



COOPERATIVES AS DEPENDABLE PARTNERS IN RETIREMENT PLANNING

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ABSTRACT

The paper studied cooperatives as dependable partner in retirement planning with the objective of sourcing new avenues of providing for the retiree cooperator so as to live a meaningful and fulfilled life in old age. The author adopted the approach of updating available information in order to bridge the gap between what is available and what is missing. The findings are interesting and promises to impact positively on the retiree cooperator. Therefore, the paper concludes that cooperatives should be useful in helping cooperators obtain desired benefits, accomplishing life dreams or provide needed services in areas like: housing, utilities, finance, health care, child care, and small business in order to be a dependable partner in retirement planning and recommends that cooperative management should enlarge the scope of traditionally known methods of operation to include innovation and diversification within available resources new ventures that will ensure guaranteed productive life in retirement.

Keywords: cooperative, dependable, partner, retirement, planning

INTRODUCTION

When people are exploited and oppressed they co-operate with each other to escape from poverty, to overcome exploitation and oppression especially as the case with people wishing to improve working conditions and the quality of their lives. One viable way they get this done is by forming co-operatives (coops). A Co-operative therefore, is an autonomous association of people, usually of limited means, who join together on a voluntary basis to achieve a common objective. This objective may be to achieve various needs of cooperators e.g market products, to purchase supplies or to provide services such as housing, credit, irrigation and domestic water. To achieve this objective the people form a business organisation, which is democratically controlled through which they pool their skills and resources for the common good of members (Casey, 2013).

On the other hand, the common use of the term pension is to describe the payments a person receives upon retirement, usually under pre-determined legal or contractual terms. A recipient of a retirement pension is known as a pensioner or retiree. Historical development of pension scheme in Nigeria dates back to the colonial era. Nigeria being a former colony of Britain, as it has been argued, received a pension tradition into her public sector that is entirely modelled after the British structure. The Country's pension scheme had started in 1951 when the colonial British administration established a scheme through an instrument called Pension Ordinance. It, however, had a retroactive effective from 1946 and applied only to United Kingdom officials posted to Nigeria (Abade, 2004).

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 Report, 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.

ISSUES IN RETIREMENT PLANNING

In Nigeria the fear of retirement is perhaps the beginning of wisdom. Ideally, life after retirement is what many people should look forward to but to many Nigerians, it is a nightmare and the most dreaded period of their lives. To some it is an opportunity to rest and to explore other endeavours - both formal and informal. But to some others, the provoking thought of facing the future creates an ambience of apprehension among the aged

Retirement Planning as an exercise the world over is fraught with many challenges. For Nigerian workers who are especially challenged by low levels of income and savings as well as huge family and social responsibilities, retirement planning can be more complicated. Some of the social issues that affect effective retirement planning in Nigeria include: the size of families, polygamy, the additional responsibilities of an extended family, and inadequate access to medical facilities. In addition, the Nigeria nation does not have an operable social security system that takes care of the aged, the young unemployed, and most disturbingly, the disabled. What this mean is that all these categories of people constitute an additional responsibility on the worker and the worker's resources.

While the average life expectancy of Nigerians hover around the early 50s, a lot of Nigerians live up to their 80s and 90s or even more. With many more people living up to those ages, and the growing sophistication amongst our young adults, provisions have to be made in our social system for caring for the aged. Where such systems are not in place, workers and individuals have to plan ahead for their old age.

Planning is especially important in the area of housing. Nigeria still does not have a functioning mortgage system, and acquisition of real estate is still mainly on a cash and carry basis. In major cities like Abuja and Lagos, as well as in cities throughout the country, properties are very expensive and beyond the reach of the average worker. Only recently, the Federal Government as part of its monetization policy for its employees has begun the process of selling its houses to them on an owner-occupier basis. It is envisaged that a mortgage backed security will be created to finance these acquisitions, and this would herald the development of a mortgage system in the country.

Another industry that needs urgent development to support retirement planning in Nigeria is the insurance industry. A vibrant insurance industry that provides adequate cover for personal accidents, life assurance, and other occupational and social risks will encourage investments and capital accumulation in society, and support healthcare and real estate development.

Under the new contributory pension scheme, retirement planning also takes a new and more promising dimension. Firstly, the new scheme is compulsory for Nigerian workers in the private and federal public sector, and is being embraced by many State Governments already, ensuring that workers receive their benefits as and when due, and establishing a uniform administration and regulation of retirement benefits in Nigeria. Due to its funded contributory nature, and the fact that it is privately managed and well regulated, it is a marked departure from previous schemes in the private and public sector. The individualism that anchors the scheme, as well as the portability of the individual Retirement Savings Account ("RSA"), is intended to give both social and economic benefits to the worker and society at large.

