PERSPECTIVE ON CONTRIBUTORY PENSION IN NIGERIA

BY

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PUBLISHER

DEDICATION

To God Almigty, my Saviour Jesus Christ and Counsellor, the Holy Spirit; My wife Florence and lovely sons Nator and Kator; My dear parents late Mr Asember Jombo and Mrs Sule Asember; Brothers Andrew and James Asember and my entire siblings late Mrs M. K. Dallutu whose discipline tremendously impacted on my being.

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PREFACE

Years 2012 and 2015 were quite striking moments for my life. Two persons in the neighbourhood had retired from public service within the respective years and were to start drawing their retirement benefits. One of them had cause to show the document on which his gratuity was worked out in the sum of ₦6m. Payment of his monthly pension was to commence soon after he had collected his gratuity. But years after his retirement, neither the gratuity was paid to him nor his monthly pension implemented. Having spent the prime of his years in the service of his fatherland, he now had to depend on charity and generosity of any one that cared to assist.

The case of my second neighbour was rather more pathetic. His salary was intermittent for months preceding his retirement. He even had a terminal case and was living on drugs while in service. Now that he could not afford the drugs regularly due to absence of sustainable income, his health began to deteriorate.

I had just concluded my masters degree thesis on Pension reforms where the grim realities about the plight of retirees from public service came to fore. Many a retiree had died while many had experienced excruciating conditions of living in waiting for their benefits. This provoked my inner pressures to convert my research thoughts to this print form for a broad spectrum of audience. The aim is to passionately appeal to all people of conscience and goodwill, particularly those saddled with the responsibility of making the Contributory Pension Scheme (CPS) operational to ensure the success of the scheme. It should not be allowed to end up the way of previous social policies where targeted beneficiaries turn out to become victims of such policies.

To pensioners, retirement is not a death sentence. This book assists you to define your vision, to build hope and rekindle your optimism on retirement as a period that offers a glorious future; of life in comfort, leisure and pleasure. You need to cast your image of life in longevity, prosperity, peace and happiness after the hard years of strenuous labour. Such a life is attainable, such a life is realizable, but you must plan for it, you must work for it.

To employees and even prospective applicants, the lessons of the book are optimal utilization of time and resources. Many others have wasted their time, resources and opportunities while in service. Several others wrongly presume that retirement is far and remote only for it to come sooner than expected. Others yet imagine that it is when they are to retire that they can plan on how to live in retirement. This is an erroneous conception and wrong sense of judgement. Retirement is like any other fixed event as Christmas. Nevertheless, it always catches us unawares. When it eventually does, we are rather faced with the consequences of our actions, inactions, omissions or commissions while we were in service. The wise counsel is to always regard retirement as just a step away and plan for it. Your choices during a working career will determine the comfort or penury you will retire to. Planning for retirement offers some tutorials that employees are required to understudy assiduously. You will note of fact that living a life of comfort in retirement is not an act of chance. It involves an earlier selection among available choices while in service. Some of the choices are often hard, but bold steps must be taken under such pressures of insufficient earnings. Comfort in retirement is like precious substances - gold or crude oil - that are hidden deeper under the surface of the earth and certainly require extra efforts to unearth them. Such extra efforts are better utilized while you are still in employment. Under the Contributory Pension Scheme (CPS), government has put in a lot of thought to ensure the comfort of retirees after service. All stakeholders should, therefore, be committed to the success of the scheme as the success of the scheme is the success for all – employers, employees, retirees, operators of the scheme, the organized private sector, the economy, national security and world peace.

States Government and Local Government Councils in particular are encouraged to embrace the scheme with a sigh of relief considering that the heavy burden of accumulated pension liabilities would be lifted off their shoulders.

Perspectives on Contributory Pension in Nigeria is an appraisal, detailed examination, critical and analytical dissection of the variables, dimensions and dynamics of reforms in the pension sector. The book offers an overview, insights, view points, highlights, incisive analysis and focal framework on issues of management and administration of pensions in Nigeria under CPS. It raises concerns in areas of policy shortcomings as well as offer solutions where appropriate.

The introduction in chapter one stresses the compelling need to preserve economic and democratic freedoms. It raises concerns on social security and the role of pensions in social protection and economic structure of nation-states.

Chapter two examines the conceptual framework, development of pension laws and stresses the imperatives of reforms in the pension sector.

Chapter three and four are special forms on Pension Reform Acts 2004 and 2014 with critical assessment of the regulations, regulator and operators of the scheme.

Chapter five dwells on the role of pension reform in national economic development with a conclusion on planning for retirement.

It is imperative to stress that this book does not lay claim or authority on knowledge and issues relating to pension reforms. What the author has done is to provoke intellectual discourse on reforms in the pension sector to which there is room to accommodate differing but very constructive engagements.

FOREWORD

The introduction of Contributory Pension Scheme (CPS) in Nigeria in 2004 marked a significant turning point in the management of pension funds and administration of retirement benefits. The main aim of CPS is to ensure that retirees are paid their pension benefits as and when due. The tremendous concerns and interest shown on pension reforms emanate from the bottlenecks and challenges that bedeviled various pension provisions then in existence. The inability of government to pay retirees' benefits years after their retirement became major issues of public discourse. The search for solutions to these identified inadequacies of previous pension schemes made reforms in the sector imperative. By the mid to late 1990s, policy makers in Nigeria had come to full realization of the inability of the government to continue to shoulder total responsibilities on pension for public sector retirees. Moreover, coverage of the existing schemes was not extended to the private sector. These reasons largely accounted for reforms in the pension sector. By its design, the pension reform policy was meant to serve as economic reconstruction and social security provision. The policy, therefore, emphasizes solid economic transformation as a foundation to successful pension delivery. It sets to stimulate, regenerate and transform the economy through quantum accumulation of pension fund assets for investment and re-investment. Overtly, a robust and vibrant economic system form the axis on which the efficiency of pension reform revolves. This awakening emerged as by-product of the global trend of private sector participation and direct involvement in pension administration and management of retirement benefits. To some extent, pension reforms have become major instruments for the emergence of mega projects and magnificent edifices of urban renewals especially in advanced economies. Nevertheless, implementation of pension reforms in the Nigerian context rather exhibit a serious disconnect between accumulated pension funds and economic prosperity of the nation. Apart from the inability of the scheme to deliver on its dream of a transformed economy, the welfare and living conditions of early retirees on the scheme calls for sober reflection. Pension income for this category of retirees is not only embarrassingly meagre, delayed commencement in payment of retirement benefits have adversely subjected retirees to life of misery and disillusionment. Other challenges of volatile demographic upsurges have also exposed the scheme to threats of varying proportions. The contradictions experienced in the course of implementing pension reforms, therefore, need to be addressed frontally.

The constraints, challenges and threats to efficient pension delivery not- withstanding, reforms in the pension sector still offer a glimmer of hope. This optimism is anchored on the growing attention of the global community to improved pension delivery under the reforms. The World Pension Summit (WPS) and the World Pension Summit-Africa Special (WPS-AS) are such global and continental initiatives at finding solutions to the challenges and threats to this emerging but very crucial sector. Even at the level of economic transformation, stakeholders in Nigeria and other developing nations of the world are expected to wake up from their slumber and assume their proper responsibilities by taking advantage of the reforms to create accelerated impact in their respective economies.

Perspectives on Contributory Pension Scheme in Nigeria critically appraises the views, issues trends constraints and challenges emanating from policy implementation on management of pension funds and administration of retirement benefits under CPS. The book assesses various aspects of the reforms as a platform for, and or guide to improved delivery of pension benefits. The Pension Reform Acts 2004 and 2014 as legal framework for the reforms have been critically examined and distinctively brought to focus, offering solutions to observed limitations.

Considering that this sectoral reform has become a significant policy instrument of social security provision and economic stimulation among nations of the world, the book urges implementers of the policy in Nigeria to take a giant step by reforming the pension reforms to address the current plight of retirees as well as stimulate economic prosperity of the country.

There is need for the policy to introduce pension reforms as a discipline in secondary and tertiary institutions of learning. This would offer the opportunity to train professionals and expertise required to drive the scheme to the desired impact it was meant to create in the society. The book is, therefore, an introspective and essential reading resource for stakeholders in this emerging but all-important sector .

Accordingly, I strongly recommend the book to policy makers, Chief Executive Officers (CEOs), employers, employees, retirees, labour and industrial unions, regulators and operators of the scheme, administrators, academics, researchers, organized private sector, politicians, social analysts, civil liberty organizations, traders, artisans, students, traditional authorities, applicants and any other person who may be concerned with comfort and leisure in post-employment life.

CHAPTER ONE

Introduction

Political and economic schools of thought often hold divergent but highly respected views on what actually constitute the true state of man's freedom. Political side of the discourse perceives active involvement, inclusiveness and unhindered access of an individual to processes and choices responsible for the setting up and or operations of bureaucratic as well as social institutions. *Wikipedia (2017) observes* political freedom as one of the most important features of a democratic society free from oppression or coercion, absence of disabling conditions for an individual and the fulfillment of enabling conditions. Such enabling conditions, being the strategic variables that propel an individual's innate abilities and potentialities into self-actualization.

Proponents of the concept of political freedom especially allude to man's unfettered access to aid liberties, democratic and or fundamental human rights, a by-product of the principles of good governance; itself characterized by transparency, accountability, fair material and human resource allocation, legitimacy and efficient performance (Hagher, 2015).

In advanced societies with deeply entrenched democratic liberties and

fundamental human rights, the state regulates to guarantee political freedom by providing social welfare to empower the people (Spicker, 2017). He further posits that welfare provision has grown hand in hand with democracy and the idea of social security is to protect the people against poverty and hardship that may arise through a change in circumstances. Poverty, especially its extreme form is generally seen as a constraint to democratic rights, affront to human freedom and dignity. The United Nations (1995) perceives extreme poverty as a breach of fundamental human rights which is antithetical to the principles of humanistic values and egalitarianism. Against this backdrop, modern democratic states and institutions have enacted and re-enacted appropriate laws, legislations charters and ordinances to protect human rights in order to entrench democratic or political freedom. The aim is to uphold human dignity and values against the denigrating effect that extreme poverty produces. In Nigeria, sections 13-21 of the Constitution of the Federal Republic (1999) as amended provide for civil liberties and human freedom under the fundamental objectives and directive principles of state policy. The sections stipulate the political, economic, social, educational, environmental and cultural responsibilities of the state to the citizenry. Whether the aims and objectives of such declarations are being actualized in the society in the real sense of the constitutional provisions is a matter of polemics and intense discourse among students of humanity. Nevertheless, critics of political freedom have argued that fundamental human rights and democratic principles are useful ingredients to oil democratic machinery and institutions that could usher in human freedom, yet, political rights and democratic principles are but a superstructure operating on the base of more solid variables. They are quick to identify the economy as a fundamental base of such a superstructure.

The American Economist, Milton Friedman's book on *Capitalism and Freedom* (1962) indentifies economic freedom as an extremely important component of total freedom and a necessary factor in interpreting the concept of man's freedom. Notable as the Purveyor of Adam Smith's laissez faire, deregulation and free enterprise, Friedman categorically asserts that without economic freedom, there cannot be political freedom. Many analysts who share the opinion are of the view that a man may cleave tenaciously to democratic rights, beliefs, values, principles and ideologies only to the extent that his economic status is sustainably defined and adequately guaranteed. The view alludes to weak democratic rights and political freedom in emerging economies, societies and institutions where there is limited or total lack of sustainable economic livelihood. They draw conclusions that lethargic political freedom exists where there is lack or limited economic fundamentals. Maduabum (2006) justifies that a truly free person is he that is confident that his means of livelihood is guaranteed and sustained.

It is, therefore, apparent to decipher that democratic or political and economic

freedoms maintain a symbiotic relationship in that, democratic liberties and choices are more readily offered and freely enjoyed in societies built on a sound economic base. The renowned Austrian economist Ludwig von Mises (1962) is, therefore, of a round summation that economic and political freedoms are mutually dependent; adding that political freedom cannot be preserved in the absence of economic freedom and vice versa. He further asserts that the age of capitalism or economic freedom has become the age of government of the people or democracy. Mises' conception is lucid and valid especially as we observe advanced capitalist nations leading the vanguard of agitations for global political freedom; having already attained some reasonable measure of economic prosperity. Even the relatively prospering societies have quickly subscribed to the ideals of market orientation and democratic liberties in sudden realization that democratic and economic rights cannot exist in isolation.

The compelling need to preserve economic and political freedoms has given rise to intense concerns on welfare and social security. The obvious aim is the protection of the vulnerable in the society as they deserve the benefits of inalienable rights, minimal standard of existence and fundamental freedoms *(Wikipedia 2016)*. The growing concern on social security or protection is the aim to improve human welfare, needs for education, health care, social housing and economic security. Other areas of social policy concerns are social justice, human rights, pensions, unemployment benefits, crime and criminal justice, urban renewals development and labour relations. This takes us to the topical and elaborate discourse on social security with a focus on pensions as well as its role in modern economic structure of nation-states.

Considerable interest has often been expressed by nation-states across the globe in the management and administration of one pension scheme or the other for employees to draw their benefits after retirement *(Odia and Okoye, 2012).* Interestingly, recent interest in pension reform has been an attraction to not just the governments or organizations concerned with pension matters alone, professionals and experts in diverse fields of human endeavour have been demonstrating keen concern in pension matters. The obvious explanation is the derivable benefits to stakeholders. To sustain such benefits, efforts have been made of late to find a common platform in tackling pensions and other global economic issues. The World Pension Summit (WPS) for instance, is an assemblage of stakeholders from all works of life to deliberate on pension and other economic issues across the world. The World Pension Summit-Africa Special (WPS-AS) is a dedicated session of the WPS to specially address pension issues in Africa. The first three editions of the WPS-AS held in 2014, 2015 and 2016 in the Nigerian Capital City of Abuja pulled together more than 500 professionals, government functionaries, policy makers, pension fund managers, academics and investors, among others, from more than 45 countries across the continents (El-Amin, 2016). Of tremendous interest in the WPS-AS is the enthusiasm and zeal in tackling a broad spectrum of socio-economic issues such as investments, diversification of economies and eradication of poverty rather than a narrow focus on pensions and social security concerns alone. The widespread appeal by the WPS-AS to African economies is due largely to social economic challenges of rising unemployment, poverty and illiteracy resulting to increased criminality, armed banditry and terrorism. These challenges expose the vulnerable in the society to several hazards and dangers, thereby, underscoring the need for their welfare and social protection.

Apart from the use of pensions or social protection to address a myriad of other social challenges, the surging interest in pension reform is also based on anticipated accruals, prospects and potentials presented by the sector to world economies. The sector is perceived as a magic wand to turn around world economies. A reformed and properly managed pension as often argued, could impact tremendously on virtually all sectors of the economy in the areas of financial services and capital market development, the real sector, energy, agriculture, transportation and mining. The abilities and capabilities of pension reforms are also seen as being significant enough to ginger economic development in nation-states. Either from the perspective of social security provision or economic prosperity, a very strong case being upheld is the obvious connect between pension reform and economic development as well as democratic and economic freedoms.

More than ten years of its existence, the CPS has had its successes and failures. Accumulation of pension funds is one of the major successes of the scheme that rose to ₦7.52 trillion by PENCOM's Fourth Quarter Report (2017). For a single sector to achieve this feat in an economy is quite commendable. Despite the successes and high potentials of CPS, there are some daunting but yet surmountable challenges confronting the scheme. The number of contributors projected to participate in the scheme is still a far cry from what was initially anticipated. Only employees from ten out of the thirty six states of the federation expected to key into the scheme have commenced the processes to enroll their employees. Apart from the shaky and haphazard implementation of CPS, there are also reports of monumental corruption associated with pension management and administration under the reforms. Irrespective of the challenges confronting the CPS, global attention is still drawn to pension reforms in Nigeria due to its anticipated prospects and investment potentials. The hindsight of a prosperous and secured future; the growing desire to join the comity of nations reforming their social security systems and the general trend toward market economic systems made the administration of President Olusegun Obasanjo (1999-2007) to introduce CPS in 2004 through an Act of Parliament which was later amended in 2014. The global and nationalist dimensions of CPS shall be examined in greater details in the

subsequent sections of this introduction.

Meanwhile, the CPS replaced the Defined Benefit Scheme (DBS) or Pay-As-You-Go system. CPS is designed and structured as a tool for economic growth as well as social security provision. It is meant to manifest the goals of savings mobilization to usher in capital market development, (Gunu and Tsado, 2012). The overall goal is to achieve macro-economic growth and national economic prosperity.

Barrow (2008) affirms that individual and collective savings are key to

individual and family development as well as national development. He stresses that CPS as a pool of long term investible funds is crucial for development of financial markets and the economy as a whole. On the role of CPS as social security, he allows to life insurance cover as social protection to improve staff welfare as well as promote workers commitment and loyalty.

Conceptually, CPS is part of the grand social policy agenda of the National Economic Empowerment and Development Strategy (NEEDS) (CBN, 2005) whose vision and mission was wealth creation and poverty reduction in the society. A conscious course of action is, therefore, drawn along the market oriented economic parameters of devolving the role of government in the management of enterprises.

