the public and private sectors; and stem the growth of outstanding pension liabilities.

The CPS is contributory and based on individual Retirement Savings Accounts (RSAs) that are privately managed by Pension Fund Administrators (PFAs), while pension funds and assets are kept by Pension Fund Custodians (PFCs). The Pension Reform Act 2004 decentralized and privatized pension administration in the country.

The Act also constituted the National Pension Commission (PENCOM) as a regulatory authority to oversee and check the activities of the registered Pension Fund Administrators (PFAs). The provisions of the act cover employees of the public service of the federal government, and private sector organizations. This study therefore seeks to evaluate The National Pension Commission (PENCOM) and the Implementation of the Contributory Pension Scheme at Industrial Training Fund (ITF). The organization had 759 retirees under the CPS as at September, 2019.

ITF was established by law in 1971 to promote, accelerate and encourage the acquisition of indigenous skills required in industry and commerce to meet the developmental needs in Nigeria. Over the years, the ITF has expanded its structures, developed training programs, reviewed its operations and also strategies in order to meet the expanding and changing demands for skilled manpower in the economy.

The fund is headed by a Director General as the Chief Executive Officer under the aegis of the ministry of Industry. The Fund has a 13 member Governing Council and operates

with 10 departments and 3 units at the Headquarters, 33 Area Offices, 3 skilled Training Centers, and a center for Industrial Excellence. To reflect the cooperative spirit of the enterprise, a Governing Council of 13 members drawn from the Public and Private sectors are appointed by the Federal Government to manage the Fund. This will further address the need for private employers, organized labor, and the providers and users of training to co- operate in identifying training needs and devising training policy and system.

Other responsibilities of ITF include, providing Direct Training, Vocational and Apprentice Training, Research and Consultancy Service, Reimbursement of up to 50% levy paid by employers of labor registered with it and also administers the Students Industrial Work Experience Scheme (SIWES). It also provides human resource development information and training technology service to industry and commerce to enhance their manpower capacity and in-house training delivery effort.

This work delved into the problems the researcher gathered over time that retirees all over the nation were being confronted with and had conversations on one on one basis with some of the stakeholders involved with the Pension matters in Nigeria and at the end of the day, after our findings some recommendations were put forward on how to make the Pension industry work better for our retirees.

Statement of the Problem

It is stating the obvious that people who have worked productively and successfully and have retired from service should be able to enjoy their retirement with adequate funds and as such with positive ripple effects. In spite of the Pension Reform Acts of 2004 and 2014 the retirees of ITF are not being paid all their Pension entitlements as and when due

through their Retirement Savings Account. To this end, what are the roles of PENCOM/ PFAs in the implementation of the CPS at ITF?

Some of the problems the retirees complain of include the lack of immediate commencement of the payment of Pension benefits, lack of access to Pension funds (for those who retire before the age of 50 years), lack of issuance of Accounts Statements by PFAs and non- payment of accumulated arrears etc.

In line with the pension Acts, every employee is allowed to choose any Pension Fund Administrator (PFA) of his choice, maintain a Retirement Savings Account (RSA) and each employee shall neither have access to the account nor have any dealings with the custodian with respect to the Retirement Savings Account except through the Pension Fund Administrator. The employer shall deduct at source the monthly contribution of the employee and remit an amount comprising the employees' contribution and the employers' contribution to the custodian, as specified by the PFA of the employee to the exclusive order of such PFA not later than 7 working days from the day the employee is paid. The custodian shall notify the PFA who shall cause the Retirement Savings Account of such employee to be credited. The rates of contribution to the Retirement Savings Account by the employee and the employer are specified in section 9 (1) of the PRA, 2004. However, these rates of contribution may upon agreement of the employer and the employee be revised from time to time and notice of such revision shall be given to the commission.

Some scholars like Ahmad (2006) and Adedapo (2004) who have done work on Pension have not dealt well with the issue of Implementation of the contents of the Acts (2004/2014) as such this work intends to dwell on that. It was discovered that, there have

been constant deductions at source on the monthly pension contributions from the accounts of employees at Industrial Training Fund and that the ITF also keeps to its end of the bargain. PENCOM is unable to exert its supervisory role over the ministries in violation of sections 30 to 28 of the PRA 2004; and also the federal government has not been faithful in paying the 5% monthly wage bill into the account with the Central Bank of Nigeria, which accounts for insufficient funds to settle the pension liabilities of those affected.

The extent to which the Retirement Savings Account (RSA) of retirees at ITF is funded and managed by their employers and PFAs under the supervision of National Pension Commission is the focus of this study. This study therefore seeks to evaluate the role of National Pension Commission in relation to retirees' pension in general and ITFs CPS in particular.

The conditions of the retirees from the old and new schemes of Pension in ITF differ a lot, this is mainly as a result of how their pensions are being calculated. For the retirees from the old scheme, their entitlements are arrived at based on the number of years they have put into service and of course the deductions made from their income over the years which will be what they will receive as a lump sum gratuity. While, for the retirees from the new scheme, their own pension is also being calculated based on their contributions to the RSA but alongside that of their employer.

.3 Research Questions

This study poses the following research questions. They are:

i. To what extent has PENCOM enforced the payment of retirement benefits as specified under Contributory Pension Scheme in Industrial Training Fund?

ii. To what extent has PENCOM regulated the investment and management of pension fund assets as specified under the Contributory Pension Scheme in Industrial Training Fund?

iii. To what extent has PENCOM addressed complaints of impropriety against any pension fund administrator, custodian or Industrial Training Fund its self?

iv. What are the challenges encountered by PENCOM and the Pension Fund Administrators in the implementation of the Contributory Pension scheme as it relates to the settlement of pension to retirees?

v. How can the challenges faced by PENCOM and the Pension Fund Administrators be resolved?

1.4 Objectives of the Study

The general objective of this study is to examine the National Pension Commission and the implementation of Contributory Pension Scheme in Industrial Training Fund, 2004-2019. The specific objectives include:

i. To find out the extent to which PENCOM has enforced the payment of retirement benefits as specified under Contributory Pension Scheme in Industrial Training Fund.

ii. To determine whether PENCOM has regulated the investment and management of pension fund assets as specified in Contributory Pension Scheme in Industrial Training Fund.

iii. To find out if PENCOM has addressed complaints of impropriety against any pension fund administrator, custodian or Industrial Training Fund itself.

iv. To account for challenges facing PENCOM in the implementation of the Contributory Pension scheme in Industrial Training Fund.

v. To suggest possible ways in which PENCOM and the Pension Fund Administrators can address the challenges in the implementation of the Contributory Pension scheme in Industrial Training Fund.

.5 Research Hypotheses

The following hypotheses have been framed to guide this study. These are:

i. There is significant relationship between PENCOM and the enforcement of payment of retirement benefits as specified under Contributory Pension Scheme in Industrial Training Fund.

ii. There is significant relationship between PENCOM and the regulation of investment and management of pension fund assets as specified under Contributory Pension Scheme in Industrial Training Fund.

iii. There is significant relationship between PENCOM and addressing of the complaints of impropriety against any pension fund administrator, custodian or the Industrial Training Fund.

iv. There is significant relationship between PENCOM and the challenges in the implementation of the Contributory Pension scheme in Industrial Training Fund.

v. There is significant relationship between PENCOM and the Pension Fund Administrators in adopting possible ways of addressing the challenges of implementation of the Contributory Pension scheme in Industrial Training Fund

6 Significance of the Study

This study has both theoretical and empirical significance. From the academic standpoint, it would advance the frontiers of knowledge, especially as it relates to the Pension sector of the economy. Theoretically, the research enriches the available theories and knowledge on issues relating to pension matters in general.

The study gave theoretical clarity and critical perspectives to the Structural Functional Theory, and also threw constructive light on the contemporary inquiry and insight into the challenges of pension fund administration in Nigeria. It is hoped that the study provided a stimulus for upcoming researchers and those interested in or saddled with the responsibility of national pension policy to fill in the knowledge gap in the national pension reform on pensioners' wellbeing in Nigeria.

Empirically, the research outputs and outcomes provided were educative, useful and went beyond the traditional outcomes, such as written reports. Although, this constituted part of what was produced at the end of the work, a key principle of the research findings was applied to real-life situations and was able to solve existing problems. This study is hoped to be user-friendly, that is to say that it could be easily applied by researchers, practitioners and policy-makers, pension fund administrators, pension stakeholders, civil servants, operators of the public and private sectors of the Nigerian economy, the academia, and the general public alike, who benefited from the study. In all, the work is a valuable input to the understanding of the present-day problems facing the pension administrative system in Nigeria.

Giving the wide-ranging issues this study addressed, it assuredly provided enriching and inspiring materials in the volume for most readers who may be inquisitive to learn about pension matters in Nigeria.

6 Scope of the Study

Coverage

The scope of this study covers the Retirees of ITF, some PENCOM staff (Senior Officials concerned with the issues of Pension), some of the PFAs senior officials that are responsible for the management of retirees' pension funds at ITF, the head of the ITF Pension Unit, some officials of the ITF Pension Union, who are retirees also and the Deputy Director, in-charge of the Pensions Unit at the Federal Ministry of Industry.

Time/Duration

The Study covered a period of fifteen (15) years, 2004 to 2019. This period was chosen because, the Pension Reform Acts 2004/ 2014 were both introduced to address the challenges of Pension fund administration and management in Nigeria under the Contributory scheme and as such the Acts will be looked into as regards the subject matter.

The Industrial Training Fund was chosen as the study area because of the concern the researcher had towards the unending problems being faced by the Nigerian retirees about their pensions and more specifically because of the first hand information that could be sourced from that organisation as the researcher happens to know some retirees there.

1.8 Operational Definition of Terms

Pension Fund Administrators (PFAs)

Pension Fund Administrators (PFAs) are the companies licensed by the National Pension Commission to manage and invest the pension funds in the employee's Retirement Savings Account (RSA).

Pension Fund Custodians (PFCs)

Pension Fund Custodians (PFCs) are responsible for keeping safe custody of pension assets on trust on behalf of contributors. The main functions of PFCs are to receive pension contributions on behalf of PFAs; settle transactions and undertake activities relating to the administration of pension fund investments on behalf of PFAs and to notify the PFAs within 24 hours of the receipt of pension contributions from employers

Contributory Pension Scheme

This is a pension plan where the pensioner or employee must make a contribution. The employer often makes matching contribution to increase the value of pension amount available for the prospective pensioner.

Annuity

This is a series of pension payments made at equal intervals for a fixed period, often for the recipient's life, in consideration of a stipulated premium paid either in prior instalment or single deposit into a Retirement Savings Account.

CHAPTER TWO

LITERATURE REVIEW

Issues discussed here are the variables of the study and other related subject matters. In addition, the chapter also reviewed some related documented works by some scholars and criticisms made, where necessary.

.1 Conceptual Framework

The concepts looked into here are: Pension, Pension Reform, Retirement/ Welfare Benefits, Contributory and Non-contributory Pensions, Organizational Performance.

.1.1 Concept of Pension

Pension, simply put, connotes a form of official obligation in any employment relationship. It is a legal and economic obligation in which employers of labour are mandated to fulfil in their contractual relationship with employees. It is a form of employers' benevolence towards employees (Pitch and Wood, 1979) quoted in Inyokwe (2013). The definition could not be substantiating due to the fact that, contractual legal and economic obligation between the employers and employees identified by Pitch and Wood, (1979) are not being fulfilled in most cases especially in Nigeria. The need to have a third party to manage the contractual legal and economic obligation becomes imperative. This definition only focused on legal and economic obligation of the Pension matter.

Pension plans are usually established by a legal document called a trust deed with the declaration that the funds would be administered in accordance with the rules spelt out in the document. Employers offer pension benefits to attract, retain and reward employees.

Employees, on the other hand, rely on retirement benefits as a form of financial security in their less productive years (Babatunde, 2012). From the above definition of pension, it only explained the relationship between employer and employees with regards to pension matters but failed to outline the strategies needed to actualize the sustainable pension regime. Pension matters go beyond employer and employees relationship.

Pension is simply the amount set aside either by an employer or an employee or both to ensure that at retirement, there is something for the employee to fall back on as income. It ensures that at old age workers would not be stranded financially. It is aimed at providing workers with security by building up plans that are capable of providing guaranteed income to them when they retire or to dependants when death occurs (Fapohunda, 2013). Encyclopaedia defined pension as a periodic income or annuity payment made at or after retirement to an employee who has become eligible for benefits through age, earnings and service. Benefits may also be paid in the event of death, total disability or job termination. Pension payments are usually in monthly instalments.

World Bank (2004) defines pension as a form of income that workers or their spouses receive after the workers retire, become disabled or die. Pension entails money paid at regular basis by government or any establishment to someone who is officially considered retired from active service after serving for a stipulated time usually a minimum of ten years and maximum of thirty five years (Ikeji; Nwosu and Agba, 2011). Pension schemes are social security maintenance plans for workers after their disengagement as employees through retirement (Elesami, 2006). A pension fund is any collective arrangement or scheme which has as one of its main objectives, the provision

of retirement benefits for working persons either in the form of regular income during retirement years or a lump sum at retirement.

Employers offer pension benefit to attract, retain and reward employees. Employees on the other hand, rely on retirement benefits as a form of financial security in their less productive years (Babatunde, 2012). Fapohunda (2013) also posits that the reason for pension scheme stems from the fact that first; an organization has a moral obligation to provide a reasonable degree of social security for workers especially those who have served for a long period. Second, the organization has to demonstrate that it has the interest of its employees at heart through pension schemes. This definition did not address the basic issues associated with the implementation of pension reform act especially the 2004 Act.

Pension is therefore defined as an employees' benefit which is an employer-created program that offers retirement benefits of deferred income until the employee is terminated (www.businessdictionary.com, accessed 26 April.2013). This definition addressed the basic issues associated with the implementation of pension reform act especially 2004 pension reform by the National Pension Commission.

From the above definitions, we therefore summarized the definition of Pension as one of the vehicles set up as part of financial planning for retirement which provide a form of compulsory and disciplined savings which enable members to set aside funds for their retirement income provision when they reach the end of their working life. A qualifying member is legally obliged to make investments until the day one ceases to be a member

of a pension scheme. Pension funds also represent long-term patent capital – one of the only significant sources of stable capital in the world.

1.2 The concept of Pension Reform

The Pension Reform Act 2004 is not the most recent legislation of the Federal Government, but it was aimed at addressing the associated problems of the old pension system. It established a uniform system for both the public and private sectors respectively with National Pension Commission (PENCOM) as the apex regulatory body (Ahmad, 2012).

The issues of pension administration in Nigeria is a challenging one, In spite of huge revenue accruing from oil, successive regimes could not pay the salaries of working employees as and when due, let alone pension entitlements. The looting and "scramble" for pension funds by the pension "chieftains" were so suffocating that President Olusegun Obasanjo, seemingly concerned about the near destitution of the pensioners, said:

Over the years, retirement in our societies has become synonymous with suffering as if ageing were a course rather than a blessing that it really is. Often pensioners are forgotten by their former employers who thus accentuates society's attitude that rejects pensioners as spent shells. The culmination of this persistent neglect of pensioners has become a threat to national security and indignant pensioners are made more and more inclined to public protests and demonstrations (Adedapo, 2004).

As already stated, old pension crisis is a global problem but the Nigerian version is coloured with corruption and large scale embezzlement of pension funds. This is because the pension industry was not properly organized. There were poor supervision of pension fund administrators in the effective collection, management and disbursement of pension

funds; the various governments were insincere about pension. The aftermath of these developments and more led retirees to become more or less baggers (Toye, 2006).The administrators developed some unwholesome behaviours in the disbursement of pension funds. They organized unorthodox individual retirement scheme such as large scale fraud and collection of 10 percent kick back from pensioners as a condition for payment. These pension administrators constituted themselves into beasts/birds of prey to their former colleagues (pensioners).

It was against these myriad of problems that the Federal Government of Nigeria constituted various committees headed by Chief Ajibola Ogunsola and Mr. Fola Adebola at different times to look at the challenges of pension schemes in Nigeria and proffer solutions. Fola Adebola's committee report was enacted into the Pension Reform Act 2004 and came into operation on 1st July, 2004 (Fapofunda, 2013; Balogun, 2004). The reform was a part of the main policy pursued by the Obasanjo administration to address the Millennium Development Goals (MDGs) which is anchored on National Economic Empowerment and Development Strategies (NEEDS). The macroeconomic framework of NEEDS under 'Empowering the people' involves issues relating to health, education, environment, integrated rural development, safety nets, gender, and geopolitical balance as well as pension reforms. The achievement of the objectives of NEEDS' programme rests on four key strategies, one of which is 'implementing a social charter'. In order to harness the full potentials of the citizenry, NEEDS aims at alleviating poverty through ensuring functional, sound and qualitative health and educational systems, and also employment generation for the youth. This is the overarching ultimate goals of NEEDS. The previous pension scheme which was in crisis was then replaced with a Contributory

Pension Scheme by (the Act) to give the retired citizens a better life after retirement (Article NG, 2013; NEEDS, 2004; Charles, Mordi, and Abwaku, nd.).

The Pension Reform Act 2004 (the Act) was therefore enacted to correct these abnormalities in the system. Based on these wrong attitudes, Obasanjo's administration introduced a pension system that is, according to him, sustainable and has capability to achieve the ultimate goal of providing a stable, predictable and adequate source of retirement income for each worker in the country (Ahmad, 2012). The pension reform Act 2004 was signed into law which gave birth to Contributory Pension Scheme (CPS) fully funded, privately managed, and based on individual account for both the public and private sector employees in Nigeria. The main objectives of the Act is to ensure that every person that worked in either the public or private sector in Nigeria receives his/her retirement benefits as and when due. The Act, among its various provisions, repealed the Pension Act 1990 and other Acts pertaining to pensions were either entirely repealed or amended (Adedapo). The Federal Government has found the global trend in paradigm shift in pension industry.

Nigerians are projected globally in very bad image because of scandalous and startling revelations of massive looting and fraud masterminded by serving civil servants against their former colleagues who had left service. A staggering amount running into inestimable trillions was looted from pension funds by the stakeholders in the administration and management of pensions (Gbenga, 2012).

Ideally therefore, governments and organizations need to identify a way of accommodating and adequately rewarding employees' past efforts, through organized

pension plans, so that they can achieve the goals of their existence (Rabelo, 2002). However, some of the existing pension schemes seem inadequate and/or ineffective. Consequently, pension has in recent times increasingly attracted the attention of policy makers in many countries as a means of facilitating privately-funded retirement income savings by an ageing workforce (World Bank, 1994). In addition to directly affecting the financial retirement planning decisions of a large set of participants, pension funds are now among the most important institutional investments in the world capital markets (Klumpes and Manson, 2000). Holzmann, Orenstein and Rutkowski (2003) assert that pension reform has received greater attention in Western, Central and Eastern Europe than any other topic on the economic reform agenda even though the process in individual countries is uneven. A comprehensive pan-European pension reform (in the 15 European Union (EU) countries, the 10 European Union Accession countries of Central and Eastern Europe, plus Croatia) is motivated by three main factors. They are: high budgetary or expenditure pressure and the tendency of an aging population; socio-economic changes, which render current provisions inadequate; and European economic integration and common currency, which tend to prompt higher levels of internal and external migration that current retirement provisions could hardly support (Holzmann, Hinz and Dorfman, 2003).

The Conference organized by the World Bank and International Institute of Applied Systems Analysis in 2001 also found that the reform changes in both the EU and EUA countries had been characterized by claims over the inability to finance prior commitments, and the need to make pension systems more sustainable in terms of a move towards a greater role for privately managed, funded systems, and the conversion of the

pay-as-you-go (PAYG) systems into defined, contributory systems (Holzmann et al, 2003), which are perceived to be 'more self-sustaining and transparent'. As was the case in Europe, pension reform in Nigeria was also rationalized by arguments over the inability of financing prior commitments and the need to make pension systems more sustainable in terms of a move towards a greater role for privately managed funded systems and the conversion of the pay-as-you-go systems into defined contributory systems.

However, Barbone and Sanchez (1999) argued that life expectancy, the main driver of pension cost, has been increasing for many decades. Despite this, the right to pensions and subsequent improvements in the level of pension provision was won in almost all countries. It is only recently, as part of what has been termed Neo-liberalism or globalization, that the argument has changed and it is now claimed that pensions are no longer affordable and that companies will only be competitive if regulation on pension provision is made less onerous. As regards the custody of the pension fund, divergent views exist as to who should be saddled with the responsibility of safeguarding the funds. While some contend that pension funds shall best be located under the control of the sponsors or the company, others advocate that pension funds should be placed under the control of a trustee. In support of their preferences for one strategy over the other, the proponents of the opposing views proffer some arguments. For example, those advocating the sponsor as the custodian of the pension funds believe that apart from being less risky, investment in own company will be taken care of them could be under the custody of a third party. That is to say that the employees being the beneficiaries would always put in their best because any failure on their part would jeopardize not only

their retirement plans but their positions as well. Those that favour the custody by a trustee, on the other hand, cite the case of Enron, WorldCom and Parmalat where the majority of the employees, apart from losing their jobs, lost most of their pensions when the companies crashed.

Pension as a scheme is designed to cater for the welfare of the pensionable retired workers who had for long gained global recognition and acceptance. Workers generally, whether those in the public and private sectors are expected to live comfortable life's devoid of any form of dependency after their successful retirement from active service. The working lives of employees move continuously towards a certain direction i.e. 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 a majority leave the service with little or no savings at all. Ideally, the government and organizations need to identify a way of accommodating and adequately rewarding employees' past efforts, through organized pension plans, so that it can achieve the goals of their existence (Rabelo, 2002). Essentially, this is often through different retirement policies which include the Defined Benefit (pay-as-you-go) scheme, the National provident fund scheme and in particular the new contributory pension scheme that is expected to be fully funded.

However, some of the existing pension schemes seem inadequate and/or ineffective. In Nigeria, for instance, SAS 8 was issued in 1991 to direct and guide businesses on the determination and reporting of pension and retirement benefits. Its growing tribute, however, emerges from divergent schools of thought namely, the contributory, the noncontributory and the hybrid schools of thought (Kantudu, 2005). The first school of

thought, emphasizing on contribution, is advocated by most accounting standards setting bodies as well as by writers (Campbell and Feldstein, 2001). These scholars argued that should the employees contribute a certain percentage to the plan, the employee will be able to receive the entire or part of the benefits at retirement, or in case of termination of appointment or dismissal. The hallmark of the contributory theory is operational efficiency in computation and funding. The second school of thought (the non – contributory) also advocated by some accounting setting bodies (McGill, 1984; and Byrne, 2003). According to this school, employers alone should fund the pension asset. The belief of this school was that the singular funding made by the sponsor encourages and attracts more qualified and dedicated employees into the organization. Under this arrangement, the benefit is defined by a formula, and pension at retirement is paid either as a lump sum amount or as a life annuity (SAS 8, 1991). Consequently, pension has in recent times increasingly attracted the attention of policy makers in many countries as a means of facilitating privately – funded retirement income savings by an ageing workforce (World Bank, 1994).

Managing and administering pension funds have continued to pose a major challenge to government in Nigeria. Yet, pension which guarantees an employee certain comfort in his or her inactive years is critical to the sustenance of the life of the individual and the society (Nkanga, 2005). In our society today, most workers are not covered by any reasonable form of retirement benefit arrangement while the few schemes suffer from poor management. According to Komolafe (2004), the Nigerian pension system in general is very much fragmented, lacks an adequate overall policy, a legal and regulatory framework and an empowered coordinating body to supervise it. As stated by Adegbayi

(2005), Nigeria must avoid minor pension reforms that are repeated periodically because of political problems associated with such adjustments. Once Defined Benefits schemes are frequently redefined, they only create uncertainty of retirement benefit.