CATEGORIES OF CO-OPERATIVES

Different needs create different Co-ops. What distinguishes one co-op from another is the kind of problem it aims to overcome, who owns the co-op and who decides its policies, who manages and directs its operations, and last but not the least who benefits and how. In such matters there are differences between one co-op and another. Important and often conflicting considerations are whether a surplus should be paid out to members or whether it should be re-invested in the co-op for growth and a more secure future (Manfred, 2010).

Consider people in need, in poverty, hungry, earning only enough to exist, to keep alive, unable to afford medical help, adequate housing, in severe hardship when ill or old. Exploited by being paid too little and by having to pay too much for what has to be bought. The greater a person's need, the easier it is to exploit him, and to force him to work for less. When all traders' goods include extortionate markups (profit margins), one either pays or starves. So it was 150 years ago when co-ops became popular. And so it is today as unemployment bites, the poor get poorer and the rich get richer, with massive deprivation and suffering all over the planet.

First came self-help groups, mutual societies, aiming to ease deprivation and suffering and to enable people to insure against illness and the effects of old age. Next were co-operative societies, building societies, to help with housing, and co-operative savings and lending societies such as credit unions, to overcome exploitation through extortionate interest rates demanded from those in need by money lenders and loan sharks (Anthony and Bubble, 1997).

In addition there are consumer co-ops aiming to reduce the cost of purchases such as food and household goods by cutting out middlemen; and producer (worker) co-ops which belong to those who work in them. Here worker-owners benefit both as workers and as owners from the added value, from the surplus, they create.

So there are different co-ops to satisfy different needs: Mutual Societies, Building Societies, Credit Unions, Consumer Co-ops, Producer (worker) Co-ops. Other cooperatives may include the following: Agriculture, Community, Consumer, Culture, Development, Federation, Fishermen, Housing, Industry, Irrigation & Water, Religion, Transport, Thrift, etc.

PURPOSE OF CO-OPERATIVES AS OPPOSED TO COMPANIES

Different forms of co-operatives tackle different kinds of problems but what they have in common is that they serve their members and the community, aiming to improve the quality of life for their members. On the other hand companies (corporations) are controlled by directors on behalf of owners whose main objective is to maximise profits. Profits increase when labour costs (wages, salaries, pension and social security payments) are reduced and also when operating costs are passed on to the community/consumer. So profits can be increased by reducing pay, by reducing the quality of life of the workforce, and at the expense of the community. Profits are generated by the joint efforts of capital and labour. But directors acting for owners aim to maximise profits. This compels labour struggles to achieve some kind of reasonable existence.

Cooperative enterprises, however, are owned by their members and such conflicts are either much reduced or disappear. Producer co-operatives of all kinds enable producers (workers) to control their working conditions. So it is not surprising that cooperative enterprises are opposed by those who prefer to exploit their workforce and who dislike cooperative principles of service to members and community. Coops are opposed by those whose power and riches depend on underpaying and exploiting employees and on overcharging customers. Cooperative enterprises can be more effective and successful than companies (or corporations). Those who oppose co-ops are generally well aware of this.

In the U.K., for example, co-operatives have an annual turnover of GBP 13 billion and employ 120,000 people in production and retailing. Co-operative enterprises also cover housing, banking, insurance, and more. Another example is the well-known Spanish Mondragon group of co-operatives 'Mondragon Corporacion Cooperativa' with profits of GBP 17.8 mill (Manfred, 2010).

Why Cooperators Need a Retirement Savings Financial Plan

Many people think that as long as they are regularly contributing to retirement at the work place, they do not need to worry about future financial planning. While saving for retirement is essential, it is not enough to be truly successful financially. Simply saving for retirement does not help the cooperator to purchase a home or reach other goals that may be related to his/her finances. A good financial plan will help the retiree reach each of his or her financial goals and milestones and making it easier to achieve the ultimate goal of retiring comfortably.

A financial plan makes it easier to map out goals, and then set the steps needed to get there. If the cooperator wants to buy a home, purchase a car or start own business, then he or she should include these on a financial plan. The plan will stop him/her from floundering around with no real financial purpose, and can help prevent him/her from squandering all of his/her earnings without anything to show in return for them. Although, the cooperator may not be ready to do these things now, there is need to begin preparing now, so as to be ready when the time comes (Akem, 2009)

Financial plans should include both short-term and long-term components. Short-term components may be things like getting out of debt, and increasing the amount saved. Long-term components include things like purchasing a home, starting business, and paying for children's education.

It can be difficult to think about things like purchasing a home, or paying for child's education when the cooperator first graduate from college, especially if he/she is still single, and is not sure of going to have children. Creating a solid financial plan now will make it easier to add in those components when he or she reach that point in life. It can be frustrating to realize he or she want those things later, but not in a position to do them financially because of the wrong decisions made when younger. If the cooperator decides not to pursue those options, he or she will still be in a better position financially in a few years.