Abridged version of NEEDS highlights the goals of NEEDS to include national wealth creation, employment generation and poverty reduction. NEEDS defines its values and principles as transparency, accountability, efficiency and capacity utilization. Quite embracing and encompassing, the reforms were intra and inter-sectoral spreading its sphere of influence in finance, banking, taxation, insurance, transportation, agriculture, telecommunication, oil and gas, mining, energy and electricity, among several other sectors including the pension sector.

Perspectives on Contributory Pension in Nigeria, is, therefore, a cursory appraisal, detailed examination, critical and analytical dissection of the variables dimensions and dynamics of reforms in the pension sector. The book offers an overview, insights, view points, highlights and incisive analysis on issues of management and administration of pensions in Nigeria under CPS. It raises concerns in areas of policy shortcomings as well as offer solutions where appropriate. It is imperative to stress that this book does not lay claim to monopoly of knowledge on reforms in the pension sector. What the author has done is to provoke intellectual discourse on issues arising from reforms in the pension sector to which there is room to accommodate differing but very constructive engagements.

Reforming Pensions: The Global Perspective

I had argued very deeply in the early part of this introduction that the true state of man's freedom is his economic freedom even as democratic rights cannot be dismissed with the wave of hand. The mid 1980s and early 1990s present an interesting global scenario for social scientists and students of neo-liberalism. In 1985 to be specific, Mikhail Gorbachev became the Prime Minister of the then Union of Soviet Socialist Republics (USSR). He subsequently introduced *Perestroika* and *glasnots* as policies of economic reconstruction. While *Perestroika* was focused on market oriented reforms away from the command economic system that USSR had been used to, *the glasnot* programme was aimed at loosening up the grip and centralized control on the Socialist Republics that constituted the Soviet Union. *Perestroika* and *glasnot* policies eventually led to the collapse of Soviet Union and subsequent change in course of events around the world. The independence of the Socialist Republics resulted to the emergence of western-styled democracy in Eastern Europe. The development downplayed the erstwhile extremely opposed ideologies of socialism and capitalism and the ensued cold war between the two divergent ideologies after World War II. Eventually, the age-longed conflict between market and command economies observed a cease-fire.

The global market equation was now tilted in favour of capitalism. The dominant role of state under command economy of the then USSR necessarily needed to be garnished with the rudiments of Adam Smith's *Laissez faire* or free enterprise. The invisible hand or forces of demand and supply took the centre stage in resource allocation in the economies of nation-states. Zayyad (1991) describes the changes as a move away from government ownership, control or participation in the economy towards free enterprise and some uninterrupted operation of market forces. He asserts that the changes needed reduction in the role of government with corresponding expansion in private ownership, control and participation. It is this market perception of economic management with focus on the dominant role of the private sector that informed the reforms in pension sector. The Retirement Savings Account (RSA), a significant feature of CPS is designed along this neo-liberal concept.

Free enterprise emphasizes globalization, symbolizing free movement of goods and services across national and continental boundaries. The emerging global trend assumed different nomenclatures in different economies ranging from deregulation, privatization, commercialization, reform or structural adjustment. Whether the reform assumed the name of *Perestroika* or whatever terminology it is known in any economy, the overall objective is to relinquish the role of the state in the management of public enterprises.

In Nigeria, the setting up of the National Council on Privatization and Commercialization (NCPC) as well as the Bureau for Public Enterprises (BPE) was to muster institutional framework to dispose of national assets. Sadly, most of the national assets were sold off at ridiculous prices to surrogates and fronts for multi-national corporations. Incidentally, the private concerns that bought these national assets have not improved on their efficiency, effectiveness and performance; the main reasons given to explain the need to dispose of such national assets. In the case of electricity, the situation is quite pathetic that what the government has succeeded in doing is to concede the collection of electricity bills to the private sector. No single investment, innovation or improvement has been made to the existing infrastructures that were installed with public funds some years ago. This national asset has been transferred to some private holdings at peanuts in the name of privatization. In fact, privatization of the electricity sector has only succeeded in extending the number of dark hours for electricity consumers.

The intense desire by succeeding military regimes to dispose of national assets in the late 1990s was only systemic to the global agenda of a market-driven economy, including the pensions with its features of private placement. Visions 2010; 2020 and 2020:20 were economic plans to reform the Nigerian economy from its mixed structure to full blown capitalism. A reformed pension sector was then projected as having a dominant role to play in the emerging market trend. Matter-of-factly, the privately managed pensions in the South American country of Chile after her pension reforms of 1981 became the beacon for other emerging economies to take a bearing. The vision 2010 Sub-Committee on Pension reform in Nigeria had laid a framework for private placement along the world market trend which President Obasanjo (1999-2007) vigorously pursued.

By the late 1990s, it became overt that the world market trends had tilted away from command economic systems to neo-liberalism. Thus, symbiotic relationship between the economies and democratic structures became more firmly established. Even the emerging economies started advocating for neo-liberal concept of political pluralism. Asember’s (1991) *Political Pluralism in Africa* deeply reflects the strongly held political ideals of human and democratic rights in the evolved market economic order. He stresses the need for the emerging civil authorities to be truly democratic and thoroughly reformed for popular and inclusive participation for genuine democracy to emerge. In the evolving trend, human rights groups became handy in opposition to any regime perceived to be antithetical to political and market reforms.

Even as *perestroika* and *glasnot* had sealed the fate of command economies, the alternative offered by capitalism had its inherent crisis and contradictions. The irreconcilable differences, unequal relationship and clash of interest between owners of resources of production and the workers could not guarantee stability to usher in the growth that the reforms were meant to achieve. The values of market economies built fundamentally on dialectical materialism and appropriation of surplus values are inherently antithetical to welfarism and egalitarianism. The forces of demand and supply also cannot allocate resources perfectly in the society as perceived erroneous on the theoretical premise of *ceteris paribus*. All things cannot be equal in real life. In capitalist economies, therefore, the market imperfections of inflation, recession, depression, foreign exchange depreciation, unemployment, exploitation and extreme poverty do exist. This is what Nigeria is facing currently as the impact of the crises on pensions and social security would be assessed in the later part of this book. Meanwhile, social security under capitalism seeks to institute palliative measures against social disequilibrium, harsh realities and vagaries of economic pendulum. Nigeria's pension reform and the Social Investment Programme (SIP) of the Buhari Administration have several components like conditional cash transfer all geared towards averting the inherent social upheavals associated with the capitalist model of development.

Considering the instabilities and inherent crisis associated with market oriented reforms which also affect social security and pensions, home grown solutions to economic problems are being advocated as options to the innate crises of capitalist development. Diversification of the economy away from over reliance on a single commodity of oil as the case of Nigeria needs urgent action. Value addition in production processes, especially, agro-processing becomes imperative. Change in consumption pattern by citizens away from demand for foreign goods in preference to local goods will create jobs and also resolve foreign exchange crises. Investment of accumulated pension funds should target local production rather than importation. The economic Reform and Growth Programme (ERGP) of the Buhari Administration which focuses on aggressive export drive, manufacturing, local content and ease of doing business are the right economic measures that would create conducive economic environment for pension reforms to succeed. Considering the prospects of ERGP, it implementation should be pursued with vigour and might.

Reforming Pensions: The National Perspective

The global perspectives discussed above clearly demonstrate that reforms in the pension sector were part and parcel of the evolved competitive market economic order. The nationalist perception rather considers the bottlenecks and constraints of previous pension systems as reasons for the reform. Previous pension schemes had failed to spread their tentacles across a growing population where a large percentage had no social security coverage. Akeredolu-Ale (2007) observes that less than 5% of the population is covered by any social security provision - health care, housing and pension. Even the less than 5% with social security coverage could not easily access the pension pay-outs due either to poor administrative machinery of managing pensions, incompetence or corruption. He warned of the dangers of treating matters of social security, poverty, deprivation, inequality and injustice with levity as they have the potentials of degenerating to some serious social conflicts. Makama (2011) upholds the view as exponential that can lead to social crisis.

In an economy of high unemployment, inflationary pressures, depreciating foreign exchange, extreme poverty and underemployment with virtual lack of social security provision, reforms in the pension sector could not have come at a better time than when it did. The 2004 reforms in the pension sector were, therefore, an expressed concern for old age provision and stimulant to national economic growth. The blue print was set to achieve a functional, sustainable and efficient pension delivery system. It was a thought-out plan with in-built stabilizers to cushion the effects of the failures and encumbrances of past pension schemes in Nigeria. Such encumbrances, Koripamo-Agary (2009) considers to be lack of adequate and timely budgetary provisions, rising life expectancy, increasing personnel wages and pensions leading to huge pension liabilities and untold hardship for retirees.

Dostal (2010) concurs the nationalist perception of pension reforms but rather from the financial perspective of deficit in managing the national budget. He avers that large scale unfunded entitlements under DBS or PAYG for civil servants accumulated to large scale arrears of pension payments in all sectors of the economy. His observed accumulated pension arrears resulting to huge national debt has been confirmed by Whyte (2005) when he asserts that 65% of government employees lived unfulfilled lives after employment due to delay in accessing pension and gratuity for periods in excess of three years. Overtly, the piling up of pension arrears and, by extension, deficit in treasury management necessitated the reforms. Kaka (2005) depicts a grueling picture of a few entangled public sector institutions owed large pension arrears including the N100 billion owed retirees of the Power Holding Company of Nigeria (PHCN); N3 billion owed pensioners of the Nigerian Railway Corporation (NRC); and the N10 billion owed retirees of the Nigerian Telecommunications Limited (NITEL). Examples drawn from these corporations demonstrate the moribund nature of pension administration prior to reforms in the sector and the dire need for reforms.

The print media equally reflects on the shortcomings of DBS expressed by rising pension arrears, administrative ineffectiveness and corruption, thereby, tacitly reinforcing their support for pension reforms. A cursory appraisal of sensational captions in national dailies attests to the disenchantment of the print media against the old pension order.

The Nation (2008) captions; *Retirees Cry of 7 years Pension Arrears Totalling N1.8 billion*. The *Daily Independence* (2009) puts it: *Military Pensioners owed N17 billion Arrears*; The *Vanguard* (2009), reports: *NITEL Retirees Suffering*; *This Day* (2011) says: *N12 billion Pension Scam*: *Court Orders Arrest of Two Suspects*; and *The Nation* (2012), captions: *Pension Cartel Rakes in N3.3 billion Monthly*.

Apart from corruption contributing significantly to the failure of DBS and hence, the need for reforms, Ahmad (2007) identifies arbitrariness of fixing pensions without any economic, scientific or actuarial bases; coupled with the absence of a central regulatory institution as part of the failures that necessitated reforms in the sector. He, therefore, supported the setting-up of regulatory framework like the National Pension Commission (PENCOM) to monitor and redress the identified ills. Not only that, reforms in the pension sector was viewed from the potentialities of long-term capital provision for investment. This view is considered a vital strategy for deepening of market economies, especially the capital market and national economic growth.

In general, reforms in the pension sector became imperative in several respects. Increase in population with evident high unemployment and underemployment rates compulsorily required a social security provision to avert impending social crisis in the society. The pension reforms could be considered on the whole as a design to develop home-grown solutions to the ills afflicting the Defined Benefit Scheme (DBS) or Pay As You Go (PAYG) as well as resolve national economic issues as deficit financing of budget.

Introspection

The economic and social derivatives of the 2004, 2014 reforms in the pension sector in Nigeria are not matters of polemics. So renowned and manifest are the prospects that rightly qualify the reforms for apt description as an invisible goldfield fully explored but yet to be mined. The sheer quantum and size of N7.52 trillion pension fund assets accumulated from savings of N7.82 contributors up to the offers optimism and a glimmer of hope. Despite the enthusiasm on the perceived gains of pension reforms, there are yet some challenges facing its implementation as many prospective contributors are still hesitant to enroll on the scheme. Out of the thirty six states of the Federation, only ten states have enacted laws or are in the process of full enrolment on the scheme. Response from the 774 Local Government Councils and many other organizations in the private sector is not encouraging. Nonetheless, the fact remains that if a single sector in the economy could mobilize savings close to the size of the national budget, the wisdom, vision, foresight and efforts of initiators of such a policy must be commended and the sector itself be given serious consideration.

It therefore, becomes imperative and appropriate to strongly advocate and reiterate the need for special curriculum on pension reforms to offer education on pension reform to students of secondary and tertiary institutions. A very significant percentage of the population has had their lives and career tied to reforms in the pension sector. Designing a curriculum that would offer training to those who seeks career in the reformed pension sector will open up limitless opportunities and career prospects. The National Council on Education may, therefore, provide policy framework and direction on the matter. A multi-trillion Naira worth of sector need professionals and experts to drive it. The curriculum on pensions will certainly build capacities for stakeholders in the sector for employers, employees, pensioners, pension desk officers, Chief Executive Officers (CEOs), academics, organized labour, applicants, operators and regulators of CPS and several other audiences. A discipline in the field of pension reform would also contribute also meaningfully to policy development in this all-important sector that has caught the admiration of the whole world in recent times. Now that the pension sector has become a significant segment of the economy, the earlier the intellectual thought and wisdom is directed to it, the better for its growth and development.

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CHAPTER TWO

CONCEPTUAL FRAMEWORK AND DEVELOPMENT OF PENSION LAWS IN NIGERIA

Conceptual Framework

To decipher, comprehend and appreciate the issues raised in this book, it is imperative to identify and explain the framework of key words, terminologies and expressions used in different chapters.

Pension

Pension is a stream of income accruable to an employee after his retirement from service. Ikeji, Nwosu and Agba (2011) describe the income as regular from government or any establishment to a retiree that had served the employer for a stipulated time. Pension is, therefore, a social security provision, protection or cover for a retiree who had served his tenure of employment either in the public or private sector.

Pension Reform Act (PRA)

The Pension Reform Act (PRA) is a legal framework on pension reforms in Nigeria. PRA came into being as a result of an Executive Bill to the National Assembly which was passed and accented to by the President on 25th June, 2004 referred to as Pension Reform Act 2004. Implementation of PRA 2004 started on 1st July, 2004 and, subsequently, amended in 2011, 2012 and 2014.

Contributory Pension Scheme (CPS)

Contributory Pension Scheme (CPS) is a pension system where the employer and employee both contribute a certain amount of money for retirement plan of the employee. A fundamental feature of CPS is the private management of fund for the employee by fund administrator through the Retirement Savings Account (RSA). In Nigeria, CPS came into being as a result of the Act of National Assembly accented to by the President in 2004.

Contributory Pension Scheme is also known as Defined Contribution Scheme (DCS). It is a funded scheme as opposed to the Defined Benefit Scheme (DBS) that is non-contributory, unfunded pension plan or Pay-AS-You-Go (PAYG) retirement scheme.

Gratuity

Gratuity is a lump-sum, one off-payment to a retiree for his previous service to an organization. The payment is meant to re-settle a retiree in post-employment life.

Retirement

Retirement is an industrial condition where an employee withdraws his service from an organization. Retirement could either be voluntary or compulsory. Under voluntary retirement, the employee, out of his own volition decides to withdraw his service from the organization for reasons that may be personal to him. Compulsory retirement is when the organization compels an employee to withdraw his service.

In public and private sector institutions in Nigeria, compulsory retirement could be necessitated by acts of misconduct or conditions and scheme of employment. General conditions and scheme of service of an organization may necessitate compulsory retirement for an employee who:

(a) attains 60 years of age or had served continuously for a maximum period of 35 years in the civil service;

(b) has attained 70 years of age as a Justice of the Supreme Court and Court of Appeal of the Federation;

(c) has attained 70 years as a Professor in Nigerian Universities or had served continuously for 65 years for other categories of staff in Nigerian Universities; and

(d) is incapacitated as a result of ill-health that renders him in a position ineffective to continue to function in his position.

Both voluntary and compulsory forms of retirement attract benefits including gratuity and pension, apart from acts of gross misconduct provided that the laid down conditions of service for the organization are fulfilled.

Dismissal From Service

In contrast to retirement, dismissal is a labour situation where an employee is compulsory terminated from service of an organization on the ground of fraud or any other act of gross misconduct. Under the DBS, a dismissed staff loses all his retirement benefits including his gratuity and pension irrespective of the number of years he had served the organization.

The 2004 reforms in the pension sector did not ascribe any punishment for a dismissed staff. Some analysts are of the position that dismissal itself is enough punishment and that terminal benefits under CPS are personal savings of a dismissed employee which the employer has no right to withhold. Opponents of the proposition consider mere dismissal as inadequate punishment and rather suggest the forfeiture of percentage of the employer's contribution to the scheme as a deterrent. The fact, however, remains that no society thrives in an atmosphere of lawlessness and disorder. Insignificant corrective measures may not be deterrent enough to which Ujo, (2008) proposes hard choices and difficult sacrifices to deter employees from indulging in acts of gross misconduct.

Retirement Savings Account (RSA)

A Retirement Savings Account (RSA) is an account operated by a Pension Fund Administrator (PFA) on behalf of an employee where all accruable pension incomes are lodged. Accruals to the account include employer/employee contributions, returns on investments and Retirement Benefits Bonds. The bonds are applicable only to employees who had served under the employment of the Public Service of the Federation and the Federal Capital Territory before the commencement of CPS. An employee is expected to maintain a single RSA throughout his working career. For this reason, the RSA is made portable from one PFA to the other. An employees' change from one employer to another does not affect his RSA. Nevertheless, benefits in the RSA of an employee could be accessed on retirement or in accordance with the provisions of the Pension Reform Act (PRA) 2004 as amended in 2014.

