THE 2014 PENSION REFORM ACT AND PENSION FUND ADMINISTRATION IN NIGERIA: A PROGNOSTIC ANALYSIS

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Abstract
The lack of adequate and timely budgetary provisions coupled with poor retirees' welfare scheme informed the introduction of the new pension scheme, otherwise called the contributory pension scheme. To fortify its operations and increase its regulation, the Federal Government introduced the Pension Act of 2004, and later amended as the Pension Act of 2014. The history of pensions in Nigeria started with the 1951 Pensions Ordinance. Between that time and 2014, several types of Pension schemes were legislated or decreed into law by successive governments. In 1979, the then Military Government passed the Pension Decree 102 for civil servants. As a result of the general outcry of the people following the maladministration of the various schemes, the Federal Government enacted the Pension Reform Act in 2014 to replace all other existing Pension Schemes. Like the amended Act, the new Pension Reform Act 2014 governs and regulates the administration of the contributory pension scheme for both the public and private sectors in Nigeria. It is against this back drop that this paper examined the 2014 Pension Reform Act and Pension Fund Administration in Nigeria. Using the social responsibility theory, the paper argued that pension administration is the social responsibility of government which it should provide for her employees. Data for the study were gathered through secondary sources. The study found that with the Pension Reform Act 2014 as amended, fraud and misappropriation of pension funds may ultimately reduce. The paper concluded that Pension Reform Act 2014, if well implemented, would unarguably serve as a leveraging platform to transforming the welfare of the Nigerian worker and other stakeholders/beneficiaries.

Keywords: Pension Reform Act 2014, Retirement, Pension, Pension Managers, Wages

Introduction

Pension generally is a way of catering for the welfare of retirees. It is a periodic income or annuity payment made at or after retirement to either a public or private sector employee who has become eligible for benefits through age, earnings and service. Retirement itself is as old as the whole world. According to Amujiri

(2009) retirement is like death – a necessary end. No wonder the Holy Scriptures even stated that:

> to everything there is a season, and a time to every purpose under the heaven: A time to be born and a time to die; a time to plant and a time to pluck up that which is planted; a time to break down and a time to build up; a time to weep, and a time to laugh; a time to mourn, and a time to dance, a time to start work and a time to retire from active service and so on (Holy Bible, Eccesiastes,3vs.1..).

To this end, many countries of the world are currently grappling with pension reforms in the face of pressures from ageing populations. Series of pension schemes have emerged in Nigeria before and after independence. According to Sule and Ezugwu (2009), the exact origin of pension scheme in Nigeria could be traced to the prolonged battle between workers and employers of labour affirming that the victory of employees over employers marked the privilege of receiving gratuity and pension in Nigeria. Pension funds are now among the most important institutional investment in the world capital markets (Klumpes and Mason, 2000).

Nigeria adopted the contributory pension scheme following her pension's reform in 2004 and subsequently reviewed in 2014 to accommodate obvious managerial and macroeconomic challenges. With the signing into law of the Pension Reform Act 2004, a new pension system was introduced to replace the old Pay-As-You-Go system. The Act established for any employment in the Federal Republic of Nigeria, a *Contributory Pension Scheme* for the accumulation of funds to meet future pension liabilities. The Act also established the National Pension Commission (PenCom) as the sole regulator and supervisor of all pension matters in the country. The 2004 Act introduced a multi-pillar, systematic pension reforms introducing the defined contribution scheme and providing innovative solutions to the existing problems. One of such innovations was the establishment of a Retirement Savings Account (RSA) for every eligible employee. This new pension scheme lasted for a decade. Within this decade, public sector pension administration witnessed weak and inefficient pension administration, low level of coverage, lack of comprehensive regulatory framework for the pension industry and non-remittances of pension deductions became a challenge to the scheme.

Prior to the 2004 Act, the pension scheme in Nigeria was a largely defectively defined-benefits system plagued with several challenges, chiefly, insecurity of pension funds and assets. In the public sector, the pension scheme was non-contributory and pension benefits came from government budgets. Regular upward reviews of pensions and gratuities without appropriate strategies for financing the scheme generated a financial burden, which as more persons joined the ranks of pensioners, became almost impossible for government to overcome such that by the end of 2005, Federal and State governments had a pension backlog of more than N2.6 trillion. In the private sector, many of the schemes were mere saving schemes. Generally, there were serious structural problems of wrong assessment of liabilities, non-payment and delayed payment of pension benefits, non-coverage, non-preservation of pension benefits, administrative bottlenecks, bureaucracies, gross abuse and misuse of pension fund benefits, and no adequate safeguard of pension funds (Suleiman, 2014).

