International Journal of Innovative Development and Policy Studies 6(2):117-126, April-June, 2018

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Assessment of Staff Experiences Regarding the Administration of New Pension System Among State Owned Tertiary Institutions in South Western Nigeria

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ABSTRACT
The new contributory pension scheme was introduced through the Pension Reform Act 2004 and was repealed in 2014 to reflect and accommodate the exigencies of grail areas that were not in the previous Act. However, the level of satisfaction of the staff to this policy has remained vague and attracted attention of researchers. Hence, this study assessed the staff experiences regarding the pension policy administration among state owned tertiary institutions in Southwest, Nigeria. Both primary and secondary data were utilized for the study. Primary date was collected through the administration of questionnaires to purposively selected active staff totaling 644 of state owned tertiary institutions in both Lagos and Osun State of Nigeria. The data collected were analysed using descriptive method of analysis.
On the whole, it can be established that the experiences of the participants in pension scheme differs across the state and while the scheme appears promising and productive in some states, it is glooming and counter-productive in other state. In some states, the experience of the employees of tertiary institutions who are participating in this scheme is sweet, in other states, the opposite is the case, that is, each state has different story to tell about the performance of the new pension scheme. It is thus recommended that the regulator (National Pension Commission) should enforce the relevant sanctions of the Pension Reform Acts on defaulting employers to improve on the existing compliance.
Keywords: Pension, Policy Implementation, Welfare, Tertiary Institutions.

INTRODUCTION
The Federal Government of Nigeria in 2004, brought about a change in the management and administration of pension funds in Nigeria with the enactment of the Pension Reform Act 2004 by the Obasanjo administration. The Pension Reform Act 2004 introduced the new contributory pension scheme in the public and private sectors. The act further brought about the establishment of the National Pension Commission to regulate, supervise and ensure effective administration of pension matters in Nigeria. The commission will achieve this role by ensuring that payment and remittance of contributions are made and beneficiaries of retirement savings account are paid when due. Above all, the commission will ensure the safety of the pension funds by issuing guidelines for licensing, approving, regulating and monitoring the investment activities of Pension Fund Administrator and Custodians (Ahmad, 2006 and Pension Reform Act 2004). The Pension Reform Act 2004 was to reform the pension system that has already been riddled with decay, and which requires the determination of adequate contribution which when invested at the prevailing rate of return, will provide the desired benefit; an approach that will concentrate on decentralization and privatization of the entire process of making provision for retirement income, such that workers are increasingly allowed to have a say in how and who provides their retirement income.
In 2014, the operating Pension Reform Act 2004 was repealed to reflect and accommodates the exigencies of grail areas that were not in the previous Act. This action warrants the amendments to essential areas of the Pension Reform Act 2004 to ensure total compliance with the new pension Reform Act 2014 that was signed into law in July, 2014.
The new scheme maintains a method of providing retirement income whereby the pension is financed by prior savings secured through periodic contributions made jointly by both the worker and the employer. The approach takes a fore-view perspective, anticipates assets to defray the liability when it eventually

falls due. The new contributory pension scheme allows a civil servant in active service to make contributions while employers of labour are also to contribute, upon which a retired civil servant would have his contributions over the years in tact as his pension.

A number of extant researches have been carried out on pension policies in the developed with fewer ones relating to the developing countries with no exception to Nigeria. However, most of the researches pensions in Nigeria were in relation to the welfarism of the employees (Yusuff, 2014), the impact of the implementation of pension reform act 2004 on the pensioners' welfare: a study of Nnamdi Azikiwe University, Awka from 2004 – 2012 by Nwafor (2013), and many others. However, gap exists in the area of assessing the experience of the staff to the new pension policy among the state owned institutions in the South Western part of Nigeria, hence this study.

Literature Review: Conceptual Review

Concept of Pension

A pension is a contract for a fixed sum to be paid regularly to a pensioner, typically following retirement from service (Ayegba, James & Udoh, 2013). It is different from severance pay because the former is paid in regular instalments while the latter is paid in one lump sum. A pension plan created by an employer for the benefit of employees is commonly referred to as an occupational or employer pension. Labour unions, the government and other organizations also fund pensions. Occupational pensions are a form of deferred compensation, usually advantageous to employee and employer for tax reasons. Many pension plans also contain an additional insurance aspect, since they often will pay benefits to survivors or disabled beneficiaries.

