IMPACT OF CONTRIBUTORY PENSION SCHEMES ON RETIRED CIVIL SERVANTS IN NIGERIA

A STUDY OF NATIONAL PENSION COMMISSION

BY

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DECLARATION

I hereby declare that this research project has been solely conducted by me. All materials used are duly and adequately acknowledged. Any mistake therein is entirely my responsibility and all the secondary data reviewed were accordingly acknowledged by way of bibliography.

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Name of Student Signature and Date

CERTIFICATION

This is to certify that the Project titled; ‘Impact of Contributory Pension Schemes on Retired Civil Servants in Nigeria’ by AkinyeleOyegbami meets the partial regulation governing the award of the degree of Master of Business Administration (MBA) of Ahmadu Bello University, Zaria and is therefore approved for its contribution to knowledge and literary presentation.

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DEDICATION

This project is dedicated to God Almighty.

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To God be the glory for given me the strength to complete this work. I appreciate the effort of my Supervisor Mal. Dalhatu B. Imam, the entire Lecturers of Business Administration Department.

I appreciate my entire family for their support one way or the other. Multitude of appreciation goes to my friends, colleague in Class and those who contributed one way or the other to my success in life. Thank you all.

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ABSTRACT

The main objective of this study is to evaluate the impact of contributory pension schemes on retired civil servants in Nigeria. Other specific objectives include. In the last two and a half decades, most pension scheme in the public sector had been under- funded, owing to inadequate budgetary allocations, budget releases which seldom came on scheme were far short of due benefits. This situation had resulted to unprecedented and unsustainable outstanding pension deficits estimated at over N2 trillion before the commencement of the PRA in 2004 and 2014. The study made use of both primary and secondary sources of data to obtain information, for the primary sources, questionnaire method was used, while for the secondary data, the use of text books and journals was adopted. It was found out from the data analyzed that contributory pension schemes impact on retired civil servants in Nigeria, record keeping system is not appropriate to meet up with modern records management system with online-based data for faster and easy retrieval, there publicity of pension reform is very low as such some individuals are not aware of the scheme. The study recommends based on the findings that record keeping system should be reformed by to meet up with modern records management system with online-based data for faster and easy retrieval, the benefits operational manual should be serviced by Trust Fund and be used strictly as a guiding principle as against what is obtainable, prompt payment of retirees as at when due and eliminate causes of the delay by review all existing laws on benefits matter and harmonize it, training should be organized for Staff handling benefits matters in Trust Fund for effective performance of their duties.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

The new Pension Reform Act 2004 has generated excitement in the Nigerian business community. The issue of pension has received much attention in many countries over the past decades. In fact, in recent times, pension has 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).Many countries have opted for various forms of contributory pension scheme where employers and their employees are supposed to pay a certain percentage of the employee's monthly earnings to a retirement savings accounts from which they would be drawing their pension benefits after retirement. Besides pension funds are now among the most important institutional investment in the world capital markets (Klumpes and Mason, 2000). Nigeria adopted for the contributory pension scheme following her pensions reform in 2004. Pension is the amount paid by government or company to an employee after working for some specific period of time, considered too old or ill to work or have reached the statutory age of retirement. It is monthly sum paid to a retired officer until death because the officer has worked with the organization paying the sum (Adam, 2005:468). Pension is also the method whereby a person pays into pension scheme a proportion of his earnings during his working life. The contributions provide an income (or pension) on retirement that is treated as earned income .This is taxed at the investors' marginal rate of income tax. On the other hand, gratuity is a lump sum of money payable to a retiring officer who has served for a minimum period of term year (now five years with effect from 1/6/92). A greater importance has been given to pension and gratuity by employers because of the belief that if employees' future needs are guaranteed, their fears ameliorated and properly taken care of, they will be more motivated to contribute positively to organization's output. Similarly various governments' organizations as well as labour union have emphasized the need for sound, good and workable pension scheme (Adebayo, 2006, Rabelo, 2002).

This research will consider the pension scheme in Nigeria by comparing the old scheme with the new pension scheme which came into existence through the Pension Reforms Act of 2004, the problems and characteristic features associated with the old pension scheme is examined, then the Pension Reform Act of 2004 is explored in great detail by looking at some of the provisions, the old and the new pension scheme will also be compared in order to evaluate the pension reform act 2004 of the federal republic of Nigeria.

The pension system was introduced into Nigeria by the Colonial Administration. The first legislative document on pension in Nigeria was the 1951 Pension Ordinance which has retroactive effect from January 1, 1946. The Ordinance provided public servants with both pension and gratuity (Ahmed, 2006). The National Provident Fund (NPF) scheme established in 1961 was the first legislation to address pension matters of private organizations in Nigeria. This was the first social protection scheme for the nonpensionable private sector employees in Nigeria. It was mainly a saving scheme where both employee and employer contributed the sum of N4 each on monthly basis.

The scheme provided for only one-off lump sum benefit (Ahmad, 2006). The NPF was followed by Armed Forces Pension Acts No 103 also of 1972 and by the Pension Acts No. 102 of 1979, 18 years later .The Pension Acts N 102 of 1976 which commenced on 1st April, 1974 encompassed the recommendation of Udoji Commission which included all consolidated enactments and circulars on pension as well as repealing existing 113 pension laws hitherto in force. Other Pension Acts included: Pension Rights of Judges Act No 5 of 1985, the Police and other Government Agencies Pension Scheme enacted under Pension Acts No.75 of 1987 and the Local Government Pension edict which culminated in the setting of the Local Government Staff Pension Board of 1987.

The United Kingdom which is one of the first countries to introduce pension scheme has conducted several pension reforms, the latest being the pension reform under the Labor government of Tony Blair in 1997 (David, 2003). Nigeria's first ever legislation instrument on pension matters according to Balogun (2006) was the pension ordinance of 1951, which had retrospective effect from 1st January, 1946. The National Provident Fund (NPF) scheme established in 1961 was the first legislation enacted to address pension No. 102 of 1979, as well as the Armed forces pension Act No. 103 of the same year. The police and other government agencies' pension scheme was enacted under the pension Act No.75 of 1987, followed by the local government pension Edict which culminated into the establishment of the local government staff pension Board of 1987. In 1993 the National Social Insurance Trust Fund (NSITF) scheme was established by Decree No. 73 of 1993 to replace the defunct NPF Scheme with effect from 1st July, 1994 to cater for employees in the private sector of the economy against loss of employment income in old age, invalidity or death. Prior to the Pension Reform Act 2004 (PRA) (National Assembly of the Federal Republic of Nigeria, 2004; Pension Reform Act, 2004*) J. social 2010,*most public organization operated a Defined Benefit (pay-as-you-go) scheme. Final Entitlement was based on length of service and terminal emoluments. The Defined Benefit Scheme (DBS) was funded by Federal Government through budgetary allocation and administered by pension Department of the Office of Head of service of the Federation.

1.2 STATEMENT OF THE PROBLEM

In the last two and a half decades, most pension scheme in the public sector had been under- funded, owing to inadequate budgetary allocations. Budget releases which seldom came on scheme were far short of due benefits. This situation had resulted to unprecedented and unsustainable outstanding pension deficits estimated at over N2 trillion before the commencement of the PRA in 2004. The proportion of pension to salaries increases from 16.7% to 30% between 1995 and 1999 (Balogun, 2006). The administration of the scheme was generally weak, inefficient and non transparent. There was no authenticated list/data based on pensioners, while about 14 documents were required to file pension claims. Also, restrictive and sharp practices in investment and management of pension fund exacerbated the problem of pension liabilities to the extent that pensioners were dying of verification queues and most of the over 300 parastatals schemes were bankrupt before the new scheme came on board. As regards the private sector, most employees in the formal establishments and all those engaged in the informal enterprises were not covered by any form of retirement benefit arrangements. Most pension scheme was designed as “resignation” scheme rather than “retirements” scheme. Generally, the pension schemes in Nigeria were largely unregulated, without any standard or supervision and highly diversified before the advent of the PRA 2004 (Hassana, 2008). It was against this backdrop, according to Balogun (2006) (op cit) that the federal government constituted various committees (headed by Chief AjibolaOgunsola and FolaAdeola) at different time to look into the challenges of pension scheme in Nigeria and poffer solution. It was the FolaAdeola committee report (The Committee, 1997) that was enacted into the Pension Reform Act (PRA) and came into operation 1st July, 2004. This study therefore want to evaluate the impact of contributory pension schemes on retired civil servants in Nigeria.

1.5 RESEARCH QUESTIONS

The following are the research questions:

i. To what extent does contributory pension schemes impact on retired civil servant?
ii. To what extent does contributory pension schemes impact on the economy development of Nigeria?
iii. What is the performance of the implementation of pension reform?

1.4 OBJECTIVES OF THE STUDY

The main objective of this study is to evaluate the impact of contributory pension schemes on retired civil servants in Nigeria. Other specific objectives include:

i. To examine the extent to which contributory pension schemes impact on retired civil servant.

ii. To evaluate how contributory pension schemes impact on the economy development of Nigeria.

iii. To determine the performance of the implementation of pension reform.