However, to further strengthen the pension management in Nigeria, President Goodluck Jonathan signed into law the Pension Reform Act of 2014. The Act amended the Pension Reform Act 2004, effective from 1st July, 2014. The 2014 PRA was enacted in clear response to the need to build upon the gains of the Pension Reform Act of 2004 ("the 2004 Act") which practically revolutionized pensions system in Nigeria. This means that pension contribution and administration will now be in line with the provisions of the new Act. The new law has brought about some changes to the existing pension scheme as operated under the former law. The new Act reviewed the Pension Reform Act, 2004. The 2014 Pension Reform Act was designed to bring more certainty to the future by ensuring that Nigeria workers have more security in retirement. It is believed that the Pension Reform Act 2014 made provisions to improve efficiency, transparency and accountability in pension administration in the polity by placing further emphasis on protecting pension contributions in the country (Suleiman, 2014).

Despite the many laurels of the 2004 pension Act, the Act has proved inadequate for the more sophisticated modes of diversion of pension assets that the sector has recently witnessed including diversion and/or non-disclosure of interests and commissions accruable to pension fund assets. For example, Suleiman (2014) reported that: The recent imposition of a fine of meager N750,000 on a director of the Police Pension Board over the diversion of about N23 billion funds pointed to the inadequacy of the penalties provided in the 2004 Act. These inadequacies, coupled with the need to consolidate the few amendments to the 2004 Act led to the review of the 2004 Act with the 2014 PRA. The thrust of this paper therefore is to make a prognostic analysis of 2014 Pension Reform Act and Pension Fund Administration in Nigeria.

Conceptualizing Pension and Retirement

A pension has been defined as the right of an employee to derive some sort of' benefit upon retirement if certain conditions such as minimum years of service or minimum age, have been met. It could also be a legal and economic obligation which employers of labour are mandated to fulfil in their contractual relationship with employees. It is a form of employers' benevolence towards employees (Pitch and Wood, 1979 cited in Otinche, 2011) and associated with state welfarism. This benefit may be a lump sum payment, called gratuity or periodic payments called pension (Agomo,2003).Pension has been defined as a periodic income or annuity payment made at or after retirement to employee who has become eligible for benefits through age, earnings and service (Nwajagu, 2007).

According to Ozor (2006 cited in Nwajagu, 2007), pension consists of lump sum payment paid to an employee upon his disengagement from active service. He pointed out that payments are usually in monthly installments, noting further that pension plans may be contributory or non contributory; fixed or variable benefits; group or individual; insured or trustee; private or public, and single or multi-employer. In many advanced countries of the world, income from pension to an individual may be supplemented by social security benefits, which apply to all citizens of a citizen in such country whether or not they belong to the working class. However, since most citizens in such countries might have at one time or another, been workers, it would appear that social security benefits are co-terminus with the working class. It is different from gratuity. According to Ugwu (2006), there are four main classifications of pensions in Nigeria. These are:

- **Retiring Pension**
  This type of pension is usually granted to a worker who is permitted to retire after completing a fixed period of qualifying service usually practiced in Nigeria between 30-35 years
- **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.
- **Superannuating Pension**
  This type of pension is given to worker who retires at the prescribed age limit of 60-65 respectively.
- **Compassionate Allowance**
  The compassionate allowance occurs when pension is not admissible or allowed on account of a public servants removal from services for misconduct, insolvency or incompetence or inefficiency (Ugwu 2006 cited in Amujiri, 2009:140).

Pension is further considered to be 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 government organizations as well as labour unions have emphasized the need for sound, good and workable pension scheme (Adebayo, 2006, Rabelo, 2002).

Different people perceive retirement in different ways. However, retirement could signify the detachment or separation of an employee from primary activity in business, industry or active service due to duration in service, old age, poor health, social pressure or apathy. Retirement is the point where people stop employment.