The common use of the term pension is to describe the payments a person receives upon retirement, usually under pre-determined legal and/or contractual terms. According to Adams (2005) 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 equally seen as the monthly sum paid to a retired officer until death because the officer has worked with the organization paying the sum. Adebayo (2006) and Robelo (2002) asserted that pension is also the method whereby a person pays into pension scheme a proportion of his/her 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 time.

Odia and Okoye (2012) in their work Pension Reform in Nigeria, a Comparison Between the Old and the New Scheme viewed pension as an "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 for retirement". Haver and Siegal (as cited in Ozokwere, 2008) "viewed pension as a twentieth century phenomenon that has accompanied the process of industrialization in most developed societies characterized by declining industrial employment and increasing white collar service sectors". Thus, pension is the accrued right of the employee on retiring from the services of his employer and satisfying the conditions for payment of the said pension.

Types of Pension

Different scholars and different nations have come up with various types of social security systems with pension not exclusive. Therefore, pension as a system of social security has been divided into different types and by different scholars and governments. There are four main classifications of pension in Nigeria Uwgu (as cited in Ayegba, et al, 2013, p. 99). This are; Retiring Pension; Compensatory Pension; Superannuating Pension; and Compassionate Pension Retiring Pension: is usually given to a worker who reaches the requirement of retirement that is after reaching a period of quality service usually 35 years or by attaining 60 years mostly for public service in Nigeria. Compensatory Pension: is provided to worker whose permanent working post is nullified and failure of government to provide him with desirable employment. Superannuating pension: This is provided to an employee that retires at a stipulated age limit stated in the conditions of service. Compassionate Allowance: "This happens when pension is not admissible or allow on account of a public servants removal from service for misconduct, insolvency or incompetence or inefficiency" Amujiri (as cited in Ayegba, James and Odoh, 2013, p. 99).

Ugwu (2006) stated that there are four main classifications of pensions in Nigeria. These are:

a) **Retiring Pension:** This type of pension is usually granted to a worker who is permitted to retire after completing a fixed period of quality service usually 30 to 35 years or on attaining the age of 60 to 65 years for the public service in Nigeria and 70 years of age for professors and judges.

b) **Compensatory Pension:** This type of pension is granted to a worker whose permanent post is abolished and government is unable to provide him with suitable alternative employment.
c) **Superannuating Pension:** This type of pension plan is given to a worker who retires at the prescribed age limit as stated in the condition of service.
d) **Compassionate Allowance:** This happens when pension is not admissible or allowed on account of a public servants removal from service for misconduct, insolvency or incompetence or inefficiency (Amujiri, 2009:140).

According to Ugwoke and Onyeanu (2013), Pension System can be broadly categorised by the benefits they promise and the way they finance that promise. The choice is often between two types of pension plans: defined-benefit (DB) and Defined-Contribution (DC)

Overview of the 2004 Pension Reform Scheme in Nigeria

The inadequacy of the Defined Benefit Pension Scheme also referred to as the Pay-As-You-Go (PAYG) Pension Scheme made the Federal Government of Nigeria to embark on a Contributory Pension Reform Scheme through the 2004 Pension Reform Act that tends to unify the features of the public service with those of the private sector in terms of rate of contribution to benefits, key players and regulation. Before the 2004 Pension Reform Act was passed into law, the pension liability of the Federal Government of Nigeria was put at about three trillion naira (ARM, 2004). This value constituted a huge proportion of the average annual budget of Nigeria in recent times.

The 2004 Pension Reform Scheme in Nigeria which has replaced the Defined Benefit Pension Scheme is well encapsulated in the 2004 Pension Reform Act (FGN, 2004). The objectives of the 2004 Pension Reform Scheme include the following:

(a) to ensure that every person who worked in either the Public Service of the Federation, Federal Capital Territory or private sector receives his retirement benefits as and when due;
(b) to assist improvident individuals by ensuring that they save in order to cater for their livelihood during old age; and
(c) to establish a uniform set of rules, regulations and standards for the administration and payments of retirement benefits for the Public Service of the Federation, Federal Capital Territory and the private sector.