1.5 RESEARCH HYPOTHESIS

The following are the research hypothesis:

H_0: There is no significance relationship between contributory pension schemes and the retired civil servant in Nigeria.

H_0: There is no significance relationship between contributory pension schemes and the economy development of Nigeria.

1.6 SIGNIFICANCE OF THE STUDY

This study will be of immense relevance to employees, employers, entrepreneurs, companies, other business owners and managers because it will guide them on how pension schemes in transition economies were used to alleviate the effect of output loss on certain strata of the population and the increased income inequality that pervaded the economies. Also, this study would enlighten governments, Lecturers/academicians, colleagues in the academic and users of information and the public at large on the relevance of the pension reform act 2004 of the federal republic of Nigeria.

Finally, this study would add to existing knowledge and serves as useful preliminary materials for further study in the area of pension.

1.7 SCOPE OF THE STUDY

This study is designed to cover the evaluation of the impact of contributory pension schemes on retired civil servants in Nigeria. It cover the way in which this reform is implemented within the period of 2008 – 2013

1.8 LIMITATION OF THE STUDY

Most of time, research work are subject to certain constraints which constitutes some difficulties to such studies. Some limitations and problems were encountered on carrying out this study.

The problem of insufficient information is a major limitation of this study. This is due to the fact that the organization inability to release important information that will assist in carrying out this research.

The information obtained from interview was limited, although the questionnaires provide to be of more help. Adequate time prove to be a problem because of the other academics work. Moreover for this kind of research there is need for enough time to carry out the research.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

In this chapter, a review of some literature relating to contributory pension schemes will be undertaken. A thorough investigation will be made to analyze the various literatures of contributory pension schemes on retired civil servant in Nigeria.

2.2 EVOLUTION OF THE PENSION SYSTEM IN NIGERIA

Adegoke (2003) observed that to determine the direction of changes in pension reform, it is apposite to trace the development of pension system in Nigeria, particularly from the 1970s. In the Public Sector, including civil and public services, statutory bodies and government owned companies, pensions were governed by the Pensions Act of 1979, later the Pensions Act 1990 as amended by the Pensions Regulations of 1991. The Act provided for benefits in terms of gratuity and pension payments. Gratuity is a single, lump sum payment while pension is a periodic payment, normally on monthly basis for life. The Scheme was a compulsory and non-contributory one, which created a right to monetary collection by public servants and an obligation on the part of government to make payment.

It should however be noted that before April 1974, gratuity and pension for public servants were not treated as rights but as privileges. The applicable law provided that 'no officer shall have an absolute right to …pension or gratuity' [Section 6(1)]. As from

1974, they became rights to which a public servant who qualified for them was entitled against the government. The pension scheme for civil servants was financed, from government general revenue as may be appropriated in annual budgets, on a pay-as-you-go basis. It was neither from payroll tax deductions from employee salaries nor from any Fund specially set up for the purpose. In that context, pension benefits were regarded as deferred element of employment compensation package. Government parastatals however tended to operate separate funded schemes which required setting aside on an annual basis, a percentage of the total basic salaries of their staff in a special Fund under the management of a Board of Trustees.

Under the Pensions Act of 1979, both gratuity and pension for the public sector worker were salary rate-related and were financed wholly by the government without contribution by the workers. The National Provident Fund Act initially provided for private sector pension schemes. It was however essentially a savings scheme. Originally, the National Provident Fund (NPF), a contributory scheme, which was established in 1961, also covered public servants. It was wound up for public servants after it had lost N17bn in corruption (Fashina, 2003). The weaknesses in the National Provident Fund (NPF) led to the establishment of the Nigerian Social Insurance Trust Fund (NSITF) through Decree No 73 of 1993. The NSITF, a contributory scheme involving contributions by both the employees and employers, aims at creating limited social security, covering aspects such as pension, invalidity, death, accident and disability benefits. In addition to the NSITF, there are also several in-house arrangements in the private sector (Ozo-Eson, 2004: 85-86). Unlike the public sector, most in-house pension schemes in the Nigerian private sector had always been based on contributory system by which both the employers and employees funded the schemes. The employees contributed a percentage of their monthly salaries, subject to a maximum while the employers equally contributed a percentage of employees' salary to the scheme. Under the NSITF before the Pension Reform Act 2004 became enforceable, this was 3.5% and 6% contributions by the employee and employer, respectively. Considering the paltry benefit resulting from the statutory scheme, individual companies tended to operate company administered contributory gratuity schemes to supplement the statutory retirement gratuity scheme. The previous pension scheme in the private sector also provided for a lump-sum cash payment upon retirement, among other benefits.

However, unlike the trend in the private sector, employees in the public sector enjoyed a more guaranteed security of tenure, with guaranteed entitlement to pension and gratuity – the major advantage of the public sector over the private sector. Once confirmed after the probationary period, the employee's job was secured until retirement age unless employment was determined by either party by following the established due procedure. This is derived from the doctrine of 'employment with statutory flavour'. Contrary to the practice in the public sector, the tendency in the private sector is that the employer has the right to hire and fire at will, with or without any reasons.

The maximum monthly pension entitlement after retirement under the NSITF was 65% of past salary level while for Federal Government employees, it was 80% of last salary earned (Casey and Dostal, 2008).Olayiwola (ND: Internet source) has summarized and categorized the types of pension systems in Nigeria, prior to the Pension Reform Act 2004 into four, namely:

- The fully Unfunded Defined Benefit (DB) Scheme, in the civil service
- The Defined Contributory (DC), scheme for employees in the organized private sector, administered by the NSITF
- The Self-Administered Scheme in government parastatals and the private sector, and
- The Insured Scheme by individuals administered by pension Fund management or Insurance companies

The nature of the pension reform, pursuant to the Pension Reform Act 2004 and why the Academic Staff Union of Universities (ASUU) perceives it as a retrogressive piece of legislation from employees' point of view may also be comprehended by the nature of the concerns of the government expressed in an undated document called 'Blue Print on the Contributory Scheme'. The document is a summary of proceedings at the National Workshop on Pension Reforms, which held on 11 – 13 September 2001. From the Federal Government point of view, the previous pension system had to be reviewed because 'increasingly, the number of officers on pension payroll may in the next few years outnumber those in active service. At the moment, the Federal and State Governments are bearing the cost of pension hundred per cent under the 'Pay-As-You-Go' system'. (FGN, 2001). For a regime whose economic policies tend to be more job-taking than job-creating, it is understandable if measures are taken to reduce the pension-induced financial 'burden'.

From the foregoing, the findings of Chlon-Dominczak and Mora (2003) with regard to neoliberalism as a factor triggering pension reform is applicable to explaining the Nigerian pension reform process, which has brought with it the following – abolition of gratuity, abolition of the PAYG system, abolition of payment of pension for life and introduction of contributory system, privatization of pension management, etc - measures which are critically analyzed later on in this paper in the course of dissecting the Pension Reform Act 2004.

Adesina (2007) observed that Personal Communications also shares the concern that the reform of social policies in Africa should be seen as a neoliberal agenda, which goal is to roll back the state. To this extent, the reforms, which include pension reform, should not just be seen as 'World Bank'. For Jimi Adesina, 'It is more analytically and politically more worthwhile seeing this as part of a wider class project within which to understand the ascendance of market-transactional logic among the local petty-bourgeois and bourgeois class elements; hence the internal/endogenous economic and political forces that are driving the neoliberal project'. Adesina's conclusion is irresistible when the findings of Akintola-Bello (2004) are borne in mind with respect to the uses to which governments, in varying degrees, had deployed accumulated pension funds in the 1960s, '70s and early '80s.

Akintola-Bello (2004:54-56) shows elaborately how in the past, in almost all countries, pension reserves had been used to achieve social, economic and development objectives. These could be in the form of policy directives for pension reserves to be given as special loans to government as in Korea; a percentage of pension funds being invested in areas with a social dimension as in Mauritius; all monies being compulsorily invested in non-marketable government bonds as in the United States; the bulk of pension funds to be invested in government bonds or government-guaranteed debt while a small portion is to be invested in the private corporate bonds as in India; and investment of pension funds to develop the productive base and projects that have developmental dimensions as in Jordan. Investing in projects that have 'developmental dimensions' had permitted the use of pension reserves to fund personal loans for housing that met the needs of low and medium income groups, education, health, subsidies to mortgage markets and investment in social and infrastructures as in Turkey, Jordan, Venezuela, Tunisia, Malaysia, Japan, Korea, Sweden, Algeria, Iran and morocco. Similarly, a recent study of Anglophone African countries (ISSA, 1997, cited in Akintola-Bello) shows the same trend of how pension funds were used to finance housing development in Gambia, Ghana, Kenya, Mauritania, Swaziland, Tanzania, Uganda, Zambia and Nigeria. However, the age of the neoliberal policy of privatization dictates that there must be a fundamental reform of pension policy such that the predictable and cheap source of credit, which pension funds represent, can benefit capital market development as investible funds rather than being available to meet social, economic and development needs of the public.