A good financial plan will look at the entire life of the cooperator. It will help him reach each of the milestones chosen to pursue in life. Home ownership is something that most people eventually plan for at some point. If the cooperator is not at the point in his or her career or life where he or she is ready to make the purchase he or she can put money aside for a down payment so as to prepare ahead of time. The steps to an effective financial plan are not difficult to lay out, but it will take time to reach each goal set.

Five Steps to an Effective Financial Plan

It is important to set and reach financial goals. A long-term financial plan will help the retiree to reach long-term goals and give a focus for short-term goals (Griffiths, 2003). This plan will vary from individual to individual and a financial advisor can help to solidify the plan, especially when cooperators are ready to start investing. Once a retirement plan is successfully in place, the cooperator may want to consider giving back through donations or volunteering. The financial plan will help to make the best financial choices, so the potential retiree can set up to win financially.

Successful budgeting

In order to truly manage cooperators and their money they should have a working budget for each month. A budget allows the cooperator to give each naira he or she makes a purpose; It puts him or her in control of his or her money; It lets the cooperator track his or her spending and helps to measure whether or not they are meeting their financial goals. Although a budget may seem like a lot of work or too basic when the investor thinks about creating a long term financial plan, it is the key to real, lasting financial success.

Eliminating Debt

The second step is to get out of debt. This is important because it does not make sense to save or invest money when the investors are paying a higher interest rate on the money that they owe to others. Getting out of debt takes discipline, but it is possible. If the investors have a lot of debt they will need to drastically cut spending and increase their earnings in order to pay the debt off more quickly. The cooperators should include all of their debts in this except for the first mortgage on a home.

Build an Emergency Fund

Once cooperators are out of debt they should build an emergency fund of six months of expenses that they leave in the bank. This cushion will allow them to leave their investments alone in case they fall on hard times. It should only be used for real emergencies such as a job loss, and it is set up to protect their investments and retirement savings. If the cooperator dips into his or her emergency fund they should focus on bringing it back up to the full amount as quickly as possible.

Save for Retirement

After you have done that you should work towards building your retirement and investing savings. Many financial advisors, such as Pastor Owena Eta, recommend putting at least fifteen percent of your gross income into retirement each year. However if you have specific retirement goals you may need to

increase this amount. You should talk to a financial planner who can help you determine the amount you need to be able to retire comfortably.

Invest and Diversify

Once the cooperator match out his or her eligibility on their retirement accounts, they can use other tools such as mutual funds, annuities, bonds, shares, real estate, etc. to increase their investment portfolio. It is important for them to diversify their types of investments. If they are consistent and careful with their investments they will reach a point when their investments generate more income than they do. This is a good thing that they should have in place by the time they retire.

PENSION

A **pension** is a contract for a fixed sum to be paid regularly to a person, typically following retirement from service. There are many different types of pensions but the two basic types are:

(1) Deferred compensation plan in which an employer pays a fixed monthly pension depending on the employee's retirement age, length of service, and last salary received. It may also be paid to a deceased employee's surviving spouse.

(2) Defined contribution plan in which the employee contributes a percentage of salary every month and the employer matches it. Upon retirement the employee receives the combined sum which also called "pension scheme."

Pensions should not be confused with severance pay; the former is paid in regular installments, while the latter is paid in one lump sum. The terms retirement plan and superannuation refer to a pension granted upon retirement of the individual. Retirement plans may be set up by employers, insurance companies, the government or other institutions such as employer associations or trade unions and cooperative societies. Retirement pensions are called retirement plans in Nigeria and the United States, they are commonly known as pension schemes in the United Kingdom and Ireland and superannuation plans (or super) in Australia and New Zealand. Retirement pensions are typically in the form of a guaranteed life annuity, thus insuring against the risk of longevity.

A pension created by an employer for the benefit of an employee is commonly referred to as an occupational or employer pension. Labour unions, the government, or other organizations like cooperatives should also fund pensions. Occupational pensions are a form of deferred compensation, usually advantageous to employee and employer for tax reasons. Many pensions also contain an additional insurance aspect, since they often will pay benefits to survivors or disabled beneficiaries. Other vehicles (certain lottery payouts, for example, or an annuity) may provide a similar stream of payments.

Annuity- An annuity is an insurance product that pays out income, and can be used as part of a retirement strategy. Annuities are a popular choice for investors who want to receive a steady income stream in retirement.

Here's how an annuity works: the investor can make an investment in the annuity, and it then makes payments on a future date or series of dates. The income received from an annuity can be doled out monthly, quarterly, annually or even in a lump sum payment.