According to Nwajagu (2007), a person who is retired is one who has given up office. Hornby (2000:1005) defined retirement as the period of life after which one have stopped work at a particular age. It is the withdrawal from active function of one's means of livelihood. Retirement also implies the terminal cessation, relaxation or change-over of financially remunerative employment. It is a life stage because it is a period of economic inactivity or a change over in one's economic activity, socially/legally prescribed for workers in later life. Retirement is a phenomenon characterized by separation of the worker from paid employment, which has the characteristic of an occupation or a career over a period of time. It is essentially, a period of adjustment (Oniye, 2001).

In the view of Akinade (2003), retirement is a final stage of life when one leaves an occupation which one had been involved in for a considerable length of one's working life. Nwajagu (2007) noted that there are three ways a civil or public servant may retire from active service. These are voluntary retirement, compulsory/forced retirement and statutory retirement. Voluntary retirement is self-imposed. Voluntary retirement occurs when an employee decides on his own to retire from active service before the attainment of the stipulated retiring age or years of service. The problem with voluntary retirement is that where the retiree(s) has not worked for a minimum of ten years, he/she is at risk to lose his/her gratuity and pension but if he has put in fifteen years in the service, he becomes entitled to payment of gratuity and pension (Amujiri, 2009).

Retirement is said to be compulsory if the employee is forced out from the service of an organization which may consider that continuing in office of the employee is no longer in the interest of the organization (e.g retrenchment, rationalization, downsizing, etc).

Retirement is said to be statutory where conditions of service in reference to chronological age of sixty years of service or on completing thirty-five years in service. Statutory retirement attracts payment of gratuity and pension.

Historical Development of Public Sector Pension Schemes in Nigeria

According to Ako (2006) the first known cases of pension systems in history were non contributory (cash transfer) programmes targeting the elderly and can be traced to the late 19th century and early 20th century in countries such as Brazil (1888) Denmark (1891), New Zealand (1898) Australia (1908) and Sweden (1913). Hence contributory pension is now the dominant form of old age income security. With respect to the contributory pension systems, the first known case was introduced in Germany by the beginning of the 20th century and was labeled Bismarckian after Otto Von Bismarck who proposed the system (Ako 2006). Since then the contributory pension model is now spreading gradually world-wide, although the reliance on this approach, in developing countries, Ako (2006) argued, this is now becoming an issue of concern.

Nigeria, being a former colony of Britain, received a pension tradition into her public sector that is entirely modeled after the British Structure (Oluoma, 1986). According to Uzoma (1993) the Nigeria civil service was a brainchild of the colonial administration and the colonial office handed over to Nigeria what may be called a "Model Pension Legislation". Actually, the commencement of pension scheme for the Native Administration servants/staff (as public servants were then called) dates back to 1946, when the Colonial Government in Nigeria, through the Chief Secretary to the Government (in a circular No 19/1945 of 24th march, 1945) announced a superannuating (pension) scheme for African staff employed by Government (Public Notice No 4, 1946). The appropriate legal enactment that brought the scheme into being was the Pensions Ordinance of 1951 but which took retroactive effect from 1946 (Ogunshola 1984 as quoted in Oluoma, 1986).

The said Pension Ordinance of 1946 contained vital information about the public sector pension scheme ranging from the identification of who a Native Administration Servant is, the nature of benefits (pensions and gratuity) and eligibility conditions; the minimum annual salaries that qualify for either pension and gratuity or gratuity alone; the rules for the conditions of service, to rules on misconduct leading to a reduction in or outright forfeiture of benefits and entitlements. Similarly, staff of government corporations and parastatals were to enjoy pension schemes and other similar benefits as the core public service schemes (Oluoma, 1986), but differed only on funding modalities. The corporations included, Railway Corporation, National Electricity Commission later Power Holding Company of Nigeria (PHCN), and now privatized (unbundled) to 6 generating companies, 1 transmission company and 11distribution companies and the Nigerian Ports Authority. They run non-contributory funded schemes with some rates at 2.5% of the employees' salary (Uzoma, 1993). It is important to note that the schemes of these corporations must first be approved by the Joint Tax Board as being comparable with the benefit structure of the core civil service scheme. Other appropriate public sector pension legislations, together with relevant circulars have since followed after the Act of 1946. As will be demonstrated later, the public sector, as an employer of Labour, has grown in size and its pension bill as a percentage of the Gross Domestic Product (GDP) has also risen significantly (Anyafo, 2000).