The works by Boeri (2003: 157 – 170) and Orenstein (2003: 171 – 194) examine the relationship between international demonstration effects and domestic policy choices. The insights they provide help in an understanding of the impacts of global politics on reforms in developing countries, not only on pension reforms but also on the broader social policy models in transition and/or developing societies.

Boeri (2003) argues that the choice of social policy models in transition countries is influenced by geographical proximity to the EU countries. His work shows that countries with a greater chance of EU accession adopted social policy models that were more in tune with those of EU member states. Orenstein (2003) also analyses the global spread of paradigmatic pension reform. Drawing on the literature concerning diffusion of innovation, he posits that pension reform should not be seen simply as a result of domestic political processes but also as a product of global patterns of ideational innovation and diffusion. Countries tend to follow the model of innovative leaders in their regions. Hence, the larger, richer and more industrial counties tend to innovate first and smaller and poorer countries tend to lag behind.

Orenstein (2003) also shows that international organizations have played a major role, particularly in cross regional diffusion of ideas and models. Orenstein (2003) explains for example that the International Labour Organization (I.L.O) gave a major boost to pension system creation in the years after the Second World War while the World Bank has played a leading role in diffusing paradigmatic reform at the present time. Orenstein (2003) points out certain notable differences in the processes of creation of pension and the diffusion of its reform. While Germany was the leader in the first phase of pension creation, the leader in the spread of paradigmatic reform was Chile, a middle income country with semiperipheral status in the world economy. In the current phase, thanks to the influence of globalization, pension system reform is diffusing more quickly at approximately two times the rate of its establishment.

The insights offered in the works of Boeri (2003: 157 – 170) and Orenstein (2003: 171 – 194) are confirmed in the Nigerian experience. The trade unions have had to constantly rely on the provisions of Conventions and Recommendations adopted by the International Labour Organization (ILO) in their strivings to maintain the universal minimum standards in working and living conditions that have been set by the I.L.O. and the tendency by the Nigerian judiciary is to hold that where there is variation between international law and domestic law, the international law or treaty prevails.

From the foregoing, it is clear that though there are certain differences in the contents and speed of reform, there are also indisputable similarities in the reform processes in Europe and the developing countries, particularly in respect of the rationale for reform, the typology of reform changes and the political economy of pension reform. In particular, the literature review has shown that pension reform is a globalized idea, which is influenced by neo-liberal ideology.

The relevance and potency of the conclusions drawn from the literature review are further reflected in the analysis of certain key sections of the Act undertaken below.

2.3 THE NEED FOR PENSION REFORM

On an international scale, social security pension system is undergoing reforms in varying degrees and dimensions. Akintola-Bello (2004) has broadly accounted for the reforms in Latin America, Eastern Europe and Central Asia, low income countries in

Africa, North Africa, South Africa and the Middle East. The author noted that pension reform started with the 1981 Chile experience, which was a pioneering role, not only in Latin America but even for the world. Other countries in Latin America had followed in quick succession about a decade later. Akintola-Bello also observes that the low income countries of North Africa, South Africa and the Middle East have not embarked on major reforms, given that many of them operate partially funded defined benefit pay-as-you-go systems and that the reforms in the rest of the low income countries of Africa have been minimal.

Holzmann, Orenstein and Rutkowski (2003:1) 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. Though the contents of the reforms differ from country to country, there appears to be a similarity. In many cases, the reforms are characterized by a move away from single-pillar, pay-as-you-go defined benefit systems towards multi-pillar fully funded defined contribution systems. A comprehensive pan-European pension reform (in the 15 European Union (EU) countries, the 10 European Union Accession (EUA) countries of Central and Eastern Europe, plus Croatia) is motivated by three main factors: 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 et al, 2003: 2).

The Conference organized by the World Bank and International Institute of Applied Systems Analysis (IISA) in 2001 also found that the reform changes in both the EU and EUA countries had been characterized by the inability to finance prior commitments and the need to make pension system more sustainable in terms of a move towards a greater role for a privately managed funded system and the conversion of the pay-as-you-go (PAYG) systems into defined contributory systems (Holzmann et al, 2003:8), which are perceived to be ‘more self-sustaining and transparent’.

As it applies to the reform process in Europe, pension reform in Nigeria, which is codified in the Pension Reform Act 2004, was also rationalized by arguments of rising pension liabilities and inability to finance prior commitments, as well as the need to make the pension system more sustainable in terms of a move towards a greater role for a privately managed funded system and the conversion of the pay-as-you-go (PAYG) systems into defined contributory systems.

2.4 CRITICAL ANALYSIS OF THE PENSION REFORM ACT 2004

As stated earlier, paradigmatic pattern of reform predominantly characterizes Nigeria’s pension reform, even though the changes reflect an amalgam of elements of both parametric and paradigmatic changes. The fundamental changes brought about by the Pension Reform of 2004 include introduction of a unified economy-wide pension scheme to replace the dual pension schemes previously existing for the public and private sectors;

replacement of the pay-as-you-go/defined benefit (PAYG-DB) system previously operating in the public sector by a mandatory Fully-Funded-Defined Contribution (FF-DC) for both the public and private sectors; privatization of the pension system through decentralized institutionalization of managing individual retirement accounts by privately owned Pension Fund Administrators (PFAs); individual contributing-employees bearing the risks of managing retirement accounts to the extent of having the right to choose and place accounts with preferred PFAs; abolition of payment of gratuity and guaranteed pension for life, delay in accessing contributions, an opportunity for early retirement and significant down-sizing of the PAYG system by limiting those entitled to it to judicial officers and those who have three or less number of years to retire, as from the coming into force of the Pension Reform Act.

Though this paper is essentially Nigeria-specific, there is a sense in which the fundamentals are applicable to the processes of pension reform internationally. The theoretical underpinning for this contention is rooted in ThandikaMkandawire's (2007:7) monocropping and monotasking, which characterize the World Bank/IMF policy framework recommended for African states. Monocropping has to do with the perception that there is only one optimum toward which all countries must move and only one policy is good enough to attain that end. In this regard, the idea of privatizing pension schemes as a policy is central to much of the pension reforms internationally. Monotasking is concerned with assignment of only one task to institutions. In this aspect, virtually everything has to be harnessed to the task of safeguarding and promoting private property. Even the judiciary is assigned the task of protecting private property. According to a World Bank lawyer, judicial reform is part of a larger effort to make the legal systems in developing countries and transition economies more market friendly. (Messick, 1999:118, cited in Mkandawire, 2007:9). The pension reform Act 2004 should be located within this declared goal.

A detailed analysis of the Pension Reform Act 2004 is presented below.

2.4.1 The Contributory Nature of the Pension Scheme

Section 1 subsection (1) of the Act provides for 'a Contributory pension Scheme' for payment of retirement benefits of employees to whom the Scheme applies.

The Scheme is 'contributory' because Section 9 sub section (1) provides that employers and employees in both the public service and private sector (in enterprises employing 5 or more employees) shall contribute 'a minimum of seven and half per cent' of the employee's salary to the scheme. This means that the public sector worker, who was not required to make any contribution before the Act, has to start contributing 7.5% while the contribution of the private sector employee rises from 3.5% to 7.5% and the private sector employer contribution rises from 6% (before the Act) to 7.5%, at the commencement of the Act. In the case of the Military, the government shall contribute 'a minimum of twelve and a half per cent…' while the employee shall contribute 'a minimum of two and half per cent'. However, the stipulated rates could be revised **upwards** upon agreement between the employer and the employee. [S. 9(6)]. Similarly, an employer may 'elect to bear the full burden of the Scheme', meaning accepting to pay 15% of the employee's salary to the Scheme. Also, an employee covered by the Act may make voluntary contribution to his/her 'retirement savings account' in addition to the statutory rates or rates fixed out of agreement, as the case may be. [S.9(5)].

The Pension Reform Act 2004 however provides for taxation of additional contribution (called 'voluntary contribution' in the Act) to pension funds, which is in excess of the statutory rates of contribution. Section 10 of the Act provides that the statutory rates of contributions 'shall form part of tax deductible expenses in the computation of tax payable by an employer or employee under the relevant income tax law [S. 10]. However, any 'voluntary contribution' made under subsection (5) of Section 9 of the Act shall be subject to tax at the point of withdrawal where the withdrawal is made before the end of 5 years from the date the voluntary contributions was made [S. 7(2)]. The taxation of 'voluntary contribution' constitute additional tax burden, which is unjustifiable.