The size of investor's payments is determined by a variety of factors, including the length of your payment period.

The cooperator can opt to receive payments for the rest of his or her life, or for a set number of years. How much he or she receives depend on whether he or she opt for a guaranteed payout (fixed annuity) or a payout stream determined by the performance of the annuity's underlying investments (variable annuity).

While annuities can be useful retirement planning tools, they can also be a lousy investment choice for certain people because of their notoriously high expenses. Financial planners and insurance salesmen will frequently try to steer seniors or other people in various stages toward retirement into annuities. Anyone who considers an annuity should research it thoroughly first, before deciding whether it's an appropriate investment for someone in their situation. (Casey, 2013)

Types of pensions

Employment-based pensions (retirement plans)

A retirement plan (Admad, 2006) is an arrangement to provide people with an income during retirement when they are no longer earning a steady income from employment. Often retirement plans require both the employer and employee to contribute money to a fund during their employment in order to receive defined benefits upon retirement. It is a tax deferred savings vehicle that allows for the tax-free accumulation of a fund for later use as a retirement income. Funding can be provided in other ways, such as from labor unions, government agencies, or self-funded schemes (applicable to cooperatives). Pension plans are therefore a form of "deferred compensation".

Social and state pensions

Many countries have created funds for their citizens and residents to provide income when they retire (or in some cases become disabled). Typically this requires payments throughout the citizen's working life in order to qualify for benefits later on. A basic state pension is a "contribution based" benefit, and depends on an individual's contribution history. Many countries have also put in place a "social pension". These are regular, tax-funded non-contributory cash transfers paid to older people. Over 80 countries have social pensions. Examples are the "older person's grant" in South Africa and the Universal Superannuation scheme in New Zealand.

Disability pensions

Some pension plans will provide for members in the event they suffer disability. This may take the form of early entry into pension retirement plan for a disabled member below the normal retirement age.

CURRENT CHALLENGES IN MANAGEMENT OF PENSIONS

Fraud can be defined as deception deliberately practiced in order to secure unfair or unlawful gain (Takor, 2012). There are four categories of public pension fraud according to the classification from the United States which include: submission of falsified records, submission of falsified affidavits, disability retirees working in excess of the limitations in the private sector, retirees working in excess of the limitations in the public sector. The above classification is focused on the retiree but in Nigeria there are two more categories: delay in the payment of pension and gratuity by the Federal and State governments and mindless corrupt practices and mismanagement of pension funds by unscrupulous pension administrators. Nations worldwide, provide retirement benefits (i.e. gratuities and pensions) for their retirees. Nigeria operated defined benefits scheme between January 1946 and June 2004. Within this period, there were numerous corruptible practices in payment of gratuities and pensions such as falsification of age, delays in payment, long distant travels to receive payments, ghost workers, embezzlement of funds, mismanagement and diversion of funds (The Post Express June, 2000). These exploitation evils were purely administrative. The pensioners had to cry out aloud in streets and mass media for a positive change (Obi, 2002). Thereafter, the Pension Reform Act 2004 was enacted on 25th June, 2004 and became effective on 1st July, 2004 to redress corruptible practices in the scheme. The Pension Reform Act 2004 established a defined contributory scheme as against the defined benefit scheme it succeeded.

Major problem of the pension fund administration in Nigeria was the non-payment or delay in the payment of pension and gratuity by the Federal and State governments. For instance, the pension backlog was put at about N2.56 trillion as at December, 2005. In-fact, pension fund administration became a thorny issue with millions of retired Nigerian workers living in abject poverty and they were often neglected and not properly catered for after retirement (Orifowomo, 2006). Sadly enough, retirees went through tough times and rigorous processes before they were eventually paid their pensions, gratuity and other retirement benefits. Sometimes the money to pay their benefits is not available; and at another time, the Pension Fund Administrators were not there to meet the retirees' needs.

A 'well of fraudulent and very inconsiderate persons' may be an apt label to capture the dark turf of pension administration in Nigeria. Behind the dark angles however, are the concerted efforts by the task team to at least alert Nigerians and government alike that the pension house stinks and needs an urgent surgical operation if the government is to be taken seriously in their effort to ensure that senior citizens enjoy their past labour (Takor, 2012). In recent month's reports of pension scam carried banner headlines

in the country's news Media, both print and electronics resulting to probes on pension administration by special committees of both the Senate and House of Representatives. The EFCC was not left out. Some of the well-published scams are those of the Office of Head of Service of the Federation, Police pension, Nigeria Railway Corporation and Power Holding Company of Nigeria.

The Pension Department of the Office of the Head of the Civil Service of the Federation fraud was so mind bugging that according to the Pension Task Force under leadership of Alhaji Abdurashied Maina the sum N12 billion was found in the personal account of a former director of the Pension Department and another N4 billion was allegedly found in the personal account of a deputy director of the same department (The Post Express June, 2013).