According to Odo, Igbeka and Ani (2011), the unchecked/ unconstrained growth in the public sector employment and the attendant heavy pension burden is not unconnected with the nation's lack of clear policy on employment which is often pursued to achieve ethnic balancing. It seems demand for benefit increases have been met without harmonizing adequacy with affordability (Okafor, 2000). Nigerian scheme, in some quarters, was once believed to be the most generous scheme in the world (Ogunsola, 1984). In fact it was speculated that had the Government not reformed the system, pension obligations might exceed salary of current workers in few years(Legal Brief Africa, 2004).Over the years therefore government had accumulated huge debts of pension and gratuity that peaked at N2trillion in 2004(Legal Brief Africa, 2004). Pension arrears therefore became a blackmail from which government sought an escape. Until the Pension Reforms Act, 2004 and the subsequent 2014 reform, government had reacted, rather, uncaringly to the problem. It had employed, even before current public service reform programme, a gradual downsizing of the public sector by way of retrenchment, compulsory retirement and natural old-age disengagement in the public sector (Anyafo, 2000). And these measures were taken without provisions in the budget to contain the economic consequences of such steps. Today, we have the Pension Reform Act 2014. The Act amended the Pension Reform Act of 2004, effective from 1st July, 2014.

Theoretical Framework

This work is anchored on social responsibility theory to examine the 2014 Pension Reform Act and Pension Fund Administration within the context of democratic governance in Nigeria.This theory was developed by Siebert, Peterson and Schramm (1956). Social protection of a population has always been one of the most important functions of the state. In the middle Ages, churches and monasteries hosting free hospitals and asylums supported this activity (Ahmed & Oyadiran, 2013). Craft and merchant guilds, as well as municipalities of big cities, also supported and aided members of their communities. Social protection of populations was not always systematic and permanent. Assistance was rendered through various channels and included such forms as free medical treatment and material support of widows and orphans, and allocation of money, clothes and food to people who were homeless. The goal of this assistance was determined not only by the Christian goodwill traditions, but also by the pure economic necessity. According to Ahmed & Oyadiran (2013) the situation when European countries were depleted by epidemics and wars made each governor take care of his population, as its preservation and accrual was the source of tax and revenues. The complex of various forms of maintenance in old age or in the event of disability is called social security. The social responsibility theory is originally a theory of press freedom. It was first introduced in the United States of America in 1947 when the commission on freedom of the press headed by Robert Hutchins recommended that: the press has a responsibility to society; and because the libertarian press of the U.S. is not meeting this responsibility, there is a need for a press theory (Lloyd; 1991:199).

The result was a proposal favouring a socially responsible press. It is an outgrowth of the libertarian theory whose basic tenets centered on man's rationality and lethargy. The demand for social responsibility underscores the fact that there is inequality in society and the need to set up the institutional means to fulfilling the acclaimed responsibilities. This theory presupposes that different entities have different responsibilities. While the social responsibility of the states is to ensure the civil rights of their citizens, corporations to respect and encourage the human rights of their employees, that of the citizens is to abide by the written laws. This brings to the fore the element of reciprocity in social responsibility. Today, the dynamic role of the state and its institutions has broadened the concept of social responsibility. Social responsibility assumes that it is better to be proactive towards a problem than reactive to a problem. It therefore calls for the elimination of corrupt, irresponsible, or unethical behaviour that might bring about harm to the work place, its workers or retirees or the environment. It underscores the point that ethical behaviour is at the root of social responsibility. The problem affecting the management of the defined benefit schemes is as a result of the unethical behaviour (corruption and mismanagement of pension funds) engaged in by the traditional pension fund manager. Most often, pensions funds are not released on time and when released it is often diverted for selfish ends. The arrears of unpaid pension funds are a fall out of the unethical behaviour indulged in by pension fund administrators under the traditional scheme. To this end, for pension funds to be successfully managed under the Pension Reform Act, 2014, ethical principles must be maintained by the stakeholders.

While social responsibility has a moral value, it has economic value as well. The economic value is the total amount of money individual employee is mandated to contribute or invest in socially responsible goods or services. In relation to the contributory pension scheme, it has to do with the amount of money individual employee is willing to contribute to his retirement savings account. In this case, the responsibility of individual employee is to pay 8 % of his salary and allowances to his retirement saving account. The proactive stance of both employee and employers to fulfilling this social responsibility will determine the success of the new pension policy. The social responsibility theory is based on the following assumptions:

1. Corporate managers are appointed as public trustees
2. There is need to balance competing stakeholders claims with corporate resources; and
3. The acceptance of philanthropy as a humane philosophy and discretionary principle of the organization.