The crucial point being stressed under this sub section of the research is that in conditions where the current salary rates at both the Federal Level (N18,500 minimum basic wage) and State level (N19,000 or N13,500 minimum basic wage) are considered inadequate, establishing a 'contributory' pension scheme represents an indirect cut and punitive taxation on the income of the worker. For workers whose poverty wages may cut short their life span, they do not stand a chance of benefiting from their savings. Where there are no guarantees of subsidized basic social services such as education and health, an average worker finds it absolutely difficult to make voluntary savings. The 'contributory' pension scheme is therefore nothing but imposed or forced taxation, which does not enjoy the consent of the worker. For ‘contributory’ pension scheme to make sense, government and the private sector employers should be made to pay enhanced living wages and salaries, which will make it convenient for the workers to pay their share of the contributions to the Scheme. For example, the NLC, TUC and CFTU (2004) cited the practice in Chile, where at the inception of a similar scheme, the workers’ salaries were increased by the same degree as their rate of contribution.

An international comparison may also serve some useful purpose here. The public/state pension rates paid by the government in Britain are 84.25 pounds a week (i.e. 4,381 pounds a year) for a single and 134.75 a week (i.e. 7,007 a year) for retired couples, which Socialist Worker (16 December 2006: 13) considered grossly inadequate. It should be noted that every worker (either in the public or private sector) is entitled to state pension in the UK. As against 7.5 % of an employee’s salary expected to be paid by the employer in Nigeria, British employers are typically required to pay 12.8% of employees earnings, meaning between 97 pounds a week or 5,044 pounds a year, and 645 pounds a week or 33,540 pounds a year. This translates to 9.6% of their labour costs compared to an average of 15.2 percent for OECD countries and an average of 17.8% across the EU. In fact, in many EU countries, the proportions are higher – France 29.7%; Italy (24.9%); Belgium 23.3%; and Austria 22.6%. (Andy Wynne, 2007:1). Similarly, in 2000, Pension Bills as proportions of GDP in selected countries were as follows: Britain 4.5%; Germany 11.5%; Italy 12.6%; Spain 9.8% (Organization of Economic Co-operation and Development (OECD) cited in Socialist Worker.

2.4.2 Abolition of Rights to Gratuity and Pension for Life

A study of the Pension Reform Act, 2004 reveals that the right to gratuity has been abolished, indirectly. Though, there is no direct provision to this effect. But this is the implied or presumed conclusion that could be drawn from the provision of Section 8 of the Act. Gratuity is a single, lump sum payment. Pension is a periodic payment, normally on monthly basis for life, until the changes made in the Pension Reform Act, 2004.

Under the Pension Reform Act 2004, the only groups of workers who have unequivocal entitlement to gratuity are the groups exempted from the Act. [S. 8(3)]. The said workers are 'any employee who at the commencement of this Act is entitled to retirement benefits under any pension scheme existing before the commencement of this Act but has 3 or less years to retire shall be exempted from the Scheme' [S. 8(1)] and 'the categories of person mentioned in Section 291 of the Constitution of the Federal Republic of Nigeria 1999' [S. 8(2)]. The categories of workers exempted by Section 291 of the Constitution of the Federal Republic of Nigeria 1999 are judicial officers, as defined by Section 292 of the Constitution.

A judicial officer at the levels of the Supreme Court or Court of Appeal may retire voluntarily at the age of 65 and compulsorily at the age of seventy. [S. 291(1)]. A judicial officer at any other level may voluntarily retire at the age of sixty years but compulsorily at the age of sixty-five [S. 291(2)].

Section 291(3) of the 1999 Constitution provides that any of the listed judicial officers shall 'be entitled to pension for life at a rate equivalent to his last annual salary and all his allowances in addition to any other retirement benefits to which he may be entitled', provided he has been in that position 'for a period not less than fifteen years'. [S. 291(3)(a). Those who have held their position in the same categories for less than 15 years shall be entitled to the same rate of pension stated above but 'pro rata the number of years he served as a judicial officer in relation to the period of 15 years'.

Now back to the issue of gratuity. Section 8(3) of the Pension Reform Act provides that 'any person who falls within the provisions of subsections (1) and (2) of this section (i.e. those who have 3 or less number of years to retire and judicial officers, emphasis mine) shall continue to derive retirement benefits under such existing pension scheme as provided for in the First Schedule to this Act'. [S. 8(3)].

The First Schedule to the Pension Reform Act 2004 contains the formula for calculating pension and gratuity in respect of retirement. The application of Section 8(3) of the Act has put a category of the Academic Staff Union of Universities (ASUU) in a precarious position. The Act not only nullifies the Collective Agreement between ASUU and the Federal Government signed in 1992, it has also repealed a more favourable legislation – the Universities (Miscellaneous Provisions) Decree No 11 of 1993.

In the Collective Agreement, it was agreed that 'the compulsory retirement age for academic staff shall be 65 years. Contract appointment may be given to a retired academic staff'. On voluntary retirement, it was agreed that 'academic staff could retire voluntarily after ten (10) years' service while on pension and gratuity, it was agreed that 'each academic staff shall be entitled to gratuity after five (5) years of continuous service. The Universities (Miscellaneous Provisions) Decree No 11 of 1993 had also incorporated aspects of the above mentioned Agreement and in fact strengthened it. It provided for instance that 'a person who retires as a professor having served a minimum period of 15 years' in that position until retirement age, 'shall be entitled to pension at a rate equivalent to the last annual salary and such allowances, as the Council may, from time to time, determine as qualifying for pension and gratuity, in addition to any other retirement benefits to which he may be entitled' [Section 9(a)(b)]. The Decree (now Act), went further to provide that 'notwithstanding anything to the contrary in the Pensions Act, the compulsory retiring age of an academic staff of a University shall be sixty-five years. [S. 8(1)], and 'A law or rule requiring a person to retire from the public service after serving for thirty-five years shall not apply to an academic staff of a University' [S. 8(2)].

Though Section 99(1) of the Pension Reform Act does not specifically mention the above legislation that has given legal backing to the ASUU-FGN Agreement as one of the legislations repealed, it falls under 'other laws' repealed or amended by Section 101. The said section 101 of the Pension Reform Act provides that 'If any other enactment or law relating to pensions is inconsistent with this Act, this Act shall prevail'.

As we have analyzed above, Section 8(1) of the Act exempts two main categories of employees from the scheme, viz:

(i) Employees who have 3 or less number of years to retire and who at the commencement of the new Act are entitled to existing scheme and

(ii) Judicial officers, particularly the chief Justice of the Supreme Court and all Justices of the Supreme Court and the Court of Appeal as provided under S. 291 of the Federal Republic of Nigeria, 1999.

The question then is: if indeed the new Pension Scheme is more favorable to the employees than the previous Act, why exclude certain categories of public sector workers? The exemption clause just shows that the new Pension Act offers less favorable benefits, if any, to employees.

Though there is no express provision excluding employees at state and local government levels, the employees at those levels are impliedly excluded from the scheme by virtue of S.1(2) of the Act which states that the Act covers all employees in the public service of the Federation, Federal Capital Territory and the private sector/establishment where there are 5 or more employees.

Considering that labour, pensions and gratuities are on the exclusive legislative list, precisely items 34 and 44, conflict of laws situation is likely to develop in this respect.

2.4.3 Inadequacy of the Level of Contribution

Although the Public Service pension scheme under the Pensions Act No 102 of 1979 and that of 1990 was non-contributory, it hada defined benefit scale - the quantum of retirement benefits receivable by a retiree could be determined based on total number of years computed on the officer's total annual emolument.

For the purpose of the Pension Reform, the Federal Government commissioned studies to determine the level of contribution that could meet anticipated gratuity and pension benefits. The actuarial reports indicated that for adequate funding of the public service scheme, 25% of gross emolument of all Government employees needed to be set aside annually to meet existing and maturing gratuity and pension liabilities (Summary of Proceedings of the National Workshop on Pension Reform, 2001). However, the Pension Reform Act stipulated a minimum of 15% of total emolument shared on the basis of a maximum of 7.5% by the employee and a minimum of 7.5% by the employer. This points to the fact that the level of contribution is inadequate, *ab initio.*

2.4.4 Ambiguity about Minimum Retirement Age

In the public sector, the statutory retirement age is either 60years or 35 years of service, whichever comes first. In the private sector, the effective key criterion varies between 55 and 60 years. The factor of 35 years of service does not apply strictly to the private sector. After retirement, professionals with special skills may be employed on contract basis.

Section 4(1) of the Pensions Act (CAP 436 laws of the Federation of Nigeria) 1990 had clear provisions on the minimum retirement age. But the Pension Reform Act 2004 contains no specific provision on same. It however stipulates that no person shall be entitled to make any withdrawal from his retirement savings account before attaining the age of 50 years [Section 3(1)]

The pertinent question therefore is: has the new Pension Act reduced the minimum retirement age from 60 to 50? There is a need for clarity on the minimum and compulsory retirement ages.