A total sum of over one billion naira has been discovered missing from the Nigerian Railway Corporation Pension Fund over a period of three years," the news agency quoted a source in the corporation. An internal inquiry has revealed massive abuse of pension funds Eleven senior staff of the Nigerian Railway Corporation, NRC, have been indicted over a missing N1 billion pension funds, the News Agency of Nigeria has reported. The affected staff were in the finance, legal and audit departments of the corporation.

In respect of the Police pension scam, six civil servants have been charged to court following their alleged complicity in the illegal diversion of N32.8 billion from the Nigerian Police pension fund between January 2009 and June 2011. The Task Force under the leadership of Maina claimed to have recovered over N159 billion in properties and cash from pension fraudsters. (The Post Express June, 2013).

Also the report of the investigation into the alleged mismanagement of pension fund by a Senate Committee revealed that from 2005 to 2011 government officials in charge of pension funds in the country stole N237.9 billion pension funds, through a syndicated and institutionalised corruption, fraud and embezzlement in the management of pension funds in the country.

The most recent is the controversy surrounding Power Holding Company of Nigeria (PHCN) staff pension fund. It is yet to be made public if indeed there has been embezzlement of PHCN pension fund and the amount involved. However, what is now public is the allegation that a PHCN pension fund (2,204,814.18 pound sterling) had been uncovered in a United Kingdom bank. It is believed that the money is PHCN pension which had been lodged in the UK bank account for close to 21years, meant for payment of pension of expatriate workers of the defunct utility board, the company which metamorphosed to PHCN. It has also been revealed that the last expatriate pensioner of the utility board is late. (The Post Express June, 2013).

Given the scale of the crisis and confusion surrounding the federal and police pension schemes, it should surprise no one that the schemes have been wrapped in indecipherable riddles to the point of becoming a nightmare for the government and pensioners. The scheme has been reformed for the private sector, but not many people are comfortable with anything that has to do with pension administration. They wait with bated breath for the other shoe to drop. The National Assembly probes into pension administration, and the mind-boggling revelation of the magnitude of fraud that has surrounded the scheme, have combined to make Nigerians deeply cynical about both the competence of government to run anything and its ballyhooed effort to fight corruption (Orifowomo, 2006; Ezeala, 2007, Abade, 2004). There is a common saying, "to be fore warned is to be fore armed." Understanding of the facts above requires that coops should as a matter of urgency strategise and position for a more guaranteed vibrant pension model.

COOPERATIVE AS A DEPENDABLE PARTNER

The objective of pension reforms (Adams, 2005) in Nigeria is to:

1. Ensure every person who has worked receives retirement benefit (to reduce old age poverty)
2. Assist improvident individuals to save towards old age (saving grows economy and deepens financial markets) and
3. Establish a uniform set of rules, regulation and standards for administration and payments of pension.

This paper's interest focuses on one and two above. The study is of the view that coops operations should be broadened to include farm and nonfarm cooperative applications. The cooperative business structure,

already favours agriculture and lending, but coops should be useful in helping cooperators obtain desired benefits, accomplishing life dreams or provide needed services in areas like: housing, utilities, finance, health care, child care, and small business in order to be a dependable partner in retirement planning.

Pension/Retirement planning

Retirement plans may be classified as defined benefit or defined contribution according to how the benefits are determined. A defined benefit plan guarantees a certain payout at retirement, according to a fixed formula which usually depends on the member's salary and the number of years' membership in the plan. A defined contribution plan will provide a payout at retirement that is dependent upon the amount of money contributed and the performance of the investment vehicles utilized.

Some types of retirement plans, such as cash balance plans, combine features of both defined benefit and defined contribution plans. They are often referred to as hybrid plans. Such plan designs have become increasingly popular in the US since the 1990s. Examples include Cash Balance and Pension Equity plans (Dalang, 2006)

Definition of 'Pension Plan'

A type of retirement plan, usually tax exempt, wherein an employer makes contributions toward a pool of funds set aside for an employee's future benefit. The pool of funds is then invested on the employee's behalf, allowing the employee to receive benefits upon retirement.

Defined benefit plans

A traditional defined benefit (DB) plan is a plan in which the benefit on retirement is determined by a set formula, rather than depending on investment returns. A defined benefit plan is considered to be any pension plan that is not a defined contribution plan whereas a defined contribution plan is any plan with individual accounts. A traditional pension plan that defines a benefit for an employee upon that employee's retirement is a defined benefit plan. (Adeleye, 1999)

Traditionally, retirement plans have been administered by institutions which exist specifically for that purpose, by large businesses, or, for government workers, by the government itself. A traditional form of defined benefit plan is the final salary plan, under which the pension paid is equal to the number of years worked, multiplied by the member's salary at retirement, multiplied by a factor known as the accrual rate. The final accrued amount is available as a monthly pension or a lump sum, but usually monthly.