Empirical Review

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

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

Odia and Okoye (2012) compared the old pension scheme with the Pension Reform Act 2004. The study adopted comparative analysis method to compare and contrast the pre-2004 pension scheme with Pension Reform Act 2004. The study finds that the PRA 2004 is better than the pre-2004 pension scheme, and that the PRA 2004 is expected to help remedy the deficiencies and inadequacies prevalent in the old pension scheme. The study recommended more stringent coordination, supervision and regulation of the pension industry in Nigeria.

Edogbanya (2013) carried out a study on the assessment of the impact of contributory pension scheme on Nigerian economic development for the period (2007-2010). The study used survey research design, and sample size of 30 and 70 for both staff and customers of Legacy Pension Ltd. It also adopted correlation analysis for testing secondary data and ANOVA for the primary data. The study revealed that risk prevalent has positive effect on pension fund management and that the contributory pension scheme has significant positive impact on the GDP.

Gunu and Tsado (2012) studied contributory pension system as a tool for economic growth in Nigeria. The study used descriptive statistics, percentages and charts to analyze data collected. Their findings revealed that the contributory pension scheme has begun to contribute to increase in growth of the Nigerian capital market and economic growth.

Dostal (2010) studied pension reforms in Nigeria for the period 2006 to 2010. The study finds that the funded pension system has not had any significant impact on the development of financial market and that real sector investment was not boosted by savings from pension scheme. Also the macroeconomic credibility of the government has declined. The implication of the findings was that the regulatory environment failed to encourage interaction between pension reform and economic reform while problems of regulation within the system have also contributed to a lack of reform credibility.

Nyong and Duze (2011) carried out a study on the Pension Reform Act 2004 and retirement planning in Nigeria. The study used survey research design and a multi-stage random sampling technique to select the sample size of 3000 from the population of serving teachers and teacher pensioners in Federal and State Public Secondary Schools between the ages of 55 and 59 years. The results revealed that the objectives of PRA 2004 were yet to be achieved since retired persons still suffered trauma, pains and even death before they received their pension packages. The study recommended e-payment of pensions to ensure easy referencing, easy update and logistics of pension scheme system.

METHODOLOGY

This study adopts a survey research design and questionnaire was the main instruments for its data collection. The target population were the staff of state owned tertiary institutions in Osun and Lagos state. A total sample of six hundred and forty four (644) respondents was purposively selected for question administration across the tertiary institutions in the two selected states. The questionnaires were analyzed using descriptive analysis to determine the level of compliance to the new pension scheme in the selected institutions

PRESENTATION AND DISCUSSON OF FINDINGS

The Experiences of the Current Serving Staff and the Retirees as Regard the Administration of Pension System in the Study Area

There is no better way of achieving this objective other than to analyze the respondents responses based on their state since it has been established in the previous section that there is wide disparity to the success story of the pension policy implementation among the states in the south western Nigeria.

In the first instance, the customer to the PFA who in this case are the employees of tertiary institutions, are expected to get regular update about the progress of their accounts with the PFA. As revealed in Table 4.6, it revealed that, in Lagos state, 115 respondents representing 30% indicated that they have experienced lack of proper information about the progress of their account while the majority representing 69% have not experienced such. It can therefore be established that lack of proper information about the progress of customers' account by the PFA is not common with the institutions in Lagos state. However, in Osun state, more than 50% of the respondents indicated that they have experience lack of adequate information about the progress of their account with the PFA. It can therefore be established that information about customers account is not widely and adequately disseminated across to the account owners.

In the same vein, about 41% of the respondents from institutions in Lagos state reported that low return on investment is usually reported by their pension fund administrator while the majority of them have not experienced such. Thus, it is established, that, though, there could have been low return on investment performance, the fact is that the problem is not rampant and not common to all the respondents. On the contrary, more than 60% of the respondents who are from institutions in Osun state reported to have witnessed low return on their investment with their PFA. This shows that this problem is rampant in the State.