.3 The concept of Retirement and Welfare/Benefits

Retirement is a fluid concept because it connotes different things and is fraught with different experiences for different people. While some individuals view it positively and anticipate it with nostalgia others dread its eventuality with great anxiety. Thus, it could be said that it is not a homogenous experience for everyone. Retirement is a time of significant transition as far as the use of time is concerned. However, the importance of retirement is made more glaring by the fact that the retired person is made to face some challenges because of his/her new status (as a retired person). It has been noted that retirement is a stressful experience to many because of its associated changes to lifestyle arrangements in general. It has been postulated by Elezua (1998) that the moment retirement comes knocking on the door (of an employee) it enters with challenges and expectations. Retirement is typically associated with attendant stress for the average employee especially in a country like Nigeria with austere economic policies.

Pensions provide income to individuals in their retirement, and just over half of full-time workers participate in some types of pension plan at work. However, the actual rate of participation depends on several things. For example, older workers tend to have a higher participation rate, and employees of larger firms have participation rates as much as three times as high as those in small firms (Dessler, 2003).

Dessler (2003), classified retirement benefits into three basic ways; contributory versus non-contributory plans; qualified versus non-qualified plans; and defined contribution

versus defined benefit plans. The employee contributes to the contributory pension plan, while the employees make all contributions to the non-contributory pension plan. Employers derive certain tax benefits from contributing to qualified pension plans such as tax deductions for contributions; non-qualified pension plans get less favourable tax treatment for employees and employers.

With defined benefit plans the employee knows ahead of time the pension benefits he or she will receive. The defined pension benefit itself is usually set by a formula that ties the pension retirement to an amount equal to a percentage of the person's pre-retirement pay, multiplied by the numbers of years he or she worked for the organisation.

Defined contribution plans specify what contribution the employees and employer will make to the employee's retirement or savings fund. Here in other words, the contribution is defined not the pension. With a defined benefit plan, the employee knows what his/her retirement benefits will be upon retirement. With a defined contribution plan, the person's pension will depend on the amounts contributed to the fund and on the retirement fund's investment earnings (Dagauda and Oyadiran 2013). Armstrong (2005) identified occupational pension scheme as an important type of retirement benefits. An occupational pension scheme is an arrangement under which an employer provides pensions for employees when they retire, income for the families of members who die, and deferred benefits to members who leave. A group scheme is the typical scheme which provides for a number of employees.

Occupational pension schemes Armstrong (2005), observed were administered by trusts which were supposed to be outside the employer's control. The trustees were responsible for the pension fund from which pension benefits were paid. The pension fund is fed by

contributions from employers and usually (but not always) employees. The size of the fund and its capacity to meet future commitments depend both on the size of contributions and on the income the trustees can generate. They do this by investing fund money with the help of advisers in stocks, shares and other securities, or through an insurance company.

According to Gustman et al (1994), many workers want pension because;

a) They afford a tax-preferred and convenient means to save for retirements. In addition, the fact that pension plans offer scale economies in investment and record-keeping means that people can save for retirement more cheaply in a pension than on their own.

b) Pension plans offer workers another important feature as well, it provide a form of retirement insurance not readily available to purchase of individual private annuities. In particular, they may provide insurance against disability, and frequently some degree of inflation protection.

c) Some pension plans offer a measure of cross-generational risk sharing, spreading the chances of low returns to pension investments across different employee cohorts.

In general, all hypotheses regarding employer motivation for supplying a pension rely on the notion that companies or country can use pensions as a human resource tool. Pensions have been seen as a device for attracting workers with certain traits, for eliciting greater work effort, for achieving desired turnover patterns and sometimes for prompting retirement at particular age and regulate worker's quality (Kolawole 2003).

The concept of Contributory and Non-contributory Pensions

A pension system is essentially an income security program which provides benefits to beneficiaries who may be retirees, pensioners or the destitute. The benefits of a pension

may be flat or defined. A defined benefit is a benefit whose value payments vary according to established rules for participation whereas a flat benefit is one that pays a unitary value to beneficiaries. Furthermore, within pension programmes, a distinction exists between a defined benefit plan and a defined contribution plan (Dagauda and Oyadiran, 2013).

In a defined benefit plan, only the employer is responsible for fuelling of the plan where as in defined contribution plan both the employers and the employee make defined contributions to fund, the plan. As such, pension systems can be broadly categorized as contributory and non-contributory. Contributory pensions are income security programmes which mostly provide minimum pensions tied to a contribution history (Dagauda and Oyadiran, 2013). Ako (2006) observes that this implies the criteria for pension eligibility to include a history of earmarked contribution having been made by the prospective retirees or their employers. The objective is usually that of replacing a greater proportion of income for low income workers in what could be refered to as a form of minimum pension guarantees. Contributory pension systems are therefore usually in the form of savings or insurance schemes.

On the other hand, non-contributory pensions are pure cash transfers to beneficiaries rather than savings or insurance schemes (Ako, 2006). This implies the prospective beneficiary is not eligible on the basis of a contribution history but the eligibility criterion is usually a socio-economic or even political factor such as poverty old age or political participation. Hence non-contributory pension are sometimes called social pensions.

Defined contribution plans according to Mainoma (2005) are those in which the benefit is defined as the future value of pension fund contribution made on an employee's behalf.

The exact value is unknown prior to retirement because it depends on future earnings of pension fund investments. Benefits are solely a function of accumulated contribution, and for this reason the plans are called defined contribution. The value of benefits varies ; it is dependent on contribution levels and earnings made on invested contribution (Mainoma, 2005).

Defined contribution plans may be either contributory or non- contributory. It is contributory where fuelling is shared by the employer and employee as provided by the new pension act 2004 in Nigeria. It is non-contributory if all contributions are made by the employer as the case of Nigeria before the commencement of pension Act 25. The benefit is defined either on a specific amount or by a general formula based on salary. However, non- contributory pensions are very costly affairs and the countries that operate them have had to battle with unsustainable fiscal deficits on account of several factors, including rapid demographic changes as well as changes in the age and sex – specific labour force participates (Ako 2006, Mainoma 2005).

In a defined contribution plan, investment risk and investment rewards are assumed by each individual/employee/retiree and not by the sponsor/employer. In addition, participants do not typically purchase annuities with their savings upon retirement, and bear the risk of outliving their assets. The "cost" of a defined contribution plan is readily calculated, but the benefit from a defined contribution plan depends upon the account balance at the time an employee is looking to use the assets. So, for this arrangement, the contribution is known but the benefit is unknown (until calculated) (Dagauda and Oyadiran, 2013).

Despite the fact that the participant in a defined contribution plan typically has control over investment decisions, the plan sponsor retains a significant degree of fiduciary responsibility over investment of plan assets, including the selection of investment options and administrative providers (Dagauda and Oyadiran, 2013).

.5 Concept of Organizational Performance

Koontz and Donnell (1993) define the Organizational Performance as the ability of an industry in attaining or aiming such goals as high gains, superior products and services, sound financial results, sizeable market portion and survival at set time using pertinent approach for action. Contrary to the above definition, Mwita, (2000) defined Organizational Performance as an achievement, accomplishment or performance of an organization. He further stated that, performance is a crucial multidimensional establishment focused in attaining outcomes and has a secure association to strategic objectives of an institution.

Armstrong (2001) argues that Organizational Performance is an achievement which refers to both outcome and behaviours, and modifying institutional actions and behaviours of work to attain outcomes or effects. Conducts or etiquettes are results in their own right and response to the outcome of mental and physical attempt applied to assignment. Armstrong's definition seems to be in line with the view of Mwita which also sees organizational performance as achievement of organizational goals.

Alam (2001) observed that organizational performance is a multidimensional construct that is composed of four segments i.e. customer-focused accomplishment, this includes but not limited to customer satisfaction, products or services performance; the performance of financial and market that also involves market position, profit revenue,

human resource performance, cash to cash cycle time, and income per share; including employee gratification; and organizational efficiency,. that includes the extent of innovation, time to market; production and supply chain flexibility.

The achievement of an institution or organization can also be used to see how an industry or a firm is performing on a degree of profit share in the market and quality of products in association to other firms within equivalent industry. Therefore, it is the deliberation of the output of the employees of a business entity measured when it comes to profit, expansion, income and development of the organization. Economic and financial achievement evaluates how effectively a firm is generating gains and benefits for the business owners. This can be evaluated along diverse financial measures like gains from equity, income from assets, profit after tax, incomes per share and any commonly accepted market worth ration.

According to Anderson (2003), he identified the advantages of employee performance as:

i.) Productivity increases

ii.) Job satisfaction

iii.) High profit

iv.) Improves sales and market shares of the company in the market

v.) Employees develop sense of commitment and loyalty

vi.) Total production increases in quality and quantity

Anderson (2003), stated that the following are the factors affecting employee performance in an organization, they include: Experience, Balancing home and work and Manager Interaction

i.) **Experience**: Hiring employees who do not have the proper background for the job is one of the things that start a performance downward spiral (Anderson, 2003). Company training should be used to enhance the employee's background. If an employee has undergone extensive training but is still experiencing performance issues, then the problem could be that the employee does not possess the necessary experience to do the job.

ii.) **Balancing Home and Work**: Managers need to be sensitive to employees" personal problems, and be prepared to discuss the issues with employees when necessary. If an employee requires time off to deal with a personal problem, then granting that time off will help to show all employees that the company values them (Anderson, 2003). As much as an employer may not want to be affected by the personal life of his employees, personal problems can sometimes affect employee performance.

iii.) **Manager interaction**: If an employee does not get feedback from the manager as regards performance on the job, the employee has no idea how to rate their performance. Managers should be trained to give positive and negative employee performance feedback. In negative situations, the manager should work with the employee to create a programme that will help address the performance shortcomings. It is easier for employees to improve their performance when they know what they are doing right and what they are doing wrong.

iv.) **Setting goals**: Employers need to set goals that employees are required to achieve. Performing to the minimum standards means the employee is doing his job, and that can help an employee understand what is expected of him at a minimum. It would also be helpful to create incentives that will give employees motivation to go beyond the set goals.

From the above definition of organizational performance, performance implies both concern for effectiveness and efficiency. Effectiveness refers to goal accomplishment, however, it does not speak of the costs incurred in reaching the goal. That is where efficiency comes in. Efficiency evaluates the ratio of inputs consumed to outputs achieved. The greater the output for a given input, the greater the efficiency, It is not desirable to have objective measures of productivity such as hard data on effectiveness, number of units produced, or percentage of crimes solved etc and hard data on efficiency (average cost per unit or ratio of sales volume to number of calls made etc).

In addition to productivity as measured in terms of effectiveness and efficiency, performance also includes personnel data such as measures of accidents, turnover, absences, and tardiness. That is a good employee is one who not only performs well in terms of productivity but also minimizes problems for the organization by being to work on time, by not missing days, and by minimizing the number of work-related accidents.

According to Chen, Silverthorne & Hung, (2006), organizational performance means the "transformation of inputs into outputs for achieving certain outcomes. With regard to its content, performance informs about the relation between minimal and effective cost

(economy), between effective cost and realized output (efficiency) and between output and achieved the outcome (effectiveness)".

Organizational Performance has been defined as the ability of an organization to fulfil its mission through sound management, strong governance and a persistent rededication to achieving results. Effective nonprofits are mission-driven, adaptable, customer-focused, entrepreneurial, outcomes oriented and sustainable, (Spector, 2008).

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives).

Welbourne, Johnson, & Erez (2008) developed the 'role-based performance scale'. Based on role and identity theory, they identify five key roles when tapping individual performance: job performance (doing things according to the job description, aligned with 'in-role' performance), career performance (obtaining necessary skills to progress), innovator performance (coming up with new ideas and implementing them), team performance (working well with co-workers), and organization performance (going beyond the call of duty in your organization). In a similar vein, Wang, Oh, Courtright, & Colbert (2011) differentiate between task performance (similar to job performance of Welbourne et al.), contextual performance (similar to organization performance), creative performance (similar to innovator performance), and general performance (an overall performance measure).

According to Richard (2009) Organizational performance involves the recurring activities to establish organizational goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently.

Specialists in many fields are concerned with organizational performance including strategic planners, operations, finance, legal, and organizational development.

According to Richard (2009) on economic point of view, organizational performance encompasses three specific areas of organizational outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.).

In recent years, many organizations have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions such as: financial performance (e.g. shareholder return), customer service, social responsibility (e.g. corporate citizenship, community outreach) and employee stewardship.

Kearney and Berman (2009) explained, performance is similar to productivity as the effective and efficient use of resources to achieve outcomes, performance in the public sector has broader meaning than productivity, and it is guided and assessed by multiple, equally important standards of effectiveness, efficiency and equity.

Empirical Review

Empirical review of previous studies is a systemic review of related articles that have been written and published in academic journals.

Several scholarly works have been carried out to ascertain the veracity or otherwise of the way and manner in which pension management generally has been carried out in Nigeria.

Of particular interest to this study is the extent to which the Nigerian National Pension Commission has been managing the affairs of retirees, especially as it concerns the Industrial Training Fund. In this section, the study focuses on extant empirical works of scholars and experts in the broader field of pension reform studies.

1 PENCOM and the payment of retirement benefits under CPS in ITF

A study conducted on the Evaluation of Pension Administration in Nigeria by Ayegba (2013). The study evaluates pension fund administration in Nigeria by examining the extent of compliance by employers of labor in funding the Retirement Savings Account (RSA) of their employees as a requirement of the new contributory pension scheme in Nigeria. Key problems facing pension scheme in Nigeria was identified with an overview of the scheme. Secondary data were obtained from official publications, national dailies, documentations and internet materials. Chi Square method of data analysis was used to analyze the data. The analysis confirmed that regular upward reviews of pensions and gratuities in the country without appropriate strategies for financing the scheme has become a major problem, which calls for immediate attention in other to alleviate the suffering and hardship of retirees in the country(Nigeria). The study recommends that the Nigerian government should encourage the option of having the banks where the salary accounts of employees are domiciled to make pension deductions on monthly basis possible and have it remitted to the Pension Fund Administrators. The need for public enlightenment on the merit of the new contributory pension scheme, the 2004 Pension Reform Act is key to enable Nigerians in Diaspora who may want to contribute to the retirement saving scheme to do so and the government should punish those who steal

pensioners' funds to serve as deterrent to others. This study concludes that a well organized structure that will ensure prompt payment of retirees and is highly desirable and this must be vigorously pursued by the government (Nigeria).

The gap from the study is that, there is no defined population and the area of study is unknown. This current study focuses on a defined population which includes; the retirees, the staff of the PENCOM and the management of Pension Fund Administrators.

Another study conducted on Nigerian Pension Reforms and Management by Asuquo, Akpan & Tapang (2011). The study investigated the Nigerian Pension reforms and management as veritable strategies of rewarding past intellectuals towards sustainable development in the third world. The main aim of the study was to determine the influence of pension reforms on the welfare of the retired civil servants in Nigeria with particular reference to Cross River State. In order to achieve the objective; direct and guide the study; three research questions were formulated and developed into hypotheses. Data for the study were collected with the use of structured questionnaire. Data obtained were analyzed using simple percentage and Pearson Product Moment Correlation Coefficient. Results and findings revealed that there exists a significant relationship between pension reforms and the welfare of the Pensioners.

The gap from the study is that, it is centered on pension reform rather than the implementation of the contributory pension scheme. The study was also carried out among the retired civil servants in Cross River State while, this current study is on the implementation of contributory pension scheme in Industrial Training Fund.

PENCOM and the management of Pension Fund Assets as specified under the CPS in ITF

Another study conducted by Beredugo (2015), on pension fund accounting and pensioners' wellbeing together with their sustainability and life expectancy. The study was carried out on a sample of 400 pensioners drawn from Oyo, Rivers and Kano states. Square (OLS) was however adopted for the hypotheses tests and it was discovered that pension fund accounting significantly affects pensioners' wellbeing and that the pensioners' sustainability is dependent on collective bargaining between the pensioners' and their administrators. It was recommended that organizations should always recognize pension costs along with the plan's assets and obligations in their financial statements, organizations or governments should bear the contribution of low income earners.

In this work, Beredugo was right that pension fund accounting has an impact on the wellbeing and sustainability of pensioners but not on the part that organizations should bear the entire cost of the contributions of low income earners. The researchers' view here stems from the fact that when people make contributions in anything that concerns them; they tend to have a better say or right in such issues. The gap from the study is that, it focused on pension fund accounting and pensioners' wellbeing rather than the management of contribution pension scheme. The population of the study were drawn from 400 pensioners drawn from Oyo, Rivers and Kano states. This current study focused on the role of Natioanl Pension Commission in the implementation of Contribution with specific reference to Industrial Training Fund.

Another study conducted on the effect of the new pension scheme on retirees in Nigeria (2004 – 2014) by Anazodo, Ezenwile, Chidolue & Umetiti (2014). The study argued that,

the lack of adequate and untimely budgetary provisions coupled with poor retirees' welfare smacked off the introduction of the new pension scheme, otherwise called the contributory pension scheme. To fortify its operations and increase its regulation, the Federal Government introduced the Pension Act of 2004, and later amended as the Pension Act of 2014. The Nigerian Pension Commission was saddled with the regulation of the Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs) as well as other relevant stakeholders. Sadly, most retirees or would-be-retirees are not fully aware of the operations of PENCOM, PFAs, PFCs and other relevant stakeholders. This of course has ignited some fears over their contributions; as millions of retirees who have served the country have their later years enmeshed in suffering due to late payment, non-payment, non-remittance or other administrative hiccups. The method of this paper was qualitative and exploratory in nature; descriptive analysis of secondary source gave insight into the subject matter. The study found out that most retirees are not aware of the operations of the pension managers. It therefore recommended that, apart from adequate sensitization of retirees; they should also be integral stakeholders in the management of their funds.

The gap from the study conducted by Anazodo, Ezenwile, Chidolue & Umetiti is that, the study was conducted from 2004 – 2014. Besides this gap, the study has no effective research design and defined population. This current study covers from 2004 - 2019 and the research design used in this study is descriptive survey and the defined population include ITF retirees, the staff of PENCOM, staff of PFAs and also Head of ITF Pensions unit.

PENCOM and the address of complaints of impropriety

A study conducted by Ugwoke and Onyeanu (2014) on determination of the level of acceptance and compliance to the New Pension Scheme in Nigeria. It chronicles the various efforts and challenges at administering an effective pension scheme in Nigeria over the years with particular focus on the level of acceptance and compliance by all the stake holders in the new scheme; the main objective of this research work was an evaluation of pension fund administration in Nigeria, Primary and secondary data were collected and analyzed using chi square and t-test to arrive at dependable conclusion and policy recommendations. This research work revealed that, pension scheme is something that cannot be treated with levity, (for effective and efficient pension fund administration in Nigeria, the following policy recommendations were put forward for the Nigerian government to look into the option of having the banks where the salary accounts of employees are domiciled to make the pension deductions on monthly basis and have it remitted to the concerned pension fund administrators (PFAs) i.e. employers should stop deducting the pension contribution from source, the review of this role is necessary because, it seems the number of defaulting firms are on the increase. The regulator (National Pension Commission) should enforce the relevant sanctions of the Pension Reform Acts on defaulting employers to improve on the existing compliance.

The gap from the above study is that, it focuses on the determination level of acceptance and compliance to the New Pension Scheme in Nigeria rather than the regulation and supervision of Pension Fund Administrators by National Pension Commission and how the contributory pension scheme is implemented. The study also has no area of coverage which may have affected the quality of research. This current study has identified

Industrial Training Fund as the area of the study.

Another study conducted by Imhanlahimi & Idolor ((2011) examined the effect of Defined benefit plans on Civil service pensions Compensation Methods. The study argued that, The Contributory Pension Scheme (CPS), introduced by the Nigerian Federal government in June 2004 as part of government's administrative reforms is gradually changing the tempo of pension administration in Nigeria. The paper also looked at the former pension scheme-Defined Benefits Pension Scheme (DBPS). It highlighted the values, such as assured funds for pension payment and challenges, such as inadequate information from pension fund administrators (PFAs) and considered the implications of these for the public workers' productivity and welfare. Using the bench mark and survey approaches, the paper found that the CPS seems to be of more benefit to the government than the employees and retirees. Opinion survey of respondents revealed that Nigerian workers prefer the DBPS to the CPS. The paper gave some reasons for the development, including the fact of non-participation of the workers in the decision making processes leading to the establishment of the CPS and the hardship that the contribution of a percentage of salary tends to inflict on workers. And of course, there is the issue of the lower monthly pension benefits than what obtains in DBPS. For the scheme to succeed and enhance its acceptability, the public workers' productivity and welfare, some suggestions have been proffered. These include involvement of stakeholders in the review of the scheme so as to streamline it, upgrading monthly pension payment and removing other gray areas. Thus, some African countries can benefit from Nigeria's experience.

The gap from the above study is that, it was conducted to find out the difference between Defined benefit plans and Civil service pensions Compensation Methods while this current study deals with the implementation of Contributory Pension Scheme by the National Pension Commission.

4 The challenges faced by PENCOM and the PFAs

Another study conducted on Problems and Prospects in the Management of Retirement Benefits in Adamawa State Pension Board, Nigeria by Ndaghu (2015), examined and analysed the problems and prospects in the management of retirement benefits in Adamawa State Pension Board. The research seeks to identify the efficacy of the board in managing retirement benefits of retirees. It further furnished the strategies to overhaul the board toward meeting the retirees demand and expectation. A simple random sample was adopted in selecting 50 respondents from the pension board and responses obtained through administration of questionnaires. The data was analysed using tables and percentages and it revealed that the strategies needed to tackle retirees' problems are by adequately providing technologically advanced instruments and approaches as well as provision for investment in research and development. The study further revealed the problematic state of the management of retirement benefit in Adamawa state pension board, the existence of bottleneck with regard to poor policy, inefficiency as well as corruption are responsible for delay in payment of retirement benefits and inefficient system which has adverse effects on the board in discharging its duties. It is recommended that planning and evaluation mechanism should be initiated to monitor pension systems as well as establishing proper auditing mechanism to minimize wastages and embezzlements.

The above study rightly suggests the mechanisms to be used i.e technologically driven instruments and approaches for the management of retirement benefits. On the other hand, the study is suggestive of the absence of a regulatory instrument in existence to check the efficiency or otherwise of the Adamawa pension board. The researcher here is of the view that the PENCOM which is saddled with the responsibility of overseeing pension matters should be involved at all stages to ensure compliance and success of the scheme.

The Contributory Pension Scheme under the 2004 Pension Reform Act

1. Contribution of funds by both the Employer and the Employee to fund the retirement benefits.
2. Crediting the Employees' retirement savings account with PFA's with funds contributed.
3. Pension fund assets are to be privately managed and invested by professional Pension Fund Managers.
4. Strict regulation of Pension Fund Managers under uniform laws and regulations for both private and public sectors
5. The establishment of the National Pension Commission.
6. Benefits under the Pension Act are not taxable provided that voluntary contributions are not withdrawn before the end of 5 years from the date the voluntary contributions are made.
7. Employees with less than 3 years or who are 3 years to retirement and contributors to an existing Pension Scheme are exempted from the new scheme under the Act.