2.5 PRE 2004 PENSION LAWS

Before 2004, the laws regarding pension was in two forms. Firstly, Government workers' pension was devised under the Pensions Act 1974 ("the 1974 Act"). The pension or gratuity granted to retirees was on the basis of final pay and was largely not funded.2 Secondly, private workers pension was not compulsory but was encouraged as a tax savings devise for employers and employees and was monitored by the Joint Tax Board under the Personal Income Tax Decree 1993, Schedule 3 thereof3. As a tax devise, private employee schemes operated under rules devised by company management under trusteeship arrangements. Trustees were usually employee representatives4. The rules devised by company management were skewed in such a way that does not guarantee unbreakable savings. For example:

- Minimum ascension period, usually after three years in employment
- Graduated entitlements subject to period in employment
- Forfeiture for grave misconduct

Although sums contributed under such schemes are not returnable to the Company by the Trustees should the above events arise, the problem of continuity made it impossible to have proper retirement savings or pensions as such and contributions that were paid out were simply expended on current needs. For people retiring from established companies, the pension was good, but the majority of companies or private employers could not afford to set up meaningful schemes or any scheme for that matter. This meant that retirement was seen as a negative thing and a lot of people continued in employment longer than required by any means, including age

2 See above N1trillion liability. According to S.2 of the Pensions Act 1974, pensions and gratuity were to be charged on and paid out of the Consolidated Revenue Fund of the Federation. 3 S. 20(1)(g) and Schedule 3, paragraph 23 of the Personal Income Tax Decree 1993. 4 Corporate Trustees were used in few cases.

2.6 THE CASE FOR REFORM

Adegoke (2003) It really does not take a smart person to realize that pension or retirement benefit is good in itself. It is a vital social security net that ensures the continuing wealth of individuals and, in turn, the wealth of the nation. The Government under the President (OlusegunObasanjo) deemed it fit that Nigeria must progress and one way of achieving this is by ensuring an adequate social security safety net. The way to that achievement was therefore devised by setting up a Committee to look into ways of reforming the entire pensions system for workers, whether private or government.

The Committee, which was headed by Mr. Fola Adeola,5 made consultations and eventually submitted a bill to deal with pensions. The initial drafts showed a tilt towards funding of past government pension liabilities. Funding was expected by way of a levy on interest payments on current individual retirement savings. This was eventually resisted. The pension was proposed as a compulsory contributory scheme, which would run independently of employers. This means that compulsory deductions would have to be made from current salaries and employers are compelled to pass these deductions to an organization or a separate entity for savings and investments towards paying retirement benefits upon actual retirement at a determined age and not just cessation of employment at any age. This was a winning model in the sense that retirement benefit contributions will not be affected by change of employment or other forms of impropriety and can finally be tailored and focused as a proper pension arrangement. The result of this is also that long term funds would be available within the economy for better planning. Though some individuals may still fall out of this evolving social security safety net, anyone employing a certain number of people is expected to provide for their retirement. It was a paternalistic arrangement and for that matter, excellent in its intentions. 5 Now Chairman of the Pensions Commission under the Pension Reform Act 2004. 6 The current position is that government would give a bond on past liabilities, which shall then be redeemed upon retirement (ref. S.12 (1)(a) and S.29 of the Pension Reform Act).

2.7 THE BRIEF OVERVIEW OF THE PENSION REFORM ACT 2014

The sanctions provided under the Pension Reform Act 2004 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 fund 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 oe both imprisonment and fine.

The 2014 Act also empowers PenCom, subject to the fiat of the Attorney General of the Federation, to institute criminal proceedings against employers who persistently fail to deduct and/or remit pension contributions of their employees within the stipulated time. This was not provided for by the 2004 Act.The Pension Reform Act 2004 only allowed PenCom to revoke the licence 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 Pension Reform Act 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 Pension Reform Act 2014 makes provisions for the repositioning of the Pension Transition Arrangement Directorate (PTAD) to ensure greater efficiency and accountability in the administration of the Defined Benefits Scheme in the federal public service such that payment of pensions would be made directly into pensioners' bank accounts in line with the current policy of the Federal Government.

The Pension Reform Act 2014 also makes provisions 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 principle of ensuring the safety of pension fund assets.The Act expanded the coverage of the Contributory Pension Scheme (CPS) in the private sector organizations with three (3) employees and above, in line with the drive towards informal sector participation.

The Pension Reform Act 2014 reviewed upwards, the minimum rate of Pension Contribution from 15% to 18% of monthly emolument, where 8% will be contributed by employee and 10% by the employer. This will provide additional benefits to workers' Retirement Savings Accounts and thereby enhance their monthly pension benefits at retirement. The Pension Reform Act 2014 has reduced the waiting period for accessing benefits in the event of loss of job by employees from six (6) months to four (4) months. This is done in order to identify with the yearning of contributors and labour.

The Pension Reform Act 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 an RSA within three (3) months of assumption of duty. This was not required under 2004 Act. The Pension Reform Act 2014 has consolidated earlier amendments to the 2004 Act, which were passed by the National Assembly. These include the Pension Reform (Amendment) Act 2011 which exempts the personnel of the Military and the Security Agencies from the CPS as well as the Universities

(Miscellaneous) Provisions Act 2012, which reviewed the retirement age and benefits of University Professors. Furthermore, the 2014 Act has incorporated the Third Alteration Act, which amended the 1999 Constitution by vesting jurisdiction on pension matters in the National Industrial Court.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The purpose of this chapter is to discuss the methods of investigation followed. The chapter contains relevant facts concerning the research design, population of the study; as well as the analysis of data and justification for research methods used.

3.2 RESEARCH DESIGN

The study is an explorative survey aimed at evaluating the impact of contributory pension schemes on retired civil servant in Nigeria using descriptive statistics (frequencies). To achieve objective one and two ANOVA was employed between independent variable and dependent variable. To achieve objectives the chi square analyses was employed.

3.3 POPULATION OF THE STUDY

The population of the study comprises of the Civil Servant and Staff of some private sector who are the major beneficial of the scheme and also some of the pension administrator who are charge with the responsibilities of administering the pension. (i.e. Trust Fund). 100 questionnaires were distributed to staff of penCom and 25 questionnaires were distributed to the pension administrator.

3.4 SAMPLE SELECTION

The area covered in this research work is the evaluation of the pension reform act 2004 of the federal republic of Nigeria. It would be ideal to test the entire population, but in most cases, particularly in this case, the population is just too large that it is impossible to consult all the civil servants and the pension administrator in the Country. The population of this study is very large as such the researcher only visits some of the government and private establishments. One hundred and twenty questionnaires were administered and eighty eight were answered and returned.

3.5 SOURCES OF DATA

Two major sources of data collection used for this study are the primary and secondary sources. The primary data include a set of structured questionnaire and interview schedule. For secondary data, the used of text books, internet materials and journals was adopted as it relate to the impact of contributory pension schemes on retired civil servants in Nigeria

3.5 METHOD OF DATA COLLECTION

In the analysis of questionnaires responses given were scored and computed in tables. They were finally coded in sample percentages method for easy understanding.

Appropriate and important issues were highlighted especially as they related to the research questions.

3.6 METHOD OF DATA ANALYSIS

The use of questionnaires gathering data must be property analysed. In doing this, one must use simple and straightforward language for easy communication to readers. The use of table and simple percentages therefore will easily communicate the responses gathered to readers, it will also make findings easily understood and highly appreciated.

3.7 JUSTIFICATION FOR THE METHODS USED

Again the methods used include questionnaires, interviews and observation. These were used primarily because they made it easier and quicker to get information from those that provided them, other reasons include:

a. Interviews are used because naturally, people prefer to talk than write and because more information can be gotten from this method by asking unstructured questions. Interviews were also used because not all the staff are able to write down their answers, interviews help the researcher to judge if the correspondent is truthful or not.

b. Questionnaires were used because they don't consume time and had questions that don't require long answers. It has also been noticed that respondents are being helped to stick to the subject of study, even in the absence of the researcher at the case study; his work (question) were being answered.

c. Observation helps to know easily if respondents are really acting or doing what they say. It helps the researcher to make his own objective opinion by being an eyewitness.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter contains data analysis and presentation according to questionnaire administration. The chapter employs statistical tools of analysis such as Frequency distribution table, percentages and chi-square analysis.

From the 120 copies of questionnaire administered, eighty (80) copies of the questionnaire were duly filled and returned. Therefore, analysis was done on the basis of questionnaires returned.

4.2 Data Presentation And Analysis

This section is concerned with findings on the demographic characteristics of respondents. It covers variables such as respondents' sex, Age distribution, Marital Status, Qualifications, Employment Status and Length of Service of the respondents in the organization.

Table 4.1 Gender Distribution

Sex	**Frequency**	**Percent (%)**
MALE	48	60
FEMALE	32	40
TOTAL	80	100

Source: Field Survey, 2014

From the above table 4.1, the number of male respondents is represented by 60% while the female were 40%. This shows that the male respondents are more than female respondents in the study.