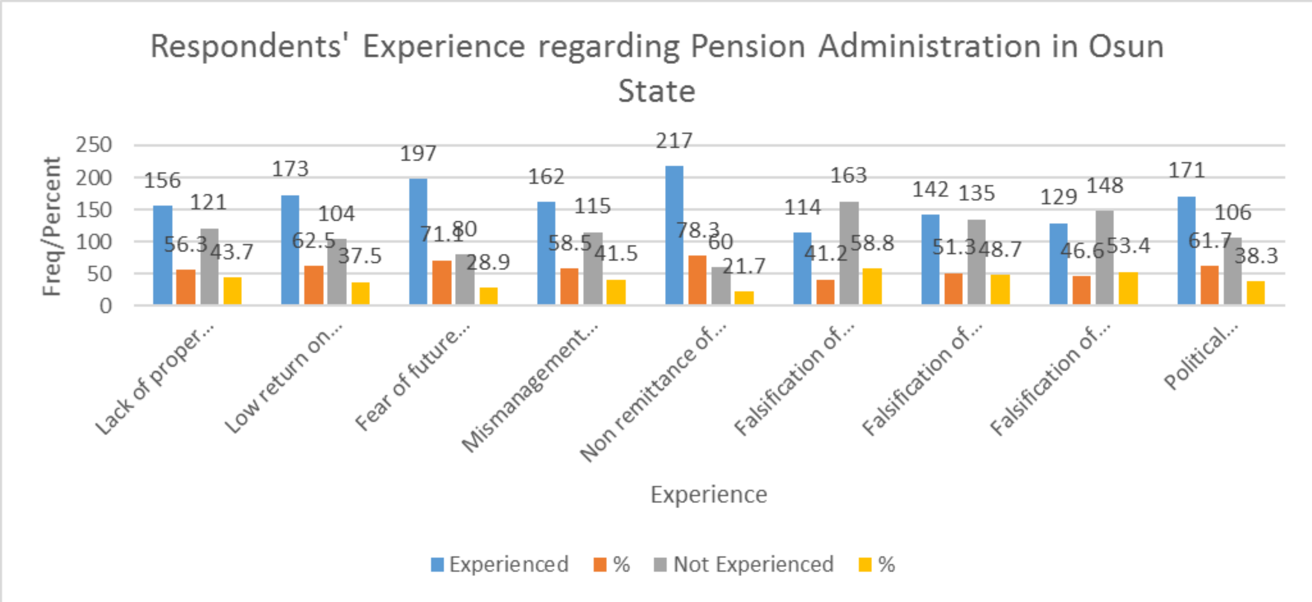
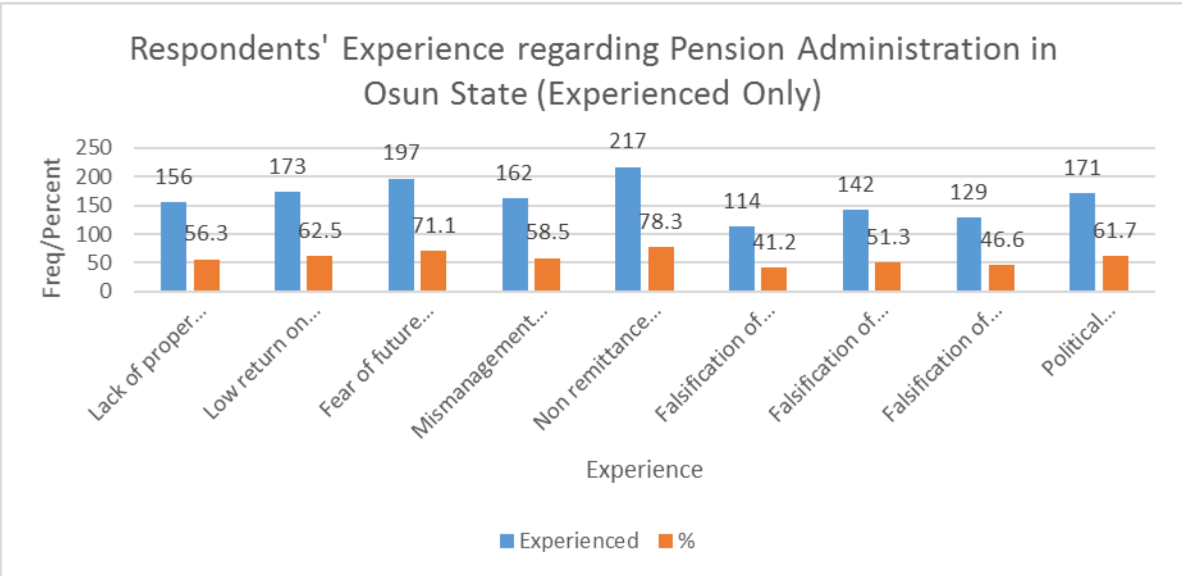