Retirement Benefit Bond Redemption Fund (RBBRF)

This is a guarantee for employees' right to accrued retirement benefits during the period he served the Public Service of the Federation and the Federal Capital Territory before the commencement of the Pension Reform Act 2004. RBBRF is simply referred to as Redemption Fund. The bond is held by the Central Bank of Nigeria for employees of the Public Service of the Federation and Federal Capital Territory. On retirement, the value of the bond is calculated and credited to the retiree's RSA as part of his retirement benefits.

Annuity

An annuity is a form of income purchased from an insurance company by
an investor wishing to earn some returns on a monthly, quarterly, or yearly basis over a life time. Annuity is one of the modes a retiree may choose to access his pension benefits from RSA held by fund administrator under the CPS.

Lump Sum Withdrawal

This is a mode of accessing benefits from RSA by a retiree where funds
could be withdrawn in lump sum on the condition that the amount left in the RSA is enough to fund programmed withdrawal or purchase of annuity.

Programmed Withdrawal

This is a monthly or quarterly withdrawal from RSA calculated on the basis of an expected life span.

Actuary

An actuarist is skilled in valuation and calculation of potential risks in the financial sector – insurance, banking, pension or capital market, among others. An actuarist undertakes valuation for withdrawal of benefit in the RSA as directed by PFA. He also advises on risk potentials to PFAs and PFCs in order to guide the operators on prospects for investment of pension funds.

The National Pension Commission (PENCOM)

The National Pension Commission (PENCOM) is the sole regulatory body for the reformed pension sector charged with the responsibility to regulate, supervise and ensure effective administration of pension matters and retirement benefits in Nigeria. It also enforces and administers the provisions of PRA through the issuance of guidelines on effective administration of pension and retirement benefits. The National Pension Commission is simply referred to PENCOM.

Pension Fund Administrator (PFA)

A Pension Fund Administrator (PFA) is a company licensed to manage and invest pension assets in an employee’s RSA. Even though PFAs are in charge of RSA, PFAs have no access to RSAs of employees as the pension assets are under the custody of Pension Fund Custodian (PFCs).

Closed Pension Fund Administrator (CPFA)

A Closed Pension Fund Administrator (CPFA) is a company licensed to manage and invest pension funds for its employees only. A CPFA cannot open or manage RSA for employees other than those of its parent or subsidiary company.

Pension Fund Custodian (PFC)

A Pension Fund Custodian (PFC) is a company licensed to keep custody of
pension fund and assets in the RSA on trust for the employee on behalf of PFA or CPFAs. PFC undertakes investment of pension fund as directed by PFAs.

Social Security

A social security policy is a measure put in place to ensure social protection and welfare of citizens in circumstances of social needs such as job loss or income loss, ill-health, incapacitation or disabilities that may prevent a citizen from taking care of his needs

Gratuity under the Contributory Pension Scheme

The issue of gratuity has generated controversy among analysts of the

Contributory Pension Scheme (CPS). Prior to the reforms in the pension sector, employees that served in public sector organizations for unbroken period of five years and above were entitled to gratuity provided that they retired or withdrew their services in accordance with the conditions and terms of the organization. The Pension Reform Act 2004 restructured the pension system in Nigeria but kept complete silence on the issue of gratuity. Rather, section 9 subsection 3 of the PRA 2004 provides for a life insurance policy in favour of employee for a minimum of three times the annual total emolument of employee. The curious aspect of this subsection of the Act is the provision for death benefits for next-of-kin of the deceased employee without providing for gratuity for a retiree himself. This provision, by implication is encouraging death over life.

It is, however, a positive development that Section 4, Subsection 4(a) of the amended PRA 2014 seeks to correct the anomaly by providing that an employer may agree to pay additional benefits to the employee upon retirement. The implication of this provision is that employers can pay gratuity to employees retiring from service. The death benefits under the life insurance policy of three times the annual total emoluments of employee can, therefore, be paid as gratuity to employees retiring from service. Alternatively, the payment of one year basic salary as death benefit being done in some organizations can be used as gratuity for retiring employees under CPS.

Gratuity should be seen as a right to a retiree to enable him settles down after the laborious years of service. The advice to responsible unionism is to engage their respective employers in constructive dialogue to enforce the payment of gratuity using Section 4 Subsection 4(a) of the amended PRA 2014 as window for negotiation. Lump-sum payment to the retiree for services rendered to the organization is very important for seamless transition from hard years of service to retirement.

Development of Pension Laws in Nigeria

Legislation on pensions in the Nigerian public service dates back to the colonial era when the Pension Ordinance was passed in 1951. The 1951 Ordinance, however, took retrospective effect on 1st January, 1946. The initial design of the Pension Ordinance was to ensure post-service welfare for imperial officers under the employment of the British Empire. Granting of pension to employees then was at the discretion of the Governor-General to the exclusion of indigenous staff. When pension was eventually extended to indigenous employees, it was a privilege to employees rather than a right, Abdulkadir (2006).

The Pension Ordinance of 1951 was reviewed twenty eight years later with the enactment of Pension Act No. 102 of 1979 for public servants. The Act accorded to public servants without discrimination, the rights to gratuity and pension after retirement. Under the scheme, government was responsible for total liabilities on pension matters in which provisions were made in the annual budgets for payment of retirement benefits to retirees. It was generally referred to as the Pay-As-You Go (PAYG) pension scheme and funded from the public treasury through annual budgets.

The Pension Act No. 102 of 1979 was followed by another legislation on pension, the Armed Forces Pension Act No. 103 of 1979 for those in military service. The Act had similar provisions with that of the public servants and only differed in the qualifying age requirement which exempted the military. Irrespective of age, a military retiree was privileged to draw his pension immediately on retirement. This was not so for public servants who were required to attain a minimum age of 45 years to qualify for pension benefits.

The Pension Act No. 75 of 1987 established the Nigeria Police and other Government Agencies Scheme. This legislation was fashioned after the armed forces pension law. The Local Government Pension Edit resulted to the setting up of the Local Government Staff Pension Board in 1987 to handle pension matters for retirees in the third tier of government.

The need to provide income to retirees in the private sector led to the enactment of the National Provident Fund (NPF) Act in 1961. NPF was the first ever pension provision for private sector employees. Its funding was contributory in nature by both employers and employees in the private sector for lumpsum payment to a retiree. It was generally referred to as pay-off. The limitation of NPF was the unsustainability of the income to a retiree as it was a one off-payment.

The National Provident Fund was later replaced with the Nigeria Social Insurance Trust Fund (NSITF) established by Act No. 73 of 1993 which repealed the NPF scheme. NSITF was to leverage on the limitation of NPF to provide sustainable income to private sector employees.

The NSITF Act provided compulsory contributory social security scheme funded by both employers and employees in the private sector. Embedded in the scheme were such enhanced products like death gratuity, unemployment benefits, injury benefits and financial grant. The effectiveness of the scheme in meeting its set objectives had been contentious. Nevertheless, the enactment of NSITF Act No. 73 of 1993 was an improvement in private sector pension provision over the National Provident Fund (NPF) Scheme of 1961.

Act No. 11 of 1993 legislated on 65 years compulsory retirement age for academic staff in Federal Universities. By this provision, the 35 years of service, which was a compulsory service period for civil servants no longer applied to academic staff in public sector Universities. Also, a person who had put in 15 years of continuous service as a professor in a Federal University was entitled to 100% of terminal annual emolument according to the provisions of Act No. 11 of 1993. The 2012 amendment of the Pension Reform Act 2004 provides for professors to retire at 70 years while all other staff in the University system are to retire at 65 years. A professor who has served continuously in a recognized University up to the retirement age shall be entitled to pension at a rate equivalent to his annual salary. Nevertheless, where a professor has not served up to the retirement age but has served for a minimum number of 20 years as a professor shall also benefit from pension equivalent to his annual salary.

The Pension Reform Act 2004 became operational on 1st July, 2004. It was later amended in 2012 and 2014. The Act provides for contributory pension scheme aimed at correcting the inadequacies of the Defined Benefit Scheme (DBS) then in existence.

The journey to current pension reform in Nigeria started in 1996 with report of the Pension Sub-Committee, a component of Vision 2010 Project under the then Military Government. The Pension Sub-Committee Report emphasized the need and target to deliver social protection to Nigerians at the country’s 50th Anniversary by 2010 (Casey and Dostal, 2008). They further stressed that the Report of the Pension Sub-Committee of Vision 2010 recommended the choice of Chile as a model to adopt for Nigeria; being a good example of a country that had sown the right social policies and was reaping bountiful economic progress; even beyond the imagination of the formulators.

Recommendations of the report of the Pension Sub-Committee of Vision 2010 Project were based on a careful survey of pension systems in Ghana, United Kingdom, United States of America and Chile. Nevertheless, the report was not implemented until the military handed over power to a civilian regime in 1999.

Imperatives of Pension Reforms

Right from the colonial era, Nigeria has had one form of pension legislation or the other aimed at addressing the problems arising from management and administration of pension benefits. The pertinent question, perhaps is, despite the series of pension legislations, why the 2004 reforms in the sector? The apparent answer to this question is the unending problems associated with the management of pension schemes then in existence. Fundamentally, pension liabilities began to accumulate for the government because of inadequate funding of pension budgets and other administrative inefficiencies. Consequently, the Defined Benefit Scheme (DBS) administered by the public sector could no longer fulfill its pension obligations to retirees (Dostal, 2010).

Print media reports highlighted in the introduction of this book depicts grueling experiences by retirees in the public sector to the point of some even dying on queues in an effort to access their pension benefits. Ikotun (2008) emphasizes the delays in payment of retirement benefits to pensioners as well as huge pension bills arising from inadequate funding of the scheme by the various governments. His view was corroborated by Barrow (2008) who submits that the major issue in the setting up of CPS is the unsustainable outstanding pension liabilities especially in the public sector, weak and inefficient administration of pension schemes as well as limited coverage for the private sector. Inadequate budgetary allocations in relation to benefits payouts became a major issue in annual pension budgets in the public sector as shown in Table 1 below covering a five-year period from 1995 – 1999.

Table 1: Funding of Pension Budget 1995 – 1999

Year	***Pension Budget (NB)***	***Pension Paid (NB)***	***Pension paid in %***
1995	20.85	3.48	16.7
1996	41.62	5.19	12.5
1997	45.68	6.41	14.0
1998	56.14	11.44	20.4
1999	100.00	30.79	30.8
Total	**264.29**	**57.31**	**21.68**

Source: *Report of the Ajibola Ogunsola on Deficit Financing of Pension Budget 2000*

The table shows budget deficit for the five years under reference. Within the period, government had earmarked N264.29 billion for payment of pension benefits. Nevertheless, only ₦57.31 billion or 21.68% was released by the government to fund the pension budget, leaving a deficit of ₦206.98 billion or 78.32%. The gap between pension budget and the actual releases in the ratio of 78.32% : 21.68% can help to explain the negative impact of pension management on retirees. Put in more lucid terms, a retiree who was entitled to ₦100 only got ₦21.68k, leaving a shortage of ₦78.32k. Clearly, the predicament of living on ₦21.68k instead of ₦100 could only be imagined.

The unfulfilled pension obligations to retirees became a liability, thereby, culminating to public or national debt. Ahmad (2004) re-affirms the inability of public pension schemes established by pension legislations to meet the needs of retirees from public service when he asserts that pension arrears to 216,000 pensioners in the Military, Police, Immigration, Customs, Prisons and civil services were over ₦56 billion. In the private sector, the situation was not different. The Nigerian Social Insurance Trust Fund (NSITF) scheme could not live up to its expectations due to apparent lack of confidence and trust in the fund as a result of glaring absence of transparency and accountability.

To demonstrate concern over incessant deficit in the funding of pension budgets, the Federal Government of Nigeria constituted a Committee headed by Ajibola Ogunsola in 2000 to examine the issue of deficit financing of pension budgets in the public sector. The report submitted by the Committee highlights a steady rise in deficit financing of pension budgets in the public sector over the years and the need to stem the tide (Table 1 above). Based on the recommendations of the Ogunsola Committee, the Federal

Government of Nigeria had to set up a Committee on Pension Reforms in 2003 under the Chairmanship of Fola Adeola. The Fola Adeola Committee consulted extensively on reports of the 1996 Pension Sub-Committee of Vision 2010 Project and the Ajibola Ogunsola Committee on Deficit Financing of Pension Budget. The report of the Fola Adeola Committee culminated to the Executive Bill on Pension Reform to the National Assembly. The Bill was, subsequently, accented to by the President as Pension Reform Act (PRA) 2004 on 25th June, 2004. The PRA 2004 was subsequently amended in 2012 and 2014.

The pattern and trend of intense efforts at pension reforms were not in isolation of the global environment. It has earlier been stressed that the pension reforms were part and parcel of the globalization agenda to restructure social-economic and political institutions according to the dictates of the prevailing ideologies of *perestroika* and neo-liberalism. No doubt, the reforms coincided with growing trend of agitations for civil liberties, social justice, human and democratic rights. Observers of the Nigeria socio-political milieu would rightly attest that civil agitations were more pronounced from the mid 1980s and early 1990s regardless of the fact that the nation was under the firm grip of military dictatorships. Ironically, the tone of such agitations has waned down even as the perceived injustices against the society orchestrated by corruption and other human rights violation seems to be on the upward swing.

A radical perspective, therefore, views reforms in the pension sector as a continuation of strategic efforts by the ruling elites to ensure that national assets are cornered by the minority-rich in collaboration with multinational partners for appropriation and perpetuation of their dominance in all facets of national life. The view is quick to observe that involving private operators in the running of pension funds is only comparable to privatization and commercialization of public enterprises and utilities. Pension reform, therefore, becomes a process of the same agenda for sale of national assets to some few but remarkable influential individuals. Yaya (2008) corroborates the view as a game plan to wreck public utilities or services and create an impression that government has no business in business. The ultimate goal is to sell these collective assets or services at give away prices to the ruling elites and their international collaborators.

This radical approach on pension reforms, though perceptive and focal, does not offer an alternative solution to the national malaise of increasing pension liabilities and the inability of the government to meet the pension needs of retirees. Whichever side of the divide, the DBS had collapsed as evidenced from the inability of public and private sector schemes to satisfy the needs of retirees. It is the failure of these schemes that provides the rationale for reforms in the sector. Moreover, an inclusive social policy as pension reform is required to address the challenges faced by retirees and other vulnerable groups in the society.

Regulatory Framework on Public and Private Sector Pension Schemes

The pattern and evolution of pension legislation in Nigeria shows no evidence of a single regulatory authority on pensions prior to the 2004 reforms. Disjointed legislations on the various schemes also accounted for fragmentation in regulatory authorities, managers and administrators of the schemes. Most of the legislations were for administration of the schemes in public sector apart from the NPF Act of 1961 and NSITF Act No. 73 of 1993 that focused on the private sector.

Despite the varied legislations that instituted several regulators in form of Boards of Trustees and Pension Departments to administer the diverse schemes, administration and management of the respective schemes was characterized by inefficiency and ineffectiveness. Consequently, it became increasingly difficult for governments at all levels to meet up with their pension obligations. Apart from cases of delay in the payment of retirement benefits to retirees, there was lack of data base and good record keeping system. Lack of accountability and transparency resulted to mismanagement and outright fraud. These reasons accounted largely for the failure of regulatory framework on past pension schemes and, hence, the need for reforms, including policy regulation for the sector. CPS therefore, established PENCOM as a single regulatory authority on pension matters for both the public and private sector pension schemes.

Upward Trend in Pension Liabilities

Facts presented in table 1 above are evidence that pension liabilities assumed an upward trend in Nigeria. Several reasons have been put forward to explain the ever rising pension liabilities, especially for the public sector. One such reason is access to education and training by employees. Availability of educational facilities had opened up opportunities for employees to acquire relevant training, skills and higher qualifications which ensures their rapid promotions and career progression. This background prepares them to retire at higher grades and the subsequent increase in retirement benefits.

Pressures from organized labour are also responsible for rising pension liabilities. In pressing for enhanced packages and welfare for employees, the organized labour often engage employers in negotiations and dialogue culminating to review of personnel emoluments resulting to upward trend in pension liabilities.

Apart from personal educational attainments and pressure from the organized labour, public treasury as the major source of funding pension budget makes no provision for investment of pension funds. As no provision is made for the growth of pension funds under public treasury system of funding, pension liabilities continue to rise. This mono-faceted approach in the funding of pension budgets places the pension responsibilities squarely on the shoulders of the public treasury. Unfortunately, treasury revenue has continued to dwindle over the years with concomitant effect on rising pension obligations.

Improved health care and good nutrition account for low mortality rates, longevity of life and an aging population. High life expectancy, therefore, accounts for high pension liabilities. This factor is more tenable in advanced economies with high percentage of aging population. In Nigeria high mortality rate, improved health care and good nutrition cannot be strong reasons to explain the increase in pension liabilities. The Human Development Index (HDI) Report of 2015 for instance classifies Nigeria among Low Countries occupying 152nd position with a percentage of 0.514. The implication of the report is that life expectancy; literacy level and access to medical care in Nigeria are very low, resulting to high mortality in the society.