In our application of the theory to the study therefore, social responsibility means being responsible to people, for the actions of people and for actions that affect people. This is the challenge for federal ministries and PENCOM as it was responsible for managing the pension fund and the record of her pensioners. In this instance, social responsibility deals with holding federal ministries, groups, organizations or firms accountable for their actions on the people around them – the pensioners. Further, the need for social responsibility theory lies in the fact that pension administration is the social responsibility of government to provide for her employees. In this regime of pension privatization the responsibility has devolved on employees and employers to make contributions to the retirement savings account of individual employee to insure them against old age poverty. Proactively the various stakeholders are to make their statutory contributions to the effective management of the pension scheme. While the social responsibility of ministries is to process the retirement files of employees promptly and forward the record to PENCOM, the various MDAs should promptly furnish ministries with names of staff that are due for retirement. In another instance, the social responsibility of the pension fund administrator and custodians is to manage and invest the pension fund in a way that will yield much profit into the individual workers retirement savings account. PENCOM in this stead is to enhance its supervisory roles. These are the social responsibility of these institutions involved in pension fund management. A responsible government is measured against the degree of social services provided for her citizens. While this is a mark of social responsibility demonstrated by government it shores up the legitimacy profile of the said government.

The Differences between 2004 Pension Reform Act and the Pension Reform Act of 2014

Pension Reform Act 2014 was signed into law by President Goodluck Ebele Jonathan, GCFR, on 1st July 2014. The new Act amended the Pension Reform Act, 2004. One of the objectives of the Pension Reform Act 2014 is to enhance the benefits of contributors to the scheme when they retire, through an increase in the rate of contribution as well as the base. Among other objectives was the inclusion of self-employed persons in the scheme (Adewale, 2014). The Act also prescribes stiffer punishments on any Pension Fund Custodian (PFC), Pension Fund Administrator (PFA) or any person who, misappropriates or diverts pension funds. The Act which was signed on 1st July 2014 had no commencement date. Hopefully, a commencement date would be inserted in the gazette publication. Until the gazette is made public, the signing date could be taken as the commencement date.

According to Adewale (2014) some of the major changes introduced in the 2014 Act are stated below:

- **Rate of Contribution**

In order to enhance the benefits contributors would get from the scheme when they retire, the rate of contribution has been reviewed upward. The combined minimum contribution of employees and employers has been increased to 18% as against 15% of the monthly emolument. The new minimum rates are: Employees - minimum of 8% Employers - minimum of 10%. Where the employer elects to bear full responsibilities, the rate of contribution by such employer has been increased from 15% to 20%.

- **Redefinition of 'Monthly Emolument'**

Monthly emolument for the purpose of calculating the employee and employer contributions has been redefined as: Total emolument as may be defined in the employee's contract of employment but shall not be less than a total sum of basic salary, housing allowance and transport allowance.

Previously, the base of the contributions was limited to the basic salary, housing allowance and transport allowance only. Although, the new definition has widened the base for the computation of the contribution to cover the total emoluments of the employees but still introduces a tempting lower limit by stating that the contribution shall not be less than the basic salary, housing allowance and transport allowance. The overall effect of the increases implied by (i) and (ii) above would undoubtedly increase employers' total cost. In view of this, some employers may be compelled to review their employee contract or decide not to take up full responsibilities for the contribution (Adewale, 2014).

- **Participation in the Scheme**

The new Act provides for contribution by employees who are in the employment of organization in which there are 15 or more employees (as against 5 employees or more in the repealed Act). The new Act is also applicable to employers with less than 3 employees and self-employed persons to participate under the guidelines to be issued by the National Pension Commission. The inclusion of self-employed persons in the scheme portends brighter future for them as this would protect them from putting their life savings in unsafe hands. Apparently, it is unclear whether and why employers with 3 to 14 employees have been isolated from contributing to the scheme in Section 2 of the new Act. Interestingly, under definition of terms, the Act states that: employer includes the Federal Government of Nigeria, Government of a State of Nigeria, Local Government Council or any organization or business that employs three persons or more.

It is hoped that in the guidelines to be issued by National Pension Commission (PenCom), the above omission would be clarified. We however suggest that employers with 5 to 14 employees should continue their contributions while further clarification is awaited from PenCom (Adewale, 2014).