8. Judicial Officers (i.e Judges and Justices of Superior Courts) mentioned in Section 291 of the 1999 Constitution are exempted from contributing to the scheme.
9. The initial rates, in percentages of total contributions by employers and employees, to the contributory scheme are as follows:

Private and Public Sectors:

i. Employer – minimum of seven and a half percent
ii. Employee – minimum of seven and a half percent

Military:

i. Employer – minimum of twelve and a half percent
ii. Employee – two and a half percent.

Factors that led to the amendment of the 2004 Pension Reform Act which gave rise to the 2014 Act

1. Staffing and funding of PTAD. The 2004 Act does not provide for the staffing and funding of the Federal Government and FCT PTADS (ss.42-49 of the bill). Consequently, it is recommended that additional provisions should be inserted to empower the PTADS to employ their staff and make provision for sources of their funding, which should primarily be from Government Subvention.
2. Re-admission after re-certification of medical fitness (s.16(3) of the bill). This says that the reintegration of persons certified by a medical board or a suitably qualified physician upon securing another employment was made subject to Guidelines to be issued by the commission from time to time. This is just to ensure that whenever

such persons are employed, the onus of confirming their fitness for employment is on the employer based on extant labour laws.

3. Exemption from the scheme (S. 5 of the bill): Section 5(1) of the PRA 2013 included under the list of persons exempted from the scheme, Professors covered by the Universities (Miscellaneous provisions) Amendment Act 2012 and the categories of employees entitled by virtue of their terms and conditions of service to retire with full retirement benefits. This is not the intention of the amendment. These two categories of persons are not meant to be exempted from the CPS. Rather, they will continue to be under the CPS but would, upon retirement, get their full retirement benefits.
4. Pension component of accrued rights of retirees (S 15 of the bill). The requirements for amounts derived from the Pension reviews to be credited into FG and FCT Retirement Fund Accounts respectively with CBN is being being recommended for change in order to read that the amounts so derived from such reviews shall be credited into the RSA of the retirees since they have already retired and have nothing to do with the Retirement Benefits Bond Redemption Fund.

.7 National Pension Commission and the Administration of Pension Scheme in Nigeria

There are two notable pension schemes; the self -administered scheme and the insured scheme. The self administered scheme is administered on behalf of the staff by the trustees, in line with the Trust Deed and Rules. The administrators collect the contributions and invest such contributions through external or in-house fund managers. For the insured scheme, the administration of the pension is transferred to a life insurance company who collects the premium and invests the premium and on retirement, pays the

retirees pensions. The most common form of this scheme is the deposit administration which allows the insurance company involved to invest accumulated pension fund contributions with subsequent interest. It is through the use of the insured scheme or the use of pension fund managers that the private sector managed its schemes effectively before 2004.

Prior to 2004 the pension scheme in operation was the Defined Benefit or Pay as You Go (PAYG). The government funded the public sector scheme hundred percent and it was a non-contributory pension scheme. Chilekezi (2005) observes that the pension payment was done through budgetary allocations for each fiscal year. The private sector scheme seemed better organized than the public sector and as Uzoma (1993) affirms it was mostly a contributory scheme, but in a few cases it was maintained as a non-contributory scheme 100% funded by the employers.

The PAYG pension scheme has certain merits. One merit of the system is that only the employer contributes and employees do not bear the burden of contributions. Also for the PAYG scheme there is a general scale of benefit which is more generous than the new contributory scheme. In addition it involved periodic pension increases with salaries because monthly pensions were always increased whenever there was a wage increase. More so, payment by the employer is deferred and there is no immediate pressure on employer's cash flow as payment is only made after retirement. It is also less expensive to administer since administrative costs begin from retirement. The scheme is however fraught with challenges and problems.

The 2004 pension reform was necessitated by the myriad of problems that plagued both the Pay As You Go (PAYG) operated in the public sector and other forms of pension

systems like occupational schemes, mixture of funded and defined benefits (DB) schemes that operated in the private sector. A major challenge of the public sector defined benefit scheme (PAYG) was its dependence on budgetary provisions for funding. Gbitse (2006) observes that the scheme in the public sector became unsustainable and was further compounded by increase in salaries and pension payments.

The corruption and embezzlement in the country also affected the pension scheme and funds meant for it.

Moreover, resulting from lack of adequate and timely budgetary provisions the scheme became largely unsustainable and brought about not only soaring gaps between pension fund obligations and revenues, that threatened economic stability but also crowded out necessary investments in education, health and infrastructure.

In addition, Gbitse adds that the Pension Fund Administrators (PFAs), were largely weak, inefficient, and cumbersome and lacked transparency in their activities. Added to these was poor supervision of PFAs in the effective collection, management and disbursement of pension funds. Commenting on the old pension scheme, Toye (2006) alludes to poor record management and documentation processes by the pension board as well as the inability of pension fund administrators to effectively carryout their duties in providing for the expected pension allowances as at when due. The aftermath of this development led retirees to become more or less beggars.

Successive governments in the country also abused resources meant for development and payment of pensioners and pensions was largely neglected. The pension burden on government at various levels grew so big that prompt payment became impossible. The problem was further compounded by the negative economic and social effects of the

policies of Structural Adjustment Program (SAP), hikes in fuel price, devaluation of the naira, and the global economic recession among others which made the pension scheme inconsequential.

The eventual collapse of the non-contributory pension scheme is therefore a cumulative effect of all these problems that produced generally worsening living conditions for pensioners. Compared to the 1980s and the 1990s, the pensioners became worse off because their pensions were significantly depreciated. Added to the foregoing, is the fact that inflation in the country has for over two decades remained in double digits, a situation which has undermined and made nonsense of not only the pension, but also the minimum wage. Therefore, aside from the fact that pensions were not paid promptly, when they were eventually paid their real values had been gulped by inflation.

There were other challenges to the PAYG scheme. For instance it was limited in coverage since it only covered the public service and a few private organizations. It also lacked uniformity. There were disparities between public and private sector organizations and even among various cadres in the same organization. Moreover, the scheme was too generous to be sustainable. It crowded out other social expenditures in the budget since much was spent on it to the detriment of demands from other social responsibilities. Furthermore, there were distortions arising from changes in life expectancy because in reality retirees outlived their life expectancy by far, thereby putting pressure on budgetary provisions. Commenting on the pension scheme, Hassana (2008) affirms that most pension schemes in the public sector had been under- funded, owing to inadequate budgetary allocations in addition to which budget releases that seldom came were far short of the total benefits. This situation resulted in outstanding, unprecedented and

unsustainable pension deficits that estimated to over two trillion naira before the commencement of the Pension Reform Act (PRA) in 2004. Others like Kunle and Iyefu (2004); Taiwo (2006) also observe that the administration of the pension scheme was weak, inefficient, and non-transparent. Toye (2006) adds that there was no authentic list or data base for pensioners, and several documents were required to file pension claims. The restriction in investment and sharp practices in the management of pension fund exaggerated the problem of pension liabilities to the extent that pensioners were dying on verification queues for payments.

The private sector schemes were characterized by very low compliance ratio due to lack of effective regulation and supervision of the system. Most of the schemes were similar to Provident Fund Schemes, and did not provide for periodic benefits. More so, many private sector employees were not covered by any form of pension scheme. Most employees in the formal and informal enterprises were not catered for by any form of retirement benefit arrangements. Most pension schemes were designed as resignation schemes rather than retirement schemes. A direct result of these myriad of problems was that the Federal Government constituted various committees at different times to look at the challenges of pension schemes in Nigeria and proffer solutions to move forward. One of these committees was the Fola Adeola committee, whose report was enacted into the Pension Reform Act (PRA) on the 1st of July, 2004.

Contributory and Non-contributory Pensions are the two main systems of pension administration in Nigeria. A pension system is essentially an income security program which provides benefits to beneficiaries who may be retirees, pensioners or the destitute. The benefits of a pension may be flat or defined.

Ako (2006) observes that the criteria for pension eligibility to include a history of earmarked contribution having been made by the prospective retirees or their employers. The objective is usually that of replacing a greater proportion of income for low income workers in what could be referred to as a form of minimum pension guarantees. Contributory pension systems are therefore usually in the form of savings or insurance schemes. This definition only focuses on the criteria for pension eligibility, but it has failed to address how implementation of pension reform act affects the performance of PENCOM and the PFAs in the payment of pension to ITF Retirees in Nigeria.

Defined contribution plans according to Mainoma (2005) are those in which the benefit is defined as the future value of pension fund contribution made on an employee's behalf. The exact value is unknown prior to retirement because it depends on future earnings of pension fund investments. Benefits are solely a function of accumulated contribution, and for this reason the plans are called defined contribution. The value of benefits varies, it is dependent on contribution levels and earnings made on invested contribution (Mainoma, 2005).

Defined contribution plans may be contributory or non- contributory. It is contributory where fuelling is shared by the employer and employee as provided by the new pension act 2004 in Nigeria. It is non-contributory if all contributions are made by the employer as the case of Nigeria before the commencement of pension Act. The benefit is defined either on a specific amount or by a general formula based on salary. However, non-contributory pensions are very costly affairs and the countries that operate them have had to battle with unsustainable fiscal deficits on account of several factors, including rapid

demographic changes as well as changes in the age and sex – (Ako 2006, Mainoma 2005).

On the other hand, non-contributory pensions are pure cash transfers to beneficiaries rather than savings or insurance schemes (Ako 2006). This implies the prospective beneficiary is not eligible on the basis of a contribution history but the eligibility criterion is usually a socio-economic or even political factor such as poverty, old age or political participation. Hence, non-contributory pensions are sometimes called social pensions.

A defined benefit is a benefit whose value payments vary according to established rules for participation whereas a flat benefit is one that pays a unitary value to beneficiaries. Furthermore, within pension programs, a distinction exists between a defined benefit plan and a defined contribution plan (Dagauda & Oyadiran, 2013). This definition gives the importance of defined pension benefit plan, but it has failed to address how the implementation of the pension reform act affects the performance of PENCOM and PFAs in the payment of pensions to the Retirees of ITF in Nigeria.

From the above definition of non-contributory plan given by Dagauda & Oyadiran, (2013), only the employer is responsible for funding the plan, but, in defined contribution plan, both the employer and the employee make defined contributions to fund. As such, pension systems can be broadly categorized as contributory and non-contributory. Therefore, contributory pensions are income security programs which mostly provide minimum pensions tied to a contribution history.

In a defined contribution plan, investment risk and investment rewards are assumed by each individual/employee/retiree and not by the sponsor/employer. In addition, participants do not typically purchase annuities with their savings upon retirement, and

bear the risk of outliving their assets. The "cost" of a defined contribution plan is readily calculated, but the benefit from a defined contribution plan depends upon the account balance at the time an employee is looking to use the assets. So, for this arrangement, the contribution is known but the benefit is unknown (until calculated) (Dagauda and Oyadiran, 2013).

Despite the fact that the participant in a defined contribution plan typically has control over investment decisions, the plan sponsor retains a significant degree of fiduciary responsibility over investment of plan assets, including the selection of investment options and administrative providers (Dagauda and Oyadiran, 2013).

In furtherance to this, the contributory pension scheme is still a work in progress because there are still complaints by retirees from different sectors of the economy as regards delay and non remittance of retirement benefits as at when due. It is expected that by now with the pension funds increasing every day according to the acting Director General of PENCOM, Mrs Aisha Dahir-Umar in the Punch newspaper of 2nd December, 2019. Pension fund assets have now grown to 9. 58 trillion as at September, 2019 and this is a contribution from about 8.85 million contributors to the scheme from both the public and private sectors. With this new figure, it is no wonder why there are new areas of investments in the pension sector and this is expected to have a multiplier effect on returns on investments to contributors RSAs.

The Key Objectives of the Pension Reform Act 2004 are to:

i. Ensure that every person who has worked in either the public or private sector receives his retirement benefits, as and when due;

ii. Assist improvident individuals by ensuring that they save 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; and

iv. Stem the growth of outstanding pension liabilities.

The systems operated from the first law on pension until the enactment of this Act are different - the Pension Ordinance 1951, the Pension Act 1990, Nigeria Social Insurance Trust Fund Act 1993 and the Preservation Right to Pension as contained in the 1999 Constitution. Under this new system, the employees contribute a minimum of 7.5% of their total monthly emoluments (basic salary, housing and transport allowances) and 2.5% for the military (though military has opted out). Employers shall contribute 7.5% in the case of the public sector and 12.5% in the case of the military. 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. 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 contribution. Contribution and retirement benefits are tax exempt. The deductions are credited directly to the relevant Retirement Savings Account (RSA).

Features of Contributory Pension Scheme:

Fully Funded

The contribution of an employee is deducted monthly from the employee's salary while the employer will provide the counter contribution for the employee, which will both be transferred to the relevant retirement savings account. By so doing, the pension funds exist from the onset and payments will be made when due.

Retirement Savings Accounts (RSA)

Each employee is required by law to open a 'Retirement savings Account' in his name with a Pension Fund Administrator of his choice. This individual account belongs to the employee and will remain with him for life even if he/she changes employers or pension Fund Administrators (PFAs)

Retirement Benefit

There are three types of retirement benefits:

(i) **Normal Retirement Benefit:** This is for those retired or disengaged and who are not less than 50 year of age. A lump sum with their monthly pension is paid to them if the balance in their RSA is up to N550, 000.00. A retiree (RSA holder) may opt for annuity instead of programmed withdrawal. In that case his chosen or preferred insurance company buys his RSA. His PFA then hands over his RSA to the preferred Insurance Company after the holder and the insurance company must have made the necessary arrangement.

(ii) **Voluntary Retirement Benefit:** This is meant for those who retire or their appointments terminated or are disengaged at less than fifty years of age. They are allowed to apply for payment of lump sum of 25% of the balance standing to the credit of

their RSA, provided they could not secure a new job after six months of their disengagement. When they are up to 50 years of age they are entitled to lump sum and pension if the remaining balance of 75% is up to N550,000, otherwise they are paid off.

(iii) Survivor's Benefit: This is paid to a deceased employee's next-of-kin. Verification is done by PENCOM yearly for public sector employees for those who are due for retirement in two year's time to enable PENCOM meet the requirement of preparing and releasing their bond into their RSAs.

4. Life Insurance Policy

Every employer shall maintain life insurance policy in favor of an employee for a minimum of three times the annual emolument of the employee. In the event of death while in service, the value of the policy shall be remitted by the insurance company into the RSA of the deceased employee and paid to his/her beneficiary as part of the survivor benefit.

5. Group Life Insurance Policy

The insurance companies had used the group life Assurance either as complementary or supplementary products to the retirement benefits paid under the group life insurance scheme in addition to benefits under the retirement schemes. It is supplementary when the Benefits under the retirement scheme are augmented by the Group life Assurance.

The introduction of the PRA 2004 did not completely tackle the problems faced in the administration of pensions and as such, the PRA 2014 was brought about to help address some of the loopholes 2004 Act.

Enactment of the Pension Reform Act 2004

The old Defined Benefit (DB) pension scheme which was mostly being operated in the public sector was largely unfunded and non-contributory. The scheme led to massive accumulation of pension debt and became unsustainable largely due to lack of adequate and timely budgetary provisions as well as increase in salaries and pensions (Pension Commission subcommittee, 2005). The administration of the scheme was very weak, inefficient, less transparent and cumbersome, leading to the bureaucracy and highly liable to corrupt practices. Due to lack of reliable records of pensions, huge amount of resources on what became yearly verification exercises were expended which did not result into timely and efficient payment of pension (Ahmad, 2012). These issues led to the decision of Federal Government in June, 2004, to introduce a system that is sustainable and has the capacity to achieve the ultimate goal of providing a stable, predictable and adequate source of retirement income for each worker in the country. Thus, the Pension Reform Act 2004 (the Act) was signed into law ushering in a Contributory Pension Scheme (CPS) that is fully funded, privately managed and based on individual accounts for both the public and private sector employees in Nigeria (Ahmad, 2012).

The Nigerian Pension Reform Act 2004 is a variant of Chilean model of contributory pension scheme introduced in that country in 1981. The new system was a product of a deliberate attempt to transfer - a transfer both of broad principles of policy and of administrative and delivery structure (Casey and Dostal, 2011). It was the view of the Nigerian policy makers that if the country could initiate contributory pension reform, it would produce the same benefit for the country as they saw it having produced for Chile. However, by the time the Nigerian government was giving serious attention to pension

reform, the Chilean model was being criticized (Casey and Dostal, 2011). The World Bank had come to recognize that Chilean-like reforms had not always delivered the benefits that had initially been proclaimed, that too many assumptions have been made, and that other reforms were also required - reforms that at best complement, or even preceded pension reform (Gill; Pachard and Yermo, 2005; Holzmann and Hinz, 2005; World Bank, 2005). The dissatisfaction with the system in terms of its costs and its failure to make adequate provision for many of the old had been a persistent theme of the 2005 - 2006 Chilean presidential elections (Casey and Dostal, 2011). The idea of Nigerian contributory pension reform is traceable to as early as 1997. It was an element of the Vision 2010 Project under which the then military government charged a team to chart the goals to be reached by the 50th Anniversary of its independence (Pension Commission, 1997) cited in Casey and Dostal (2011). One of the objectives was that "by the year 2010 most Nigerians shall have access to some form of social protection offered by the formal social security program". The Committee examined pension systems of Ghana, the UK, the United States and Chile and was emphatic that "a Chilean-type system provided the solution". They unequivocally suggested that: The Chile's economic circumstances in the 1980 were almost similar to Nigeria's at the time of the committees' research; low GDP per capita, low savings, high unemployment, high inflation, etc. Nigeria desires a quantum leap in her economic output just as in Chile in early 1980. If the informed pension system facilitated Chile's economic renaissance, adopting Chilean's system to some of the good attributes is only natural and sensible. The report was not acted upon until 1999 when the Obasanjo civilian government came into power. One of the major problems of Nigeria is that her policy makers are experts in "copying and

pasting" policies, even in this case, pension reform that has already been presenting serious problems in the model country – Chile - for over a decade earlier. Dike (2006) rightly observed: "Pension schemes adopted must take into cognizance our peculiarities as a nation and the situation of our economy. It should not be implemented in the typical fashion of other economic policies, which are just cut and paste models of those obtainable in the more advanced nations. It should be tailored to the needs of the beneficiaries.

Arguably, Nigeria may have similar economic conditions with another country but Nigerian citizens, most obviously, differ from that country's citizens. To that extent the policy that worked perfectly well in that country may not necessarily work in Nigeria. So, on this premise, some of the international institutions like World Bank, International Monetary Fund (IMF) and International Labor Organization (ILO) though they assisted in preparing Nigeria for the take off of the pension reform did not quite support the Chilean-type pension reform. But there is an extent to which they can interfere in a country's policy. The world Bank had claimed it advised against the establishment of a multi-pillar" pension system in Nigeria on the grounds that the financial sector in the country was insufficiently developed (World Bank, 2005). In fact evidence abounds to prove that Nigeria cannot successfully run a funded pension scheme. There was no satisfactory information on pensioners' number or pension liabilities. Many pensions promised were either totally unpaid or only partly paid, making the size of the published public debt unreliable. But the government was only interested in its economic reform agenda characteristic of Nigerian regimes to prove legitimacy and attract cheap popularity. ILO (2006) rightly observed "as far as Nigerian government was concerned,

taking steps to reform pensions was seen as a way of improving the country's credibility. Pensions were a component of public expenditure, and one over which little control had been exercised in the past. Thus, reforming pensions was seen as consistent with efforts to improve fiscal policy making as a whole". Although the ILO did not favor Chilean style pension systems, it saw itself as having a more general obligation to ensure that people affected by reform did not lose the rights that they had acquired (Casey and Dostal, 2011).

It is important also to state here that the clienteles/stakeholders were skeptical about the reform but had to let it go but not without some conditions given to the Federal Government. Therefore, in 2003 president Obasanjo set up the Fola Adeola Pension Reform Committee. Meanwhile the interested and affected parties were already nursing the fear that one purpose of the reform might be to acquire these assets built up by Nigeria Social Insurance Trust Fund (NSITF) and use them to solve the pension crisis in the public sector (Oshinowo, 2003). Following the demands of business and labor, NSITF was allowed to establish a Pension Fund Administrator (PFA) called "Trust fund", co-owned by the Nigerian Employers Consultative Association (NECA), the Nigerian Labor Congress (NLC), the Trade Union Congress (TUC), and three other financial service companies with equal representation of business and labor on its governing board. The NSITF was to manage the assets of the Fund for five years and then hands them over to the Trust fund, because under the new system no government agency is allowed to manage the pension fund. Written under the title, "Pension Reform in Nigeria five years on: Great leap or inappropriate policy design".

Dostal (2010) posits that: The Chilean-type contributory pension reform rubbished the World Bank's advocacy that contributory pension is the best solution to pension crisis. World Bank experts had earlier in 1994 suggested that the Chilean case proved that a shift of pension provisions from the public to the private sector and from PAYG to Defined Contribution would maintain social protection while increasing economic growth via the deepening of financial markets. Dostal went on to add that the World Bank's earlier advocacy of private pensions has by now lost its appeal for a number of reasons. Firstly, the Chilean case proved to be less successful than was originally assumed. Although the Chilean system succeeded in making a large share of workers formally subscribe to individual funded pension accounts, the level and length of contributions and subsequent expected pension payments remained on average quite low. Concluding he said, "in fact, the system delivered poverty pensions rather than old age security to most contributors". In reaction to the coverage gaps of the funded system, the Chilean government took the option to strengthen the public and tax-financed basic social pension system in order to provide additional income for current and future pensions with low funded pensions. As stated earlier, the Nigerian reform was inspired by the Chilean model and Nigerian policy makers have continued to refer to Chile's experience with funded pensions in order to combine pension policy with economic development. Meanwhile, at this stage they were not mindful of the changes to the Chilean model so far. Only in May, 2009, a former pension Administrator was invited to deliver a key note speech at a conference on pension reform in the Nigerian capital, "however, he only mentioned the latest Chilean policy changes in passing and did not focus on their potential relevance for Nigeria" (Del Campo, 2009).

According to (IMF, 2005), one might detect three main explanatory factors for the decision to enact the Pension Reform Act 2004:

(i) The existing unfunded pension promises under the pre-reform Defined Benefit system for civil servants resulted in quick growing pension entitlements that the government was unable or unwilling to fund

(ii) The example of Chile suggested that pension reform can be a significant component in improving the functioning of Nigerian financial markets

(iii) The government hoped that pension reform would add to the credibility of the general economic reform effort since funding pensions would put the Nigeria Federal State Budget on a fiscally sustainable footing. A great number of Nigerians outside the government circle will quickly dismiss these ideas, because if the huge amount of oil revenue could not transform the economy, pension fund (workers retirement savings) will not do the magic. No wonder Dostal, (2010) categorically states that: 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. 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. Other experts who share the same view with Dostal include: (Barr and Diamond, 2009) quoted in Dostal (2010). The academic literature suggests that there exist a very close link between GDP per capita and the development of financial markets. It is impossible to skip stages in the build-up of regulatory capabilities and financial market development must be advanced enough to allow for funded

pensions to contribute to the system. Thus, if regulation is poor and promising investment opportunities are limited, enforced long-term saving might fail to develop financial markets. Dostal, to buttress his argument that the pension reform is an inappropriate policy design submitted that: The Vision 2010 document published in 1997 suggested that Nigeria should be able to provide some form of formal social security to the majority of its citizens by the end of that year. But the share of workers covered has not been expanded by the 2004 reform and might have declined further. It is obvious that this target has been missed and more importantly, there has not even been any move in the right direction.