Other factors with obvious causes of rising pension liabilities are the fall in government revenue, corruption, mismanagement and bureaucratic inefficiencies. The factors identified above have variously or collectively accounted for upward trend in pension liabilities which make the DBS ineffective and inefficient. Ahmad (2004) attributes the ineffectiveness of DBS to protracted bureaucratic bottlenecks, less transparent and cumbersome processes, unsustainability and absence of a link between contributions and benefits, restrictive investment opportunities and limited coverage.

In his submission, Yaya (2008) emphasizes the inefficiencies of DBS to accumulation of pension liabilities over the years. He avers that CPS is not just the right alternative but sustainable because of its innovations and workability. The innovations, sustainability and workability of CPS is derived from its funding nature and the potentials to eliminate budgetary shortfalls and upward trend in pension liabilities. Considering its potentials, some observers tend to describe CPS as a revolution in the pension sector.

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CHAPTER THREE

The Pension Reform Acts 2004 and 2014

The constraints of DBS had earlier been identified and vividly discussed. Nevertheless, one of the fundamental challenges confronting the government of President Olusegun Obassanjo (1999-2007) was the concern to design a comprehensive social policy that would proffer practical solutions to the ills associated with management and administration of pensions in the country. Accordingly, the Ajibola Ogunsola Committee was set-up to ascertain the level of deficit financing of national budget. Report of the Committee became instrumental for the Fola Adeola Committee that harmonized the exercise on pension reform.

Reports of the Ogunsola and Adeola Committees in 2000 and 2003 respectively, laid the legal framework on pension reforms and later passed by the National Assembly as Pension Reform Act (PRA) 2004. The Act was signed into law by the President on 25th June, 2004. Its implementation started on 1st July, 2004. The PRA 2004 was subsequently amended in 2011 to exempt the military from participating in the scheme; 2012 to define the benefits for professors who had served for 20 years on the position; and the general amendment of 2014. The 2004 and 2014 PRAs provide for Contributory Pension Scheme (CPS) or Defined Contribution Scheme (DCS) aimed at correcting the inadequacies of the Defined Benefit Scheme (DBS) or Pay As You Go (PAYG) pension scheme.

The CPS or DCS is meant for employees in the public service of the Federation, the Federal Capital Territory (FCT), Public Service of States Government, Local Government Councils and private sector organizations with five or more employees. The Pension Reform Act 2014 amends the minimum number of employees in an organization to qualify for participation in the scheme from five to fifteen. Nevertheless, organizations with less than three employees as well as self employed persons shall be entitled to participate in the scheme in accordance with the guidelines issued by the National Pension Commission. The scheme is fully funded and privately managed with third party custody of pension funds and assets based on individual accounts of employees. Its overall objective is to ensure that retirees are paid their retirement benefits as and when due.

Objectives of Contributory Pension Scheme

Section 1(a),(b), (c) and (d) of PRA 2014 sets the objectives of CPS as to:

(a) establish a uniform set of rules, regulations and standards for the administration and payments of retirement benefits for the Public Service of the Federation, the Public Service of the Federal Capital Territory, the Public Service of the States Government, the Public Service of the Local Government Councils and the Private Sector;

(b) make provision for the smooth operations of the Contributory Pension Scheme;

(c) ensure that every person who worked in either the Public Service of the Federation, Federal Capital Territory, States and Local Government Councils or the Private Sector receives his retirement benefits as and when due; and

(d) assist improvident individuals by ensuring that they save in order to cater for their livelihood during old age.

Realization of these lofty objectives will no doubt, translate to a better management, administration and effective delivery of pensions in the country. The core values of the new pension scheme are prompt payment of retirement benefits; guarantee for sustainable livelihood in retirement; standard measure of control and management of pension funds. These values are, indeed, a clear departure from the hard experiences faced by retirees under the past pension schemes. The efficacy of the objectives of the new pension scheme would be probed further in course of this book. Nevertheless, the new pension scheme is structured to deviate from the old pension schemes considering that the new pension scheme is fully funded and sustainable. It guarantees availability of pension funds relative to pension liabilities at any given moment. This is in contrast to the DBS that was characterized by insufficiency and unavailability of pension funds for payment of pension benefits to retirees. The new pension scheme is also expected to differ from the previous pension schemes by generating a mass amount of savings for the national economy for re-investment. About ₦7.52trillion is said to have accumulated from savings of over 7.82 million contributors as at the end of fourth quarter of 2017 (PENCOM, 2017).

Contributions and Qualification to Participate in the Scheme

Section 9 Subsection (a) – (e) of the Pension Reform Act (2004) specifies the rate of contributions to the scheme based on employee’s monthly emoluments in terms of percentage of basic salary, housing and transport allowances. The Act also specifies the rate of contribution for employers and employees as follows:

(i) a minimum of 7½% by the employee; and

(ii) a minimum of 7½% by the employer

Section 4, Sub-section (1) of the Pension Reform Act (2014), however, amends the rate of contribution to the scheme for employers and employees as:

(a) a minimum of 10% by the employer; and

(b) a minimum of 8% by the employee.

Section 1(a) of the PRA 2014 extends applicability of the Act to employees of Public Service of States Government and Public Service of Local Government Councils.

The PRA 2014 further amends the minimum number of employees in an organization to qualify it for participation in the scheme from five to fifteen with the provision that, organizations with less than three persons or self-employed can also participate in the scheme in line with the guidelines of the Commission.

Notwithstanding the rates of contributions by employers and employees to the scheme, Section 9, Sub-section (2) of the Pension Reform Act 2004 permits the employer to bear the full burden of the scheme on behalf of an employee provided that the employer's contribution shall not be less than 15% of the monthly emolument of the employee. Section 4, Sub-section 4(b) of PRA 2014 amends the rate of contribution an employer may opt to bear on behalf of an employee to 20%.

It is imperative to note that Section 4, Sub-section 4(a) of the PRA 2014 categorically declares that an employer may agree on payment of additional benefits to the employee upon retirement. This provision has finally put to rest the raging controversy in labour circles on whether or not gratuity has been abolished by the PRA. Overtly, payment of gratuity is now a matter of open negotiation between industrial unions and their respective employers. With good bargain, employers may even bear the full burden of the scheme on behalf of their employees as provides for under Section 4, Sub-section 4(b) of PRA, 2014.

Exemption from Contributory Pension Scheme

The initial provision of the Pension Reform Act 2004 was for the military to contribute 2.5% of monthly emoluments while their employers were to contribute 12.5%. The Pension Reform Act 2004 was, later amended in 2011 to exempt the military from participating in the scheme. Section 5, sub-section (1) of the PRA 2014 exempts the categories of persons mentioned in Section 291 of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) including members of the Armed Forces, the Intelligence and Secret Services of the Federation from participating in the scheme.

Other categories of employees exempted from the scheme as provided for under section 291 of the 1999 Constitution of the Federal Republic of Nigeria (as amended) are Judicial officers appointed to the Supreme Court or Court of Appeal or other Judicial officers appointed to any other Court as specified in Section 291 of the 1999 Constitution of the Federal Republic of Nigeria as amended.

Existing pensioners and employees with less than three years to retire from service from the date the 2004 Pension Act was enacted were also exempted from the scheme.

Compliance and Participation in the Scheme

Section 2 of the PRA 2004 limits the participation of employees in the scheme to Public Service of the Federation, Federal Capital Territory and the Private Sector. This scope of participation was, however, amended in Section 1(a) of the PRA 2014, to employees of the Public Service of States Government and the Public Service of the Local Government Councils.

Clearly, the amended PRA 2014 expands the scope of pension coverage for employees, thereby, spreading the potential benefits of the pension reforms beyond the initial borders established by PRA 2004. Obviously, the horizon of participation in CPS has been widened by the PRA 2014. The unanswered question; however, is, has the width of PRA 2014 been reflected in the level of compliance among employers? The obvious answer is certainly not in the affirmative. Both the employers and employees have been apprehensive about the scheme. Casey (2009) vividly depicts the pessimism of employees in Nigeria towards the pension reforms when he puts:

> *In Nigeria, most covered workers had few options about participation, but those who were required to take steps to register in plans might have been yet more hesitant about doing so. For many, what they observed, even if they did not comprehend its possible consequences for their pensions, no doubt heightened their cynicism about what the government was likely to do for them*.

Aptly portrayed, cynicism, pessimism and apathy defined employers and employees' attitude towards reforms in the pension sector. Not only were the employees non-chalant, some industrial unions went out of their way to threaten sanctions against any of their recalcitrant member who dared to comply with PRA. Such orders may probably not have been vacated even as the directives of such organized labour run counter to the rule of law.

Nigeria today (2017), an online publication decried the disturbing statistics on compliance with CPS when it perceives the 7.49 million contributors representing 7.7% of the country's workforce enrolled in the scheme as at September, 2016 as dismal. The compliance level of 7.7% implies that 92.3% of the total workforce of the nation is yet to be enrolled in the scheme. If after more than a decade of implementation of the pension reforms and only a negligible less than 10% had so far enrolled on the scheme, then something is certainly wrong somewhere. But the loud and lucid message points to our averseness to the rule of law. Perhaps, hesitation in joining the plans may have been heightened by the dismal and low performance of the scheme in the first decade of its operation.

Twelve years into operation of CPS, Akintomide (2016) laments that only the states of Lagos, Ogun, Kaduna, Niger, Delta, Osun, Rivers, Anambra, Zamfara and Jigawa with a combined enrollment of 673,116 had actually enacted their pension law and were fully operating the CPS as well as the Imo State University, Owerri. The National Pension Commissions Fourth Quarter Report (2017), however, include Ondo and Kebbi among the ten states compliant with CPS as at December, 2017. This brings the number of states complaint with CPS to twelve. The remaining 24 states are at various stages of implementation of the scheme, more than a decade after its commencement. Detailed update on level of compliance of states with CPS is shown in table 2.1 below.

Table 2.1 Level of Compliance with CPS by States Government

S/NO	STATE	REMITTANCE OFCONTRIBUTION	ACCRUED RIGHTS	GROUP LIFE INSURANCE
1	Jigawa	Assets transferred to 6 PFAs for management	N/A	N/A
2	Lagos	Commenced	Funded	Implemented
3	Ogun	Commenced	Funded	Not Implemented
4	Kaduna	Commenced	Funded	Not Implemented
5	Niger	Commenced	Funded	Implemented
6	Delta	Commenced	Funded	Not Implemented
7	Zamfara	Commenced	Not Funded	Not Implemented

8	Osun	Commenced	Funded	Implemented
9	Rivers	Commenced	Funded	Implemented
10	Kano	Assets yet to be transferred	N/A	N/A
11	Imo	Yet to commence remittance of pension contributions but the Imo State University is currently implementing the CPS under the auspices of the PRA 2014	Not Funded	Not Implemented
12	Kebbi	Commence	Not Funded	Not Implemented
13	Sokoto	Yet to Commence	Not Funded	Not Implemented
14	Ekiti	Yet to Commence	Not funded	Not Implemented
15	Kogi	Yet to Commence	Not Funded	Not Implemented
16	Bayelsa	Yet to Commence	Not Funded	Not Implemented
17	Nasarawa	Yet to Commence	Not Funded	Not Implemented
18	Oyo	Yet to Commence	Not Funded	Not Implemented
19	Katsina	Yet to Commence	Not Funded	Not Implemented
20	Akwa Ibom	Yet to Commence	Not Funded	Not Implemented
21	Edo	Yet to Commence	Not Funded	Not Implemented
22	Ondo	Commence	Not Funded	Not Implemented
23	Benue	Yet to Commence	Not Funded	Not Implemented
24	Kwara	Yet to Commence	Not Funded	Not Implemented
25	Plateau	Yet to Commence	Not Funded	Not Implemented
26	Cross River	Yet to Commence	Not Funded	Not Implemented
27	Anambra	Commenced	Funded	Not Implemented
28	Enugu	Yet to Commence	Not Funded	Not Implemented
29	Abia	Yet to Commence	Not Funded	Not Implemented
30	Ebonyi	Yet to Commence	Not Funded	Not Implemented
31	Taraba	Yet to Commence	Not Funded	Not Implemented
32	Bauchi	Yet to Commence	Not Funded	Not Implemented
33	Borno	Yet to Commence	Not Funded	Not Implemented
34	Gombe	Yet to Commence	Not Funded	Not Implemented
35	Yobe	Yet to Commence	Not Funded	Not Implemented
36	Adamawa	Yet to Commence	Not Funded	Not Implemented
Source: National Pension Commission Fourth Quarter Report (2017)				

Conscious and determined efforts are required to get more employees and employers on board the scheme. This could be achieved through proper enlightenment campaign and education on benefits of the scheme. Massive enrolment on the scheme presents the obvious advantages of economies of scale by pulling together a quantum of funds for investment, which the pension reforms had earlier envisaged.

The level of non-compliance with PRA by employers and employees manifest in

several folds. Some sets of employers have never complied with PRA since inception of the scheme as their employees have never been registered on the pension plan. A bulk of employers under this category of defaulters come from the private sector.

Another category of PRA defaulters are such employers that have their employees duly registered with PFAs yet they deduct their emoluments but fail to remit to RSAs. In most cases, such employers also fail in contributing a percentage of their share of pension contribution into employees' RSAs. Both the public and private sector employers are culpable of this violation of the Act.

The letter from the PENCOM to the management of Yaba College of Technology on non-remittance of pension deductions may further explain the efforts of the Commission in ensuring that provisions of PRA are fully complied with as in Alabadan (2008):

> *You are required to respond to allegations in the letters earlier sent to you and confirm to the Commission if the Staff School is funded by Treasury or not. The response is expected to reach the Commission within two weeks from the date of this letter. However, should you fail to respond to the allegations; the Commission will make referral to administrative agencies responsible for ensuring appropriate financial conduct including exercising the option of commencing legal proceedings against your organization.*

For refusing to remit the contributions deducted from the Staff School of the Yaba College of Technology, the Commission issued series of letters of caution to no avail. The issue in question is not the funding of salaries of staff of the Institution from public treasury. It's simply the issue of non-remittance of contributions deducted from staff into their RSAs. In the case of Ogun State Government, *The Vanguard* (2009) reports that salaries deducted from employees were not remitted into their RSAs for a period of over fourteen months. The matter eventually led to industrial dispute between the Ogun State Government and labour unions in the State. If public sector institutions do not comply with PRA, then the situation in the private sector could only be imagined.

Report from Pension Fund Association (Pen Op) in Izuora (2016) rather regrets that the Federal Government of Nigeria which enacted the PRA and the largest employer of labour in the country remained the major defaulter of the law. It further states that remittances to RSAs were often delayed for several months in the case of Federal Government institutions and for up to two years in the case of some states. Apart from default on non-remittance of contributions, implementation of group life insurance policy is another serious area of non-compliance with PRA. Section 9, Sub-section (3) of PRA 2004 provides for employers to maintain group life insurance policy in favour of employees for a minimum of three times the annual total emolument of the employee. Section 4, Sub-section (5) of PRA 2014 amends the policy on group life insurance that, where the employer failed, refused or omitted to make payment of premium as and when due, the employer shall make arrangement to effect the payment of claims arising from the death of any staff in its employment during such period. This provision of the Act creates a deliberate loophole for employers to default on group life insurance policy. In more than a decade of the operation of CPS, no employer, including the Federal Government of Nigeria have strictly adhered to the provision on group life policy on behalf of her employees. Now that PRA 2014 has completely relaxed the provision on group life policy, it may never come into effect at all. Consequently, the expected income from payment of premium on group life insurance policy which would have stimulated growth in the insurance industry is being denied, apart from the rights of next-of-kin of deceased employees to the benefits.

It is imperative to reiterate the need for provisions and regulations of PRAs 2004 and its subsequent amendments be strictly enforced for compliance. The moral suasion approach of the

Commission in getting employers of labour to enroll on the scheme may be important. However, as the approach seems to be of little effect in the first decade of operation of CPS, the option of wielding the big stick may be the next option to be explored. Collaboration between the Commission and the Central Bank of Nigeria (CBN) may be necessary to ensure that States Government wishing to benefit from bonds or whatever facility guaranteed by the Federal Government must present certificate of compliance with PRA. Also, any company bidding for Federal Government contract must present certificate of compliance with PRA.

In the event of fragrant breach of PRAs, which amounts to committing a financial
crime, PENCOM should not hesitate in reporting the matter to anti-graft agencies like the Economic and Financial Crimes Commission (EFCC) or the Independent Corrupt Practices and Other Related Offences Commission (ICPC) for prosecution. Pension policy reforms and implementation have a direct bearing on people's existence and wellbeing. Any constraint to full implementation or actualization of the policy objectives should be addressed with all seriousness and concern. Accordingly, reports of unwholesome practices in course of policy implementation on pension reform be thoroughly investigated and the culprits brought to justice.

The low level of participation in the scheme especially from the private sector may be due to low level of awareness campaign to educate the general public about reforms in the sector. While I commend the efforts of the Commission and operators of the scheme in reaching out to the public and urge for more, vigour, determination, resilience and tact are needful to drive the enlightenment further.