Table 4.2: Age Distribution

Age	Frequency	Percent (%)
41-50yrs	25	31.25
51-60yrs	30	37.5
61yrs and above	25	31.25
TOTAL	80	100

Source: Field Survey, 2014

From the table 4.2, age distribution of the respondents shows that 31.25% falls between 41-50years old, 37.5% are within the 51-60 age range, while 31.25% are above 61 years. This shows that in the population, the respondent that falls between 51-60years has highest percentage in the study.

Table 4.3: Marital Status

Status	Frequency	Percent (%)
Single	29	36.25
Married	19	23.75
Divorce	22	27.5
Widow (er)	10	12.5
TOTAL	**80**	**100**

Source: Field Survey, 2014

The marital status of the respondents as presented in table 4.3 shows that 36.25% of the respondents are single, 23.75% are married, and 27.5% of the respondents are divorce while 12.5% are widower. This shows that the majority of the respondents are single.

Table 4.4: Educational Qualification

Qualification	**Frequency**	**Percent (%)**
PRY	10	12.5
SSCE/GCE	18	22.5
OND/NCE	20	25
B.Sc/HND	22	27.5
M.Sc/MBA	7	8.75
OTHERS	3	3.75
Total	**80**	**100**

Source: Field Survey, 2014

Educational background of the respondents as represented on the table 4.4 obviously shows that 12.5% possess pry school cert, 22.5% possess SSCE/GCE certificate, 25% of the respondents are OND/NCE certificate holder, 27.5% possess B.SC/HND certificate, and 8.75% of the respondents are M.Sc/MBA certificate holder while 3.75% have other qualifications such as Computer studies.

This purely describes that all the respondents are literates. Thus, the results gathered could be used to draw reasonable conclusion

Tables 4.5: Work Experience

Level (HATISS/UASS)	**Frequency**	**Percent (%)**
01-03	5	6.25
04-06	15	18.75
07-09	17	21.25
10-12	20	25
13-15	19	23.75
16 and above	4	5
TOTAL	**80**	**100**

Source: Field Survey, 2014

Considering the grade level in their respective organization, the above table 4.5, reveals that 6.25% of the respondents are on grade level 01-03, 18.75% of the respondent's falls between 04-06 grade level, 21.25% are between 07-09 grade level, 25% are also between 10-12, and 23.75% are between 13-15 grade level while 5% are between 16 and above. This shows that majority of the respondent were on a higher grade level.

Tables 4.6: Work Experience

Length of Service	Frequency	Percent (%)
Below 10yrs	14	17.5
11-20yrs	26	32.5
21-30yrs	24	30
31yrs and above	16	20
TOTAL	**80**	**100**

Source: Field Survey, 2014

Considering the length of service, the above table 4.6 , reveals that 17.5% of the respondents are below 10years in the service, 32.5% of the respondents falls between 11-20 years, 30% of the respondents are between 21-30years while 20% are over 31 years in length of service. This shows that majority of the respondent fall between 11-20yr in study sample.

Question 7: The pension scheme was adequately funded in the public service

RESPONSE	FREQUENCY	PERCENT (%)
Strongly Agreed	12	15.0
Agreed	26	32.5
Undecided	4	5.0
Disagreed	22	27.5
Strongly Disagreed	16	20
TOTAL	80	100

Source: Field Survey, 2014

From the above table, 15% of the respondents were strongly agreed that the pension scheme was adequately funded in the public service 32.5% agreed, 5% were undecided, and 27.5% disagreed while 20% of the respondents were strongly disagreed. This shows that the responses were divided that the old pension scheme was adequately funded in the public service.

Question 8: thepensionreformact 2004 has a negative effect on retires

RESPONSE	**FREQUENCY**	**PERCENT (%)**
Strongly Agreed	13	16.25
Agreed	15	18.75
Undecided	2	2.5
Disagreed	28	35
Strongly Disagreed	22	27.5
TOTAL	80	100

Source: Field Survey, 2014

From the above table, 16.25% of the respondents strongly agreed that the pension reform act 2004 has a negative effect on retires 18.75% agreed, 2.5% were undecided, 35% disagreed 27.5% of the respondents strongly disagreed. This implies that majority of the respondent strongly disagree that the pension reforms act 2004 has a negative effect.

Question 9: there is poor saving culture and non-preservation of benefits in the old scheme

RESPONSE	**FREQUENCY**	**PERCENT (%)**
Strongly Agreed	11	13.75
Agreed	15	18.75
Undecided	5	6.25
Disagreed	28	35
Strongly Disagreed	21	26.25
TOTAL	80	100

Source: Field Survey, 2014

From the above table, 13.75% of the respondents strongly agreed that there is poor saving culture and non-preservation of benefits in the old scheme 18.75% agreed, 6.25% were undecided, 35% of the respondents disagreed While 26.25% of the respondents strongly disagreed. This implies that majority of the respondent strongly disagree with the statement that there is poor saving culture and non-preservation of benefits in the old scheme.

Question 10: the defect of the old scheme brings about the new scheme

RESPONSE	FREQUENCY	PERCENT (%)
Strongly Agreed	9	11.25
Agreed	12	15.0
Undecided	4	5.0
Disagreed	30	37.5
Strongly Disagreed	25	31.25
TOTAL	80	100

Source: Field Survey, 2014

From the above table, 11.25% of the respondents strongly agreed that the defect of the old scheme brings about the new scheme 15.0% agreed, 5.0% were undecided, and 37.5% disagreed while 31.25% of the respondents strongly disagreed. This shows that majority of the respondent strongly disagree that the defect of the old scheme brings about the new scheme.

Question 11: there is significance relationship between contributory pension schemes and retired civil servants in Nigeria

RESPONSE	FREQUENCY	PERCENT (%)
Strongly Agreed	26	32.5
Agreed	22	27.5
Undecided	2	2.5
Disagreed	13	16.25
Strongly Disagreed	17	21.25
TOTAL	80	100

Source: Field Survey, 2014

From the above table, 32.5% of the respondents were strongly agreed that there is significance relationship between contributory pension schemes and retired civil servants in Nigeria, 27.5% agreed, 2.5% were undecided, and 16.25% disagreed while 21.25% of the respondents strongly disagreed. This implies that majority of the respondent strongly agree that there is significance relationship between contributory pension schemes and retired civil servants in Nigeria.

Question 12: both scheme clarify the retirement age and payment of benefit after service

RESPONSE	**FREQUENCY**	**PERCENT (%)**
Strongly Agreed	6	7.5
Agreed	19	23.75
Undecided	4	5
Disagreed	28	35.0
Strongly Disagreed	23	28.75
TOTAL	80	100

Source: Field Survey, 2014

From the above table, 7.5% of the respondents were strongly agreed that both schemes clarify the retirement age and payment of benefit after service 23.75% agreed, 5% were undecided, and 35% disagreed while 28.75% of the respondents strongly disagreed. This shows that majority disagree with the statement that both scheme clarify the retirement age and payment of benefit after service**.**

Question 13: the arrival of new pension institution e.g. Trust Fund, PFA, Lead way, IBTC has made the new scheme effective

RESPONSE	**FREQUENCY**	**PERCENT (%)**
Strongly Agreed	20	25.0
Agreed	16	20.0
Undecided	3	3.75
Disagreed	23	28.75
Strongly Disagreed	18	22.5
TOTAL	80	100

Source: Field Survey, 2014

From the above table, 25.0% of the respondents strongly agreed that the arrival of new pension institution e.g. PFA, Lead way, IBTC has made the new scheme effective 20.0% agreed, 3.75% were undecided, 28.75% of the respondents disagreed while 22.5% of the respondents strongly disagreed. This shows that majority of the respondent strongly disagree that the arrival of new pension institution e.g. PFA, Lead way, IBTC has made the new scheme effective.

Question 14: the new pension scheme has helped employees in terms of information and orientation about their retirement age

RESPONSE	**FREQUENCY**	**PERCENT (%)**
Strongly Agreed	29	36.25
Agreed	24	30
Undecided	4	5
Disagreed	10	12.5
Strongly Disagreed	13	16.25
TOTAL	80	100

Source: Field Survey, 2014

From the above table, 36.25% of the respondents strongly agreed that the new pension scheme has helped employees in terms of information and orientation about their retirement age, 30% agreed, 5% were undecided, 12.5% disagreed while 16.25% of the respondents strongly disagreed in the study. This implies that majority of the respondent strongly agreed that the new pension scheme has helped employees in terms of information and orientation about their retirement age.

Question 15: the new pension scheme is more preferable than the old scheme

RESPONSE	**FREQUENCY**	**PERCENT (%)**
Strongly Agreed	28	35
Agreed	22	27.5
Undecided	2	2.5
Disagreed	12	15
Strongly Disagreed	16	20
TOTAL	80	100

Source: Field Survey, 2014

From the above table, 35% of the respondents strongly agreed that there is a negative relationship between capital structure and financial performance 27.5% agreed, 2.5% were undecided, 15% of the respondents disagreed while 20% strongly disagreed. This implies that majority of the respondent strongly agreed that the new pension scheme is more preferable than the old scheme

Question 16: both schemes guarantee a secured old age

RESPONSE	**FREQUENCY**	**PERCENT (%)**
Strongly Agreed	16	28.33
Agreed	13	24.17
Undecided	4	5
Disagreed	20	21.67
Strongly Disagreed	27	23.33
TOTAL	80	100

Source: Field Survey, 2014

From the above table, 28.33% of the respondents strongly agreed that both schemes guarantee a secured old age 24.17% agreed, 5% were undecided, and 21.67% disagreed while 23.33% of the respondents strongly disagreed. This implies that majority agree with the statement that both schemes guarantee a secured old age.