2.2.9 Institutional Framework for the implementation of Pension Scheme in Nigeria

The Pension Reform Act (2004) identified the following Institutional Framework for the implementation of Pension Scheme in Nigeria.

i. The National Pension Commission (PENCOM)

The Act has established the National Pension Commission (PENCOM) to regulate, supervise and ensure the effective administration of pension matters in Nigeria. The Commission achieves the above by ensuring that payment and remittance of contributions are made and beneficiaries of retirement savings accounts are paid as and when due. The Commission ensures that pension funds are safe through issuance of Guidelines and Regulations for licensing, approving, regulating and monitoring the activities of Pension Fund Administrators (PFAs) and Pension Fund Custodian (PFCs). Under the contributory pension scheme, PENCOM, as the regulator of pension matters shall receive and investigate any compliant of impropriety leveled against any PFA, PFC or employer or any of their staff or agents. The Commission stands as a watchdog, with

the overriding objective of ensuring that all pension matters are administered with minimum exposure to fraud and risk. The guidelines issued by the Commission require the use of approved risk rating agencies to determine the liability of an investment instrument.

The New scheme requires pension funds to be privately managed by Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs).

ii. Pension Fund Administrators (PFAs)

The New scheme requires pension funds to be privately managed by Pension Fund Administrators (PFAs). They are limited liability companies duly licensed by PENCOM as special purpose vehicles to carry out pension business only. The PFAs open retirement savings accounts for employees, manage the pension funds as the commission may from time to time prescribe, maintain books of accounts on all transactions relating to the pension funds under their management, provide regular information to the employees, or beneficiaries and pay retirement benefits to employees in accordance with the provisions of the Pension Reform Act 2004.

iii. Pension Fund Custodians (PFCs)

Pension Fund Custodians (PFCs) are appointed by Pension Fund Administrators. They are responsible for the warehousing of the pension fund assets. The employer sends the contributions directly to the custodian, who notifies the PFA of the receipt of the contribution and the PFA subsequently credits the Retirement Savings Account (RSA) of the employee.

The Custodian would execute transactions and undertake activities relating to the administration of pension fund investment upon instructions by the PFA. Before it is

issued with the operating license, the Pension Assets Custodian must be a limited liability Company incorporated under the Company and Allied Matters Act 1990 and a licensed financial institution with a capital base of not less than 100 billion naira and Guarantee in the same amount, (PENCOM documents). The Custodian shall hold pension funds assets on trust for its clients.

iv. Approved Existing Schemes:

Many private sector organizations and self funding public organizations had pension schemes existing prior to the commencement of the contributory pension scheme. The pension reform Act has provided that organizations running such schemes may wish to apply for the continuation of the scheme for their employees. However, the schemes must fulfill certain conditions, including the separation of the assets of the scheme from the assets of the organization and the management of the schemes must be transferred to licensed PFAs. Where there are funding gaps, the organizations must offset such funding gaps within 90 days. Similarly, the scheme must be limited to existing members and any employer who would like to exercise the option of joining a PFA must not be compelled to continue on the existing scheme.

v. Closed Pension Fund Administrators (CPFAs)

In addition to the approval for continuation of the existing schemes, organizations who would like to manage their existing schemes shall apply to the National Pension Commission for license to operate as CPFA to manage the pension funds directly or through a wholly owned subsidiary dedicated exclusively to the management of such pension fund asset. The assets of the pension fund must be at least N500m. In the event that the assets of the scheme are less than N500m such schemes should be managed by a

PFA. The Federal Universities here in Nigeria have recently keyed into this system of pension administration (NUPEMCO).

vi. Six Pension Departments

The Pension Reform Act 2004 had established six Pension Departments for non-private (public) sector organizations covered by the contributory pension scheme. The established Departments are: (1) Military (2) Police (3) Civilian (4) the Customs (5) Immigration and Prisons (6) other security Agencies and FCT Pension Boards were transformed into respective Pension Departments. The National Pension Commission supervises these Pension Departments.

vii. Nigeria Social Insurance Trust Fund (NSITF)

Nigeria Social Insurance Trust Fund (NSITF) was mandated to establish a company to undertake the business of a PFA in accordance with the provisions of the Pension Reform Act 2004. Contributors under the NSITF Act shall, at least 5 years after the commencement of the contributory pension scheme, move the assets standing to their NSITF accounts to their Retirement Savings Account. However, the pension funds and assets held by NSITF shall be transferred to a Custodian. NSITF shall also be supervised and regulated by the PENCOM. Contributors to NSITF scheme can obtain their account details from Trust fund PFA, (the PFA registered by NSITF).

a. Eligibility for the Scheme

The law makes it mandatory for all workers in the Public Service of the Federation and the Federal Capital Territory, and workers in the private sector where the total number of employees is 5 or more to join the contributory scheme at commencement.

b. Exempted Individuals from the Scheme

Existing pensioners and workers who at the commencement of this Act are entitled to retirement benefits under any pension scheme existing before the commencement of this Act but have 3 or less years to retire shall be exempted from the scheme (Act) – those scheduled to retire mandatorily on or before 30th June, 2004). Also exempted are Chief Justice of Nigeria, a Justice of the Supreme Court, President of the Court of Appeal, a Justice of the Court of Appeal who retires at or after the age of 65; they retire with their salaries as stated in section 291 of the constitution of the Federal Republic of Nigeria 1999 - Judicial officers or any persons whose pensions have been defined and provided for in the constitution are exempted from the scheme. All the exempted persons shall continue to draw their retirement benefits under the defined Benefit scheme.

c. Transitional Provisions for the Public Sector

The responsibilities for funds and assets of the relevant existing Pension Boards or Offices shall be transferred and vested in the respective Pension Departments established for the Scheme. The Departments cease to exist after the death of the last pensioner.

d. Retirement Benefit Bond

This is a bond that will be issued to those who are currently in employment of the public sector of the Federation and the Federal Capital Territory where the pension scheme were unfunded, who are not exempted from the contributory pension scheme and have worked for a specified number of years, in recognition of their accrued rights under the defunct pension scheme. This bond recognizes government indebtedness to them. However, it is only due and payable when they retire.

e. Retirement Benefit Bond Redemption Fund: A fund known as Retirement Benefits Bond Redemption Fund is established and maintained by the Central Bank of Nigeria. The Federal Government pays an amount equal to 5% of the total monthly wage bill payable to employees in the Public Service of the Federation and Federal Capital Territory. The total amount in this fund is used to redeem any retirement benefit bond issued and payments into this fund ceases after all retirement benefit bonds have been redeemed.

f. Transitional Provisions for the Private Sector

In the private sector, existing viable pension schemes are permitted to exist, if the employer wishes, provided that they can demonstrate that they are fully funded at all times with any shortfall to be made up within 90 days; the assets of the company are fully segregated from the pension fund assets; the pension fund assets held by a Custodian, and the company has the requisite capacity for the management of the pension fund assets. The company must also show that they have managed pension schemes efficiently for at least 5 years before the commencement of the new scheme. However, existing members shall have the option to join the new scheme. Whereas an employee exercises that option, the employer shall compute his retirement benefits to date and such amount will be transferred to his retirement savings account as maintained with a PFA of his choice. Where an employer is managing pension fund assets of less than N500m and desires to maintain its existing scheme, such an employer shall have such pension scheme administered by a duly licensed PFA. Nigeria Social Insurance Trust Fund (NSITF) has established a PFA and was granted license to undertake the business of a PFA in accordance with the provisions of the Act.

g. Safe-Guards/Safety Nets in the Pension Reform Act 2004

The importance of safety of the pension fund assets cannot be over emphasized as the success of the pension reform is hinged on the availability of funds to contributors when they retire. Since the pensioner will utilize the funds at the end of his working life, it becomes imperative that adequate measures be taken for its protection. Consequently, there are a number of stringent provisions contained in the Act with the singular objective of protecting the pension assets. Some of the measures provided in order to preserve the pension fund assets include:

(i) **Separation of PFA and PFC:** While PFA invests the funds, the custody of the assets is the responsibility of PFC. The clear delineation of their functions makes it difficult for either to misuse the pension funds assets to the detriment of the account holder.

(ii) **Pension Fund Custodian Guarantee:** It is mandatory for every PFC to issue a guarantee to the full sum and value of the pension fund and assets held by it or to be held by it.

(iii) **Government Pension Contribution:** Government contribution is a charge on the Consolidated Revenue Fund of the Federation. In the event of default by the Government in the payment of contributions, the Pension Reform Act 2004 has empowered the Commission to direct the Accountant General of the Federation to deduct the amount due as contribution at source.

(i) **Risk or Credit Rating Agencies:** These are agencies that will be responsible for rating the instruments that pension funds will be invested in. PENCOM requires that these risk rating institutions possess the professional capacity and are licensed to rate the risk of investment instruments.

(ii) **Compliance officers:** Every PFA shall employ Compliance Officers that will be responsible for ensuring compliance with the provisions of the law regarding pension matters as well as the internal rules and regulations of the particular PFA. They will be required to liaise with PENCOM and the Board of Directors of the PFC with regards to the activities of the PFA.

(vi) Operational Requirement of PFAs and PFCs

a. Reporting Requirement for PFAs and PFCs

In order to keep track of their activities, the licensed operators are required to make a regular report of their activities to PENCOM. This will enable PENCOM to detect any wrong doing early.

b. Statutory Reserve Fund:

Every PFA is required to maintain a statutory Reserve Fund, which shall be credited annually with 12.5% of the net profit after tax, or such percentage of the net profit as may be stipulated by PENCOM to meet claims.

c. Public Disclosure of Information

PFAs and PFCs are required to disclose their rates on return and publish their audited accounts.

d. Approved Fees Structure

The following fees structure has been approved by PENCOM for services rendered by operators of the new contributory scheme:

i. Pension Fund Administrators and Closed Pension Fund Administrators: The PFA and CPFA charge N100.00 per month per account holder as administrative fee and 2% of the value of assets managed as management fee.

ii. Pension Commission: Pension Commission is entitled to 0.4% of total pension fund assets to enable it run its operation of the scheme.

iii. **Investment of Pension Funds**: The Act provides that all contributions into the RSA (Retirement Savings Account) of employees should be invested by the PFA with the objective of safety and maintenance of fair returns on amount invested. The guidelines on investment limits stipulated by PENCOM are as follows:

(i) Federal Government Securities - up to 100%.

(ii) State Government Bond/Securities – 20% maximum.

(iii) Corporate Bonds/Debt (Real Estate Unit Trust) - 30% maximum.

(iv) Money Market - 5% maximum.

(v) Ordinary shares of quoted companies - 25% maximum.

(vi) Offshore: Investment on offshore is subject to the subsiding Central Bank of Nigeria foreign exchange rules, recommendations of PENCOM and Presidential approvals.

However, PFAs are forbidden from investing pension fund assets in the shares, or any other securities issued by:

(a) Pension Fund Administrator or Custodian.

(b) A shareholder of the Pension Fund Administrator or Custodian

iv. Penalty for Non-compliance with the Act: Any PFA who fails to comply with any provision of the Act is liable to a penalty of an amount not more than N500, 000.00 for each day that the non-compliance continues and the PFA shall forfeit the profit from that investment to the beneficiaries of the RSA and if the investment has led to a loss, the PFA shall provide for the loss. Operators are also liable to pay N1milion for violation and or one year imprisonment PENCOM revokes license of operator for persistent

contravention. Employers that violate the provision of the Act shall also be penalized by the PENCOM. However, where the PENCOM cannot arbitrate between PFA or PFC and RSA holders, then aggrieved parties should seek the intervention of the court of law.

V. Supervision and Examination

The Act provides that the PENCOM shall at least once in each year authorize an inspection of PFAs, PFCs or the Pension Departments for the purpose of determining whether or not any regulations made there under are being complied with.

2.2.10 Challenges in the Implementation of the Pension Reform Act 2004 (Contributory Pension Scheme)

The major challenges in implementing the CPS according to Ahmad are highlighted below:

(a) **Inadequate funding of FGN Employees' Retirement Benefits Bond Redemption Fund (RBBRF):** The federal government has not been faithful in paying the 5% monthly wage bill into the) account with the Central Bank of Nigeria (CBN) from which the accrued pension rights of federal government retirees who had worked for the federal government prior to June, 2004 are paid. Therefore, there has not been sufficient fund to settle the pension liabilities of those affected.

(b) **Low level of monthly pension:** There have been some retirees whose monthly pensions are low when compared with their terminal salaries. The reasons are:

(i) There have been substantial increases in salaries after the enactment of PRA 2004, especially with the introduction of consolidated salary, a situation which was not envisaged by the Act. Salaries had increased between 2004 and 2010 by averages ranging from 76% to 276% in the arms of federal government (Ahmad, 2012). This

made monthly pensions low when compared to defunct DB Scheme, particularly for those who retired immediately after the salary increase.

(ii) The bulk of the retirement benefits of those who may be retiring within the first 10 years of the scheme would definitely comprise the accrued pension rights calculated based on the salary levels as at 2004 which are very low when compared with current salaries. Such category of retirees would not have enough time to accumulate pension contributions under the CPS.

(iii) The scheme has low pension replacement ratio of 40% as against 80% replacement ratio of DB scheme.

(iv) Certain categories of retirees, particularly in the private sector have had small balances in their RSA that were insufficient to be subjected to a programmed withdrawal or the purchase of annuity. The implication here is that the high inflationary trend characteristic of the Nigerian economy is likely to eat deep into the accumulated funds in the individual Retirement saving account.

(c) Periodic Review of Pension Benefits. The CPS was not designed to incorporate increases in pension as inflationary adjustments are reflected in the investment yield of accumulated pension assets, while monthly contributions do increase whenever salaries are reviewed.

(d) Remittance of pension contributions

There is lack of accurate information for prompt remittance of monthly pension contributions of FGN employees into their RSAs as there is no comprehensive database of FGN employees. And many ministries, Departments and Agencies (MDAs) are reluctant to submit their nominal rolls to the Commission, which results

in late or non-remittances of pension contributions of their employees. The Commission is unable to exert supervisory role over them in clear violation of sections 30 to 38 of the PRA 2004.

(e) **Compliance and coverage in the private sector:** According to Bureau of statistics, there are no fewer than 14 million enterprises with over 5 workers in the country. Only about 170,000 (or 1.21% of private employers) have registered in the scheme. A lot of companies are not even registered formally with the Corporate Affairs Commission. Some employers are so small that they can barely manage to pay salaries of those working for them and so see the payment of pensions for staff as additional burden. The scheme has a low coverage ratio. The Commission imposes sanctions on errant employers by publishing their names in the newspapers (that is, naming and shaming strategy) and filing legal action. It has also appointed 172 debt recovery agents to recover unremitted contributions and interest penalties from defaulting employers for the accounts of RSA holders in line with the provision of section 1 (7) of the PRA 2004. No doubt, it is difficult to enforce an Act when there is no data on the number of private companies in informal businesses contributing to the GDP of the nation. Also it will not be uncommon to observe some high rate of evasion of the scheme by small businesses that operate under harsh political, economic and business environment. Thus confirmatory assertions made by El-Rufai (2013) that majority of the small businesses evade the scheme because of the cost to them and minimal penalties for evasion. PENCOM has barely been able to cover the urban areas much less the rural areas. The implication of this is that the scheme is highly imbalanced, focusing mainly on employers of the public sector and urban

dwellers while neglecting the private and informal sectors as well as the rural areas. To worsen the matter, the Pension Reform Task Force Team (PRTT) set up sometime in 2010 to bring some sanity to the system and ensure that pensioners receive their pensions as and when due, rather than perform their task, only succeeded in embezzling the funds at their disposal. While claiming to have uncovered misappropriated funds, the committee itself depleted pensioners' funds, worth billions of naira on frivolities and corruption (El-Rufai (2013).

f) **Inadequate supervision control:** The Commission is unable to exert supervisory control over the Pension Offices as they have little regard for the Commission's supervisory role over them, in a clear violation of sections 30 to 38 of the PRA 2004, in spite of the fact that the Commission and the Offices had jointly worked out a supervisory framework and issued regulations on the conduct of the offices. In collaboration, Research Institutes' retirees alleged short-payment of entitlements. Some were made to sign for the gratuity prepared in figure and later on a pay slip. This pay slip was immediately re-audited on the same table with a lot of alterations on the pay slip. Whenever the severed staff is not ready to give out huge amount of their gratuity, they must be ready to dance to dirty music (Jegede, 2013). One basic thing here is that "he who lives in a glass house does not throw stones". PENCOM has inescapable reasons for shying away from its responsibility of supervising and controlling Pension Offices (six departments) because it is given all the statutory requirements for its role. In Nigeria, most public office holders are corrupt; therefore hardly can any have the moral courage to institute sanctions against the other.

(g) **Operations of licensed operators:** Contributors to the scheme wonder how the PENCOM could determine people's life expectancies. Some complain of not having anything in their RSA, some are not getting regular statements of account while those who appear to be getting regular statements complain that the amount is usually short of various sums. The PENCOM imposes sanctions on operators who fail to render returns promptly, inability to send RSA statements to contributors and in serious cases of weak corporate governance, it usually removes Directors and takes over the management of the affected operators in order to safe-guard the pension assets. The contributory Pension Reform in Nigeria is laudable. But the best policy is not very useful if you do not have good implementation (El-Rufai, 2013). A bad system begets a bad citizen and vice versa (Dike, 2006). No wonder some international Institutions like World Bank, International Monetary Fund (IMF) and International Labor Organizations (ILO), advised that Nigeria was not sufficiently developed technically and morally for the contributory pension.

(h) **Transfer of risks to employees:** The employee decides who manages his/her pension contributions and therefore assumes full responsibilities for the risks involved. Many of the employees are not well educated let alone being knowledgeable in risk management and so at the mercy of the pension administrators and custodians.

(i) **Lack of confidence in the scheme:** There is lack of confidence on the part of the employees arising from failures of previous similar government policies. Besides, there is fear of continuity and sustainability by successive government since new

governments in the country have been known to jettison previous programs midway (Fapohunda, 2013).

Another is the challenge of embezzlement and mismanagement of the contributions.

(j) **Limited investment instrument:** Unstable global financial system coupled with corruption and system collapse affect the performance of PFAs. Businesses are dying as a result of collapsed infrastructures making it difficult for PFAs to invest these monies. They may subsequently run into over head costs arising from administrative and other costs, which may eventually collapse the scheme. Under the present capitalist economy, recession and financial disaster are inevitable. More so, bank scandals and rising fiscal deficits do not breed confidence in the system or the government's ability to deliver meaningful benefits in old age. Internally, several big banks have been declaring huge losses due to financial speculations and they are seeking state assistance (Fapohunda, 2013).

(k) **Complex nature of the CPS system:** Admittedly, the CPS seems more complex to administer because its administration involves monthly computations throughout the life of employee. There are now higher administrative costs. On the whole, it costs more to administer than the old system. Also there is no cash flow advantage to the employer because contributions cannot be deferred by him. The system is less flexible for employers who do not control funds contributed and cannot use it to their advantage whenever there is a need to do so (Fapohunda, 2013).

(L) **Exclusion of the poor and workers in the informal sector:** The new scheme continues to exclude the poor and workers in the informal sector. There is a difficulty in implementing the new scheme in the informal sector arising from the

absence of a coherent structure and the unwieldy composition of the sector. Integrating the informal sector into the new scheme is quite herculean and difficult. There is an all-encompassing need to address the effective and efficient participation of the informal sector in the contributory pension scheme (Fapohunda, 2013).

Although, the Micro Pension Scheme has now been introduced in Nigeria but it is yet to be embraced by the informal sector as they complain about the situation of the Nigerian economy with others not understanding the concept at all. (PFAs,2019). This scheme is targeted at Artisans, craftsmen etc.

(m) **Documentation and Archival system:** Some Pension Offices have no proper archiving system in place especially the Civil Service and Police Pension Offices. Retrieval of pensioners' files when needed has been an arduous task. Furthermore, most Pension Offices do not have comprehensive biometric databases of their pensioners.

(n) **Inadequate ICT Infrastructure**: Most Pension Offices are not adequately automated.

There are insufficient Personal Computers (PCs) with adequate hardware and network configurations. They do not have the capacity to capture and maintain a robust pensioner database with biometrics (that is, photos and finger prints) or detect multiple/duplicate pensioners' records and generate reports as none of the other Pension Offices had a reliable off-site backup arrangement and disaster recovery plan.

(o) **The Pensioner Verification Exercises:** There is absence of policy framework on procedure and processes for the verification exercises which leaves the design to the

discretion of the Pension Offices. This was further compounded by the frequent changes in the leadership of the offices with attendant loss of institutional memory. It had also led to the use of different IT technologies and platforms in the enrolment and data- base management.

(p) **Payment of Benefits to Pensioners:** Funds are released to the Pension Offices for payments of pension benefits by the government without the recourse to PENCOM. This has resulted in the lack of external independent review that could serve to authenticate the accuracy of pensioners' entitlements determined by such budgetary estimates, thus not guaranteeing the elimination of incidences of under payments or overstatement of government liabilities.

Benefits of Pension Reform Act 2004 (Contributory Pension Scheme) to Pensioners

Some of the benefits of the Act to the pensioners are:

a) **Prompt and Regular Payment of Benefits:** It facilitates prompt and regular payment of benefits since funding is made monthly and credited to individual RSAs immediately (Fapohunda, 2013). Pension is readily available on retirement.

b) It also ensures availability of fund for investment, particularly to the capital market. Contributions are put to long term investments in the economy. The share of the proceeds from the return on investments is credited to RSA to beef it up.

c) It involves workers' participation since an employee contributes to his/her retirement fund and is also at liberty to decide who manages it (PFA) and the choice of investment opportunities or products on the guidance of professional fund managers) for his pension fund (Imhanlahimi and Idolor, 2011).

d) **Central Regulator:** A central regulator now oversees all pension matters nationwide. But in reality PENCOM is unable to exert supervisory control over the Pension Offices as they have little regard for the Commission's supervisory role over them, in a clear violation of sections 30 to 38 of the PRA 2004 (Ahmad, 2012).

e) **Private sector participation in the management of the scheme:** Private sector now participates in the management of the scheme which has introduced profit making into pension administration and serves as a check against the inflationary effects on the contributions.

f) **Portability of Retirement Savings Account:** The portability of the RSA makes it easy to change jobs. The employee only needs to provide the new employer with details of his Retirement Savings Account. Contributory Pension Scheme is a workable and sustainable solution to inter-sectorial movement applicable anywhere because of its straightforwardness and simplicity.

g) It reduces government spending and commitment to payment of retirement benefits as employees now share in it and there is less administrative cost to government because it is now borne by PFAs and PFCs.

h) **Availability of information:** It avails the contributors or pensioner a lot of information, ranging from monthly balances and contributions, lump sum available upon retirement, to monthly pension.

i) **Competition:** There is competition in the pension industry which fosters innovation, more transparency and accountability. The operators, regulators, subscribers and beneficiaries are too deeply intertwined and the system is too tightly regulated for funds to be misappropriated on such a grand scale. The opportunity to change a

perceived poor performing PFA which is inherent in the CPS, is an additional impetus for the PFA, who is thus encouraged to be more competitive and relevant, and hence ensures its effectiveness and efficiency in the interest of the worker/depositor/pensioners and their dependants (Imhanlahimi and Idolor, 2011).

j) **Investment options:** Various types of investment options that suit the needs of individual RSA holder are available.

k) **Reduced pressure on government**: Contributory pension scheme enables the government to weather the storm of embarrassment that it used to be subjected to because of its inability to pay the DBPS. This is in spite of the fact that the percentage of retired public servants in Nigeria, is quite lower than what obtains in many countries of the world (Imhanlahimi and Idolor, 2011).

l) **Elimination of ghost pensioners' syndrome.** The incidence of ghost retirees is removed.