The University community as my base is supposed to be the most enlightened segment of the society. Yet I realized in course of my interaction with members of the community that many are not adequately informed about reforms in the sector; not minding the fact that their fate and destiny are tied to it. If awareness about reforms in the pension sector is low among members of the most enlightened segment of the society, the case of the less informed segment of the society can better be imagined. With this background in mind, I felt the need to beam the light of enlightenment and awareness on the reforms for all to comprehend and appreciate this sectoral change that bear directly on the future and destinies of not just retirees and contributors but employers as well. Reforms in the pension sector have come to stay as an Act of parliement. The earlier we come to terms with this reality, the better.

Choosing a PFA and Registration Procedure

Section 11, Subsection (1) of the Pension Reform Act 2004 provides for every
employee eligible to participate in the new pension scheme the right to maintain a Retirement Savings Account (RSA) that is managed by a Pension Fund Administrator (PFA). However, funds in the RSA are kept under the custody of a Pension Fund Custodian (PFC) who undertakes investments as directed by PFA.

An employee is required to choose only one out of the licensed Pension

Fund Administrators (PFAs) to manage his funds at a particular point in time. The choice of a PFA is a very important decision an employee is expected to take because what determines his comfort at retirement in terms of his pension income is a factor of investment performance of PFA. Choosing a PFA means making investment decision which requires a proper understanding of such variables as investment portfolio outlay of the PFA, returns on investment as well as profitability ratio among other accruals to RSA. Logically, the RSA holder bears full responsibility for the risk of investments carried out by PFA. Where a PFA has a low rate of returns or profitability ratio, the RSA holder will receive low returns. On the contrary, a PFA with a high rate of returns will pay higher returns on investment to the RSA holder. On this account, it is advisable for employees to settle for PFAs of good financial standing and high percentage of flexibility for portfolio diversification. The simple reason is that spreading investment risks over elastic range of assets mix or classes provide a better guarantee against fluctuations in the business environment. A financially stable PFA guarantees high returns on investment.

It is necessary to stress that two employees that joined an organization on the same day, same salary grade level and steps, ran the same promotions to the end of their career but enrolled with different PFAs may not necessarily enjoy the same benefits on retirement. The simple explanation is the performance of their investments made by their choice of PFA. Choosing a PFA is a crucial decision taken by an employee for a secured future.

Employees necessarily need to critically analyze and weigh investment variables and choices before selecting a PFA, considering that the decision you take today determines your well being or otherwise on retirement. Having settled on a PFA, an employee makes an on-line registration, specifying his biometric and employment data as below:

-name and address of employer;
-name of employee (surname first, middle and last names);
-service or personnel number;
-department of employee;
-sex of employee;
-date of birth;
-date of appointment;
-current salary grade level/steps;
-current designation or position;
-email address; and
-mobile phone number.

Having received the information, the PFA registers the applicant by opening an RSA with a Personal Identification Number (PIN) and forwards his details to the Commission. On receipt of the employee's details, the Commission sends a confirmation of registration message to the employee about the PFA he has chosen.

The employee then notifies his employer about the PFA he has chosen and the identity of his RSA symbolized by the PIN. Employees are advised to strictly maintain only one RSA throughout their working period as contributions could only be made to one RSA.

For an employee who fails to open RSA with six months after assumption of duty, section 15, sub-section (5) of PRA 2014 empowers the employer to request a PFA to open a nominal RSA for such an employee for the remittance of his pension contributions.

The National Pension Commission (PENCOM)

The National Pension Commission (PENCOM) is the sole regulatory body charged with the responsibility to supervise and administrative pension matters and retirement benefits. The administrative structure of the National Pension Commission typified the Weberian bureaucratic theory with a chain of command that flows from top-to – bottom, and a reporting system from bottom-to-top.

Establishment of the Commission

Sections 14-28 of PRA 2004 established PENCOM as a body to regulate, supervise and ensure effective pension delivery in Nigeria. The sections also stipulate the objectives, tenure, functions, powers and funding of the Commission.

Sections 17-38 of PRA 2014, however, amend the provisions of sections 14-28 of PRA 2004. Section 17, subsection (4) of PRA 2014 for instance amends PRA 2004 to provide for the Commission to have its head office in the capital of the Federal Republic of Nigeria but may open offices and branches in any part of Nigeria as may be approved by the Board. Section 17, Subsection (5) also provides for the Commission to report directly to the President of the Federal Republic of Nigeria.

Objectives of the Commission

The aims and objectives of the Commission are to regulate, supervise and ensure effective administration of pension matters and retirements benefits in Nigeria. Section 15 of PRA 2004 has been amended under Section 18 (a) (b) of PRA 2014 to empower the Commission to enforce and administer the provisions of the Act; co-ordinate and enforce all other laws on pension and retirement benefits.

Governing Board of the Commission

Section 19, Subsection (1) and (2) of PRA 2014 establishes the Governing Board of the National Pension Commission to consist of:

(a) a part-time Chairman who shall be a fit and proper person with cognate experience in pension matters;

(b) the Director-General of the Commission;

(c) four full-time Commissioners of the Commission;

(d) a representative each of the following agencies and institutions:

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

(ii) Federal Ministry of Finance,

(iii) Nigeria Labour Congress,

(iv) Trade Union Congress of Nigeria,

(v) Nigeria Union of Pensioners,

(vi) Nigeria Employers Consultative Association,

(vii) Central Bank of Nigeria,

(viii) Securities and Exchange Commission,

(ix) Nigerian Stock Exchange; and

(x) National Insurance Commission

Section 19, Subsections (3)(d) and (4) of PRA 2014 provide for the Chairman of the Board of the Commission, the Director-General and the four Commissioners who shall each represent each of the six-geopolitical zones of Nigeria. The appointment of members of the Governing Board of the Commission shall be done by the President of the Federal Republic of Nigeria subject to the confirmation of the Senate.

Section 20(a) of PRA 2014 sets the tenure of Chairman and Director-General of the Commission at five years in the first instance and may be re-appointed for another term of five years and no more.

Section 20 of PRA 2014 provides for tenure of four years for members of the Board other than Chairman and the Director-General in the first instance and may be re-appointed for another term of four years and no more. Notwithstanding Section 20 of PRA 2014, a member of the Board of the Commission may cease to function in that capacity as provides for under section 21 if he resigns, runs out his term of office, dies, becomes of unsound mind, bankrupt, dishonest or corrupt.

Section 31 of PRA 2014 provides for the Director-General and the four Commissioners of the Commission to form the Executive Committee to draw up policies for consideration of the Board which shall include the non-Executive members of the Board listed under Section 19(1) (2) of PRA 2014.

Non-Executive Members of the Board

The Non-Executive members of the Board of the Commission shall operate on part-time as indicated under section 19 (d) (i-x) of PRA 2014 already highlighted above.

Functions and Powers of the Board

Functions of the Board

Section 25 (1) (a) (b) of PRA 2014 provides for functions of the Board to:

(a) formulate and provide general policy guidelines for the discharge of the functions of the Commission;

(b) monitor and ensure the implementation of the policies and programmes of the Commission; and

(c) carry out such other functions as are necessary or expedient to ensure the efficient performance of the functions of the Commission under this Act.

Powers of the Board

Section 25(2) (a) (b) (c) also provides for powers of the Board to:

(a) approve rules and regulations relating to the appointment, promotion and disciplinary measures for the employees of the Commission;

(b) fix the remuneration, allowances and benefits of the employees of the Commission; and

(c) regulate its proceedings and make standing orders with respect to the holding of its meetings, notices to be given, the keeping of minutes of its proceedings and such other mailers as the Board may from time to time determine.

Functions and Powers of the Commission

Functions of the Commission

Sections 23 (a) – (j) of PRA 2014 provides for functions of the Commission to:

(a) regulate and supervise the scheme established under this Act and other pension schemes in Nigeria;

(b) issue guidelines, rules and regulations for the investment and administration of pension funds;

(c) approve, licence, regulate and supervise Pension Fund Administrators, Custodians and other institutions relating to pension matters as the Commission may from time to time determine;

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

(e) ensure the maintenance of a national data bank on all pension matters;

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

(g) promote capacity building and institutional strengthening of Pension Fund Administrators and Pension Fund Custodians;

(h) receive, investigate and mitigate complaints of impropriety made against any Pension Fund Administrator, Custodian or employer, staff or agent;

(i) promote and offer technical assistance in the application of the Contributory Pension Scheme by the States Government and Local Government Councils in accordance with the objectives of this Act; and

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

Evidently, PRA 2014 has widened the functions of the Commission to ensure that its tentacles are widely spread across all pension schemes including technical assistance on administration and management of the scheme in the States and Local Government Councils. Thus, introducing dynamism and versatility in the operation of the scheme.

The Commission needs to intensify its efforts while carrying out its functions in the area of public awareness enlightenment and education. Though some efforts have been made in that direction, what is currently on ground is clearly inadequate going by the high level of ignorance exhibited by the public about the scheme. Even in enlightened environment like Universities and other tertiary institutions, many people are ignorant of what CPS is all about. The

situation in less literate environment like market settings, villages, artisan workshops which is supposed beneficiary of the scheme could only be imagined. CPS is very crucial for Nigerians and for its objectives to be actualized, an aggressive, vigorous and concerted enlightenment campaign and education using all medium of communication including social media networking and platforms be deployed to inform the public about the scheme. Simplified enlightenment messages on leaflets in local languages about the scheme would go a long way in educating the populace on the innumerable benefits of the scheme. I once again emphasize the need to design a curriculum on CPS for institutions of learning. This will serve as another form of public enlightenment and education on policy direction of the scheme. The fundamental role of the scheme in retirees' welfare and national economic growth underscore
the urgency for a curriculum on pension reform in our educational system.

Powers of the Commission

Section 24 (a) – (o) provides for powers of the Commission to:

(a) formulate, direct and oversee the overall policy on pension matters in Nigeria;

(b) fix the terms and conditions of service including remuneration of the employees of the Commission;

(c) request or call for information from any employer or Pension Fund Administrator or Pension Fund Custodian or any other person or institution on matters relating to retirement benefits;

(d) charge and collect such fees, levies or penalties as may be necessary for the provision of services under this Act;

(e) establish, acquire offices and other premises for the use of the Commission in such locations as it may deem necessary for the proper performance of its functions under this Act;

(f) investigate any Pension Fund Administrator, Pension Fund Custodian or other party involved in the management of pension funds;

(g) impose administrative or civil sanctions or fines on erring employers or Pension Fund Administrators or Pension Fund Custodians;

(h) order the transfer of management or custody of all pension funds or assets being managed by a Pension Fund Administrator or held by a Pension Fund Custodian whose licence has been revoked under this Act or subject to insolvency proceedings to another Pension Fund Administrator or Pension Fund Custodian, as the case may be;

(i) move pension funds and assets from one Pension Fund Administrator or Pension Fund Custodian to another when the Commission believes that the funds and assets are endangered;

(j) appoint Management Committee in the resolution of failing pension operators;

(k) accredit any person, body, corporate or institution that engages in any activity relating to pension matters in Nigeria pursuant to this Act;

(l) request the Accountant-General of the Federation to credit into the Federal Government Retirement Fund Account, Federal Government's obligation for the redemption of the Retirement Benefits Bonds issued to its employees for their past service;

(m) set up technical committees, working groups and task forces to assist the Commission in the performance of its duties and functions under this Act;

(n) make changes to its structure with the approval of the Board; and

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

The powers vested on the Commission are adequate to regulate, control and discipline operators in the pension industry to ensure the safety of pension funds and assets. In fulfillment of its powers, the Commission has evolved guidelines for supervision of operators and investments in pension funds and assets.

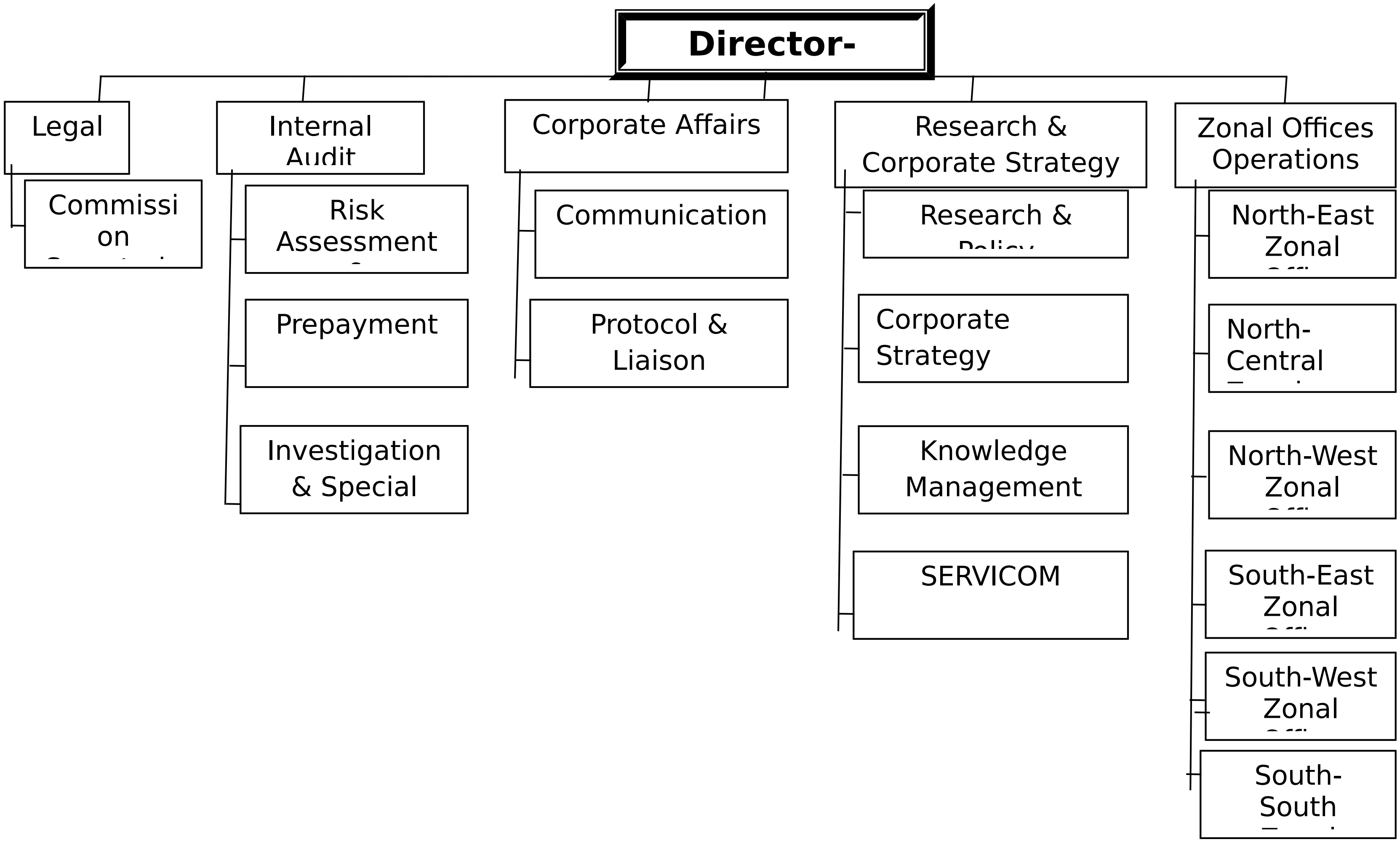
In as much as the Commission is apt in its responsibilities to ensure that provisions of the Act are fully complied with, some recalcitrant institutions in both the public and private sectors are yet to come to terms with prompt remittance of contributions which the commission needs to apply the full weight of its powers.

Section 24 (e) of PRA 2004 and 2014 empowers the Commission to establish offices in such locations as it may deem appropriate for effective performance of its functions. Though the Commission has lived up to its powers by setting up zonal offices across the nation, the offices are still inadequate to enable easy access to the services of the Commission by employees and retirees. Establishment of Desk Offices of the Commission in each State of the Federation will ease employees and retirees burden of long distance trips for services offered by the Commission. In this way, the Commission may become more efficient in the performance of its functions.