Figure 1: Respondents' experience regarding pension administration in Osun State
Source: Survey (2017)

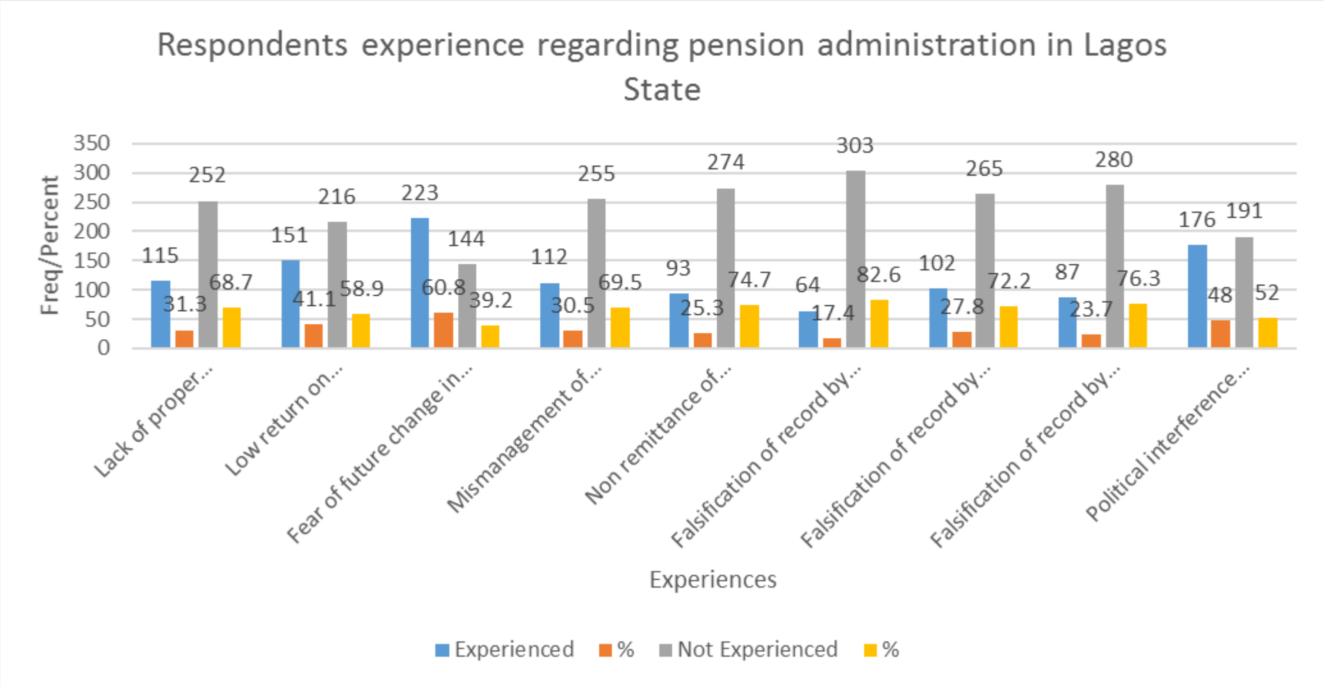
Additionally, it is equally revealed in the Table that 112 respondents representing about 30% indicated that they have experienced mismanagement of their pension fund by the pension fund administrator while in Osun state, 255 respondents representing about 70% have experienced mismanagement of their pension fund by their PFAs. This response rate, however, follow closely with the previous response on information dissemination to the customers by the PFA. While it was reported that, substantially, adequate and proper information is shared by the PFA with their customers in Lagos state, such is not experienced among the customers in Osun state. This could therefore be interpreted responsible for the opinion of mismanagement of pension fund by the PFA as expressed by the majority of the respondents in Osun state.

In the same vein, 93 (25%) respondents out of the total of the total of 367 respondents from Lagos state indicated that they believe there non remittance of government part of the pension fund to PFA while in Osun state, the majority of the respondents, 217 (78%) out of the total of 277 respondents indicated that they believe the government is not remitting its part of the contribution to the PFAs. This shows that there is different level of commitment to the pension fund contribution by the state governments, and while appreciable level of commitment is shown by the government of Lagos state, very degraded commitment level has been recorded in Osun state.