Therefore it is expected that government will protect its entire savings against leakages on account of payments to ghost retirees to the common good of the society.

m) **Employment generation:** The contributory pension scheme has enabled employment generation in the form of regulators, operators, contractors, participants, advisers etc.

g) **Better living condition:** Increased employment also has the potential of enabling more people in the society to live more decent lives. Pension Reform Act 2004 would help to facilitate the growth of several sectors of the nation's economy (Imhanlahimi and Idolor, 2011).

h) **Privatization of pension industry:** Government, they say, is a bad manager of business.

Many State Owned Enterprises (SOEs) have collapsed as a result of massive corruption, excessive bureaucratic procedures, government arbitrary policies, etc (Imhanlahimi and Idolor, 2011). The CPS is driven by the private sector PFAs and PFCs, under the regulatory guidelines provided by the PENCOM. These operators are registered by PENCOM. All their remunerations are met from the pension fund/asset management.

(i) **Improved employer-employee relationship over payment of retirement benefits:** It has put to rest the hollow pension language which usually gave rise to series of litigations between most employees and their employers when they wanted to retire. The CPS has guaranteed that pension operators have money for payment of pension benefits and therefore no hoax in the matter. In CPS the worker has made his contributions, he does not need any letter of retirement, to grant him permission to receive his pension after necessary clearance formalities with his employers. He only needs a letter of clearance and information to his PFA.

j) **Contributors' right to question PFAs:** The investment earnings which are generally subject to macro-economic framework of the country would also be subject to investment portfolio, honesty, accountability and probity of the PFAs. The contributor or pensioner has impact on the PFA to the extent that he can question the PFA for clarifications, petition the PENCOM, the government's chief or direct regulator of the CPS, report to the law enforcement agents over alleged irregularities, and change from a perceived poor performing PFA to a better one.

2.2.11 Highlight on the Pension Reform Act 2014

The highlight of the new pension law according to Nwite and Ehiogu (2014), indicates that the sanction provided under the pension reform Act 2004 were no longer sufficient deterrent against infractions of the law.

The new Pension Reform Bill 2014 which repeals the previously enacted Pension Reform Act 2004 consolidates amendments made to the 2004 Act and also includes significant reviews such as the exemption of military personnel and Department of State Security personnel from the current contributory pension scheme.

The 2014 Act also incorporates subsequent reviews to the 2004 Act such as the Universities (Miscellaneous) Provisions Act 2012 (which revised the retirement age and benefits of university professors) and the Third Alteration Act (which places responsibility for pension matters with the National Industrial Courts).

Importantly also, the upward revision of the stipulated contributions to the scheme by the PRA 2014 10% by employers and 8% by the employees as against that stipulated in the 2004 Act of 7.5% each by both parties.

The following are the major highlights of the Pension Reform Act 2014

1. **PARTICIPATION AND CONTRIBUTION**

Upward Review of Rate of Pension Contribution

- There is an increase in the rate of contributions, under the Act, employers are to contribute 12% of the monthly emolument which was previously 7.5% and the employees on the other hand are to contribute 8% which was previously 7.5%. For an employer that bears the total pension contributions of its employees they will be

expected to make 20% contribution. These contributions are applicable on monthly emoluments only.

- The scope of participation of the contributory pension scheme for the employers in the private sector has been decreased from minimum of five employees to three employees which enables wider participation for the informal private sector, this is a wonderful development for employees in small scale employment, and they are not left out of the contributory benefit to secure their future.

Access to Benefits in Event of Loss of Job

- The PRA 2014 has reduced the waiting period for accessing benefits in the event of loss of job by employees from six months to four months. This is done in order to identify with the yearning of contributors and labour.
- Opening of temporary RSA for employees that failed to do so.

Enhanced Coverage of the CPS and Informal Sector Participation

- The PRA 2014 makes provision that would compel an employer to open a Temporary Retirement Savings Account (TRSA) on behalf of an employee that failed to open a RSA within three months of assumption of duty. This was not required under the 2004 Act.
- It is important to note that the scope of the monthly emolument has been given a wider definition than before i.e monthly emolument under the Act is defined as the total emoluments as may be defined in the employees contract of employment but shall not be less than a total of basic salary, housing allowance and transport allowance.

Therefore, the 2014 Act seems to come with it additional benefits for the employer due to some added advantages like reduction in waiting period before accessing pension funds in the case of loosing ones job, rate of contributions, and even additional areas for investment.

2. SANCTIONS AND PUNISHMENTS

Corrective Actions on Failing Licensed Operators

- The PRA 2014 only allowed PENCOM to revoke the license of erring pension operators but does not provide for other interim remedial measures that may be taken by PENCOM to resolve identified challenges in licensed operators. Accordingly, the PRA 2014 now empowers PENCOM to take proactive corrective measures on licensed operators whose situations, actions or inactions jeopardize the safety of pension assets. This provision further fortifies the pension assets against mismanagement and /or systemic risks.
- The new pension law prescribes among others, upward review of penalties and sanctions to pension defaulters and employers who fail to remit deducted monies of their employees.

Power to Institute Criminal Proceedings against Employers for Persistent Refusal to Remit Pension Contributions

The Act now empowers PENCOM to institute criminal proceedings against employers for persistent refusal to remit pension contributions subject to the fiat of the Attorney General of the Federation, which will be to the delight of employees right now. The pension reform Act of 2004 only allowed PENCOM to revoke the license of erring

pension operators but does not provide for other interim remedial measures that may be taken by PENCOM to resolve indentified challenges in licensed operators.

Upward Review of the Penalties and Sanctions

The sanctions provided under the PRA 2014 were no longer sufficient deterrents against infractions of the law. Furthermore, there are currently more sophisticated mode of diversion of pension assets, such as diversion and/or non-disclosure of interests and commissions accruable to pension fund assets, which were not addressed by the PRA 2004. Consequently, the Pension Reform Act 2014 has created new offences and provided for stiffer penalties that will serve as deterrence against mismanagement or diversion of pension funds assets under any guise.

Thus, operators who mismanage pension funds will be liable on conviction to not less than 10 years imprisonment or fine of an amount equal to three-times the amount so misappropriated or diverted or to both imprisonment and fine.

As it is clear that the benefit of pension is on the high, some adamant employees still refuse to join this scheme, the pension act 2014 takes good care of these category of staff by compelling an employer to open a Temporary Retirement Savings Account (TRSA) on behalf of an employee that failed to open an RSA within three (3) months of assumption of duty.

Recovery of Pension

- The employees who have been involved actively in the CPS often complain about recovery of pension after loss of job (Nwite and Ehiogu, 2014), their worries centre around the stipulated waiting period after a job loss, the new act has now given people a reason to smile as the act has reduced the waiting period for accessing benefits in the

event of loss of job by employees from six (6) months (2004 pension reform) to four (4) months (2014 Act).

- According to PENCOM (July,2019), it is clear that the new Act 2014 is quite advantageous to employees as some key issues have been addressed such as upward review of the penalties and sanctions, enhanced coverage of the contributory pension scheme and informal sector participation, upward review of rate of pension contribution, opening of temporary retirement savings account for those employees who refuse to voluntarily open an RSA by themselves and having access to benefits in the event of loss of job.

3. **INVESTMENT**

Utilization of Pension Funds for National Development

- The PRA 2014 also makes provision that will enable the creation of additional permissible investment instruments to accommodate initiatives for national development, such as investment in the real sector, including infrastructure and real estate development. This is provided without compromising the paramount principles of ensuring the safety of pension fund assets.(Nwite and Ehiogu, 2014).

2.2.12 Gap in Literature

From the literature reviewed the researcher identified some gaps, these include Time Frame 2004- 2019 and that of the Institution used for this study – Industrial Training Fund (ITF) which have both not been used for a research with this topic before now. Other gaps are that some scholars focused their attention on the contractual, legal and economic obligations between employers and employees. Some of these works talked

about the need for more awareness for the employees through workshops or sensitization programs that will educate them on how the new scheme operates. In addition, some of the scholars were of the opinion that many employees are not in the picture of how their pensions funds are being operated, the researcher here is of the opinion that most of them are aware of the operations of the PFAs and those who claim not to are in that state because of their nonchalance.

Other scholars focused on the contributory scheme but failed to outline some of the basic challenges associated with the old scheme and how the new scheme has not performed to the level of expectation of the Nigerian Pensioners, especially with regards to the contents of the Pension Reform Acts 2004/2014. From the literature, it has been discovered that a number of studies Ayegba, Ojonugwa (2011), Asuquo, Akpan & Tapang (2011), Anazodo, Ezenwile, Chidolue, & Chidinma Umetiti (2014) and Ugwoke and Onyeanu (2014) Ndaghu (2015) were actually done on the impact of the implementation of contributory pension scheme on workers' consumption, income and savings, workers and productivity etc, but not much had been conducted on the National Pension Commission and the implementation of Contributory Pension Scheme at ITF, this study filled that gap.

2.3 Theoretical Framework

2.3.1 Structural-Functional Theory

For the purpose of this study, our analysis will be anchored on structural functionalism as postulated by Almond (1963). The major understanding of structural functionalism is that the society is a system with interrelated parts. According to Varma (2003), a system is defined as an entity made up of interconnected and interrelated parts. In this theory the

society is understood to be an entity with different parts which has functions to play. These parts are called sub-systems by Easton (1965) and structures by Almond (1963). In the thinking of Almond, each structure has a function, a role to play, hence structural functionalism.

Juxtaposing this theory with our study, it becomes apparent that the National Pension Commission (PENCOM), the Pension F und Administrators and the Industrial Training Fund are all parts or structures of the society and as such, they have a role or function to play for the overall stability or maintenance of the pension industry.. Almond in postulating this theory maintained that in any political system, there are four input functions which are performed by the governmental system, by the society and the general environment. These include political socialization and recruitment, interest articulation, interest aggregation and political communication (Varma, 2003).

Structural – functionalism as a theoretical framework is intended to explain the basis for maintaining order and suitability in society and relevant arrangement within the society. Almond and Varma (2003) stressed that structural-functionalism involves two main concepts, such as structures and functions. Structures refer to the arrangements within the system which perform the functions. Also, structure is the way in which the parts are connected together in order to be arranged or organized. Function has been defined by Richard (2009) as those observed consequences which make for the adoption or adjustment of a given system. The basic assumption of the structural functionalism framework is that all systems have structures which can be identified and these structures perform functions within the system necessary for its persistence. It refers to the structures that are found in any system and the functions performed by the structures.

Thus political system is defined as the various structures and institutions in the society that perform political functions or that bear on political decision-making policy (Varma, 2003).

In analysis, the structure can be viewed from three main levels i.e person, institution and subsystems. The whole structure is analyzed into parts; each dealing with a particular sphere of activities for instance in this study, the PENCOM is saddled with the responsibility of supervision and regulation of the Pension Fund Administrators, Pension Fund Custodians and also the activities of the Industrial Training Fund as it concerns pension matters. The PFAs on the other hand are in charge of investing the retirees' contributions in instruments of their choice and subsequently share the interests on investment to various Retirement Savings Accounts (RSAs). The PFCs are available on ground to keep in their custody safely the assets belonging to the RSA holders. Lastly, is the ITF itself, who are expected to fufill their own obligation by remitting the RSAs of their employees with the appropriate amounts within the legal time frame so that it will allow for swift investments to be made on their behalf.

Assumption of the theory

According to Suleiman (2006), "the basic assumption of the theory is that, for a social system to survive and maintain its growing concern, a certain degree of order and stability is required. To achieve this order and stability, the theory maintained that every functional part of the social system must perform its role. It is this functional prerequisite that serves to connect the various parts and this integrates the social system as an organic system. Thus, Haralambos and Heald (2003) opined that from the functionalist point of view, "the social system has certain basic needs which must be met if it is to survive.

These needs are known as functional prerequisites. The function of any part of the society is its contribution to the maintenance of the society".

Structures: Structures are the more 'static' elements of a system (Sewell, 1992). That is not to say that structures are immobile, rather they change at a slower rate than the functions, which tend to be more dynamic and less robust than structures. Structures are identifiable as they are usually organized or institutionalized in a specific manner and consist of many interrelated, interdependent, but also autonomous parts, including alliances of different actors (Sewell, 1992). Examples of structures in a policy system include the institutional alliances that run processes or are involved in goal setting in the policy cycle (such as government agencies, industry groups, non-government organizations, community groups and individuals). The functionality of structures is evidenced by their expressed contribution towards achieving a goal of the system as a whole (Kalu, 2011).

Structures in an organization may include the social and institutional networks that carry out typical roles within the strategic policy or planning system being analyzed. While structures are largely responsible for running particular processes, they also produce outputs (e.g. formal documents such as legislation, policies, strategies, plans) and outcomes. In a governance system, structures focus on setting strategic priorities for planning to deliver plans or policies intended to guide action to achieve desired planning outcomes. Alternatively, structures focused on the implementation of policies or plans may include legislation writers and other institutions with local decision-making authority.

Functions: Functions are the traits that describe how structural aspects of a particular governance system work or how the system is stabilized (Eisenstadt, 1990). Within

governance systems, certain functions must be present for the system to persist (Almond and Coleman, 1960). Functions connect the structures in a system but also represent the relationships between them.

There have been significant discussions involved in identifying functions relevant in political sciences terms (Almond and Coleman, 1960). Parsons proposed that functional traits describe the social outcomes of the interplay between structures and functions, rather than the actual functions of a system.

Similarly, Almond and Coleman's functions are highly specific to government or hierarchy models of governance and are inappropriate for application in governance systems that do not fit the hierarchy-driven 'government model', a condition true of many planning systems. Looking at governance systems more generally, however, Dale and Bellamy (1998) identify three cornerstone functional elements of healthy governance systems; these include knowledge application to improve governance systems, the connection of effort within governance systems and the decision-making capacity of players within the system.

Managers can consider institutions and their interactions or alliances of institutions as the 'parts' that contribute to the overall structure of the system. The role and activities of an institution is the function of a given system. In order to fully understand the institution, management must consider the system as a whole and the cumulative influences of

i. The broad political, social, economic and cultural contexts of the system;

ii. The configuration of institutions around key tasks (e.g. goal setting);

iii. The internal organization of institutions;

iv. The way in which institutions interact;

Institutions are likely to fulfil more than one role and multiple institutions may have the capacity to fulfil the same role.

Criticisms of structural-functionalism

Critics, perhaps unfairly, argue that structural-functionalism:

i. Uses an ecological model to understand society (Craib, 2011);

ii. Only presents a simplistic and static model of society/systems focused on order and equilibrium, rendering it unable to adequately account for transformation and change (Chilcott, 1998); Is excessively abstract and cannot be applied empirically (Colomy, 1986);

iii. Overemphasizes the importance of integration within the system, while downplaying the role of the individual and agency in the system (Giddens, 1979);

iv. Does not adequately (if at all) address issues of self-reference, complexity or conflict (Luhmann, 1982).

Relevance of the theory to the study

In applying the theory to this study, strengthening of the institution to perform its function (National Pension Commission) is the most viable way of realizing the goal of managing pension funds in Nigeria. That is, managing pension funds is to ensure that, all retirees' funds are properly managed and secured for future purposes.

Therefore, PENCOM is an institution with a specific function of managing retiree's pension funds. PENCOM as an institution was established to regulate, enforce and manage Pension Fund assets through the Pension Fund Administrators and Pension Fund Custodians.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The study adopted the use of a Mixed research design method. A Mixed research was used to generate data from the sample of the population in order to comprehend the opinions of the respondents on the effect of pension reforms and the performance of PENCOM in the payment of retirement benefits to the retirees of ITF. The researcher came up with a set of questions on the performance of PENCOM in relation to the management of ITF pension funds for which information was generated from the respondents. The research techniques or instruments used to generate the primary data are Questionnaires and Interviews. At the end, responses retrieved were used to produce numerical data that was analyzed. This method was adopted because; the data generated using such was more or less unbiased and can be expressed in numerical terms such as percentages or statistics that can easily be understood by a layman.

3.2 Population of the study

Table 3.1: Population distribution

S/N	Population Groups	Method of Data Collection	Number of Respondents	Geopolitical Zones	Pay Points	Total Population of retirees
1	Retirees of ITF	Questionnaires	155	North Central	Plateau	65
					Kwara	67
2	Officials of PENCOM	Interview	3	North East	Borno	68
					Adamawa	52
3	Officials of PFAs	Interview	3	North West	Sokoto	78
					Kaduna	68
4	Officials of ITF Pension Union	Interview	2	South South	Bayelsa	37
					Rivers	69
5	Officials of ITF Pension unit	Interview	1	South East	Imo	51
					Anambra	49
6	Deputy Director, Pensions Unit. Fed Min of Industry	Interview	1	South West	Ogun	57
					Lagos	98
					Total	**759**

N.B- pay points in ITF are the centers that prepare and send out payment schedules for the retirees that fall under their jurisdictions.

- The table above shows the total population of the study by dividing the population into six groups - some groups were interviewed while others were given questionnaires to fill and return. The total population of retirees under the CPS in ITF are 759 as at September 2019 who are distributed throughout the 6 geo-political zones of Nigeria. 155 however were used as sample size by using the Smith's formular of calculating sample size from a large population. The other respondents from the

remaining groups were all arrived at by choosing them purposively i.e since they are knowledgeable in the area of our research.

3.3 Sample size

Smith (2008), simplified formula for calculating sample size from a large population was used to select sample from the total number of ITF Retirees as given below:

$$\text{SMITH 2008} \quad \frac{N}{3 + N(ME)^2}$$

$$\frac{759}{3 + 759(0.0025)}$$

$$\frac{759}{4.89} = 155$$

- Where N is the total population size
- 3 is constant
- 0.0025 is the margin of error.

The reason for sampling is to ensure lower costs, greater speed of data collection and availability of population elements.

The purposive sampling technique was used to select few representatives from the strata of the population for interview. The interview covers three groups of the population as listed above. Consideration for these choices was because they are all knowledgeable on the issues of concern to us.

The total population of the ITF Retirees under the CPS as at Sept 2019 stood at 759 (ITF Pensions Unit)

Table 3.2: Sample size of the Study

GEOPOLITICAL ZONES	PAY POINTS	POPULATION	SAMPLE SIZE
NORTH CENTRAL	PLATEAU	65	13
	KWARA	67	14
NORTH EAST	BORNO	68	14
	ADAMAWA	52	11
NORTH WEST	SOKOTO	78	16
	KADUNA	68	14
SOUTH SOUTH	BAYELSA	37	08
	RIVERS	69	14
SOUTH EAST	IMO	51	10
	ANAMBRA	49	10
SOUTH WEST	OGUN	57	12
	LAGOS	98	20
TOTAL		**759**	**155**

Source: ITF Pensions Unit, August 2019

3.4 Sampling Technique

A total of 155 questionnaires were distributed to ITF Retirees across the 6 Geo-political zones, in addition Ten (10) people were selected for interview-

- Three (3) Staff were selected from the Organogram of PENCOM: They are:

1. General Manager - Surveillance Department
2. General Manager - Enforcement Unit
3. General Manager – Investment Department

One staff each was chosen from each of the three (3) selected PFAs with the highest number of registered ITF pensioners operating with them among others –

1. Stanbic IBTC Pension Limited (SPL)
2. Veritas Glanvills Pensions (VGP)
3. Leadway Pension Limited (LPL)

- Two (2) officials from the ITF pension union, who are themselves retirees.
- One (1) Staff of ITF, who is the head of the Pension Unit.
- One (1) Staff of the Federal Ministry of Industry ie, the Deputy Director of the Pensions Unit.(Admin Dept).

The choice of the Retirees of the Industrial Training Fund is because they are the main focus of our interest and as such to know how they feel about the way their pension funds are being managed by PENCOM/PFAs is important. The choice of the staff who occupy strategic positions at the National Pension Commission as a target population is to ascertain the effort of the commission in the enforcement of the contents of the Acts and see the level of compliance in the management of ITF Pension funds. The choice of officials of the PFAs is to know whether there are regular remittances of pension funds into employees' Retirement Savings Account and how such funds are being invested. The Deputy Director at the Federal Ministry of Commerce was picked because ITF is a parastatal under that ministry and it was thought to be wise to know how the Ministry oversees pension issues itself. The choice of a staff at the ITF Pensions unit is to help with direct information as regards how the CPS is being operated and how to go about identifying the location of the retirees and those from the ITF pension union was to further consolidate on the answers gotten from the questionnaire responses since they are retirees of ITF also.

3.5 Method of Data Collection

The study utilized both primary and secondary methods of data collection. This method was adopted to elicit information from respondents using the instrument of questionnaires and interviews and also to use information already existing from other scholarly studies. The organogram of PENCOM was used to choose those that were selected for interview.

i. **Primary**

(a) Questionnaire

A pre- determined set of open –ended and closed -ended questions were utilized and distributed to 155 retirees of ITF and their responses thereafter were used as part of the basis for analysis in this work.

The nature of the questions asked here were such that the researcher was able to get the respondents to answer freely without feeling uncomfortable about the exercise.

(b) Interview

Data was also generated through interviews of some Retirees of ITF, some Staff of PENCOM, some staff of the PFAs, the Head of ITF Pension unit and also the Deputy Director of the Pension unit at the Federal ministry of Industry. The interviews were conducted face to face and on a few occasions through placing a call to those who said it was okay to do that.

ii. **Secondary**

Table 3.3: Showing the sources of secondary data for the study

S/N	Types	Sources
1	Data on the extent PENCOM has enforced the payment of retirement benefits in ITF,	ITF Pension Unit/ PENCOM
2	Data on how PENCOM has regulated the investment and management of pension fund assets in ITF,	PENCOM/PFAs
3	Data on how PENCOM addresses the issue of impropriety against PFAs/PFCs/ITF	PENCOM
4	Data on the challenges facing PENCOM in the implementation of CPS as it relates to the settlement of pension to retirees	PENCOM/PFAs/ Ministry of Industry
5	Data on how PENCOM and the PFAs address the challenges they face in the implementation of the CPS in ITF	PENCOM and PFAs

Source: Field Survey, July 2019.

Secondary data was collected through the review of existing information about the issues under investigation from the related articles, journals, books etc. This include,

(i) The PRA 2004

(ii) (ii) The Revised PRA 2014

(iii) (iii) Published Journals on pension administration

(iv) (iv) Official bulletins released by PENCOM

(v) (v) Official documents from the Pensions Unit at ITF

(vi) (vi) ITF libraries

(vii) (vii) Official records from selected Pension Fund Administrators, newspaper articles and internet.

The Questionnaires were administered to some ITF's Retirees at their pay points which were used for the 2019 verification exercise for ITF retirees. A pre-determined set of open and closed-ended questions were utilized. Unstructured interview using pre-determined set of open-ended questions were used to generate views and opinions on how the pension funds are being regulated by PENCOM.

3.6 Techniques for Data Analysis

Primary data collected through questionnaires was analysed with the use of Percentages, frequencies and tables using the Statistical Package for Social Statistics (SPSS) as a framework of analysis. The analysis was represented in tabular form for easy understanding and it contained the number of respondents and the corresponding percentages.

However, both the interview and secondary data collected were analyzed through content analysis. This implies that, the interview was reported verbatim, while both the quantitative and qualitative secondary data were analysed contextually to answer both the research questions and objectives.

Weighted Means scoring was used to analyze the research hypotheses under a defined rule: Decision rule was applied to accept or reject the research hypotheses:

1. Accept any element with weighted means score value of 3.50 and above, and
2. Reject any element with weighted means score value of less than 3.50 and below.