The benefit in a defined benefit pension plan is determined by a formula that can incorporate the employee's pay, years of employment, age at retirement, and other factors. A simple example is a Naira Times Service plan design that provides a certain amount per month based on the time an employee works for a company. For example, a plan offering N100 a month per year of service would provide N3,000 per month to a retiree with 30 years of service. While this type of plan is popular among unionized workers, the Final Average Pay (FAP) remains the most common type of defined benefit plan offered in the United States. In FAP plans, the average salary over the final years of an employee's career determines the benefit amount.

Averaging salary over a number of years means that the calculation is averaging different Naira. For example, if salary is averaged over five years, and retirement is in 2009, then salary in 2004 naira is averaged with salary in 2005 naira, etc., with 2004 naira being worth more than the naira of succeeding years. The pension is then paid in first year of retirement naira, in this example 2009 naira, with the lowest value of any naira in the calculation. Thus inflation in the salary averaging years has a considerable impact on purchasing power and cost, both being reduced equally by inflation. This effect of inflation can be eliminated by converting salaries in the averaging years to first year of retirement naira, and then averaging.

Operationalization

1. Role of management committee

The successful operation of this model requires the setting up of management committee with the right acumen (having and putting to practice for instance, Henri Fayol's six primary functions of management, which go hand in hand with the Principles, are as follows: Forecasting, Planning, Organizing, Commanding, Coordinating, and Controlling).

Besides, the society must have what it takes to effectively function:

- Organizational structure (management system)
- Human resources (personnel and management)
- Technology (product, portfolio and process)
- Reputation (image, trust, goodwill)
- Finance (size and type of capital)
- Relationship (linkages- internal and external, authorities)
- Physical (office location, access to resources, transportation)

2. Funding

Defined benefit plans may be either funded or unfunded.

Unfunded: In an unfunded defined benefit pension, no assets are set aside and the benefits are paid for by the employer or other pension sponsor as and when they are paid. Pension arrangements provided by the state in most countries in the world are unfunded, with benefits paid directly from current workers' contributions and taxes. This method of financing is known as Pay-as-you-go (PAYGO or PAYG). The social security systems of many European countries are unfunded, having benefits paid directly out of current taxes and social security contributions, although several countries have hybrid systems which are partially funded. Spain set up the Social Security Reserve Fund and France set up the Pensions Reserve Fund; in Canada the wage-based retirement plan (CPP) is funded, with assets managed by the CPP Investment Board while the U.S. Social Security system is funded by investment in special U.S. Treasury Bonds.

Funded: In a funded plan like the Nigeria example, which is also recommended for cooperatives, contributions from the employer and from plan members are invested in a fund towards meeting the benefits. The future returns on the investments, and the future benefits to be paid, are not known in advance, so there is no guarantee that a given level of contributions will be enough to meet the benefits. Typically, the contributions to be paid are regularly reviewed in a valuation of the plan's assets and liabilities, carried out by an actuary to ensure that the pension fund will meet future payment obligations. This means that in a defined benefit pension, investment risk and investment rewards are typically assumed by the sponsor/employer or society and not by the individual. If a plan is not well-funded, the plan sponsor may not have the financial resources to continue funding the plan.

In Nigeria we do not have concrete evidence but promises (which may be empty) from pension administrators. The pensioner's future looks blink and the risk unfortunately high demanding a search for a more dependable partner to provide a guarantee future in retirement life (Adegboye, 2004)

Portfolio management

Products may include all that are listed under types of cooperatives including but not limited to:

Housing (through mortgage company)

Utilities (through finance institutions)

Health care (through NHIS)

Child care (through educational institution provider)

Small business (through finance institutions-micro-finance bank)

It is the responsibility of society's management committee to source for finance institution, get the value of the package, discuss with cooperator and agree and implement. The financial obligations are met from the contributions of the cooperator. So the more product demanded the more contribution expected from the cooperator. When the cooperator is retired, contribution is deducted at source from the amount paid periodically to the cooperator.