Organic Structure of the Commission

The typical structure of the Commission in the day-to-day administration, regulation and supervision of the scheme is captured in the organogram for the Director-General and Executive members of the Board below listed in Figures 1-5 below:

Figure 1: Organogram for the Office of the Director-General of the Commission



Source: www.pencom.gov.ng/mobi/about.php#collapseSix

Figure 2: Organogram for the Administration Division of the Commission

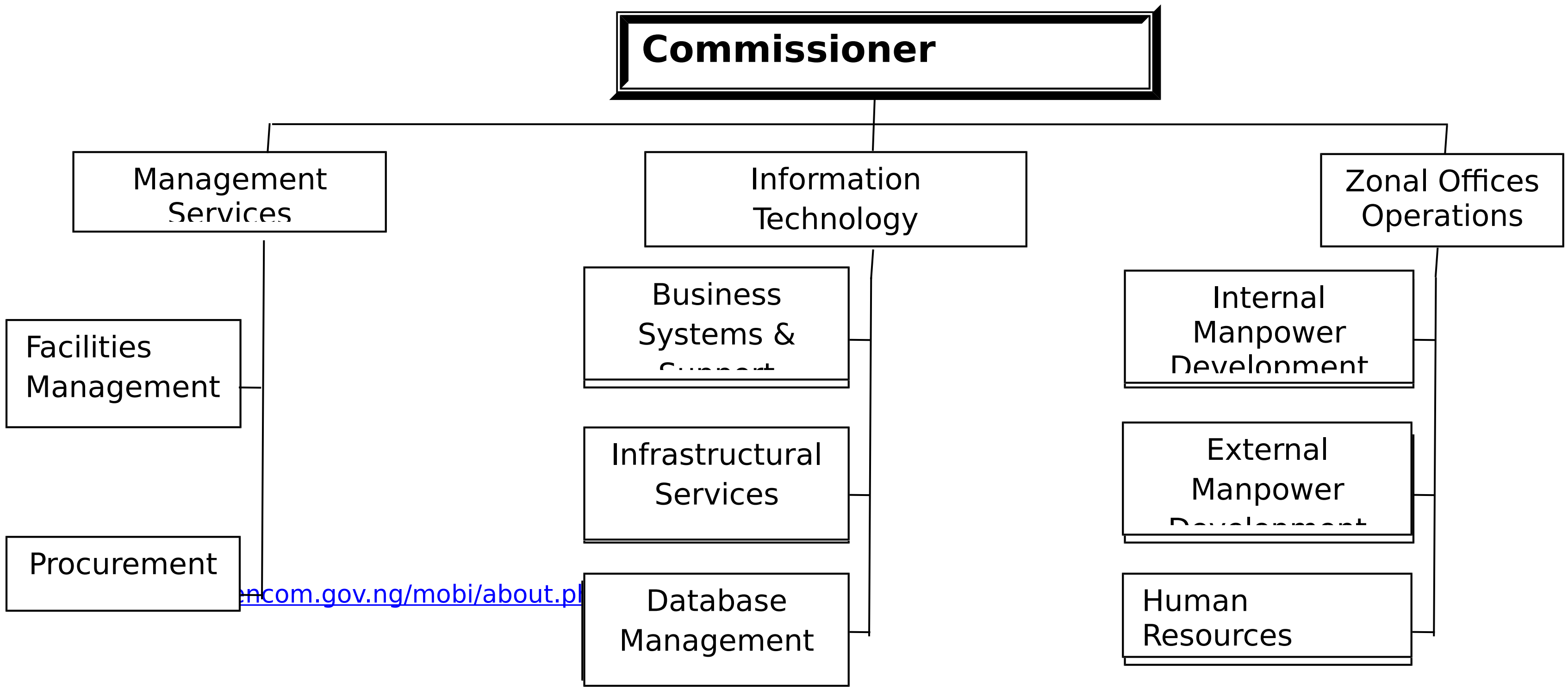


Figure 3: Organogram for the Finance and Investment Division of the Commission

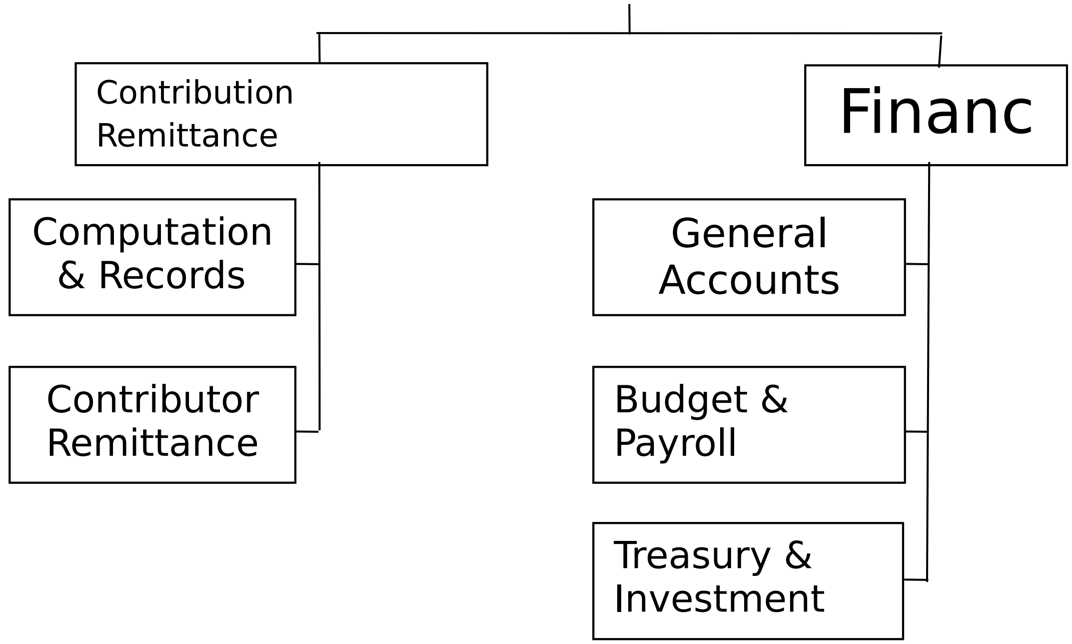


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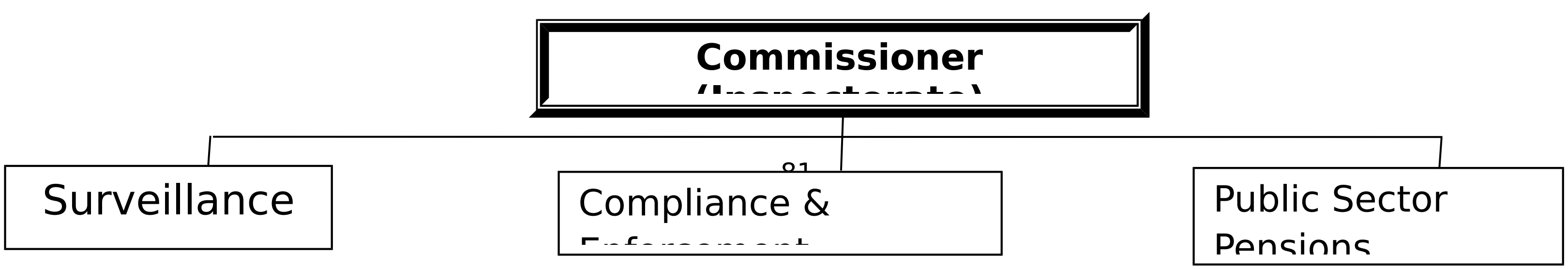
Figure 4: Organogram for the Inspectorate Division of the Commission



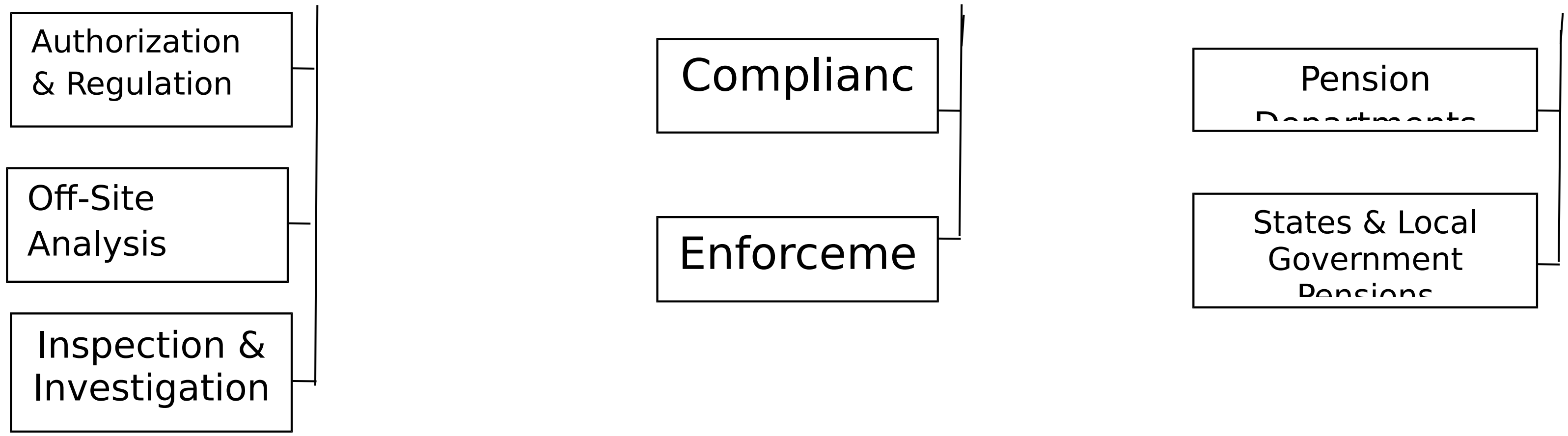


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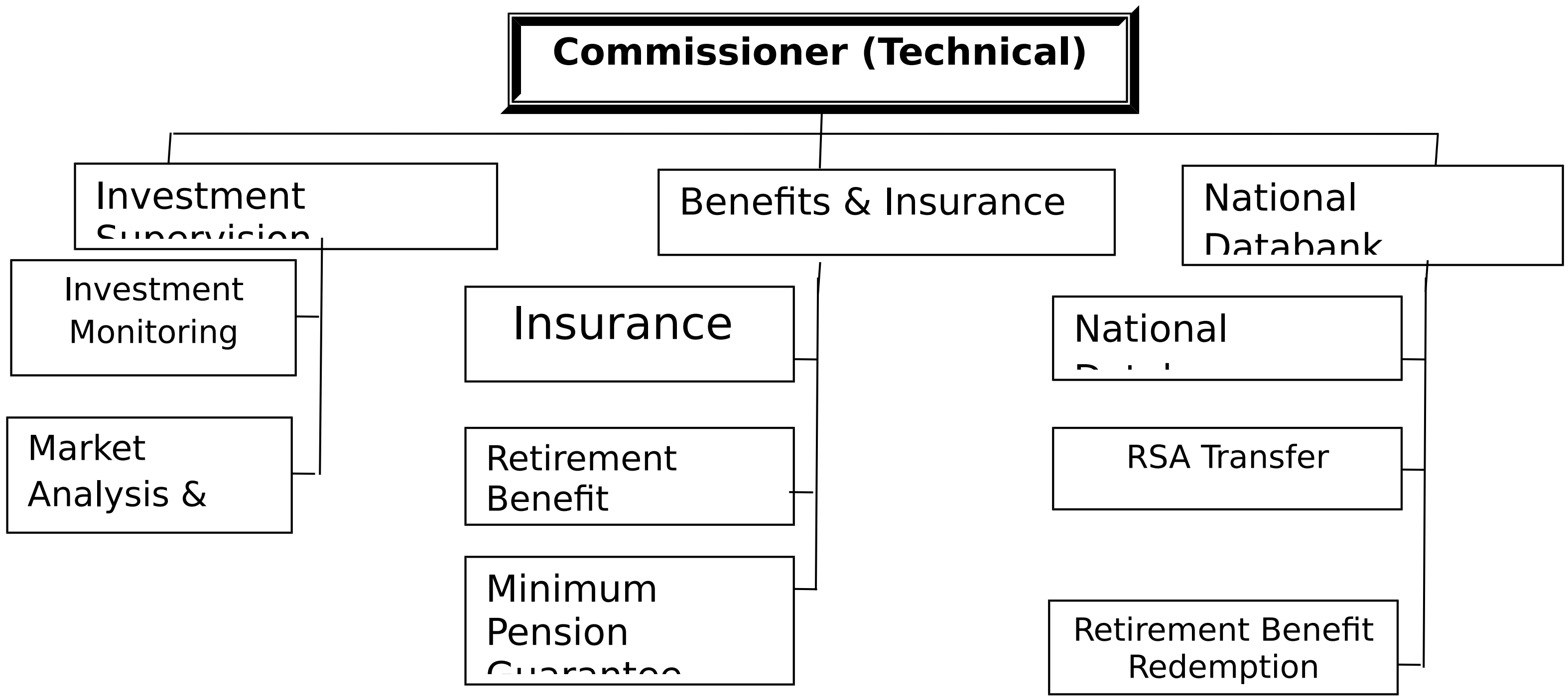
Figure 5: Organogram for the Technical Division of the Commission



Source: www.pencom.gov.ng/mobi/about.php#collapseSix

Transitional Arrangements under CPS

To ensure the smooth take-off of CPS, Sections 29-43 of the PRA 2004 provide for transition from DBS to CPS for both the public and private sector

institutions. Sections 39-54 of PRA 2014, however, amends the provisions of PRA 2004 for transition period from DBS to DCS.

PRA 2004 took effect on 25th June, 2004. Nevertheless, the Act exempted those who had three or less number of years to retire from service. That is, those that were to retire with effect from 1st July, 2004 to 30th June, 2007. Thus, all staff who were to retire as at 30th June, 2007 were to access their retirement benefits under the DBS or PAYG pension scheme. Rather, any staff still in service as at 1st July, 2007 would access his retirement benefit under the CPS or DCS. The accrued pension rights would then be actuarially determined for each employee transiting to CPS and the value of his pension redeemed at the point of his retirement.

Retirement Benefits Bonds Redemption Fund (RBBRF)

Section 29(1) of PRA 2004 provides for the Central Bank of Nigeria to establish, invest and manage funds to be known as the Retirement Benefits Bond Redemption Funds (RBBRF) in respect of the Federal Public

Service and the Federal Capital Territory.

Section 39(1) of PRA 2014 amends Section 29(1) of PRA 2004 as the Central

Bank of Nigeria shall establish, invest and manage a fund to be known as the Federal Government Retirement Benefits Bond

Redemption Fund (FGRBBRF) in respect of the Federal Public Service, thereby, removing employees of the Federal Capital Territory from participation and benefiting from the funds.

Nevertheless, Section 41(1) of PRA 2014 establishes the Federal Capital Territory Retirement Benefits Bond Redemption Funds for only employees of the Federal Capital Territory (FCTRBBRF). The section further provides for the Central Bank of Nigeria to open an account for management and investment of funds to be known as the Federal Capital Territory Retirement Benefits Bond Redemption Fund in respect of the Federal Capital Territory.

While Section 29(1) of PRA 2004 establishes RBBRF for both employees of the Federal Government of Nigeria and FCT. Sections 39(1) and 41(1) of PRA 2014 establishes independent RBBRF for employees of the Federal Government and the Federal Capital Territory.

In the funding of RBBRF Section 29(2) of the PRA 2004 provides that the Federal Government shall pay into the Redemption Funds, an amount equal to 5% of the total monthly wage bill payable to employees in the public service of the Federation and Federal Capital Territory. Section 39(2) of the PRA 2014, however, amends the provision on funding for RBBRF that the Federal Government shall pay into the Redemption Funds, an amount not less than 5% of the total monthly wage bill payable to employees in the public service of the Federation. Thus, removing employees of the FCT from benefiting from Redemption Funds established for Federal Government employees under section 39(1) of PRA 2014.

On funding for employees of the FCT, section 41(2) of PRA 2014 provides that the Federal Capital Territory shall pay into the Redemption Fund an amount not less than 5% of the total monthly wage bill payable to employees in the service of the Federal Capital Territory provided that the Commission shall, by the end of every calendar year, determine the adequacy of the Redemption Fund against the projected pension liability of the Federal Capital Territory arising from normal, voluntary and mandatory retirements and death of employees in service and advise the Budget Office of the Federation of shortfall, if any.

On utilization of funds in the RBBRF accounts, Section 29(3) of PRA 2004 provides that the amount in Redemption Funds shall be used by the Central Bank of Nigeria to redeem any retirement benefits bond issued pursuant to Section 12(1) of the Act. Section 12(1) (a) of PRA 2004 further provides that the amount so redeemed shall be added to the retirement savings account of the employee and applied in accordance with the provisions of Section 4 of PRA 2004 on utilization of funds in the RSA. In the event of insufficiency of funds to meet this liability, the shortfall shall immediately become a debt of the relevant employee and be treated with same priority as salaries owed to employees of the public service, FCT and the private sector. Where there is such a debt the employer shall immediately issue a written acknowledgement of the debt to the relevant employee and the steps to meet the shortfall.

Section 39(4) of the PRA 2014 amends the Sections 29(3) and 12(1) (a) (b) of PRA 2004 on utilization of RBBRF and acknowledgement of debt in the event of insufficiency of funds or shortfall. By the amendment of Section 39(4) of PRA 2014, the Budget Office shall on receipt of advice from the Commission ensure adequate appropriation for the shortfall and subsequent payment.

Section 41(7) of PRA 2014 provides for settlement of debt to employees of FCT in the event of shortfall or insufficiency of funds in the FCTRBBRF. The section provides that upon the failure of FCT to redeem the bond within one month of the receipt of the Commission’s demand, the Commission shall issue a request to the Accountant-General of the Federation who shall thereafter deduct directly from the Federal Capital Territory allocation from the Federation Account, the value of the bond and credit either the Redemption Fund Account with the Central Bank of Nigeria or the RSA maintained by the affected employee with his PFA.

Section 41(8) of PRA 2014 provides that payments into the Redemption Fund shall cease after all the retirement benefit bonds issued under section 15(1) (b) of this Act have been redeemed.

Federal Government Pension Transitional Arrangement Directorate (FGPTAD)

Sections 42(1) of PRA 2014 amend Sections 30-38 of PRA 2004 to establish the Pension Transitional Arrangement Directorate for the public service of the Federation. Sections 42(2) (3) of PRA 2014 provides for FGPTAD as an extra ministerial Department under the Federal Ministry of Finance with

Management Team of the Directorate appointed by the Minister and headed by an Executive Secretary and representatives of the following Departments:

(a) the Civil Service Pension Department;

(b) the Police Pension Department;

(c) the Customs, Immigration and Prisons Pension Department;

(d) the Treasury Funded Parastatals Pension Department;

(e) the Pension Service Department;

(f) the Information Technology Department; and

(g) the Support Service Department.