This means that, research hypotheses with more than 3.50 weighted means score value will be accepted as being valid while research hypotheses with less than 3.50 weighted means score value will be rejected as being invalid. The Five point Likert scale of weighted means scoring was used to analyze the data. Weighted Means Scores were interpreted on five (5) Likert Rating Scale and five (5) modified Likert Rating Scale.

3.7 Justification of Methods

The justification for using survey method in this research was that, it is one of the best methods for gathering large amount of information quickly. It can also allow for the subject being surveyed to remain anonymous and help to eliminate bias in the interpretation of results. Its major attractions are its relatively low cost considering the fact that useful information can be collected about a large number of people from a relatively small number (representative), it was easy to generalize the findings to a larger population once representatives of the sample were assured of anonymity; and the flexibility of survey meant that a variety of data collection instruments- observation, interviews, questionnaires, could be used. This allowed one instrument to serve as a check on the other.

The choice of interview on the other hand was to facilitate easy acquisition of information. In addition, it enabled the researcher to ask more questions to some respondents when there was need to get further clarification on the information provided. Therefore, the justification for using this method for this study was to investigate the contemporary phenomena with regards to PENCOM and the Implementation of the CPS at the in the ITF.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation

This work was presented using the Sequential Mixed Integration Approach. Here all the Research responses i.e from questionnaires and interviews were presented side by side each other for easier analysis.

A total of One hundred and fifty five (155) questionnaires were distributed, out of which only 138 representing (89%) questionnaires were successfully completed and returned while, Seventeen (17) questionnaires representing (11%) were not returned. The Data are presented in the tables below:

Table 4.1: Response Rates on questionnaires distributed

Population	Total Questionnaire distributed	Returned Rate	Unreturned Rate	Percentage Returned (%)	Percentage unreturned (%)
ITF Retirees	155	138	17	89	11

Source: Field Survey, August, 2019

N.B: Refer to table 3.2 on distribution of questionnaires.

A total of 10 people were selected for interview and they include:

- Three (3) staff of PENCOM
- One (1) staff each from the 3 identified PFAs used in this study (making up 3 individuals)
- Two (2) officials of the ITF Pension Union (who are retirees also)
- One (1) staff of ITF (Head of the Pension Unit)

- One (1) staff of the Federal Ministry of Industry (Deputy Director of the Pensions Unit)

4.1.1 Demographic Profile of respondents

Table 4.2: Sex distribution of the Respondents

		Frequency	Percent	Cumulative Percent
Valid	Male	83	61.1	61.1
	Female	55	39.9	100.0
	Total	**138**	**100.0**	

Source: Field Survey August, 2019

The table above shows that, 83 respondents representing 61.1% are male while 55 respondents representing 39.9% are female.

Table 4.3: Age distribution of the Respondents

		Frequency	Percent	Cumulative Percent
Valid	30-39	44	31.9	31.9
	40 – 49	71	51.4	83.3
	50 – above	13	16.7	100.0
	Total	**138**	**100.0**	

Source: Field Survey August, 2019

The table above shows that, 44 respondents representing 31.9% fall between 30 – 39 age bracket, 71 respondents representing 51.4% fall between 40 – 49 age bracket, while 13 respondents representing 16.7% fall between 50 – above age bracket.

Table 4.4: Marital Status of the Respondents

		Frequency	Percent	Cumulative Percent
Valid	Single	52	37.7	31.9
	Married	68	49.3	83.3
	Others	18	13.0	100.0
	Total	**138**	**100.0**	

Source: Field Survey August, 2019

The table above shows that, 52 respondents representing 37.7% are single, 68 respondents representing 49.3% are married, while 18 respondents representing 13.0% were either widowed or divorced.

Table 4.5: Educational Qualifications

		Frequency	Percent	Cumulative Percent
Valid	SSCE	9	6.5	6.5
	ND/NCE	43	31.2	37.7
	HND/BSc	59	42.8	80.5
	Postgraduate	27	19.5	100.00
	Total	138	100.0	

Source: Field Survey August, 2019

The table above shows that, 9 respondents representing 6.5% have SSCE as higher educational qualification, 43 respondents representing 31.2% have ND/NCE, 59 respondents representing 4.2% have HND/BSC and 27 respondents representing 19.5% have Postgraduate Certificates.

Table 4.6: Years of working experience before retirement

		Frequency	Percent	Cumulative Percent
Valid	0 – 10	11	8.0	8.0
	11 – 20	22	15.9	23.9
	21 – 30	18	13.0	36.9
	31 – Above	87	63.1	100.00
	Total	**138**	**100.0**	

Source: Field Survey August, 2019

The table above shows that, 11 respondents representing 8.0% had spent below 10 years before retiring from active service, 22 respondents representing 15.9% had between 11-20 years before retirement, 18 respondents representing 13% had spent 21-30 years and 87 respondents representing 63.1% had spent 31-above years before retirement.

Table 4.7: PENCOM has enforced the payment of retirement benefits as specified under Contributory Pension Scheme in Industrial Training Fund.

		Frequency	Percent	Cumulative Percent
Valid	Poorly Enforced	14	10.1	10.1
	Moderately Enforced	28	20.2	30.3
	Strongly Enforced	44	31.8	62.1
	Highly Enforced	35	25.6	87.7
	Neutral	17	12.3	**100**
	Total	**138**	**100.0**	

Source: Field Survey August, 2019

Table 4.7 above shows that, 14 respondents representing 10.1% believed that, PENCOM has poorly enforced the payment of retirement benefits as specified under Contributory Pension Scheme; 28 respondents representing 20.2% believed that, PENCOM has moderately enforced the payment of retirement benefits as specified under Contributory Pension Scheme. 44 respondents representing 31.8% believed that, PENCOM has strongly enforced the payment of retirement benefits as specified under Contributory Pension Scheme. 35 respondents representing 25.6% believed that, PENCOM has Highly enforced the payment of retirement benefits as specified under Contributory Pension Scheme while, 17 respondents representing 12.3% could not ascertain whether PENCOM had enforced the payment of retirement benefits as specified under Contributory Pension Scheme.

In line with the above result, the interview conducted with the Manager at Veritas Glanvills Pensions (July 2019) confirmed that, in the PENCOM's guidelines, retirees are allowed to withdraw a lump sum from the balance standing to the credit of his/her RSA provided the balance after the withdrawal could provide an annuity or fund monthly payments through programmed withdrawals. He said *"however, an employer may choose to pay any other severance benefits over and above the retirement benefits payable to the employee under the PRA 2014"*. He further revealed that the reason why there is sometimes delay in the commencement of Payment of retirement benefits under the Contributory Pension Scheme as specified in the PENCOM's guidelines was due to, *"non-compliance by retirees in providing up to date information in their documents*

among these are; change of phone numbers, change of postal addresses, change of next of kin and inaccurate employment information" (July, 2019).

During an interview at PENCOM, we were able to establish that the pension contributions by employees of Treasury Funded Ministries, Departments and Agencies (MDAs) are deducted at source and lodged into a Contributory Pension Account with the CBN. The Commission computes the pension contributions and advises the CBN to credit the contributions directly to the Pension Funds Custodians (PFCs). However, for Federal Government employees who are already on the Integrated Payroll and Personnel Information System (IPPIS), the Office of the Accountant General of the Federation (OAGF) remits their contribution to their respective PFCs.

Furthermore, the Accumulated Pension Contributions of FGN Employees Prior to Remittance into their RSAs are being invested in Treasury Bills by the CBN. The pension contributions and incomes from such investment would in due course be computed and remitted to the RSAs of the affected contributors proportionately.

Monies Deducted at Source from Salaries of FGN Employees who were exempted from the New Scheme, the employee's portion of the pension contributions would be refunded to the affected employee while the employer portion would be transferred back to the FGN.(PENCOM, July 2019)

According to the PFAs also the major cause of delay in commencement of payment is also due to *"the incomplete or incorrect information on a contributor due to non-submission of updated Nominal Rolls by MDAs"*. Such vital requisite details include RSA PIN, date of birth, date of first appointment, grade level and step. In a case of these differences, the employee approaches his PFA and employer for reconciliation. Where it

is established that there is an under payment of the monthly contributions, the employer remits the difference into the RSA of the employee.

It is not allowed for employees to open more than one RSA. In the event of change of employment, the contributor is required to provide the same RSA details to his new employer who now assumes the responsibility of remitting the monthly pension contributions into the same RSA.

NB: The total monthly contribution made by contributors from both the public and private sectors can be viewed in Appendix XI.

This shows that, gratuity of ITF's retirees were not paid immediately after retirement contrary to the New Pension directive which Stated that, upon retirement, an employee can draw a lump sum from the balance standing to the credit of his/her RSA provided the balance after the withdrawal could provide an annuity or fund monthly payments that would not be less than 50% of his monthly pay as at the date of his retirement. However, an employer may choose to pay any other severance benefits over and above the retirement benefits payable to the employee subject to the terms and conditions of his employment.

According to the retirees that were interviewed (August, 2019) in their capacity of being officials of the ITF pension union, they said that the new pension scheme facilitates prompt and regular payment of benefits since funding is made monthly and credited to individual RSAs and the Pension is meant to be readily available on retirement except where their colleagues complain of lack of payment due to reasons they do not understand in terms of their documentations. One of them said, *"I have always collected*

my own pension without problems, but I know some of our members have problems, so there are problems".

Asides this, the CPS also ensures availability of funds for investment particularly in the capital market ie contributions are put into long term investments in the economy. The share of the proceeds from the return on investments is credited to RSAs to beef it up. It involves workers' participation since an employee contributes to his/her retirement fund and is also at liberty to decide who manages it (PFA) and the choice of investment opportunities or products on the guidance of professional fund managers) for his pension fund. A central regulator now oversees all pension matters nationwide. But in reality PENCOM is unable to exert supervisory control over the Pension Offices as they have little regard for the Commission's supervisory role over them, in a clear violation of sections 30 to 38 of the PRA 2004. The portability of the RSA makes it easy to change jobs. The employee only needs to provide the new employer with details of his Retirement Savings Account. Contributory Pension Scheme is a workable and sustainable solution to inter-sectorial movement applicable anywhere because of its straightforwardness and simplicity.

The interview with Veritas Glanvills Pensions (July, 2019), also revealed that, the Contributory pension scheme is an improvement on the old scheme because through contributions by both employers and employees and the subsequent investment of such funds makes available sufficient money to pay retirees for life by spreading payments on monthly basis.

To further buttress on the notion that the PENCOM take their regulatory functions seriously, the Manager Enforcement at an interview (June 2019) said that where an employer fails in the statutory responsibility to remit pension contributions of his employees, the concerned employee(s) are expected to complain directly to the Commission with the name and address of the defaulting employer. In addition, any PFA or PFC that misappropriates pension funds is liable, on conviction, to a fine of an amount equal to three times the amount misappropriated or imprisonment for a term not less than ten years or to both fine and imprisonment and also the Commission shall remove from office, any Director or Officer of such PFA or PFC.

The PENCOM interview also confirmed that, although the PRAs do not stipulate any retirement age. Retirement age depends on each employee's terms and condition of employment.

However find in Appendix X, the Age grade and sectoral breakdown of RSA registrations as at 31st August, 2018.

Table 4.8: PENCOM has regulated the investment and management of pension fund assets as specified in Contributory Pension Scheme in Industrial Training Fund

Variables		Frequency	Percent	Cumulative Percent
Valid	Poorly regulated	10	7.2	7.2
	Moderately regulated	33	23.9	31.1
	Strongly regulated	38	27.5	58.6
	Highly regulated	50	36.2	95.0
	Neutral	7	5.0	**100**
	Total	**138**	**100.0**	

Source: Field Survey August, 2019

The table 4.8 above shows that, 10 respondents representing 7.2% believed that, PENCOM has regulated the investment and management of pension fund assets as specified in Contributory Pension Scheme in Industrial Training Fund; 33 respondents representing 23.9% believed that, PENCOM has regulated the investment and management of pension fund assets as specified in Contributory Pension Scheme in Industrial Training Fund. 38 respondents representing 27.5% believed that, PENCOM has regulated the investment and management of pension fund assets as specified in Contributory Pension Scheme in Industrial Training Fund. 50 respondents representing 36.2% believed that, PENCOM has regulated the investment and management of pension

fund assets as specified in Contributory Pension Scheme in Industrial Training Fund while, 7 respondents representing 5.0% could not ascertain whether PENCOM has regulated the investment and management of pension fund assets as specified in Contributory Pension Scheme in Industrial Training Fund.

The response from the above data collaborated with the interview conducted with Fund Managers at Leadway Pensions Limited which revealed that, PFAs have played a significant role in providing holders of RSA with a variety of investment opportunities. *"He said, we make sure that we let them know of all the investment options that we have available for them and also explain to them how the play out"*. PENCOM have directed PFAs to comply with the investment provisions of the PRA 2014 and failure to do that will be liable to a penalty of an amount to be determined by the Commission, but in any case shall not be more than N500, 000.00 for each day that the noncompliance continues and the PFA shall forfeit the profit from that investment to the beneficiaries of the RSA and if the investment has led to a loss, the PFA shall be made to make up for the loss.

Table 4.9: RSA registration for ITF by the 3 PFA's under study

S/N	PFA	RSA Registration
1	Stanbic IBTC Pensions	112
2	Veritas Glanvills Pensions	84
3	Leadway Pensions	56
Total		252

Source: PFAs August 2019

N.B: The table above shows the number of ITF retirees that were registered with the 3 PFAs used for this study as at July 2019.

Table4.10: Stanbic IBTC Investment Portfolio for ITF RSAs as at August, 2019

Asset Class	₦ Million	Weight %	No of Retirees involved
Fed Govt Secrities 1,FGN Bonds	193.800	13.4	15
2, Treasury Bills	140.200	17.9	20
3.Agency Bonds	126.60	11.6	13
4.Sukuk	90.400	6.3	7
State Govt Bonds	51.900	4.5	5
Corporate Securities 1.Corporate Bonds	50.300	8.9	10
2.Infrastructure Bonds	97.625	13.4	15
Supranatural Bonds	37.500	4.5	5
Money Market Instruments 1.Bank Placements	88.200	7.2	8
2.Commercial Papers	110.900	12.5	14
Net Asset Value	**986.884**	**100**	**112**

Source: Stanbic IBTC, August 2019

N.B : This table shows the different investment types that were being operated by Stanbic IBTC for the ITF RSA holders.

Table 4.11: Veritas Glanvills Investment Portfolio for ITF RSAs as at August, 2019

Asset Class	₦ Million	Weight %	No of Retirees involved
Fed Govt Secrities 1,FGN Bonds	125.500	15.4	13
2, Treasury Bills	122.800	17.8	15
3.Agency Bonds	114.500	14.2	12
4.Sukuk	35.1	3.5	3
State Govt Bonds	41.500	3.5	3
Corporate Securities 1.Corporate Bonds	52.900	8.3	7
2.Infrastructure Bonds	114.800	19.0	16
Supranatural Bonds	36.000	5.9	5
Money Market Instruments 1.Bank Placements	93.900	11.9	10
2.Commercial Papers	17.500	5.9	5
Net Asset Value	**754.500**	**100**	**84**

Source: Veritas Glanvills, August 2019

N.B : This table shows the different investment types that were being operated by Veritas Glanvills for the ITF RSA holders.

Table 4.12: Leadway Investment Portfolio for ITF RSAs as at August, 2019

Asset Class	₦ Million	Weight %	No of Retirees involved
Fed Govt Secrities 1,FGN Bonds	116.800	17.8	10
2, Treasury Bills	75.200	17.8	10
3.Agency Bonds	33.680	10.7	6
4.Sukuk			
State Govt Bonds	36.660	7.1	4
Corporate Securities 1.Corporate Bonds	46.600	8.9	5
2.Infrastructure Bonds	63.370	10.7	6
Supranatural Bonds	16.210	5.3	3
Money Market Instruments 1.Bank Placements	32.165	14.1	8
2.Commercial Papers	16.430	7.1	4
Net Asset Value	**437.105**	**100**	**56**

Source: Leadway Pensions, August 2019

N.B : This table shows the different investment types that were being operated by Leadway Pensions for the ITF RSA holders.

From the tables above, we can see that collectively we have a higher percentage of the RSA holders opting for FGN bonds, Treasury bills and also the Infrastructural bonds. The PFAs unanimously said this is because they tend to feel more secured having it at the back of their minds that the Federal Government will also keep an eye on their contributions.

From the above we also deduced that since the contributions are a pool of funds from various contributors and also from different agencies, the contributions are merged together and invested in the areas of interest chosen by the contributors and subsequently the profits on investments are shared into individual RSAs according to the percentage contributed by each RSA holder.

The Head of the Pension Unit with the ITF also confirmed that PENCOM have put in Place measures to safeguard and protect Pension Funds from the Negative Impact of Adverse Investment Conditions. He said this is so because the PFAs have a duty to make safe investments that would yield fair returns for the contributors as stipulated by the PRA 2014 and the Regulations on the Investment of Pension Fund Assets. *"He said, a Pension Protection Fund was established by the PRA 2014 to compensate for any erosion in the value of pension contributions in case of any severe economic downturns".*

PFAs are only allowed to invest in instruments in line with the PRA 2014 and Regulations on Investment of Pension Funds. In addition, PFAs are closely monitored, on daily basis, to ensure that they adhere strictly to the Regulations.

The investment decisions are made by the PFAs, however, the new Investment Regulations on Multi-Fund Structure allows a contributor to choose the Fund through which his/her pension contributions would be invested based on their age-group and risk appetite in line with the provisions of the PRA 2014.

The rates of return on pension fund investments vary from year to year, based on the economic outlook and performance of the Nigerian financial markets, as well as the

investment strategies of the various Pension Fund Managers. However, the Commission monitors the PFAs to ensure that returns are competitive based on market conditions.

All income earned from investment of pension funds under the PRA 2014 is remitted into the RSAs of contributors.

According to the interview with the PENCOM Enforcement Manager (July 2019), *"the safety of pension assets is guaranteed by the separation of management and custody functions undertaken by licensed PFAs and PFCs and also we monitor daily, all investment activities of the PFAs"*. Moreover, there are stringent provisions in the Regulations for the Investment of Pension Fund Assets that ensure the ring fencing of the assets and allowing investments only in instruments with minimal risks. There is also a sealed guarantee that in case of any infraction, the PFC or its parent company will pay any amount that may be lost due to that infraction.

The pension funds and assets, which are totally separated from the PFA's operational funds, are kept in safe custody by the PFC and as such the liquidation of the PFA will not affect the funds and assets. In addition, every PFA is expected to maintain, under the PRA 2014, a statutory reserve fund, from the company earnings, as contingency fund to meet claims for which it may be liable.

The pension funds in the custody of a PFC cannot be used to meet any claim in the event of liquidation, winding up or otherwise cessation of business of the custodian or any of its shareholders. Furthermore, the liquidation of a PFC will not affect the pension assets in its custody as the PFC only keeps investment certificates and records. The only cash being held by the PFC comprises of monthly contributions before decisions are made by

the PFA to invest it. The Commission has the power and responsibility in such situations to transfer the pension fund assets being held by any failed PFC to another PFC.

Furthermore, there is effective monitoring and supervision by the Commission through daily monitoring of the investment decisions made by the PFAs to ensure compliance with the PRA 2014 and the Investment Regulations issued by the Commission. The Investment Regulations outline the allowable instruments/securities, qualitative and quantitative criteria as well as the maximum investment limits for pension fund assets.

This information was also confirmed by the PFAs during an interview (July 2019), where they also said that the PRA 2014 prohibits the use of pension fund assets under their management to offset or grant loans and credits or as collateral for any loan taken by the contributor, his employer, the PFA and the PFC.

The PRA 2014 allows a contributor to utilize part of RSA balance towards payment of equity contribution for a mortgage to own a primary home subject to Guidelines issued by the Commission, which spells out the detailed eligibility requirements and modalities.

The Investment Regulations allow indirect investment of pension funds in infrastructure through Infrastructure Funds or Bonds. These investments recognize the need for channelling pension funds towards economic development through safe and viable investment outlets.

The Retirement Bond represents the accrued retirement benefits for the past services rendered by employees of the Treasury Funded Ministries, Departments and Agencies of the FGN, State and Local Governments before the commencement of the CPS. The amount is calculated by qualified actuaries and is transferred to the RSA upon retirement.

Although we expect some of these problems to reduce drastically, as the total Pension Funds stood at over 9 trillion naira as at September, 2019. This development has brought about new areas for investments to be made and the allowable areas include Infrastructure eg roads, bridges and other private equity funds. The investment here is known as The Multi- Fund Structure (Life –Cycle investment), this structure categorizes contributors into different RSAs according to their age (life cycle) and risk profile/preference (PENCOM, Sept 2019).

In the Multi- fund structure, the current RSA fund is divided into 4 funds namely

a. Fund I- here, placement is only based on request as the investments here are long term and returns are based on variable determination.

b. Fund II- this caters for employees aged 18-49.

c. Fund III - this caters for those that are 50 and above.

d. Fund IV- caters for contributors who have retired and are no longer working. This group cannot move to any other group because they are already at the point that they draw their pensions and as such their money can only be put in the money market where returns on investments can be pre-determined.

The funds are peculiar to each other as they have different risk profiles for exposure to various asset classes especially, on the variable income instruments whose returns cannot be pre-determined as at the time of investment.

The risk profiling of the fund is based on the assumption that younger people tend to have more capacity for risk and have a longer period to weather the market fluctuations. And for contributors nearing retirement, it is better to limit the amount of risks they take and

reduce exposure to uncertainty as they would start drawing down on their pensions within a short period. Some of the benefits to all multi- fund contributors include:

a. It presents a chance for a suitable alignment between retirement goals, risk appetite and age.
b. Contributors' under 50 years of age can now choose the fund they wish to belong to, based on their individual risk preference and return expectations.
c. It offers opportunity for higher returns for the more risk tolerant contributor.
d. It offers a better chance for pension assets to meet expectations at retirement.
e. It allows contributors to change from one fund to the other, once a year and at no cost.

NB: Find on Appendix XII, the RSA Multi- Fund Fees Structure and XIII, The Pension Fund Portfolio by Fund Types.

Table 4.13: PENCOM has addressed complaints of impropriety against any pension fund administrator, custodian or even Industrial Training Fund.

		Frequency	Percent	Cumulative Percent
Valid	Poorly addressed	57	41.3	41.3
	Moderately addressed	35	25.3	66.6
	Strongly addressed	30	21.7	88.3
	Highly addressed	10	7.2	95.5
	Neutral	6	4.5	**100**
	Total	138	100.0	

Source: Field Survey August, 2019

The table 4.13 above shows that, 57 respondents representing 41.3% believed that, PENCOM has poorly addressed complaints of impropriety against any pension fund administrator, custodian or even Industrial Training Fund; 35 respondents representing 25.3% believed that, PENCOM has moderately addressed complaints of impropriety against any pension fund administrator, custodian or even Industrial Training Fund; 30 respondents representing 21.7% believed that, PENCOM has strongly addressed complaints of impropriety against any pension fund administrator, custodian or even Industrial Training Fund; 10 respondents representing 7.2% believed that, PENCOM has Highly addressed complaints of impropriety against any pension fund administrator, custodian or even Industrial Training Fund while, 6 respondents representing 4.5% could

not ascertain whether PENCOM has addressed complaints of impropriety against any pension fund administrator, custodian or even Industrial Training Fund.