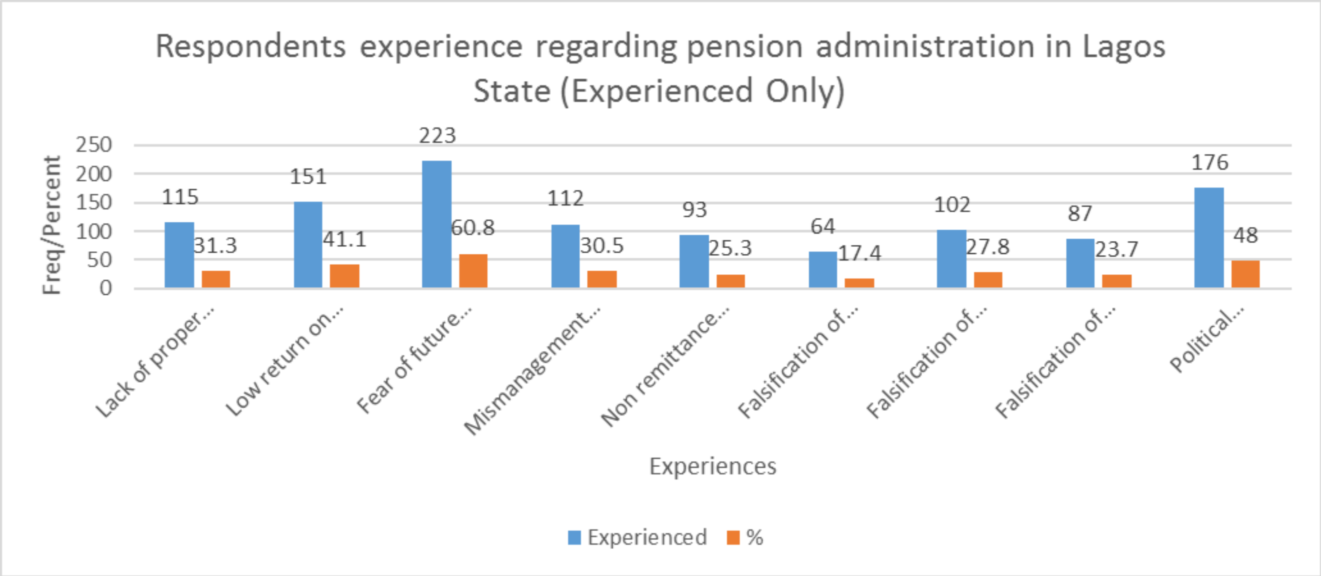
Source: Survey (2017)

In furtherance to the above fact about state commitment to the scheme, the study also sought to investigate whether there is falsification of record the employer to reduce their own part of the contribution. In response to this, only 64 respondents representing just 17% of the respondents from institutions in Lagos state indicated that their employers do engage in the falsification of record to reduce their own part of the contribution while majority of them, about 83% disagreed to this view. On the contrary, about 41% of the respondents from institutions in Osun state indicated that their employers do engage in the falsification of document to reduce their own part of contribution to the fund while more than 50% of them have disagreed to this claim. One major identified problem that could have responsible to this scenario is the transparency level exhibited, and while the transparency level is low in Osun state, it is very high in Lagos state. The same scenario is equally reported concerning the falsification of record by employer/institution to defraud the employees.



Source: Survey (2017)

This study further sought to investigate the respondents experience regarding the possible inappropriate practice of their PFA. As indicated in the Table 2 below, 265 respondents representing more than 70% majority of the respondents from institutions in Osun state claimed that they have experienced falsification of record by their PFAs in an attempt to defraud them. However, very few respondents from institutions in Lagos state have had such experience in the past which implies that the act of falsifying record of customers by PFAs in an attempt to defraud the customer is rampant in Osun state but not well proclaimed or perpetrated in Lagos state.



Source: Survey, 2017

Consolidating on the previous responses of the respondents concerning their experiences with regard to pension fund administration, this study further queried the opinion of the respondents about possible political interference with their pension fund investment. About 52% of the respondents from Osun state indicated that there is political interference with their pension fund investment while about 48% of the respondents from Lagos state have also supported this claim. This shows that there is political interference with pension fund investment in both States and other part of the country, though, the level of interference differs across the states.