Section 42 (4) of PRA 2014 provides for input of the Commission to membership of FGPTAD to the extent that the Commission may from time to time determine other relevant Departments to serve as representatives on the Directorate. Otherwise, FGPTAD is completely an autonomous entity from the Commission. The Commission does not even have representation on the Management Team of FGPTAD. But for the input of the Commission to representation on FGPTAD as well as section 48 (1) (2) of PRA 2014 that empowers the Commission to regulate and supervise FGPTAD and FCTPTAD, the total autonomy of the Directorate would have ran foul to Section 21(a) of PRA 2004 and 24(a) of PRA 2014 that empowers the Commission to formulate direct and oversee the overall policy on pension matters in Nigeria.

The miscellaneous provisions relating to FGPTAD as provided under Section 43(1) (2) (3) (4) of PRA 2014 makes no recourse to the Commission at all as the Directorate can hire, fix and remunerate allowances, benefits of its employees, reward and discipline its staff, control its budget as well as its expenditure. However, Sections 48(1) (2) (3) of PRA 2014 harmonizes the regulatory role of the Commission to enable it to regulate and supervise the activities of the FGPTAD and the FCTPTAD to ensure compliance with the provisions of this Act; and shall operate under the rules, regulations and directives issued by the Commission from time to time. In reality FGPTAD and FCTPTAD operate under the rule, regulations and directives issued by the Minister of Finance and the Federal Capital Territory respectively. It is a double standard, therefore, to expect an officer to report to one superior officer on one hand and take directives from another superior officer on the other hand. The loyalty of FGPTAD and FCTPTAD cannot be equal to the respective Ministers and the Commission. PRA 2004 and 2014 did not empower the Commission with specific provisions to regulate and control FGPTAD and FCTPTAD. This gap needs to be urgently bridged to improve on pension delivery under the transitional arrangement.

It is necessary to reiterate that the hue and cry about corruption in the pension sector is being perpetrated under the Pension Transition Arrangement Directorates (PTAD) of both the Federal Government and the Federal Capital Territory. The Contributory Pension Scheme being regulated and supervised by the Commission is less prone to corrupt acts and other fraudulent practices.

There is urgent need to bring the activities of PTAD under the supervision and control of the Management Committee of the Commission, rather than the Ministers of Finance and Federal Capital Territory respectively. The activities of PTAD shall be regulated, supervised and controlled by the Director-General and four Executive Directors of the Commission. Under the administrative oversight of the Commission, fraudulent practices and administrative inefficiencies associated with PTAD would be minimized. This may again require the amendment of PRA 2014 to tighten up the loopholes and weaknesses inherent in PTAD.

Federal Capital Territory Pension Transitional Arrangement Directorate (FCTPTAD)

Section 44(1) (2) (3) of PRA 2014 establishes the Federal Capital Territory Pension Transitional Arrangement Directorate (FCTPTAD) under the Federal Capital Territory Administration to be headed by an Executive Secretary not below the level of a Director. FCTPTAD comprises of Departments represented by an officer not below the rank of a Director as follows:

(a) the Federal Capital Territory Pension Department;

(b) the Area Councils Pension Department;

(c) the Pension Service Department;

(d) the Information Technology Department; and

(e) the Support Service Department

Section 44(4) of PRA 2014 further provides for FCTPTAD to compose of other relevant Departments as may be determined by the Minister of the Federal Capital Territory from time to time.

Similar to the near autonomous status of FGPTAD, the Commission has no administrative oversight on FCTPTAD whose rules, regulation, control, directives and administrative machinery are under the supervision of the Minister of the Federal Capital Territory. Section 44(5) (6) (7) of PRA 2014 empowers FCTPTAD to hire, remunerate, reward, budget and incur its expenses subject to approval of the Minister of the Federal Capital Territory. This provides some level of relative autonomy for FCTPTAD. As the case with FGPTAD, section 48(1) (2) (3) of PRA 2014 harmonizes the regulatory role of the Commission to enable its supervisory functions over FCTPTAD from time to time.

Functions of FGPTAD and FCTPTAD

Section 45 of PRA 2014 provides for FGPTAD and FCTPTAD respectively to carry out the existing functions of the relevant Pension Boards or Offices in the public service of the Federation and FCT as follows:

(i) make budgetary estimates for existing pensioners and the officers exempted from this scheme under section 5(1) (b) of this Act;

(ii) prepare and submit the monthly payroll of pensioners to the office of the Accountant-General of the Federation for direct payment from the budgetary allocations maintained with the Central Bank of Nigeria to pensioners' bank account;

(iii) issue payment instructions to the office of the Accountant-General of the Federation;

(iv) maintain a comprehensive database of pensioners under their respective jurisdiction;

(v) ascertain deficit in pension payments, if any, to existing pensioners of the categories of offices exempted under Section 5(1) (b) of this Act; and carry out such other functions aimed at ensuring the welfare of pensioners as the Commission may from time to time direct; and

(vi) render monthly returns to the Commission on existing staff, pensioners, deceased pensioners and on any other issue as may be required by the Commission, from time to time.

Section 46 of PRA 2014 also provides for FGPTAD and FCTPTAD to determine and cause to be paid gratuity and pension to the pensioners in the category of officers exempted under Section 5(1) (b) of this Act, in accordance with the provisions of Section 5(2) of this Act and relevant and applicable computations under the existing Pay-As-You-Go (PAYG) Pension Scheme of the public service of the Federation and FCT.

By Section 49 of PRA 2014, FGPTAD and FCTPTAD shall cease to exist after the death of the last pensioner or employee entitled to pension as specified under Section 5(1) (6) of this Act. The financial implication of this provision is that the pension liabilities of the Federal Government and Administration of FCT respectively shall rise initially, reach the peak and eventually assume a perpetual decline to zero value. Under the circumstance, the positive effect of CPS would have been maximized with pensions contributing significantly to surplus financing of national budget.

The reasoning that PTAD may cease to exist when the last retiree on the scheme dies is not tenable. People are joining and will continue to join such organizations whose employees are exempted from PRA. As they continue to retire such persons exempted from PRA would require the services of PTAD.

The argument that PTAD may come to an end also fails to recognize that government service is a going concern that may continue into perpetuity. As far as exemptions from PRA continue, the services of PTAD may continue to be relevant to such retirees exempted from PRA. The most viable option is to devise ways and means of sustainability for PTAD as has been done for CPS. Under the circumstance, amendment of PRA to strengthen PTAD becomes a necessity.

Transitional Provisions for the Private Sector

Sections 50(1) (a) - (g) of PRA 2014 provide for existing systems in the private sector to continue under the CPS provided that they are fully funded at all times. In the case of Defined Contribution Scheme (DCS), contributions in favour of each employee including the attributable income shall be computed and credited to RSA opened for the employee. However, such a scheme should exhibit a demonstrated capacity of managing pension fund assets for a minimum track record of five years preceding the PRA 2004. Section 50(3) of PRA 2014 provides for retirees on any pension scheme prior to the commencement of PRA to continue to receive their pensions as and when due. Section 51 of PRA 2014 provides for the funds to be held by Closed Pension Fund Administrators (CPFA) and separated from the assets of the main or subsidiary company. The CPFA must be licensed, supervised and regulated by the Commission AND ALL PROVISIONS OF PRA 2014 relating to conduct and operations of a

PFA shall apply to it. For CPFA then in existence before the commencement of the Act, sections 51 and 52 (a) (b) of PRA 2014 require but new employees of the company to join the CPS and open RSA.

Section 53(1) of PRA 2014 provide for the Nigeria Social Insurance Trust Fund (NSITF) to continue to maintain the company it established under PRA 2004 to undertake the business of a Pension Fund Administration. Funds contributed by any person to NSITF before the registration of PFA under this Act including any attributable income not required for the purpose of administering minimum pension as determined by the Commission shall be computed and credited into the RSA of contributors or beneficiaries of contributions under NSITF.

Section 53(3) (4) of PRA 2014 provides that any person who contributed any funds under NSITF and has retired before the commencement of CPS, the funds due to him shall be paid to him lump-sum or in accordance with other modes of withdrawal of savings. In the case of a deceased contributor to NSITF, his estate or beneficiary shall be paid the entitlement of such a deceased person subject to the provisions of NSITF.

Minimum Pension Guarantee (MPG)

Section 84(1) (2) (3) of PRA 2014 provides for all RSA holders who have contributed to a licensed PFA for a number of years to be specified by the Commission the right to a guaranteed minimum pension as may be specified from time to time by the Commission. NSITF shall, therefore, provide every eligible citizen of Nigeria and legal resident, social security insurance services other than pension in accordance with NSITF Act of 1993 which shall be amended to bring it in full compliance with this Act.

The provision on Minimum Pension Guarantee is to ensure that every Retiree maintains a minimum standard of living. This is a social security coverage for the vulnerable persons in the society.

Micro Pension Scheme (MPS)

Section 2(3) of PRA 2014 establishes the legal framework for Micro Pension Scheme (MPS) by extending the coverage of CPS to self-employed persons as well as employees of organizations with less than three employees. MPS, therefore, covers the artisans, traders, hairdressers, tailors, mechanics and such other professionals as lawyers, accountants, engineers, medical doctors and architects in private practice. MPS is scheduled to take off in January, 2019.

The aim of MPS is to guarantee the financial future of targeted segment of the working population indicated above. PENCOM (2017) describes this segment of the population as vast majority but vulnerable at old age with no savings to fall back on. MPS is, therefore, to provide sustainable income at old age for this category of workers. MPS is also meant to attract a long term pool of funds for investment and national development through the growth of capital, mortgage and insurance markets.

Operational guidelines from the National Pension Commission on

MPS, establish such structures as RSA to be managed by PFAs and the funds kept under the custody of PFCs. The scheme shall also have a flexible frequency of contributions and easy method of contribution remittance. Contributions to the scheme shall be stratified among the low, middle and high income earners. The funds shall also be segmented into smaller and greater percentages. The smaller percentage of the contributions shall constitute the savings and made accessible to contributors with flexibility of withdrawals. The greater percentage of contributions shall be strictly set aside for pensions. MPS is to be technologically driven with the use of interment services and smart cards, minimal transaction costs and other incentives.

The expected gains of the scheme are to enable contributors access to regular stream of income on retirement at old age. The scheme is also expected to increase coverage among contributors. The National Pension Commission's Fourth Quarter Report (2017) anticipates MPS expansion of coverage of CPS from 7.82 million contributors to 20 million contributors by 2019 and 30 million by 2024.

The obvious challenges of MPS are lack of confidence in government due to insincerity. MPS also stands to suffer the fate of non- compliance from the general public like CPS due to failure of previous government policies. Other challenges of MPS include low level of financial literacy, irregular inflow of income, limited internet capacity especially and accessibility among the lowest category of income earners. The challenges notwithstanding, MPS still deserves serious attention and consideration. Over 70% of

Nigeria's total working population is presumed to have come from the informal sector made up of the self-employed according to the National Bureau of Statistics (NBS) in Agabi (2016). It is, therefore, detrimental for any social security
policy to ignore this strategic segment of the working population.

This category of workers already has their independent financial plans to address their financial needs for the future. Such plans are generally referred to as daily contributions. What is only required is to harness these diverse energies into a formalized and sustainable platform using the structures set up by MPS.

From the foregoing, the relevance, significance, value and imperative of MPS is no longer in doubt. What is now required is to intensify enlightenment campaign and education to win back the confidence of the public into the scheme for the overall benefit of contributors as well as the national economy.

Pension Protection Fund (PPF)

Section 82 (1) (2) (3) (4) of PRA 2014 established the Pension Protection Fund for the benefit of eligible pensioners of the CPS. The fund shall consist of annual subvention of 1% of the total monthly wage bill payable to employees in the public service of the Federation for the funding of minimum pension fund. The Commission and all licensed pension operators shall pay annual pension protection levy as their contribution to the fund at a rate to be determined by the Commission from time to time.

Income from investment of the PPF shall also form part of funding for the scheme and utilized under Section 82 (3) (a) (b) (c) for payment of a guaranteed minimum pension to holders of

RSA who have contributed to PFA for a number of years but with accumulated contributions too low to guarantee a minimum standard of living. No doubt, this provision of the Act is progressive and proactive in averting misery and despair among vulnerable retirees. More than a decade after enactment of PRA, neither the Minimum Pension Guarantee nor the Pension Protection Fund are operational. Given that wages in Nigeria are generally low and the structure of the economy prone to the vagaries of global market trends, the need to implement the MPG and PPF is long overdue. Nigeria has never had a social security programme for the vulnerable groups in the society.

Attempt at Social Security coverage under the Social Investment Programme (SIP) of the Buhari Administration is, indeed, ambitious and bold move towards social security provision. Nevertheless, the programme is not backed up with any piece of legislation or sustainable funding for its lofty objectives to offer social protection to Nigerians. Components of the programmes such as home grown school feeding programme, conditional cash transfer, enterprise and empowerment, job creation and youth empowerment, innovation hub, N-Power Strategy (N-Power Teacher Corps, N-Power Health, N-Power Agro, N-Power Community Education, N-Power Knowledge, N-Power Creative, N-Power Tech [Software], N-Power Tech [Hardware], N-Power Build) – are quite generalized for specific targets. The programme is also beyond the carrying capacity of the economy especially that its funding is not sustainable. Even though the Social Investment Programme is a lofty idea, its goals would need to be streamlined and made operational through appropriate legislation and funding strategy. This underscores the need to amend the provision on Pension Protection Fund (PPF) of the CPS to establish Social Protection Fund (SPF) and made operational under CPS.

The objective of the proposed Social Protection Fund (SPF) would be the funding of minimum pension guarantee as well as Social Investment Programme. Funding of SPF should be through a reasonable percentage of annual federal budget allocation; annual pension protection levies paid by the Commission and pension operators as well as profits from companies and corporate organizations. The funding of the scheme should be similar to the Tertiary Education Trust Fund (TETFund) or the defunct Petroleum Trust Fund (PTF). Sustainable funding of the proposed Social Protection Fund would sufficiently deliver a better, efficient and more effective social security provision for Nigerians; especially the needs of the retirees, youth, unemployed and other vulnerable groups in the society.

Security and Safety of Pension Funds and Assets

Section 15 (5) (3) (a) (b) of PRA 2014 provides for contributions from employers to be lodged with PFC by the employer not later than 7 working days from the day the employee is paid. The lodgement by employer must be accompanied by a schedule specifying all the necessary details on employers’ contributions and submitted on soft and hard copies to both the PFA and PFC.

Section 15(6) of PRA 2014 further provides that any employer who fails to remit the contributions within 7 working days from the day the employee is paid shall in addition to making the remittance already due, be liable to a penalty to be stipulated by the Commission. The penalty shall not be less than 2 percent of the total contributions that remains unpaid for each month or part of each month the default continues and the amount of the penalty shall be recoverable as a debt owing to the employee's RSA as the case may be.

The PFC having received the contribution will notify the PFA of the employee within 24 hours of the receipt of contributions from the employer. The PFA shall then cause the RSA to be credited in favour of the employee for whom the employer had made the lodgement. The PFA on the basis of information from the employer and PFC, reconcile his records on employees contributions and reports to the Commission on monthly basis. PFAs and PFCs are required under section 69(d) of PRA 2014 to report to the Commission as soon as reasonably practicable if any employer is in default of remittance of any contributions and such remittance remains due for a period more than 14 days.

To further guarantee the security and safety of pension funds, section 57(e) of PRA 2014 provides for PFCs to report to the Commission on matters relating to assets being held by it on behalf of PFAs at intervals as may be determined by the Commission from time to time. PFCs are required to hold pension funds and assets in safe custody on trust for employees, however, employees have no direct dealing with PFCs except through PFAs.