- **Nominal Retirement Saving Account**

Situations whereby employers fail to remit the contributions under the guise that their employees have not opened a retirement savings account (RSA) would no longer be tolerated. Henceforth, employers are required to open a Nominal Retirement Savings Account (NRSA) within 6 (six) months from the employee's assumption of duties and remit both contributions to NRSA until such an employee opens RSA.

- **Offences and Sanctions**

The new Act prescribes stiffer punishment on PFC, PFA and any person or body who, on conviction, commits an offence under the Act ranging from fines, forfeiture of assets and imprisonment of not less than 5 years or both fines and imprisonment (Adewale, 2014). The table below shows the major areas of divergence between the 2004 Pension Reform Act and 2014 Pension Reform Act.

Table 1: The Comparison between 2004 and 2014 PRAs

S/N	Description	Old 2004 PRA	New 2014 PRA	Implication
1.	Enactment	June 25, 2004	July 1, 2014	2014 overrules 2004
2.	Statutes	A must for employer. Section 9(3)	A must for every employer. [Section 4, sub section 5). S.4(5)]	Backed by law hence compulsory
3.	Application	Minimum of 5 employees required before Act could be applied.	i. Binding on Employers in private sector & public organization with minimum of 15 employees.[S.2 (2)].	Flexible and dynamic, thereby giving allowance for accommodation of employees in Small & Medium Enterprise

			ii. Still allows self-employed persons & small scale enterprise employers (with prescriptive 3 employees) to participate [S.2 (3)] (notwithstanding), in accordance with guidance issued by Pension Commission.	(SME) and low income earners. The Act seems to be silent about the applicability of the Scheme to private organisations with more than 3 but less than 15 employees.
4.	Death Benefit	Paid into retirement saving account with Pension Fund Administrator. This makes access to fund difficult for beneficiary of the deceased.	Entitlement is to be paid directly to the account of named beneficiary (ies) in line with section 57 of the insurance Act. [S.8(1)]	It is now easier for beneficiaries to access claim/benefit funds.
5.	Minimum Contribution Rate	Employer-7.5 % Employee-7.5 % Aggregate-15 %	Employer-10 % [S.4 (1)] Employee-8 % [S.4 (2)] Aggregate-18 %	More participation (contribution) expected from employer hence better welfare for employee.
6.	Sum assured & Premium	3 times total emolument of employee is paid.	3 times annual total emolument of the employee. Premium must be paid not later than date of cover commencement in line with insurance Act 2003. [S.4(5)]	Give credibility to 'no premium no cover' injunction be NAICOM.
7.	Failure to maintain Group Life	Employer to self-insurance employee in the event of non-compliance	In event of failure, refusal or omission to pay/insure as at when due, an employer shall mandatorily pay whatever the entitlement should be paid to the employee. [S.4(6)]	Interest of the employee well secured.
8.	Additional voluntary contribution	Employee may make voluntary contribution to his retirement savings account.	i.Employee can make additional voluntary contribution to retirement savings account. ii. Employer can elect to bear full contribution of	Opportunity for employer to purchase funded insurance product

			the scheme provided that accounts for at least 20 % employee's monthly emolument. [S.4(4b)]	
9.	Taxation	Merely states that any amount payable as retirement benefit shall not be taxable.	In addition to the Act, it states that contribution shall be tax deductible for employers & any accrued interest, profits, dividends or income earned on pension fund & assets are not taxable [S.10 (1&2)]	Better clarification of tax deductible & exemption. Plus improve earning on assets & retirement saving funds.
10.	Governing Board regulation	The board made no provision for insurance	Provision now made for a representative of NAICOM (Insurance Regulatory Body) on the Board of National Pension Commission [S.19(2)(d)(x)]	Robust industry for benefit of pre/past retirement life.
11.	Scheme exemption	Provision of Armed forces Act 1990 amended in line with Act	SSS. Armed Forces[S.5 (10)] Any employee who is entitled to retirement benefit under pension scheme existing before 24/06/2004 with less than 3 years to retirement[S.5(1b)]	Second schedule benefit is provided in line with their existing benefit.

Source: Anwinam (2014:5) *New Pension Reform Act*.

Ceteris paribus, 10 years after the adventure of the Pension Reform Act 2004, this new Pension Reform Act 2014 if well implemented (as on paper) would unarguably serve as a leveraging platform to transforming additional value to the Nigerian workers, the Insurance industry and other stakeholders/beneficiaries.