Question 17: the new scheme increase employees' productivity due to higher workers commitment

RESPONSE	**FREQUENCY**	**PERCENT (%)**
Strongly Agreed	21	26.25
Agreed	27	33.75
Undecided	3	3.75
Disagreed	12	15
Strongly Disagreed	17	21.25
TOTAL	80	100

Source: Field Survey, 2014

From the above table, 26.25% of the respondents strongly agreed that the new scheme increase employees' productivity due to higher workers commitment 33.75% agreed, 3.75% were undecided, 15% disagreed while 21.25% of the respondents strongly disagreed. This shows that majority of the respondent strongly agree that the new scheme increase employees' productivity due to higher workers commitment.

Question 18: the new pension scheme allows for transfers of employment savings account

RESPONSE	**FREQUENCY**	**PERCENT (%)**
Strongly Agreed	13	16.25
Agreed	10	12.5
Undecided	2	2.5
Disagreed	30	37.5
Strongly Disagreed	25	31.25
TOTAL	80	100

Source: Field Survey, 2014

From the above table, 16.25% of the respondents strongly agreed that the new pension scheme allows for transfers of employment savings account 12.5% agreed, 2.5% were undecided, 37.5% of the respondents disagreed while 31.25% strongly disagreed. This shows that majority of the respondent strongly disagree that the new pension scheme allows for transfers of employment savings account.

Question 19: employees benefit more in the new scheme than the old scheme

RESPONSE	**FREQUENCY**	**PERCENT (%)**
Strongly Agreed	12	15
Agreed	17	21.25
Undecided	2	2.5
Disagreed	28	35
Strongly Disagreed	21	26.25
TOTAL	80	100

Source: Field Survey, 2014

From the above table, 15% of the respondents strongly agreed that employees benefit more in the new scheme than the old scheme, 21.25% agreed, 2.5% were undecided, 35% of the respondents disagreed while 26.25% strongly disagreed. This shows that majority of the respondent strongly disagree that employees benefit more in the new scheme than the old scheme.

Question 20: the new pension scheme will improve the status of the pensioners

RESPONSE	**FREQUENCY**	**PERCENT (%)**
Strongly Agreed	29	24.17
Agreed	24	21.67
Undecided	5	4.17
Disagreed	10	26.67
Strongly Disagreed	12	23.32
TOTAL	80	100

Source: Field Survey, 2014

From the above table, 24.17% of the respondents strongly agreed that the new pension scheme will improve the status of the pensioners 21.67% agreed, 4.17% were undecided, 26.67% of the respondents disagreed 23.32% of the respondents strongly disagreed. This implies that majority disagree that the new pension scheme will improve the status of the pensioners.

Question 21: you reached the statutory retirement age before retiring.

RESPONSE	**FREQUENCY**	**PERCENT (%)**
Strongly Agreed	28	35
Agreed	22	27.5
Undecided	2	2.5
Disagreed	12	15
Strongly Disagreed	16	20
TOTAL	80	100

Source: Field Survey, 2014

From the above table, 35% of the respondents strongly agreed that you reached the statutory retirement age before retiring 27.5% agreed, 2.5% were undecided, 15% of the respondents disagreed while 20% strongly disagreed. This implies that majority agreed that you reached the statutory retirement age before retiring.

Question 22: my retirement was sudden

Responses	**frequency**	**percentage%**
Strongly Agreed	28	35
Agreed	20	25
Undecided	3	3.75
Disagreed	17	21.25
Strongly Disagreed	12	15
Total	**80**	**100**

Source: Field Survey, 2014

From the above table, 35% of the respondents strongly agreed that their retirement was sudden 25% agreed, 3.75% were undecided, 21.25% of the respondents disagreed while 15% strongly disagreed. This implies that majority agreed that their retirement was sudden.

Question 23: I have been collecting my pension regularly

Responses	**frequency**	**percentage%**
Strongly Agreed	10	12.5
Agreed	20	25
Undecided	1	1.25
Disagreed	30	37.5
Strongly Disagreed	19	23.75
Total	**80**	**100**

Source: Field Survey, 2014

From the above table, 12.5% of the respondents strongly agreed that they have been collecting their pension regularly 25% agreed, 1.25% was undecided, and 37.5% of the respondents disagreed while 23.75% strongly disagreed. This implies that majority disagreed that they have been collecting their pension regularly.

Question 24: I encountered the problem of complex documentation while processing my retirement benefit.

Responses	**frequency**	**percentage%**
Strongly Agreed	33	41.25
Agreed	25	31.25
Undecided	2	2.5
Disagreed	16	20
Strongly Disagreed	4	5
Total	**80**	**100**

Source: Field Survey, 2014

From the above table, 41.25% of the respondents strongly agreed that they encountered the problem of complex documentation while processing their retirement benefit, 31.25% agreed, 2.5% were undecided, 20% of the respondents disagreed while 5% strongly disagreed. This implies that majority agreed that they encountered the problem of complex documentation while processing their retirement benefit.

Question 25: the new scheme needs certain adjustment

Responses	**frequency**	**percentage%**
Strongly Agreed	27	33.75
Agreed	20	25
Undecided	2	2.5
Disagreed	21	26.25
Strongly Disagreed	10	12.5
Total	**80**	**100**

Source: Field Survey, 2014

From the above table, 33.75% of the respondents strongly agreed that the new scheme needs certain adjustment 25% agreed, 2.5% were undecided, and 26.25% of the respondents disagreed while 12.5% strongly disagreed. This implies that majority agreed that the new scheme needs certain adjustment.

4.3 Testing of Hypotheses

The formulated hypotheses are hereby tested using tested using the Chi-square statistical tools of analysis.

Chi-square formula;

$$X^2 = \sum \frac{(O-E)2}{E}$$

Df = (r-1) (c-1)

Where;

X^2 = Chi-square calculated value.

O = Observed Frequency

E = Expected Frequency

df = Decree of freedom

N = Number of observation

∞ = Level of significant (5%)

Decision Rule

Acceptance or rejection of the null hypotheses is based on the following conditions; if the chi-square calculated value is smaller than the table value at 5% level of significance, the null hypothesis shall be accepted. However, if the chi-square calculated value is higher than the value at 5% level of significance, the null hypothesis shall be rejected and alternative hypothesis shall be accepted.

Hypothesis 1

H_0: There is no significance relationship between contributory pension schemes and the retired civil servant in Nigeria.

Table of observed Frequency

Agreement Level	Q10	Q11	Q14	Total
Strongly agree	9	26	29	64
Agree	12	22	24	58

Undecided	4	2	4	10
Disagree	30	13	10	53
Strongly Disagree	25	17	13	55
Total	80	80	80	240

Table of Expected Frequency

CELL	O	E	O-E	$(O-E)^2$	$(O-E)^2/E$
$C_{1:1}$	9	21.33	12.33	152.11	7.13
$C_{1:2}$	26	21.33	4.67	21.78	1.33
$C_{1:3}$	29	21.33	7.67	58.78	2.75
$C_{2:1}$	12	19.33	-7.33	53.78	2.78
$C_{2:2}$	22	19.33	2.67	7.11	0.37
$C_{2:3}$	24	19.33	4.67	21.78	1.37
$C_{3:1}$	4	3.33	0.67	0.44	0.13
$C_{3:2}$	2	3.33	-1.33	1.78	0.53
$C_{3:3}$	4	3.33	0.67	0.44	0.133
$C_{4:1}$	30	17.67	12.33	152.11	8.61
$C_{4:2}$	13	17.67	-4.67	21.78	1.24

$C_{4:3}$	10	17.67	-7.67	58.78	3.33
$C_{5:1}$	25	18.33	6.67	44.44	2.43
$C_{5:2}$	17	18.33	-1.33	1.78	0.07
$C_{5:3}$	13	18.33	-5.33	28.44	1.55
					33.22

X^2cal =33.22

X^2Tab =15.51

df = (5-1)(3-1)

= 4× 2= 8

∞ = 0.05%

Decision

The chi-square calculated value of 33.22is greater than the chi-square table value of 15.51at 8 degree of freedom and 0.05 level of significance. Therefore, the alternative hypothesis (H_1) which states that there is a significant relationship between the old and new pension scheme is hereby accepted while the null hypothesis (H_0) is rejected.

Hypothesis 2

Hi: There is no significance relationship between contributory pension schemes and the economy development of Nigeria.