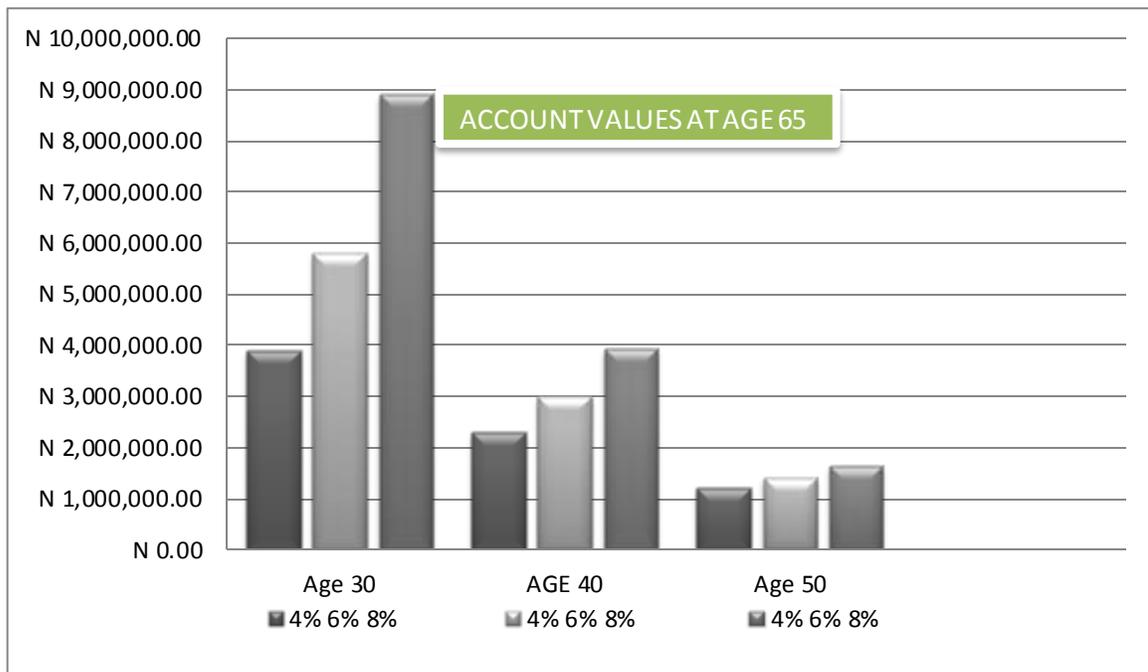
3. The Savings Power of an IRA

One common question that people ask is just how much should be putting towards retirement each paycheck. An easy answer is to put a certain percentage away each month. If this is your method, then you simply need to put away a predetermined amount each month. Most experts agree that you should be working towards putting fifteen percent of your gross earnings into retirement each month. However, if you aren't saving anything you can start by contributing up to your employer's match and then work your way up. Another easy way is to start by putting your raises into your retirement fund.

An alternative option is to calculate how much will be needed once the individual retires. You should take into account how much you plan on traveling and the increased cost of living. Then, you need to determine how much you need to save each month to reach that goal. You can talk to a financial planner to determine how to invest this money. When you are in your twenties you should be more focused on contributing as much as you can, the early investment will pay off in the long run. This is even more important, since the social security system will likely be adjusted by the time you reach retirement age (Balogun, 2006).

In individual retirement account (IRA) using time and the power of compounding, you can significantly grow your retirement savings whether you start early in life, or even as you near retirement.

Figure 1. Individual Retirement Account Chart



Source: The Kiplinger Washington Editors, 2012.

This chart assumes each age group is making their maximum eligible contribution to an IRA account at the beginning of each annual period. N50,000 is contributed annually until reaching age 50, then N60,000 is contributed thereafter until age 65.

RISK FACTORS

The state of pension and retirement benefits in the country today is plagued with multiple problems. The hope of the pensioner securing the future seems to appear like a mirage. This is so because some workers do not know the office address of their pension providers. Some others have been making payments for years without proper accountability on the part of government. There are more questions begging for answers, for instance, in the present arrangement how much is the pensioner pay worth? Therefore, in view of the worrisome situation, there is the need to draw cautions, “a stitch in time they say, saves nine.” Though every business investment has risk factors, the followings are some things Pension Plans will not tell cooperators. So, management committees must be on the watch out:

Replacement of contribution plans: Nowadays, workers frequently switch jobs and companies are struggling to cut costs, and the generous defined-benefit plan, or classic pension, is increasingly being replaced by defined-contribution plans which employees pay into.

Changes in the Terms of the Pension Plans: Even solid companies may legally change the terms of their pension plans so that retirees get less than originally agreed to -- and they aren't always straightforward about it. In 2001, after Cigna converted its defined-benefit plan (specifying a monthly payment in retirement) into a cash-balance plan (which uses a less reliable benefits-accrual formula), 25,000 employees sued the company over the change, claiming it offered less generous benefits but that "misleading" plan summaries made the terms sound better than they actually were. The case reached the Supreme Court.