The Role of Financial Institutions in Pension Management

Banks and non bank financial institutions undertake the financial intermediation function with banks specially marked out by their payments functions. According to Ogbu (2012), banks, insurance companies and fund managers assigned function by PFA of the financial institutions are expected to be the promoters of pension funds custodians, banks in particular, provide the numerous interest yielding deposit facilities in which pension funds can be invested. Banks also provide the payments mechanism for transaction on pension funds. Additionally banks that succeeds as promoters of PFCs are expected to provide guarantees for the funds under the custody of the PFC subsidiaries existing funds/assets management companies that interest pension fund and other assets of customers on their behalf need to transform and seek PenComs license to be able to perform the functions of PFA's under PRAs fund management is a free based transaction and this is the model for PFAs under PRA' 04. Insurance companies provide the mandatory life insurance policies that employers are to purchase for their employees (a minimum of three time their annual emolument) and supply the annuities that workers may elect to purchase on retirement, if they do not want programmed monthly or quarterly withdrawal from the RSA. PRA 04 also provides for insurance companies to act as PFA's if the company undertakes only life insurance business (section 50(4) According to section 45 of the PFA' 04, the functions of a PFA shall be to:

> Open retirement saving accounting for all employees with a Personal Identity Number (PIN) attached. -Invest and manage pension funds and assets. -Maintain books of account on all transactions relating to pension funds managed by it. -Provision of regular information on investment strategies, market returns and other performance indicators to the PenCom and employee or beneficiaries of the retirement saving accounts. -Provide customer services including assess to employee account balances and statement on demise. -Cause to be paid retirement benefits to employees and -Be responsible for all other calculations in relation to retirement benefits.

A provision is made in the Act for a closed PFA which would enable an employer to manage it's pension funds either directly or through a wholly owned subsidiary dedicated exclusively to the management of such pension fund. The functions of a PFC, according to section 47 of the Act include the following: -Receiving the total contribution remitted by the employer for the employees. -Holding Pension funds and assets in safe custody on trust for the employees and beneficiaries of the retirement saving account and notifying the PFA within 24 hours of the receipts of contributions from any employers. The following is a list of licenced Pension Fund Administrators by the National Pension Commission (PenCom).

Table 2: Pension Fund Administrators Licenced by PenCom

S/No	Pension Fund Administrator (PFA)	Head Office	Managing Director
1.	AIICO Pension Managers Limited	Plot 2, Oba Akran Avenue, Ikeja, Lagos	Mr. Eguarekhide
2	APT Pension Fund Managers	Plot 266 Cadastral AO,Central Business District, Garki, Abuja	Dr. AI-Mujtaba Abubakar Gummi
3.	ARM Pension Managers Limited	No.5, Mekunwen Road, off Oyinkan Drive, Ikoyi, Lagos	Mr. Wale Odutola
4.	Crusader Sterling Pension Limited	No.41, Keffi Street, South West Ikoyi, Lagos	Mr. Adenyi Falade