On the whole, it can be established that the experiences of the participants in pension scheme differs across the state and while the scheme appears promising and productive in some states, it is glooming and counter-productive in other state. In some states, the experience of the employees of tertiary institutions who are participating in this scheme is sweet, in other states, the opposite is the case, that is, each state has different story to tell about the performance of the new pension scheme.

Table 1: The Experiences of the Current Serving Staff and the Retirees as Regard the Administration of Pension System in the Study Area

S/N	Statement	Lagos N=367				Osun N=277				*Total Experienced*	
		Experienced	*%*	*Not Experienced*	*%*	*Experienced*	*%*	*Not Experienced*	*%*	*N=644*	*%*
	Lack of proper information about the progress of my account	115	31.3	252	68.7	156	56.3	121	43.7	271	42.0
	Low return on investment is usually reported by my pension fund administrator	151	41.1	216	58.9	173	62.5	104	37.5	324	50.3
	Fear of future change in pension system	223	60.8	144	39.2	197	71.1	80	28.9	420	65.2
	Mismanagement of pension fund by the pension fund administrator	112	30.5	255	69.5	162	58.5	115	41.5	274	42.5
	Non remittance of government part of the pension fund	93	25.3	274	74.7	217	78.3	60	21.7	310	48.1
	Falsification of record by my employer to reduce their own part of the contribution	64	17.4	303	82.6	114	41.2	163	58.8	178	27.6
	Falsification of record by my PFA to defraud the employees	102	27.8	265	72.2	142	51.3	135	48.7	244	37.9
	Falsification of record by my employer/institution to defraud the employees	87	23.7	280	76.3	129	46.6	148	53.4	216	33.5
	Political interference with investment	176	48.0	191	52.0	171	61.7	106	38.3	347	53.9

Source: Survey, 2017

Summary of Findings

This study was undertaken to appraise the Contributory Pension Scheme in State owned tertiary institutions in the South Western part of Nigeria by identifying the experiences of the current serving staff and the retirees as regard the administration of pension system in the study area. The study is premised on the assumption that since the federal government is the maker of the policy, then, it is apt to say that its proper compliance by all its agencies would be monitored and ensured by the federal government. Hence, the doubtfulness regarding the compliance level and its attendants problems are better examined within the state owned establishment and the private entities. Therefore, this study was delimited to the state owned institutions in the South Western part of Nigeria.

On the whole, it can be established that the experiences of the participants in pension scheme differs across the state and while the scheme appears promising and productive in some states, it is glooming and counter-productive in other state. In some states, the experience of the employees of tertiary institutions who are participating in this scheme is sweet, in other states, the opposite is the case, that is, each state has different story to tell about the performance of the new pension scheme.

Concerning the experiences of the staff reading the implementation of the policy in the study area, it was found that better experiences were recorded in Lagos than Osun state. For instance, it was found that, there was lack of proper information about the progress of employees' account; low return on investment is usually reported by pension fund administrator; mismanagement of pension fund by the pension fund administrator; non remittance of government part of the pension fund; falsification of record by my PFA to defraud the employees; falsification of record by employer to reduce their own part of the contribution; falsification of record by the employer/institution to defraud the employees; and political interference with investment fund were experienced more in Osun state than Lagos state.

Based on the aforementioned findings of this study, the followings are hereby recommended:

i). The government should provide Information and Communication Technology (ICT) Centre for providing access to regular account balances, account statements and retirement plan advisory
ii). There should be complaint centre at every institution
iii). Social orientation, seminar/workshops, conferences, etc would go a long way to sensitizing the general public on the benefits of the new pension scheme.
iv). The regulator (National Pension Commission) should enforce the relevant sanctions of the Pension Reform Acts on defaulting employers to improve on the existing compliance
v). Employers should prepare their employees for retirement through a programme of training and counselling on entrepreneurship and post retirement life; and
vi). There should be Law/Act to mandate the use of extra fund from the federal government to the States for funding pension arrears

ACKNOWLEDGEMENT

This paper is supported by Osun State Polytechnic, Iree through the finance provided by TETFUND, 2016

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