The findings here are in line with the interview conducted with the Head of Pension Unit at ITF in October (2019), He state that, despite difficulties in accessing pension funds as against the directives of National Pension Commission no pension fund administrator, custodian or employer was sanctioned in Industrial Training Fund. But he attributed these difficulties to being *"the fault of employees that change employment, without reporting to the PFAs/ PENCOM"*. The difficulties are addressed by PENCOM if the name of new employers can be provided by the employees and it will be linked to the existing RSAs. PENCOM have not addressed the series of litigations between most employees and their employers when they wanted to retire. The CPS has guaranteed that pension operators have money for payment of pension benefits and therefore no hoax in the matter. As specified under the CPS, when a worker has made his contributions, the PFAs usually would demand for a letter of retirement to grant the retiree the permission to receive his pension after necessary clearance formalities with the employers. What the retirees need is a letter of clearance and information to his PFA (PFAs, October 2019).

From the interview conducted (June 2019), the Head of the ITF Pensions Unit told us that *"the nature of the CPS implementation in ITF is in fact above what was stipulated in the Acts, ITF have increased their own share to 20% while their employees contribute 8%."*. It was also gathered through the Funds Pension Unit that, they on their part fulfill their obligations as regards timely remittance which is not more than 7 days from the date salaries are paid. They also from time to time undertake the mandatory verification exercise of their retirees' the most recent was carried out in August/September 2019

across the country, this is done to ascertain the true picture of those on their Pensioners' payroll and to eradicate irregularities commonly attributed to the pension industry.

Table 4.14: The number of retirees with complaints by PFAs are presented in the table below:

S/N	Pension Fund Administrators	Number of ITF Retirees	Number of Complaints Received from ITF Retirees	Nature of Complaints
1.	Stanbic IBTC Pensions	112	68	- Issues with next of Kin - Lack of Letter of Exit - Epileptic Statement of Accounts - Issues of Age - Lack of access to funds before the age of 50 years - Lack of last pay slips
2.	Veritas Glanvills Pensions	84	40	
3.	Leadway Pensions	56	29	
Total		252	137	

Source: PENCOM, July 2019

NB: These complaints are addressed through the check list for the requirements of the Programmed Withdrawal as indicated in Appendix VII and cashing on Annuity in Appendix IX.

Challenges facing PENCOM in the implementation of the Contributory Pension scheme in Industrial Training Fund

In the interview conducted with the Manager Enforcement at PENCOM (July 2019), he said that, *"the challenges being faced include lack of proper or in-complete documentation of the necessary requirements for an application to be processed, falsification of age etc"*. The interview at PENCOM also revealed that, non-payment of gratuity and Pension by PFAs was as a result of non-compliance to proper documentation due to absence of letter of exit/retirement, termination of appointment or voluntary exit,

last pay slip, birth certificate, falsification of age and issues associated with Next of Kin. These challenges led to difficulties in processing pension funds of the ITF retirees.

According to the Deputy Director (Pensions Unit) of the Federal Ministry of Industry in an interview conducted in December 2019 at his office, he pointed out that, *"Sourcing for qualified candidates to fill up management positions for the PFAs isn't a problem, but that the major challenge they are being faced with is the fixing of threshold for salaries by those invited by the PENCOM to head the PFAs and the PFCs"*. He said that, *"they bring to the table outrageous figures as their take home pay"*, and this according to him is just because of the pension funds they all know have been collected, forgetting it is workers contribution which must be paid back to them at retirement.

Another problem the Ministry have noticed is that whenever there is a raise in salaries it is meant to reflect on the pensions of those retirees that worked with those institutions affected but that is usually not the case and as such it only creates another room for the retirees to continue going up and down in trying to see if they can claim what rightfully belongs to them.

How PENCOM and the PFAs address the challenges in the implementation of the Contributory Pension scheme in Industrial Training Fund.

Interview conducted for the staff of PENCOM stated that; the ways of resolving the challenges faced by the PFAs and PENCOM include:

i. The involvement of the Probate Registry is necessary as it can decide to appoint a NOK for the case in dispute and get the family to agree.

ii. The Co-joining of NOK, this is done so that each party will get some share of the benefit.

iii. Where a minor is named as the NOK, an adult e.g the mother will open a joint account where she serves as signatory to the account.

The Interview with the manager of the IBTC Pensions (October 2019), gave a step by step process of resolving the challenges of the implementation of CPS, which include that the Next of kin information should be provided. This is because; when an employee who has been contributing under the CPS dies before his/her retirement, his/her benefits shall be paid to his/her beneficiary as he/she provided under a will or to the next-kin. In the absence of such designation, the benefit shall be paid to any person appointed by the Probate Registry as the administrator of the estate of the deceased.

Also PENCOM confirmed that, upon the death of an employee, the employer/Next of Kin (NOK) or representative of the deceased shall notify the PFA, who in turn shall inform the Commission with supporting documents. The deceased's consolidated benefits are, thereafter, paid in bulk to the Executors of his estate or to any person appointed by the Probate Registry as the Administrator of his estate to enable them apply the same in favour of his beneficiaries. The employer should also process the proceeds of the life insurance policy and ensure payment by the insurance company to the beneficiary.

The interview conducted with the PFAs also consolidated on the fact that for a deceased person who did not open a RSA before his death, the NoK should open a Death Benefit Account (DBA) with any PFA of his/her choice through which the deceased's entitlements and proceeds of Life Insurance Policy would be paid. In furtherance to this also is the issue of addressing what obtains in the case of a missing person. In this situation, Section 9 of the PRA 2014 stipulates that where a missing employee is not found within a period of one year from the date he was declared missing and a Board of

Inquiry set up by the Commission concludes that it is reasonable to presume that the employee is dead, the consolidated benefits of such missing employee would be paid by the PFA in bulk to the Executors or the Administrator of the Estate of the deceased person in accordance with section 8 of the PRA 2014.

NB: A check list for accessing a deceased RSA is provided in Appendix VII.

In an Interview conducted with the PFAs (October, 2019), it helped the researcher to access the performance of the PFAs/PENCOM and at the same time it also revealed the challenges they face in the settlement of retiremet benefits to include:

i. Some clients/ retirees will simply not follow instructions e.g is when they are asked to provide a letter of exit i.e for retirement, termination of appointment or voluntary exit or their last pay slip, birth certificate and they don't comply but yet they want and expect their applications to be processed.

ii. There is also the issue of falsification of age which is self – inflicted because sometimes the PFAs have a documentation which reads entirely different from what the retiree comes has in his own documents.

iii. The issue of Next of Kin- this happens when the status is not updated appropriately. Sometimes there are instances where the NOK dies before the account holder and was not changed and eventually he/she dies and it becomes a problem on how to go about settling the problem.

From the Interview that was conducted with the General Manager Enforcement at PENCOM (October, 2019) – the following are some measures they take in resolving the challenges they face in the settlement of pensions to retirees.

i. The involvement of the Probate Registry where necessary, who appoints a NOK for the case in dispute and get the family to agree.

ii. The Co-joining of NOK, this is done so that each party will get some share of the benefit.

iii. Where a minor is named as the NOK, an adult e.g the mother will open a joint account where she serves as signatory to the account.

iv. PFAs should carryout regular audit and ensure update of employees' information before retirement from the service. This include letter of exit, notice of retirement, notice of termination of appointment or voluntary exit, last pay slip, birth certificate etc should all be made available for quick processes of application (Interview, PFAs (July, 2019).

N.B: See in Appendix XV how the challenges faced by PENCOM/PFAs can be properly addressed when they fully exert their authority through the functions they were created to perform for the proper functioning of Contributory Pension Scheme in Nigeria. (PRA 2004)

4.2 Data Analysis and Results

Analysis from table 4.7 shows that, 10.1 % of the sampled population said that PENCOM has poorly enforced the payment of retirement benefits as specified in the PENCOMs guidelines which is against 20.2% which revealed that, payment of retirement benefits were moderately being enforced while 31.8% who believed PENCOM had strongly enforced the payment of retirement benefits. 25.6% of the sampled population also said PENCOM was highly enforcing such payments while 12.3% were not sure. We can

conclude that, majority of the ITF retirees receive their gratuities immediately after their retirement as specified in the PENCOMs guidelines but for other retirees whose payments did not commence immediately after their retirement, it was attributed to discrepancies in their documentation requirements for pension registration.

On the issue of whether the PFAs have been regulating and providing retirees with investment options, 7.2% of the sampled population revealed that, the PFAs do not properly regulate investments. This is against 23.9% that said there was moderate regulation and also 27.5% that said the PENCOM strongly regulates their investments. Furthermore, 36.2% said the PENCOM is highly regulating their investments while 5.0% were not sure. We can conclusively say that investment options and also regulated investments are made available for ITF retirees.

On the issue of the address of impropriety of the PFAs by PENCOM, 41.3% said that PENCOM poorly addresses this issue while 25.3% said it moderately addresses such issues. In addition, 21.7% said PENCOM highly addresses complaints leaving only 4.5% as standing neutral and undecided on the matter. We can then conclude by saying that PENCOM to some extent performs its function in looking into complaints brought before them.

Acceptance/ Rejection of Hypotheses

i. **There is significant relationship between PENCOM and the enforcement of the payment of retirement benefits as specified under Contributory Pension Scheme at Industrial Training Fund**

KEY

SE	Strongly Enforced
HE	Highly Enforced
ME	Moderately Enforced
PE	Poorly Enforced
N	Neutral

Table 4.15: Calculation of Critical Value of Weighted Mean Score

Variable	**SE**	**HE**	**ME**	**PE**	**N**	**Total Number of Respondents/ Score**	**Weighted Mean**
Responses	44	35	28	14	17		489/138
Grading	5	4	3	2	1		
Total Value	220	140	84	28	17	489/138	3.50
Decision							Accepted

Source: Self Computation, August 2019

Table 4.15 above shows the result of the calculated value of weighted mean score which stood at 3.50 this means that, the calculated value is scientifically significant because, the result is greater or equal to 3.50. We can accept the research hypotheses which stated that, there is significant relationship between PENCOM and the enforcement of the payment of retirement benefits as specified under Contributory Pension Scheme in Industrial Training Fund. We can deduce that, PENCOM has actually enforced the

payment of retirement benefits as specified under Contributory Pension Scheme in Industrial Training Fund.

ii. **There is significant relationship between PENCOM and the regulation of investment and management of pension fund assets as specified in Contributory Pension Scheme in Industrial Training Fund.**

KEY

SR	Strongly Regulated
HR	Highly Regulated
MR	Moderately Regulated
PR	Poorly Regulated
N	Neutral

Table 4.16: Calculation of Critical Value of Weighted Mean Score

Variable	SR	HR	MR	PR	N	Total Number of Respondents/Score	Weighted Mean
Responses	38	50	33	10	7	138	
Grading	5	4	3	2	1		
Total Value	190	200	99	20	7	516/138	3.7
Decision							Accepted

Source: Self Computation, August 2019

Table 4.16 above shows the result of the calculated value of weighted mean score which stood at 3.7.This means that, the calculated value is scientifically significant because the result is more than 3.50. We can accept the research hypotheses which stated that, there is significant relationship between PENCOM and the regulation of the investment and management of pension fund assets as specified in Contributory Pension Scheme in Industrial Training Fund. We can conclude that, PENCOM to some extent has regulated the investment and management of pension fund assets as specified in Contributory Pension Scheme in Industrial Training Fund

iii. There is significant relationship between PENCOM and the address of complaints of impropriety against any pension fund administrator, custodian or employer in Industrial Training Fund.

KEY

SA	Strongly Addressed
HA	Highly Addressed
MA	Moderately Addressed
PA	Poorly Addressed
N	Neutral

Table 4.17: Calculation of Critical Value of Weighted Mean Score

Variable	SA	HA	MA	PA	N	Total Number of Respondents/Score	Weighted Mean
Responses	30	10	35	57	6	138	415/138
Grading	5	4	3	2	1		
Total Value	150	40	105	114	6	415/138	3.00
Decision							Rejected

Source: Self Computation, August 2019

Table 4.17 above shows the result of the calculated value of weighted mean score which stood at 3.00. This means that, the calculated value is not scientifically significant because the result is less than 3.50. We can reject the research hypotheses which stated that, there is significant relationship between PENCOM and the address of complaints of impropriety against any pension fund administrator, custodian or employer in Industrial Training Fund. We can conclude that, PENCOM to some extent has not addressed complaints of impropriety against any pension fund administrator, custodian or employer in Industrial Training Fund.

4.3 Discussion of Findings

i. Findings from the study revealed that, PENCOM has enforced the payment of retirement benefits as specified under Contributory Pension Scheme in Industrial Training Fund. Though with the implementation of Contributory Pension Scheme, Pension Fund Administrators have played a significant role in the payment of pension benefits to the retirees of the Industrial Training Fund but there are still complaints emanating from the retirees. The study also revealed that, PFAs have played a significant role for the retirees of the ITF under the CPS. The majority of retirees always received their pension on a regular basis but those who don't usually have problems with their documentations as gathered from all the PFAs contacted for this study. This finding is contrary to the study conducted by Ayegba (2013) which found that, employers of labor have not complied in funding the Retirement Savings Account (RSA) of their employees as a requirement of the new contributory pension scheme in Nigeria. This finding is contrary to the study conducted by Akpan & Tapang (2011) which revealed that, Nigerian Pension reforms and management is a veritable strategy of rewarding past intellectuals towards sustainable development. The study revealed that, there is a significant relationship between pension reforms and the welfare of the Pensioners.

ii. Findings from the study revealed that, PENCOM has not done as much as it is expected in the regulation of investments and management of pension fund assets as specified in the CPS in ITF. This finding is contrary to the study conducted by

Beredugo (2015) who discovered that pension fund accounting significantly affects pensioners' wellbeing and that the pensioners' sustainability is dependent on collective bargaining between the pensioners' and their administrators. The study conducted by Anazodo, Ezenwile, Chidolue & Umetiti (2014) found out that most retirees are not aware of the operations of the pension managers.

iii. Findings from the study revealed that, PENCOM has not addressed complaints of impropriety against some pension fund administrators of ITF. This was gathered through some retirees who said they had earlier complained to the commission on issues bothering them but their complaints seemed to have fallen on deaf ears. This finding is contrary to the study conducted by Ugwoke and Onyeanu (2014) who revealed that, PENCOM has enforced sanctions of the Pension Reform Acts on defaulting employers as well as improved on the existing compliance. Study conducted by Imhanlahimi & Idolor ((2011) also have contrary result. The result of the study shows that the CPS seems to be of more benefit to the government than the employees and retirees.

iv. Findings from the study revealed that, there are many challenges facing PENCOM in the implementation of the CPS in ITF. This includes non-compliance to instructions on the part of some prospective retirees, lack of proper or in- complete documentation of necessary requirements for an application to be processed, falsification of age i.e this happens when there is a difference with the age documented and that which is presented by an RSA holder at the point of claiming his/her retirement benefits. There is also the issue of Next of Kin

(NOK), lots of problems arise from the lack of updated information on Next of Kin. In some cases, Next of Kin even dies before the RSA holder eventually passes away but changes on that were never effected and as such, the PFAs are being faced with the problem of how to resolve the matter especially where the family is not being cooperative on the matter. Sadly, most retirees are not fully aware of the operations of PENCOM, PFAs, PFCs and other relevant stakeholders. This of course has ignited some fears over their contributions; as millions of retirees who have served the country have their later years enmeshed in suffering due to late payment, non-payment, non-remittance or other administrative hiccups. Delay or denial of retirement benefits over the years has caused a number of retirees to face hard times as result of non-accessibility of their entitlements. Although, the major cause of delay in remittance itself is due to incomplete or incorrect information on a contributor due to non-submission of updated Nominal Rolls by ITF. Such vital requisite details include RSA PIN, date of birth, date of first appointment, grade level and step. The National Pension Commission has put in place strategies to avoid delay in remittance of pension funds to individual RSA. Payment of retirement benefits actually commences on retirement as specified in the PENCOM's guidelines. The 7.5% of total monthly emolument contributions into the Retirement Savings Account guarantee right of ownership to its holder which remains with him for life even if he changes employer or PFA. This finding collaborated with the study conducted by Ndaghu (2015) who revealed that, the problematic state of the management of retirement

benefit in Adamawa state pension board, the existence of bottleneck with regard to poor policy, inefficiency as well as corruption are responsible for delay in payment of retirement benefits and inefficient system which has adverse effects on the board in discharging its duties.

v. The study further found out that the use of the probate registry was not efficiently utilized. It further revealed that, the best way to address challenges being faced by PENCOM/PFAs is to involve the Probate Registry to resolve such disputes and get the family to agree.

PENCOM and the PFAs can Co-join Next of Kin; this is done so that each party will get some share of the benefit. And where a minor is named as the NOK, an adult e.g the mother will open a joined account where she serves as signatory to the account.

Conclusively, the crux of the Structural Functional Theory is associated with creating institutions (PENCOM, PFAs and PFCs) and allowing those institutions to properly function so as to aid and hopefully eradicate the problems being faced with the payment of pensions and in particular that under the CPS.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The study examined the National Pension Commission and the Implementation of the Contributory Pension Scheme in the Industrial Training Fund. The Pension Reform Act 2004 (the Act) has established the National Pension Commission (PENCOM) as the sole regulator and supervisor of all pension matters in the country. It provides benefits which can be regarded as compensation to an employee for the services rendered to the organization. The study covered the period of fifteen years (15) 2004 to 2019. This period was chosen because; the National Pension Reform Acts 2004/ 2014 were both introduced to address the challenges of Pension Funds Administration in Nigeria.

Concepts like Pension, Contributory Pensions, Benefits and challenges of Contributory Pensions Scheme were reviewed from the scholarly point of view. Empirical reviews of previous studies related to this study that have been written and published in academic journals were thematically reviewed. The framework of analysis adopted for the study is the Structural Functional theory propounded by Almond (1963). This theory sees the society as a system with interrelated parts and as such the society is seen to be an entity with different parts with each having its function to perform.

The study adopted survey and content analysis research design methods. The target populations of the study consist of Industrial Training Funds' Retirees; Officials of the PFAs, Officials of PENCOM, a Deputy Director with the Federal Ministry of Industry and also some officials of the ITF pension union, who are themselves retirees of ITF.

The Smith 2008 formula was used to arrive at a sample size from the total number of ITF pensioners as at July, 2019. The total number of population selected through this formula was 155. The study utilized both primary and secondary method of data collection. Primary method was adopted to elicit information from respondents using the instrument of questionnaire and interview. Secondary data were collected through the review of existing information about the issues under investigation from the related articles, journals, books, PENCOM libraries, ITF pension bulletins etc.

The descriptive statistics such as frequencies, percentages and tables were used to present and analyze the data using Statistical Package for Social Statistics (SPSS).

Findings from the study revealed that, there are a lot of difficulties encountered by the retirees of the Industrial Training Fund even after the commencement of contributory pension scheme under the supervision of National Pension Commission. These difficulties include non-commencement in the payment of retirement benefits after retirement; non-prompt and regular payment of pension benefits to ITF pensioners in line with PENCOM guideline; non-access to pension funds in line with National Pension Commission directives and corruption in the management of retirees' pension funds. Although according to the PFAs and PENCOM, the problems mostly faced by retirees are mainly caused due to their lack of proper documentation or falsification of information which usually comes up at the point of claiming their benefits. But with the intervention and regulatory functions of the PENCOM, these difficulties to some extent are being addressed.

5.2 Conclusion

Contributory Pension Scheme under the supervision of PENCOM has reduced government spending and commitment to payment of retirement benefits as employees now share in it and there is less administrative cost to government because it is now borne by PFAs and PFCs. It avails the contributors or retirees a lot of information, ranging from monthly balances and contributions, lump sum available upon retirement, to monthly pension.

There is competition in the pension industry which fosters innovation, more transparency and accountability. The operators, regulators, subscribers and beneficiaries are too deeply intertwined and the system is too tightly regulated for funds to be misappropriated on such a grand scale. The opportunity to change a perceived poor performing PFA which is inherent in the CPS, is an additional impetus for the PFAs, who are thus encouraged to be more competitive and relevant, and hence ensures their effectiveness and efficiency in the interest of the worker/depositor/pensioners and their dependants.

CPS has provided various types of investment options that suit the needs of individual RSA holder. The investment earnings which are generally subject to macro-economic framework of the country would also be subject to investment portfolio, honesty, accountability and probity of the PFAs. The contributor or retiree has impact on the PFA to the extent that he can question the PFA for clarifications, petition the PENCOM, the government's chief or direct regulator of the CPS, report to the law enforcement agents over alleged irregularities, and change from a perceived poor performing PFA to a better one.

The incidence of corruption through the ghost retirees is removed. Therefore, it is expected that CPS under the supervision of PENCOM has protected the entire system against leakages on account of payments to ghost retirees to the common good of the society.

5.3 Recommendations

i. The PENCOM and PFAs should ensure that all difficulties encountered by the retirees of the ITF before the commencement of the CPS are resolved, these difficulties include the non-payment or delayed payment of the Accrued Pension Rights for retirees who migrated from the old scheme to the CPS. This can only be achieved if PENCOM exercises its supervisory and regulatory functions by advising the government on the issue of the 5% wage bill it is expected to be depositing into the account domiciled at CBN to handle accrued payments of retirees and also following up the provision of all requirements for proper documentation before retirement. This will pave way for full commencement in the payment of retirement benefits immediately after retirement; prompt and regular payment of pension benefits; full access to their pension funds in line with PENCOM directives.

ii. The management of the PENCOM should sustain its enforcement efforts by ensuring that PFAs pay the retirees at ITF who are yet to receive their gratuities and other pension benefits. This study further recommends that, apart from adequate sensitization of retirees; they should also be integral stakeholders in the management of their funds.

iii. The management of the PENCOM should come up with more stringent rules that will ensure that PFAs properly safeguard the pension fund assets through allowable investments and management of the asset. And at the same time listen to complaints and address them with the defaulters so that the retirees are in a happier position.

iv. The management of the PENCOM should ensure that, all challenges related to non-compliance to instructions on the part of some prospective retirees/retirees, lack of proper or in- complete documentation of necessary requirements for an application to be processed, falsification of age etc are resolved.

v. It is recommended that, the best way to address challenges being faced by PENCOM/PFAs is to involve the Probate Registry to resolve such disputes and get the family to agree. PENCOM and the PFAs can Co-join the Next of Kin; this is done so that each party will get some share of the benefit. And where a minor is named as the NOK, an adult e.g the mother will open a joint account where she serves as signatory to the account.

5.4 Limitations of the Study

1. Retirees are normally scattered all around the country, so figuring out how to get to them proved difficult at the beginning of the research, but the researcher overcame this limitation through the identification of the pay points who housed the data of retirees that fell under their jurisdictions.
2. Bureaucratic bottle neck in gathering data limited the timely completion of the work. The researcher was asked to a write letter to the appropriate authority and waited for an approval which took a two months wait. The researcher was also asked to provide

an agreement or assurance, such as a confidentiality pledge before such data were given out.

5.5 Contribution to General knowledge

This work had taken time to look at the issues and problems faced by the Pension industry in the remittance of retirement benefits to retirees of ITF with reference to the PRAs 2004 and 2014. The major objective of the new Pension Scheme include among others, to ensure that every employee in the public and private sectors receive their retirement benefits as and when due.

Arising from the various findings of this work, a comprehensive accounting standard for retirement benefits must be put in place to help protect pension funds and as such, there must be an established set of uniform rules, regulations, standards and laws for the administration, management and payment of pension benefits to retirees.