5.	Fidelity Pension Managers	2 Adeyemo Alakija Street, V/I, Lagos	Mrs. Amaka Andy-Azike
6.	First Guarantee Pension Limited	Irorun Plaza, No.65, kudirat Abiola Way, Oregun, Ikeja, Lagos	Mr. Chima Akalezi (Interim Management Committee)
7.	Future Unity Glavils Pensions Limited	26 Commercial Avenue, Yaba, Lagos	Mr. Usman B. Suleiman
8.	Investment One Pension Managers Limited	Plot 871, Tafawa Balewa Way, Opposite NICON luxury Hotel Garki Area II, Abuja.	Azubuike Okonkwo
9.	IEI-Anchor Pension Managers Limited	Plot 51 a, Oro Ago Street, Garki II, Abuja	Solomn Okoli
10.	IGI Pension Fund Managers Limited	No.4, Adeola Odeku Street V/I, Lagos	Stannis Uchenna Ezeobi
11.	Leadway Pensure PFA Limited	121/123, Funsho Williams Avenue Surulere, Lagos	Mrs. Aderonke Adedeji
12.	Legacy Pension Managers Limited	39, Ademola Adetokunbo Cresent Wuse II, Abuja	Mr. Misbahu Yola
13.	NLPC Pension Fund Administrators Ltd.	312 A, Ikorodu Road, Anthony, Lagos	Mr. Adewale O. Kolawole
14.	NPF Pensions Limited	Insurance Building Force Headquarter, Loius Edet Houses, Area II, Garki, Abuja	Dr. Hamza Sule Wuro Bokki
15.	OAK Pensions Limited	266 Muritala Muhammed Way, Yaba, Lagos	Mr. Samuel Inyang
16.	Penman Pensions Limited	NACRDB Plaza, Link Block Independence Ave, Central Business District, Abuja	Mr. Peter E. Udo
17.	Pension Alliances Limited	9th Floor, UBA Building, 57 Marina, Lagos	Mr. Emenike Dave Uduanu
18.	Premium Pension Limited	No.4, Agwu Street, off Faskari Cresent, Area 3 Garki, Abuja	Mr. Wilson Ideva
19.	Sigma Pensions Limited	No. 29 Durban Street, off Adetokunbo Ademola Cresent Wuse II-Abuja	Mr. Umaru H. Modibbo
20.	Stanbic IBTC Pension Managers Limited	Plot 1678, Olakunle Bakare close, V/I, Lagos	Dr. Ademola Sogunle
21.	Trustfund Pensions Plc	Plot 820/821, Labour House Behind Ministry of Finance Central Business District, Abuja	Helen Da-Souza

Source: infor@resourcedat.com

Why Pension Schemes Fail in Nigeria

- **Environmental Differences**

The new scheme was borrowed from Chile but there are significant differences in the two countries. For instance while in Chile life expectancy is 76, in

Nigeria it is about 43 and so majority of the people tend to need their pensions at earlier stages of their lives to take care of their financial needs and other essential socials services previously taken care of by government. Also, there was issues of implementing a wholly foreign pension policy in Nigeria given the different economic fundamentals obtainable in Nigeria as compared to what was obtainable in Chile from where the present pension scheme was copied (Casey, 2011). The Chile system is perhaps the most compelling evidence that support the argument why pension systems fail in Nigeria. The Chilean and Nigerian socio-economic environment vary widely offering different testing grounds for the success of the scheme.

- **Poor Pension Fund Administration**

The administration of pension fund in Nigeria is characterized by inefficient and non transparency. Abang (2006:53) added that there have been problems of authenticated records/data for the pensioners, while in some cases there are documents required to file pension claims. There is also high-level corruption and embezzlement of pension funds by those responsible for its administration, inadequate build-up of funds, and poor supervision among others. Kpesse (2011) on his part identifies corporate fraud, lack of competence and technical knowhow in understanding the principles of prudent management of the pension funds and political manipulations in the investment practices of those responsible for the administration of the funds as reasons for pension system failures in Nigeria.

- **Weak Institutional Framework**

Odia and Okoye (2012) on their part identify the following as the reasons for the failure of pension schemes in Nigeria: weak institutional framework; mismanagement of pension funds; the merging of services (i.e. institutions of government in Nigeria) for the purpose of computing retirement benefits. He listed the causes as: wrong investment decision, wrong assessment of pension liabilities, arbitrary increase in pension without corresponding funding arrangements, non-preservation of benefits and serious structural problems.

Concluding Remarks

The pension issues have received much attention in many countries over the past few decades. Indeed, pension funds are now among the most important institutional investments in capital markets. It is therefore not surprising that pension has increasingly attracted the attention of policy makers in many countries in recent times. Nigeria adopted the contributory pension scheme following her pension reforms in 2004. Ten years down the line, the country replaced the 2004 Pension Reforms Act with the 2014 PRA to address some of the inadequacies and the lessons learnt during a decade of implementing the contributory pension scheme. The 2014 PRA indeed attempts to plug some of holes in the pension system. Extending the coverage of the public sector employees to other tiers of government would reduce the coverage gap. There are more incentives for voluntary contribution beyond the mandatory statutorily-fixed monthly contributions by employees. The increment in the rate of contributions by both the employers and the employees means more retirement savings for employees. PENCOM's enhanced regulatory powers if properly exercised will result in reduced cases of distress by pension administrators and custodians and loss of pension assets. The imposition of more serious sanctions for fraud and misappropriation of pension funds may ultimately reduce the amount of pension related crimes. The combination of these changes would engender a greater degree of confidence in the pension system while making pension funds available for national infrastructural development.

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