Table of Observed Frequency

Agreement Level	Q13	Q18	Q20	Total
Strongly agree	20	13	29	62
Agree	16	10	24	50
Undecided	3	2	5	10
Disagree	23	30	10	63
Strongly Disagree	18	25	12	55
Total	80	80	80	240

Table of Expected Frequency

CELL	O	E	O-E	(O-E)2	(O-E)2/E
C11	20	20.67	-0.67	0.44	0.05
C12	13	20.67	-7.67	58.78	2.84
C13	29	20.67	8.33	69.44	3.36
C21	16	16.67	-0.67	0.44	0.07
C22	10	16.67	-6.67	44.44	2.67
C23	24	16.67	7.33	53.78	3.27
31	3	3.33	-0.33	0.11	0.033
C32	2	3.33	-1.33	1.78	0.53

C33	5	3.33	1.67	2.78	0.83
C41	23	21.0	2.0	4	0.19
C42	30	21.0	9.0	81	3.85
C43	10	21.0	-11.0	121	5.76
C51	18	18.33	-0.33	0.11	0.01
C52	25	18.33	6.67	44.44	2.42
C53	12	18.33	-6.33	40.11	2.18
					27.97

X^2cal =27.97

X^2Tab =15.51

df = (5-1)(3-1)

= 4× 2= 8

∞ = 0.05%

Decision

The chi-square calculated value of 27.97 is greater than the chi-square table value of 15.51 at 8 degree of freedom and 0.05 level of significance. Therefore, the alternative hypothesis (H_1) is hereby accepted while the null hypothesis (H_0) is rejected.

4.4 Summary of Findings

The following are the summary of findings

- ❖ It was observed from the data analyzed that contributory pension schemes impact on retired civil servants in Nigeria.
- ❖ Record keeping system is not appropriate to meet up with modern records management system with online-based data for faster and easy retrieval.
- ❖ There publicity of pension reform is very low as such some individuals are not aware of the scheme.
- ❖ There is no Prompt payment of retirees as at when due.
- ❖ Some pension staff are not train on how to handle benefits matters for effective performance of their duties.

Enough incentives are not provided to pension staff and this affect the performance of their function.

- ❖ There publicity of pension reform is very low as such some individuals are not aware of the scheme.
- ❖ It was observe from the data analyzed that Pension reform act of 2004 of the Federal Republic of Nigeria was effectively and efficiently implemented
- ❖ Record keeping systems are not appropriate to meet up with modern records management system with online-based data for faster and easy retrieval.
- ❖ There is no Prompt payment of retirees as at when due.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1Summary

The overall aim of this research work is to study the impact of Contributory Pension Schemes on Retired Civil Servants in Nigeria. Chapter one gave an introductory background of the study. In chapter two, an attempt was made to review relevant and related literature on the topic. Previous research works, papers presented at seminars on the topic of discussion were reviewed in the chapter. The chapter gave a better picture of the impact of Contributory Pension Schemes on Retired Civil Servants in Nigeria.

Chapter three comprised the research methodology. The study used both primary and secondary sources of data to obtain information. For the primary sources, questionnaire, observation and interview methods were used; while the secondary data utilized text books, magazines, newspapers, annual reports and journals.

Chapter four contained data analysis and presentation. The chapter employed statistical tools of analysis such as Frequency distribution, percentages and chi-square analysis.It was observe from the data analyzed that Pension reform act of 2004 of the Federal Republic of Nigeria was not effectively and efficiently implemented, the researcher therefore recommends that Government should increase the publicity of this pension scheme and give all necessary assistance to eliminate the hurdles that hindered the successful imp

5.2 Conclusions

Welfare systems have been undergoing reform in most developing countries, and this is a major component of the International Monetary Fund/World Bank structural reform programme for developing economies. Unexpected change will occur in the relationship between people and those administering this welfare security scheme, in terms of the gains provided and financing, which will be a result of the change in the structure of the economy in countries where the state is expected to provide welfare assistance 'from cradle to grave'. However, pension schemes in transition economies were used to alleviate the effect of output loss on certain strata of the population and the increased income inequality that pervaded the economies. In Nigeria, the government has claimed to be using the pension system to lessen and the suffering of its retired public workers, so that they will not have to suffer after disengagement from public office. It is against this backdrop that the researcher evaluates the effect of public pension reform act 2004 and the performance of Trust Fund. .

5.3 Recommendation

The researcher makes the following recommendations for possible consideration and implementation.

i. It was observe from the data analyzed that Pension reform act of 2004 of the Federal Republic of Nigeria was not effectively and efficiently implemented, the researcher therefore recommends that Government should increase the publicity of this pension scheme and give all necessary assistance to eliminate the hurdles that hindered the successful implementation of the scheme.

ii. Record keeping system should be reformed by Trust Fund to meet up with modern records management system with online-based data for faster and easy retrieval.

iii. The benefits operational manual should be serviced by Trust Fund and be used strictly as a guiding principle as against what is obtainable.

iv. Prompt payment of retirees as at when due and eliminate causes of the delay by review all existing laws on benefits matter and harmonize it.

v. Training should be organized for Staff handling benefits matters in Trust Fund for effective performance of their duties.

vi. Encouragements of the minimum pension to 100% of the national minimum wage to increase the level of income receive by the retirees.

vii. Both the salary and personnel operations should as much as possible be computerized so that deductions of employee's salary will be reflected for the purpose of reconciliation with the records of contributions with the pension fund administrators (PFAs).

viii. Deductions should be promptly remitted to the pension fund administrators in order to ensure high investment returns.

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APPENDIX

Department of Business Administration,

Ahmadu Bello University,

Kongo Campus,

Zaria,

Kaduna State.

Dear Respondent,

I am a Postgraduate Student of the above named institution. This questionnaire is designed to obtain information for a research work on the topic "Impact of Contributory Pension Schemes on Retired Civil Servants in Nigeria" Please kindly answer the questions as appropriate as possible. Your response would be given strict confidentiality and would be used only for the research purpose.

Thanks for your co-operation.

AkindeleOyegbami

MBA/ADMIN/44780/12-13

QUESTIONNAIRES

SECTION A (BIO-DATA)

Instruction: Please tick or mark as appropriate.

1. Sex: Male ( ) Female ( )
2. Age: (a) 20-29 years ( ) (b) 30-39 ( )

(c) 40-49 ( ) (d) 50-59 ( )

3. Marital Status: (a) Single ( ) (b) Married ( ) (c) Divorced ( )

(d) Widow ( ) (d) Widower

4. Nationality: (a) Nigerian ( ) (b) Non-Nigerian ( )

5. Educational Qualification: (a) Primary six ( ) (b) SSCE ( ) (c) OND ( )

(d) B.sc/HND ( ) (e) M.sc/MBA/PhD ( )

6. Level (HATISS/UASS): (a) 01-03 ( ) (b) 04-06 ( ) (c) 07-09 ( )

(d) 10-12 ( ) (e) 13-15 ( ) (f) 16 and above ( )

7. Length of Service: (a) below 5 years ( ) (b) 5-10 years ( )

(c) 11-25 years ( ) (d) above 25 years ( )

SECTION B

S/N		SA	A	U	D	SD
1.	The pension scheme is clear and comprehensive.					

2.	The old pension scheme is too complex.					
3.	The non-contributory pension scheme in the public services is effective and adequate.					
4.	The old pension scheme was adequately funded in the public service.					
5.	The manner of paying the old pension to aged retiree is bad.					
6.	There is poor saving culture and non-preservation of benefits in the old scheme.					
7.	The defects of the old scheme bring about the new scheme.					
8.	The new pension Act is a development of the old pension scheme.					
9.	Both schemes clarify the retirement age and payment of benefit service.					
10.	The new pension scheme is more preferable than the old scheme.					
11.	Both schemes guarantee a secured old age.					
12.	The new scheme increase employees' productivity.					

13.	The new pension scheme allows for transfer of employment without changing the retirement saving account.					
14.	Employees benefit more in the new scheme than the old scheme.					
15.	The new pension scheme will improve the status of the pensioners.					
16.	Your contribution is 7.5% of your monthly emolument.					
17.	You reached the statutory retirement age before retiring.					
18.	Your retirement was sudden.					
19.	You have been collecting your pension regularly.					
20.	You encountered the problem of complex documentation while processing your retirement benefit.					
21.	Irregularity of pension payment made you take a contract appointment after retirement.					
22.	The meagre amount of pension made you take up contract appointment after retirement.					
23.	Lack of pre-retirement plan to be self employed made you take contract appointment after retirement.					

24.	The new scheme needs certain adjustment.					
25.	Your hope about the future i.e. after retirement is high.					
26.	The statutory retirement age should be adjusted.					
27.	You are qualified for the new pension scheme.					
28.	Pension should be paid a year after retirement.					
29.	The arrival of the new pension institution e.g. Trust Fund, Leadway, IBTC etc has made the new scheme more effective.					
30.	The new pension scheme has helped employees in terms of information and orientation about their retirement age.					