5.6 Suggestions for Further Studies

We suggest the following possible measures for effective and efficient implementation of the new Pension Reform Acts;

1. The government, through the instruments of PENCOM, PFAs and other stakeholders should as a matter of necessity institute public enlightenment mechanisms for the beneficiaries and the public about the operations of the new pension scheme. This will help to build up their confidence in the scheme. PFAs should ensure that they have a credible and competent workforce that will guarantee the issuance of accurate statement of accounts regularly. This will curb the embarrassment the contributors suffer by the irregularities in the issuance of the statement of account. Also, all

enforceable laws should be applied by PENCOM to ensure that PFAs and indeed ITF comply with the guidelines/directives of PENCOM.

2. An organization has a moral obligation to provide a reasonable degree of social security for its workers especially those who have served for a long period. Employers, therefore, have to exhibit a sense of commitment in this regard and demonstrate that they have the interest of their employees at heart by making the contributory scheme a huge success.
3. Any employer who fails to account accurately for his employees contributions should be adequately sanctioned as provided by law to serve as deterrent for others.
4. Pre-retirement enlightenment workshops should be organized on a regular basis for workers who are about to retire. This will enable them appreciate the need for updating their service records where necessary, or otherwise be treated with levity. It will also enable them to face the challenges of life after retirement.

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APPENDIX 1

Department of Political Science,

Faculty of Social Sciences,

Nasarawa State University,

Keffi,

Nasarawa State.

19th June, 2018.

Dear Sir/Ma,

I am a doctoral degree student of the above mentioned University. I am conducting a research on "National Pension Commission (PenCom) and the Implementation of the Contributory Pension Scheme at Industrial Training Fund (ITF), 2004- 2019"

Kindly fill the attached Questionnaire as the information gathered therein would be used for academic purposes only.

Your responses in this regard will be greatly appreciated.

Thank You.

Yours faithfully,

Amina Bala Saleh.

APPENDIX II

A) Demographic Data

i) Sex

Male ☐

Female ☐

ii) Age

30- 39 years ☐

40- 49 years ☐

50 years and above ☐

iii) Marital Status

Married ☐

Single ☐

Divorced ☐

widowed ☐

iv) Educational Qualification

SSCE ☐

ND/NCE ☐

HND/BSc ☐

Post Graduate ☐

v) Years of working experience before retirement

0 – 10 ☐

11- 20 ☐

21 – 30 ☐

31 – above ☐

Structured Questionnaire for ITF Retirees Research Questions

B)

1. To what extent has PENCOM enforced the payment of retirement benefits as specified under Contributory Pension Scheme in Industrial Training Fund?

   (a) Poorly Enforced ☐
   (b) Moderately Enforced ☐
   (c) Strongly Enforced ☐
   (d) Highly Enforced ☐
   (e) Neutral ☐

2. To what extent has PENCOM regulated the investment and management of pension fund assets as specified under the Contributory Pension Scheme in Industrial Training Fund?

   (a) Poorly Regulated ☐
   (b) Moderately Regulated ☐
   (c) Strongly Regulated ☐
   (d) Highly Regulated ☐
   (e) Neutral ☐

3. To what extent has PENCOM addressed complaints of impropriety against any pension fund administrator, custodian or Industrial Training Fund its self?

   (a) Poorly Addressed ☐
   (b) Moderately Addressed ☐
   (c) Strongly Addressed ☐
   (d) Highly Addressed ☐
   (e) Neutral ☐

3. What are the challenges encountered by PENCOM and the Pension Fund Administrators in the implementation of the Contributory Pension scheme as it relates to the settlement of pension to retirees?

---

5. How can the challenges faced by PENCOM and the Pension Fund Administrators be resolved?

---

6. Whom do you complain to when you are not satisfied with how the Pension Fund Administrators are handling/operating your Retirement Savings Account?

_____

_____

7. What is your assessment of the Contributory Pension Scheme?

_____

_____

APPENDIX III

Interview guide for PENCOM Management

1. What are the Roles of the National Pension Commission (PenCom)?

   _____

2. Do the Federal Government Establishments Remit the Pension Contributions of their Employees into their RSAs?

   _____

3. Is the Contributory pension scheme actually an improvement on the old scheme?

   _____

4. How does PENCOM address the complaints of ITF retirees who claim that their benefits are not being remitted? _____

   _____

5. How Safe are Retirees' Pension Contributions? _____

   _____

6. How does the Commission ensure the Safety and Quality of Pension Fund Assets?

   _____

7. What is the Retirement Age under the Pension Reform Acts? _____

   _____

8. What Happens when an Employee who has been contributing under the CPS dies before his retirement? _____

   _____

9. What happens to an Employee who retired under the CPS due to physical or mental incapacity, but subsequently had his case reviewed and re-certified fit and proper for employment again_____

   _____

10. What would Happen to a PFA that Misappropriates Pension Funds?_____

    _____

11. What happens to a PFA that fails to render monthly reports to the Commission of any Fraud, Forgery or Theft Occurring in its Organization?_____

    _____

12. What would happen to a PFA that Fails to Comply with the Provisions of the PRA 2014 on Investment and the regulations on Investment issued by the Commission?

_____

13. What Remedy is available to a Retiree or Beneficiary of an RSA Who is Dissatisfied with a Decision of the PFA?_____

_____

14. What happens where a Contributor or Beneficiary is dissatisfied with a decision or action taken by the Commission? _____

_____

15. Where and to whom do RSA holders complain when PFAs do not issue them with Statements of Accounts?_____

_____

16. What should be done when Pension deductions are not remitted by the Employers? .

_____

17. What are the Challenges of the implementation of the Contributory Pension Scheme?

_____

APPENDIX IV

Interview guide for PFAs

1. What happens to the Accumulated Pension Contributions of FGN Employees prior to remittance into their RSAs?_____

_____

2. What are the Causes of delays in crediting the Retirement Savings Accounts (RSAs) of Contributors of Treasury Funded FGN MDAs?_____

_____

3. What are the Safeguards put in place to protect Pension Funds from the negative impact of Adverse Investment Conditions?_____

_____

4. What is the Minimum period required by an Employee to Qualify for Pension under the New Scheme?_____

_____

5. What is Programmed Withdrawal?_____

_____

6. What is the procedure for Accessing the RSA of a Deceased Employee?_____

_____

7. How would the Consolidated Benefits of an Employee who died prior to opening an RSA be processed in favour of his beneficiaries?_____

_____

8. What is Annuity under CPS?_____

_____

APPENDIX V

Interview Guide for Retirees

1. How many years did you put into service before retirement?_____
2. Under which pension scheme did you operate as a civil servant?_____
3. Has there been Prompt and Regular Payment of your Benefits?_____
4. Does the Contributory Pension Scheme under the supervision of PENCOM reduce difficulties in accessing your pension funds?_____

   _____
5. Are you happy with the New pension Scheme?_____

APPENDIX VI

Interview guide for Staff of the Federal Ministry Industry

1. Do you play some part in ensuring that the Pension industry is being managed by appropriate/qualified personnel?
2. What roles do you play in making sure that the pensions of retirees whose agencies fall under your ministry are well handled?
3. Who is responsible for employing the PFA managers?

APPENDIX VII

Check list for accessing a deceased persons RSA by his/her beneficiaries

Requirements for Accessing a Deceased RSA

S/N	Document	Tick off
1	Dead or missing person form	
2	Passport photograph	
3	Death certificate	
4	Will admitted to Probate of Letter of Administration (LOA) or Sealed Order	
5	Police report	
6	Confirmation letter (private sector clients and self-funded government organisation only)	
7	Clearance certificate (state account holders)	
8	Means of identification (beneficiaries or administrators)	
9	Pensions account details	
10	Application letter for withdrawal	
11	Obituary or burial certificate	
12	Public sector deceased clients without accrued benefits	

Source: PFAs: June, 2019

APPENDIX VIII

Requirements for Retirement Benefits Application (Programmed Withdrawal)

S/N	Document	Tick off
1	Standard notice of retirement form	
2	Passport photograph	
3	Birth certificate/age declaration	
4	Exit letter or resignation letter or acceptance of the resignation	
5	Confirmation letter (private sector clients and self-funded government organisations only)	
6	Clearance certificate (states account holders)	
7	Means of identification	
8	Pensions account details	
9	Application letter for withdrawal of retirement benefits from retiree	
10	Indemnity form/Confirmation letter	
11	Programmed withdrawal agreement form	
12	Template sign-off	
13	Pay slip	

Source: PFAs, June 2019

The table above is a checklist for programmed withdrawal. It serves as a guide for Retirees to avoid any delays in accessing their retirement benefits.

APPENDIX IX

Requirements for Accessing Annuity

S/N	Document	Tick off
1	Standard notice of retirement form	
2	Passport photograph	
3	Means of identification	
4	Pensions account details	
5	Application letter for transfer of funds benefits from a PFA to an insurance company	
6	Annuity proposal	
7	Annuity exit form	

Source: PFAs, June 2019

The table above shows the list of needed documents for cashing on Annuity.

APPENDIX X

RSA Membership

GE GRADE AND SECTORIAL BREAKDOWN OF RSA REGISTRATIONS AS AT 31 AUGUST)18								
ge Range	Public Sector		Private Sector		Total		Grand Total	
	Male	Female	Male	Female	Male	Female	Number	Weight
:ss than)yrs	94,354	50,046	427.053	220,452	521,407	270,498	791,905	9.61
)-39 yrs	713,079	357,958	1,411,340	556,249	2,124,419	914,207	3,038,626	36.86
)- 49 yrs	650,874	399,338	955,406	274,713	1,606,280	674,051	2,280,331	27.66
) 59 yrs	564,596	324,089	490,191	97,769	1,054787	421,858	1,476,645	17.91
) 65 yrs	211,544	85,305	134,314	16,762	345,858	102,067	447,925	5.43
bove 65 yrs	98,090	26,935	75,549	7,535	173,639	34,470	208,109	2.52
otal	**2,332,537**	**1,243,671**	**3,493,853**	**1,173,480**	**5,826,390**	**2,417,151**	**8,243,541**	**100**

Source: PENCOM: July, 2019

APPENDIX XI

TABLE SHOWING PENSION CONTRIBUTIONS AS AT FOURTH QUARTER, 2018

Year/Quarter	Public Sector		Private Sector		Total	
	Amount (N billion)	% of Total	Amount (N billion)	% of Total	Amount (N billion)	% of Total
2004	15.6	0.61	0	0.00	15.60	0.31
2005	34.68	1.35	0	0.00	34.68	0.68
2006	37.38	1.46	23.03	0.91	60.41	1.19
2007	80.63	3.14	68.34	2.70	148.97	2.92
2008	99.28	3.87	80.81	3.20	180.09	3.54
2009	137.1	5.35	91.21	3.61	228.31	4.48
2010	162.46	6.34	103.03	4.07	265.49	5.21
2011	228.92	8.93	119.53	4.73	348.45	6.84
2012	302.24	11.79	159.52	6.31	461.76	9.07
2013	278.5	10.86	225.42	8.91	503.92	9.89
2014	237.76	9.27	343.97	13.60	581.73	11.42
2015	200.05	7.80	358.91	14.19	558.96	10.97
2016	225.86	8.81	262.33	10.37	488.20	9.58
2017	257.11	10.03	353.73	13.99	610.84	11.99
Q1:2018	67.40	2.63	72.69	2.87	140.09	2.75
Q2:2018	68.72	2.68	73.09	2.89	141.80	2.78
Q3:2018	80.69	3.15	98.23	3.88	178.92	3.51
Q4:2018	50.03	1.95	95.38	3.77	145.41	2.85
Total	**2,564.41**	**100**	**2,529.22**	**100**	**5,096.63**	**100**

Source: PENCOM: July, 2019

The aggregate total pension contributions of the private sector increased from #2.43 trillion as at the third quarter of 2018 to #2.53 trillion as at the end of the reporting period, which represents a growth of 4.04%. On the other hand, the public sector contribution increased by 3.21% from #2.51 trillion to #2.56 trillion over the same period.

APPENDIX XII

RSA Multi-Fund Fees Structure

PARTY	Fund I		Fund II			Fund III			Fund IV
	Effective 1-Jul-18	**Effective 1-Jan-19**	**Effective 1-Jul-18**	**Effective 1-Jan-19**	**Effective 1-Jul-20**	**Effective 1-Jul-18**	**Effective 1-Jan-19**	**Effective 1-Jan-20**	**Effective 1-Jul-18**
PFA	1.600%	1.500%	1.400%	1.300%	1.200%	1.300%	1.200%	1.100%	5.000%
PFC	0.400%	0.300%	0.300%	0.275%	0.250%	0.275%	0.250%	0.225%	1.500%
PenCom	0.250%	0.225%	0.225%	0.215%	0.200%	0.225%	0.200%	0.175%	1.000%
Total	**2.250%**	**2.025%**	**1.925%**	**1.790%**	**1.650%**	**1.800%**	**1.650%**	**1.500%**	**7.500%**

Source: PENCOM, July 2019

Fund I, II and III: Asset Based Fees (% Per Annum); Fund IV: Income Based Fees.

APPENDIX XIII

Pension Fund Portfolio by Fund Type as at 2nd Quarter, 2019

Fund/Period	Q2:2019		Q1:2019		Change between Q2:2019 & Q1:2019	
	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total
RSA Fund I	15.98	0.17	12.73	0.14	3.24	25.50
RSA Fund II	4,102.32	43.99	3,988.76	44.17	113.55	2.85
RSA Fund III	2,256.88	24.20	2,149.43	23.80	107.45	5.00
RSA Fund IV (Retiree)	751.73	8.06	732.13	8.11	19.60	2.68
CPFAs	1,159.85	12.44	1,135.42	12.57	24.43	2.15
AESs	1,038.96	11.14	1,012.33	11.21	26.63	2.63
Total	**9,325.71**	**100.00**	**9,030.80**	**100.00**	**294.91**	**3.27**

Source: PENCOM, July 2019

The table above shows that as at the 2nd quarter of 2019, the RSA funds (funds i-iv) had the largest portfolio, accounting for #7.13 trillion (76.42%) of the total assets under management. Furthermore, the table also shows that the RSA Fund I constituted 0.22% of the total RSA Fund, Fund II was 57.56%, Fund III constituted 31.67% and Fund IV which is the Retiree Fund accounted for 10.55% of the fund.

APPENDIX XIV

EXISTING SCHEMES	CPFAs	RSA FUNDS					TOTAL PENSION FUND ASSETS	
		RSA FUND I	RSA FUND II	RSA FUND III	RSA FUND IV	TOTAL - RSA FUNDS		
N' Million	N' Million	N' Million	N' Million	N' Million	N' Million	N' Million	N' Million	Weight %
54,661.79	28,899.66	1,129.86	324,922.33	67,614.20	5,283.06	398,949.45	482,510	**5.15**
99.67	65,141.78	0.00	0.00	0.00	0.00	0.00	65,241.45	**0.70**
630,525.31	721.707.31	9,868.24	2,948,175.71	1,770,407.60	548,748.33	5,277,199.87	6,629,432.50	**70.77**
347,035.91	541,731,38	3,663.55	2,055,445.32	1,219,885.63	322,108.33	3,601,103.83	4,489,870.12	**47.93**
280,812.93	179,471.09	6,170.45	828,275.11	529,030.33	220,467.59	1,583,943.48	2,044,227.50	**21.82**
0.00	388.71	0.00	7,599.50	1,743.51	372.61	9,7155.65	10,104	**0.11**
2,519.92	116.14	34.24	51,886.50	15,511.73	5,273.10	72,705.56	75,341	**0.80**

156.55	0.00	0.00	4,969.25	4,236.40	526.70	9,732.35	9,888.90	**0.11**
13,243.33	14,275.16	328.01	66,600.35	25,428.65	10,344.43	102,701.44	130,219.93	**1.39**
47,790.911	156.520.27	**1,286.40**	199,683.89	78,738.23	**50,365.35**	330,073.87	534,385.05	**5.70**
47,684.29	156,520.27	1,283.21	185,171.83	75,501.43	49,476.08	311,432.56	515,637.12	**5.50**
106.62	0.00	0.00	5,236.86	0.00	0.00	5,236.86	5,343.48	**0.06**
0.00	0.00	3.19	9,275.20	3.236.80	889.26	13,404.45	13,404.45	**0.14**
0.00	1,300.72	0.00	2,287.10	510.74	1,768.80	4,566.63	15,867.36	**0.06**
127,439.25	33,946.30	3.615.17	508,462.04	332,344.32	132,237.21	976,658.74	1,138,044.29	**12.15**
127,439.25	33,946.30	2,524.92	452,748.76	294,313.38	122,496.15	872,083.21	1,033,468.76	**11.03**
0.00	0.00	1,090.2	55,713.28	38,030.94	9,741.06	104,575.53	104,575.53	**1.12**

APPENDIX XV

PART II - ESTABLISHMENT AND COMPOSITION OF THE NATIONAL PENSION COMMISSION.

14.-

(1) There is established a body to be known as the National Pension Commission (in this Act referred to as "the Commission").

(2) The Commission (a) shall be a body corporate with perpetual succession and a common seal ; and (b) may sue and be sued in its corporate name.

(3) The Commission may acquire, hold or dispose of any moveable or immoveable property for the purpose of its function under this Act.

15. The principal object of the Commission shall be to regulate, supervise and ensure the effective administration of pension matters in Nigeria.

16.-(1) The Commission shall consist of

(a) a part-time chairman who shall possess a university degree or its equivalence with not less than 20 years experience;

(b) a Director-General who shall (i) be the Chief Executive Officer responsible for the dayto-day administration of the Commission, (ii) possess professional skill and with not less than twenty years cognate experience relating to pension matters and or Insurance. Actuarial Science or other related field, (iii) be a fit and proper person;

(c) four full-time Commissioners who shall each

(i) possess professional and cognate experience in Finance and Investment, or Accounting or Pension Management or Actuarial Science or Business Administration or other related field,

(ii) be fit and proper persons,

(d) Part-time members of the Commission who shall be representatives each of

(i) the Head of the Civil Service of the Federation,

(ii) the Federal Ministry of Finance,

(iii) the Nigeria Labour Congress,

(iv) the Nigeria Union of Pensioners,

(v)the Nigeria Employers Consultative Association,

(vi) the Central Bank of Nigeria ; and

(vii) the Securities and Exchange Commission.

(2) There shall be 4 specialized departments of the Commission namely

(a) Technical;

(b) Administration; (c) Inspectorate; and

(d) Finance and Investment to be headed by 4 Commissioners.

(3) The Chairman, the Director-General and other members of the Commission other than ex-officio members shall be appointed by the President one each from the six geo-political zones of Nigeria subject to the confirmation of the Senate.

(4) The Commission Secretary and Legal Adviser shall be appointed by the Commission and his terms of employment shall be as stipulated by the Commission.

(5) The supplementary provisions set out in the Schedule to this Act shall have effect with respect to the proceedings of the Commission and the other matters mentioned therein.

17.-(1) The Chairman, the Director-General and the Commissioners shall hold office for a term of 4 years and may be re-appointed a further term of 4 years.

(2) In the event of a vacancy, the President shall appoint a new member from the appropriate zone to complete the tenure of his successor.

18. Notwithstanding the provisions of section 17 of this Act, a member of the Commission shall cease, to hold office as a member of the Commission if

(a) he resigns his appointment as a member of the Commission by a notice, under his hand, addressed to the President;

(b) he becomes of unsound mind:

(c) becomes bankrupt or makes a compromise with his creditors;

(d) he is convicted of a felony or of any offence involving dishonesty, corruption;

(e) he becomes incapable of carrying on the functions of his office either arising from an infirmity of mind or body; or

(f) the President is satisfied that it is not in the interest of the Commission or in the interest of the public for the person to continue in office and notifies the member in writing to that effect. **19.** The Chairman, Director-General and Commissioners of the Commission shall Emoluments be paid such emoluments, allowances and incidental expenses as may be determined by the appropriate Agency of the Federal Government of Nigeria from time to time.

ESTABLISHMENT AND COMPOSITION OF THE NATIONAL PENSION COMMISSION, ETC.

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(ii) possess professional skill and with not less than twenty years cognate experience relating to pension matters and or Insurance. Actuarial Science or other related field,

(iii) be a fit and proper person;

(c) four full-time Commissioners who shall each

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(d) Part-time members of the Commission who shall be representatives each of

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(iii) the Nigeria Labour Congress,

(iv) the Nigeria Union of Pensioners

(v) the Nigeria Employers Consultative Association, (vi) the Central Bank of Nigeria ; and

(vii) the Securities and Exchange Commission.

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(b) Administration;

(c) Inspectorate; and

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PART III - FUNCTIONS AND POWERS OF THE COMMISSION

20. The Commission shall.

(a) regulate and supervise the Scheme established under this Act;

(b) issue guidelines for the investment of pension funds; Second Schedule Tenure of Office Cessation of Membership Emoluments Etc. Functions of the Commission. Pension Reform 2004 No.2 A39 Powers of the Commission

(c) 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;

(d) establish standards, rules and guidelines for the management of the pension funds under this Act;

(e) ensure the maintenance of a National Data Bank on all pension matters;

(f) carry out public awareness and education on the establishment and management of the scheme;

(g) promote capacity building and institutional strengthening of pension fund administrators and custodians;

(h) receive and investigate complaints of impropriety leveled against any pension administrator, custodian or employer or any of their staff or agent; and

(i) perform such other duties which, in the opinion of the Commission, are necessary or expedient for the discharge of its functions under this Act.

21. The Commission shall have the power to

(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 pension administrator or custodian or any other person or institution on matters relating to retirement benefit;

(d) charge 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 it may deem necessary for the proper performance of its functions under this Act;

(f) establish standards, rules and regulations for the management of the pension fund under

this Act;

(g) investigate any pension fund administrator, custodian or other party involved in the management of pension funds;

(h) impose administrative sanctions or fines on erring employers or pension fund administrators or custodians;

(i) Order the transfer of management or custody of all pension funds or assets being managed by a pension fund administrator or held by a custodian whose license has been revoked under this Act or subject to insolvency proceedings to another pension fund administrator or custodian, as the case may be; and

(j) Do such other things which in its opinion are necessary to ensure the efficient performance of the functions of the Commission under this Act.

PART VIII -PENSION FUND ADMINISTRATORS AND CUSTODIANS

44. As from the commencement of this Act, pension funds shall only be managed by pension fund administrators licensed by the Commission under this Act.

45. Any pension fund administrator licensed under this Act shall carry out the following functions

(a) open retirement savings account for all employees with a Personal Identity Number (PIN) attached ;

(b) invest and manage pension funds and assets in accordance with the provisions of this Act;

(c) maintain books of account on all transactions relating to pension funds managed by it;

(d) provide regular information on investment strategy, market returns and other performance indicators to the Commission and employees or beneficiaries of the

retirement savings accounts;

(e) provide customer service support to employees; including access to employees account balances and statements on demand;

(f) cause to be paid retirement benefits to employees in accordance with the provisions of this Act;

(g) be responsible for all calculations in relation to retirement benefits; and

(h) carry out other functions as may be directed, from time to time, by the Commission.

46. As from the commencement of this Act, pension funds and assets shall only be held by pension funds custodian (in this Act referred to as "the custodian") licensed by the Commission under this Act.

47. Functions of the Custodian

(a) receive the total contributions remitted by the employer under section 11 of this Act on behalf of the pension fund administrator within 24 hours of the receipt of contributions from any employer;

(b) notify the pension fund administrator within 24 hours of the receipt of contributions from any employer;

(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) report to the Commission on matters relating to the assets being held by it on behalf of any pension fund administrator 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 pension fund administrator and the Commission; and

(g) execute in favour of the pension fund administrator relevant proxy for the purpose of voting in relation to the investments.