Companies may gamble with the money: If you think companies always play it safe when investing pension plan assets, you're wrong. For example, according to the Government Accountability Office, more than half of pension plans today invest to some extent in hedge funds (A **hedge fund** is a pooled (though unprotected) investment vehicle administered by a professional management firm, and often structured as a limited partnership, limited liability company, or similar vehicle); in fact, a survey of the largest pension plans found they invested 55 percent more assets in hedge funds in 2010 than they did in 2009. Why take the risk? Since pension plan assets decreased by 23 percent in 2008.

Taxpayers may have to Pick up the Bills: Pension plans rarely hold enough to cover the benefits of all participants. But while private-sector companies must keep plans above certain funding levels, public-employee plans have no such rules. A Pew Center on the States study found the gap between what states owe in retirement benefits and what they have in their coffers stretched to \$1.26 trillion in 2009 -- a 26 percent widening since 2008. "If they continue on that path long enough, the funds could eventually run out of money," and taxpayers may have to pick up the tab. In fact, a study by the Institute for Truth in Accounting found that Rhode Island taxpayers would each owe \$12,000 toward covering the state's pension debt.

Companies may toy with taxpayer's money. A decade ago, many politicians, riding a soaring market, promised pension "sweeteners" that states couldn't afford -- which experts now say will lead to higher taxes. "It's just a promise that goes on the books, and you get to send the bill to taxpayers 10 or 20 years in the future," To make ends meet, many states are turning pension obligations into bonds and selling them. "It's like balancing your home budget by not paying your mortgage,"

The Demand to pay more: One possible solution to funding pension plans is to have employees pay more. Retirees and union officials have railed against the hikes, saying workers shouldn't have to take a pay cut to get what they're owed. "Basically what you're doing is taking away people's pensions in violation of their contracts,"

Cooperators May be Made to pay for company's mistakes: In 2007, six years after her husband died, Ruby Card was expecting her regular pension check of about \$1,400 for her husband's longtime service as a postal worker. Instead, the U.S. Office of Personnel Management told the Bowdoin, Maine, resident there had been a mistake: She had been overpaid by a total of more than \$20,000. The agency said it would reduce her check by 24 percent and withhold an extra \$400 a month for almost five years. "It was totally devastating,"

Unclaimed Retirement Benefits: Many firms have no means of finding former employees who never claimed their pension. Instead, the funds might get rolled into "missing-participant IRAs," provided by the likes of Fidelity and PenChecks' National Registry of Unclaimed Retirement Benefits, which holds some \$200 million in unclaimed pensions.

As companies merge or fold, documents can get lost: If you're trying to claim benefits from an old pension, you know it can be hard. As companies merge or fold, documents can get lost, or may be the old HR department doesn't exist anymore. It can be "a total meltdown of information," If claims are repeatedly denied, participants can sue, but lawyers' fees are often prohibitively expensive.

The Retiree Collects Pension then, Get Rehired: Some states, allow public employees to retire and collect a pension then, get rehired -- so they receive a salary and a pension at the same time. Defenders of the practice claim it's necessary for workers in jobs where there's a "critical labor shortage." But critics contend it drains states' already low pension pools.

CONCLUSION AND IMPLICATIONS

The study has achieved the main objective, for cooperative as an entity to partner with the cooperator in order to prepare adequately for retirement, to reduce old age poverty and assist improvident individuals to save towards old age.

It is very possible from the result of this study for cooperatives to be useful in helping cooperators obtain desired benefits, accomplishing life dreams or provide needed services in areas like: housing, utilities, finance, health care, child care, and small business in order to be a dependable partner in retirement planning.

If done properly, cooperative partnership at normal retirement age (the age the cooperator can retire without his/her benefits being reduced) 60 - 65 retiree cooperator:

- will receive a pension from the cooperative each year until death;
- pension is given an inflationary increase each year;
- can take part of his/her benefits as a tax-free lump sum; and
- partner (spouse) may be eligible for a pension if cooperator dies.

SUGGESTIONS AND RECOMMENDATIONS

The following suggestions and recommendations among others may be needed to facilitate greater performance of cooperative societies especially as it relates to retirement planning for cooperators:

- Cooperative management should enlarge the scope of traditionally known methods of operation to include innovation and diversification within available resources new ventures that will ensure guaranteed productive life in retirement.
- There is need for coops to determine their strength and weaknesses in order to strategise by way of synergy or merger or build linkages with larger coops or small coops should network in order to create the required strength necessary to function in the new dispensation.
- Cooperatives should adopt government model of management where politicians in public office formulate policies for directors and permanent secretaries to implement. In this case where necessary, cooperative management committees should formulate the policies and engage (employ) business experts (professionals) to implement them.
- Based on the opinions expressed in this paper, government should review available cooperative laws so as to accommodate new ventures that will guarantee meaningful life for retiree cooperators.
- Government should evolve laws that will encourage increase funding of cooperatives so as to position them for the greater task of planning retirement funding challenges.

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