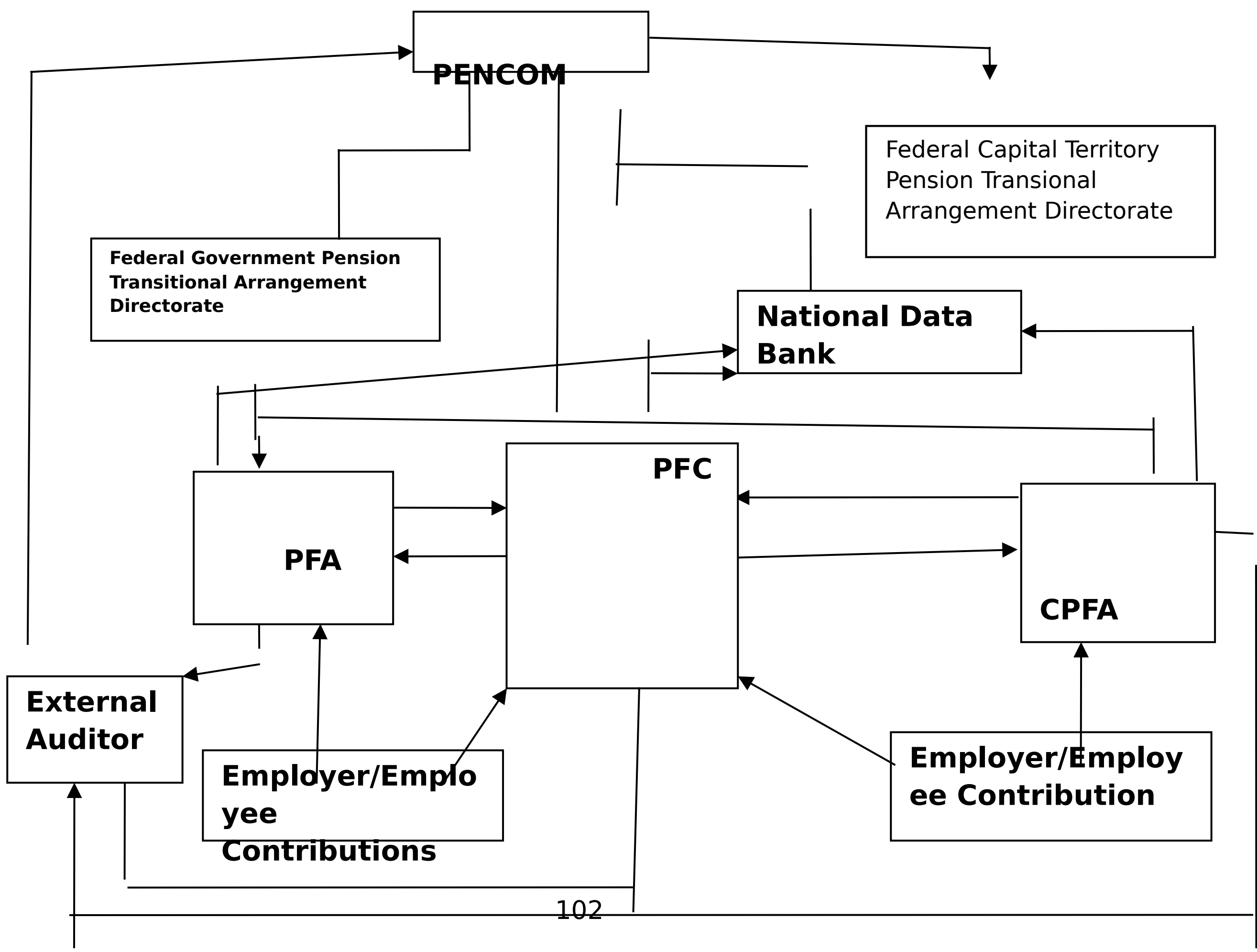
PFAs on the other hand have no access to pension funds. On the directive of PFAs, PFCs settle transactions and also undertake activities relating to investment of pension funds, including the collection of dividends and other related earnings. PFCs can also stand in as proxy for PFAs for the purpose of voting in relation to investments. In order to boost value on investible pension funds and assets, Section 57(f) of PRA 2014 mandates PFCs to render professional services to PFAs and the Commission on statistical analysis and returns on investments.

Institutional Framework for Custody, Security and Safety of Pension Funds and Assets

To forestall cases of corruption, fraud and other forms of malpractices under CPS, the Pension Reform Acts 2004 and 2014 provide institutional framework and operational relationship among operators and regulators of the scheme. This relationship fortifies the security and safety of pension funds and assets. The framework emphasizes the principles of accountability and transparency. It defines the level of government involvement in the operations of the scheme which is restricted to enforcement of guidelines, rules and regulations being exercised by the Commission. Pension funds and assets are kept in the custody of PFCs while administration of the funds and assets is the duty of PFAs. PFAs, nevertheless, have no access to the funds and assets under management.

The fund operators are also regulated strictly on areas and procedure of investment of pension funds and assets by the Commission. The legal framework places reporting responsibility on operators of the scheme to contributors, external auditors and the Commission. The right of employee to choose PFA and the requirement for quarterly receipt of statement of account from PFA is all part of the probity and accountability process of the scheme. The structural framework for the custody, security and safety of pension funds and assets is vividly depicted in Figure 6 below:

Figure 6: *Institutional Framework for Custody, Security and Safety of Pension Funds and Assets*



The diagram shows interrelationship among operators of the scheme; highlighting their respective functions and responsibilities with the Commission as a sole regulator. The structure institutes checks and balances for smooth operations and fraud-free scheme. The fundamental question, however, is whether the scheme is actually free of malpractices as the legal and structural framework intends it to be. Are institutional structures established by the legal framework really insulators and safeguard against government interference and abuse of pension funds and assets by operators of the scheme? So far no serious case of fraud or misappropriation or mismanagement of pension funds has been linked to operators of the scheme. There may be some form of abuse here and there but the initiators of the scheme thought well in respect of the structural framework for custody and safety of pension funds and assets. The large scale fraud and malpractices being reported about administration of pension funds is under PTAD. As earlier observed, the Commission has little control over PTAD given the semi-autonomous status of the Directorates. Reports on malpractices and abuse of pension funds under PTAD are quite disturbing.

Kumolu (2012) observes the news about public sector pension as
negative, with discoveries of huge pension arrears, ghost pensioners and discrepancies between pension appropriations and the actual amount released. His article, *Pension: the Bad, the Ugly and the Worst*, published on-line focuses on the report of Senate

probe of administration of pension funds in the country. The report revealed the alleged defrauding of over ₦12billion pension funds which the Committee froze in three accounts allegedly operated by two Directors of a Federal Ministry. The report of the Senate probe of pension funds if nothing else, has brought to limelight some startling revelations on misappropriation, fraud and abuse of pension funds.

More revealing about misuse of pension funds is Maina's (2015) interview granted to *Premium Times*, an on-line publication. In the interview, Abdulrasheed Maina, a Deputy Director in charge of pensions in the Customs service and Chairman, Pension Reform Task Team was accused by the Etok/Gaya Joint Chairmanship of the House/Senate Pension Probe Committee of embezzling ₦195billion of pension funds. Maina vehemently denied the allegations and any wrong doing in the interview. Rather, he accused the Etok/Gaya Joint Chairmanship of the House/Senate Committee of demanding for a bribe of ₦2billion from him which he refused to oblige them as according to him, he has never had access to such a huge amount of money. Despite the denials and counter accusations, Maina's interview casts a gloomy shadow on management and administration of pension funds and assets due to observed abuses, misuse and misappropriation of pension funds as implied in his remarks that:

> *Assuming we were able to go round the other 98 such pension offices as we did these two, where we restructured and recovered N1.6billion in cash and assets, how much would we have recovered? I will say trillions, which would have been channeled to take care of development projects. We have the*

technical know-how of finding where 'engineered' (stolen) funds are hidden and how the cartel operates. We studied these things when we came across over 77 accounts unknown to government in 2011 - - - pensioners were severely oppressed through brazen stealing of trillions of Naira perpetrated in a shroud of secrecy for over 44 years and within the 18 months that the Pension Reform Task Team operated, they recovered and saved over N280 billion stolen by pension cabal. We traced and tracked down on pension cartel mafia and got to the root of pension scam in the entire country; stopped monthly stealing of N4.25billion from the offices of Head of service of the Federation (HOSF) Pension Office; stopped the daily stealing of N300million from the Police Pension Office; and detected the fraud of over N2.7billion by the Nigerian Union of Pensioners among several other irregularities in the pension sector.

These startling revelations, if anything to go by attest to massive fraud, corruption and irregularities in the pension sector even after the reforms in the sector. Who is responsible for what and the appropriate sanctions to be meted out is the task before anti-graft agencies. Maina himself overtly asserted in the interview that only two pension offices out of the 98 others identified for restructuring were actually restructured with a chunk of funds recovered as looted funds. If anything, the pension sector is being threatened by graft, and the earlier stringent measures are taken to reverse the trend, reforms in the sector may continue to be an illusion. From Maina's report, we can deduce that pension funds and assets under PTAD are not insulated from the cartels that have seized most facets of our national life including the pension sector.

As the Joint House/Senate Probe Committee was investigating the allegations of pension fraud against Maina, he was tried and convicted in a court of law. Maina promptly paid the fine and disappeared from the public scene. Surprisingly, Maina was not properly disciplined in accordance to the public service regulations only for him to re-appear in September, 2017, re-engaged and even promoted. This prompted a public outcry caused that caused the House of Representatives to re-open the probe against Maina. Report of the Committee presented on the floor of the House alleged that Maina was not acting alone but alongside a syndicate comprising politicians and civil servants to which Maina belongs and is bent on subverting the pension system through fraudulent activities. This report confirms Maina's on-line interview to "*Premium Times*" on the existence of cartels and cabals in the pension sector.

This underscores the need for transparency in the sector which is very crucial for the success of Defined Contributory Scheme (DCS). All stakeholders are, therefore, enjoined to pull forces together in the fight against cartels and cabals that are bent on sabotaging not just the reforms in the pension sector, but the entire national economy. No wonder that pensioners under PTAD are owed several months of pension arrears due to the activities of these cartels and cabals.

Investment of Pension Funds

Section 85(1) of PRA 2014 stipulates that all contributions made under the Act shall be invested by PFAs with the objectives of safety and maintenance of fair returns on amount invested.

Section 86 (a) of PRA 2014 permits investment portfolios in such instruments as bonds, bills and other securities issued or guaranteed by the Federal Government and Central Bank of Nigeria. Section 86(b) of PRA 2014 extends the coverage of investment portfolios to bonds, bills and other securities issued by the States Government and Local Government Councils. Other investment outlays for investible pension funds include:

i. bonds, debentures, redeemable preference shares and other debt instruments issued by corporate entities and listed on a Stock Exchange registered under Investments and Securities Act;

ii. ordinary shares of public limited companies listed on a securities exchange registered under the Investment and Securities Act;

iii. bank deposits and bank securities;

iv. investment certificates of close-end investment fund or hybrid investment funds listed on a securities exchange registered under the Investments and Securities Act with good track records of earnings;

v. real estate development investment; and

vii. specialist investment funds and such other financial institutions as the Commission may from time to time approve.

Section 87(1) (2) of PRA 2014 provide opportunities for wide and diverse areas of foreign investment of pension funds in conformity with guidelines approved by the Commission. Nevertheless, the Commission may recommend to the President of the Federal Republic of Nigeria for approval, the portfolio limits for investment of pension fund assets outside the territory of the Federal Republic of Nigeria.

Current portfolio limits placed on investment of pension fund assets outside Nigeria is similar to the early stages of implementation of pension reform in Chile which was gradually eased off as the scheme became fully entrenched.

Evidently, PRA 2014 expands the horizon of investment for pension funds; an innovative approach which contrasts the DBS that permits limited investment portfolios. DBS also disenfranchises employees in the investment product selection process. Under DBS, limited investment decisions were taken by the Pension Boards on behalf of employees. DCS, a more liberal and democratic scheme rather places the fate of investments in the hands of employees by allowing them to participate in investment decisions through the selection of PFAs of their choice.

Multi-Fund Structure (MFS)

At inception of CPS, the National Pension Commission established a single fund structure for all categories of active contributors as well as retirees without taking the age or risk factors of such contributors into consideration. This initial regulation on RSA has been amended to introduce the Multi-Fund Structure (MFS).

Under MFS, the age and risk profile of active contributors as well as retirees are taken into consideration in the selection of investment portfolio. This is to reduce the risk and uncertainty of contributors according to their ages and levels of risk tolerance.

The younger the ages of contributors, the higher the level of risk tolerance and vice versa. In the consideration of variable income instruments, age and risk profile of contributors become useful parameters in exerting control over risk and uncertainties. Variable income instruments are such investments that generate income or returns that cannot be pre-determined at the date of investment as prices of such instruments, fluctuate. They include ordinary shares and real estate investment trust among others.

With amended regulation on investment of pension fund assets, the single

fund structure of RSA has been divided into four separate funds. All active contributors are grouped into three funds structure while the fourth funds class is the retiree fund. Fund classifications are demonstrated by PENCOM (2017) informing contributors about the commencement of the scheme as in table 3.1 below:

Table 3.1 Fund Type and exposure to Variable Investment Instrument

Fund Type	Exposure to Variable Investment Instrument	Membership
Fund I	20% to 70% of portfolio	Strictly based on request but not accessible to retirees and active contributors of 50 years and above
Fund II	10% to 20% of portfolio	Default for active contributors of 49 years and below
Fund III	5% to 20% of portfolio	Default for active contributors of 50 years and above
Fund Iv	0% to 10% of portfolio	Strictly for retirees only

Source: The National Pension Commissions Guideline on Investment of Pension Fund (2018).

The National Pension Commission's guidelines on MFS in Ahiuma-Young (2018) indicate that at the commencement of the scheme RSAs of all active contributors would be grouped in the fund type that corresponds with their ages as in table 3.1. A contributor may, however, be permitted to migrate to fund type other than his age grouping based on request and in accordance to restrictions imposed by the Commission. And active contributor under Fund II may opt for Fund I, while an active contributor for Fund III may opt for Fund II. Nevertheless, an active contributor for Fund III cannot opt for Fund I, while an active contributor for Fund II cannot opt for Fund III. Fund type 1V is strictly for retirees only. Migration to fund type is allowed for free once in a year, otherwise, the contributor will pay a fee.

The obvious advantage of MFS is that RSA holders have control on how their pension funds are invested based on their levels of risk tolerance.

Restrictions on Investment and Sale of Pension Funds Assets

To buttress the security and safety of pension funds and assets, Section 88(a) (b) of PRA 2014 restricts PFAs from investment of pension fund and assets in any shares or other securities issued by the PFA or its PFC and shareholders of the PFA or its PFC.

Equally, Section 89(1) (a) restricts PFA from sale of pension fund assets to:

i. itself

ii. any shareholder, director, affiliate, subsidiary, associated or related party or companies of the PFA;

iii. any employee of the PFA;

iv. the spouse of any of the persons referred to in sub-paragraph (i) to (iii) of this paragraph or those related to the said persons;

v. affiliates of any shareholder of the PFA; or

vi. the PFC holding pension fund assets to the order of the PFA and any related party to the PFC.

Section 89(b) (c) of PRA 2014 also prohibits PFA from use of pension fund to purchase assets from persons mentioned in Sub-section 89(a) of PRA 2014. PFAs are also restricted from the use of pension funds under their management by way of loans and credits or as collateral for any loan taken by a holder of RSA or any person whatsoever. These restrictions are no doubt for safety, security and sanity of pension funds assets.

Contributory Pension Scheme and Mortgage Financing

Despite the restrictions placed on investment of pension fund assets in certain areas as well as sale of pension fund assets as provided under section 89(1) (c) of PRA 2014; section 89(2) of PRA 2014 permits PFAs to subject to guidelines issued by the Commission, apply a percentage of the pension assets in the RSA towards payment of equity contribution for settlement of residential mortgage by a holder of RSA.

This provision is welfarist in nature and will assist employees to secure mortgages for residential houses of their own which will definitely make their retirement more friendly, enjoyable and comfortable. It is advisable for employees to take full advantage of this window by acquiring residential houses of their choice. One tremendous benefit of residential mortgage is that the longer the numbers of years an employee stays in service the easier the loan repayment. Employees should, therefore; make hay while the sun shines by taking advantage of mortgage financing under CPS to acquire retirement homes of their own.

External Audit of Pension Funds as Financial Safeguard

Section 66(2) (3) (a) (b) (c) of PRA 2014 provide for accounts of PFAs and

PFCs to be audited by a qualified external auditor who in turn would submit the audited financial accounts to the Commission for approval not later than four months from the end of its financial year.

The PFA or PFC shall cause the audited accounts approved by the Commission to be exhibited in a conspicuous position in each of the PFA or PFC’s offices and branches within 30 days of the approval throughout the financial year. Section 66(4) however, exempt Closed Pension Fund Administrators and sponsors of approved retirement benefit schemes from publishing or exhibiting their respective approved audited accounts.

Sections 68(1) (a) - (f) of PRA 2014 provides for external auditors to be responsible to the Commission for the protection of pension assets managed or held by PFA or PFC. The external auditor in the discharge of his responsibilities

shall also report to the Commission any situation such as:

- evidence of imminent financial collapse of PFA or PFC;
- evidence of an event or occurrence which has led or is likely to lead to material diminishing of net assets of PFA or PFC;

- evidence that there has been significant weaknesses in the accounting and other records or the internal control systems of the fund or PFA or PFC;
- evidence that the management of PFA or PFC has reported finance information to the Commission in respect of the pension fund and company's operations, which is misleading in a material particular;
- where the auditor believes that a fraud or other misappropriation has been committed by the directors or the management of PFA or PFC or has evidence of an attempt by the directors or management to commit such fraud or misappropriation; or
- where there has been an event or occurrence which affects or is likely to affect the auditors confidence in the competence of the directors or the management to conduct the business of a PFA or PFC in a prudent, safe and sound manner.

Sections 68(3) of PRA 2014 provides for an auditor of PFA or PFC who acts in contravention of or fails deliberately or negligently to comply with any of the above provisions commits an offence and is liable on conviction to a fine of not less than ₦10,000,000.00 for the firm or to a term not less than three years imprisonment for the responsible partner or principal officer or to both such fine and imprisonment.

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CHAPTER FOUR

Administration of Pension Funds and Assets

Three principal actors under CPS responsible for management and administration of pension funds and assets often referred to as operators or managers of pension funds are the Pension Fund Administrators (PFAs), Closed Pension Fund Administrators (CPFAs) and Pension Fund Custodians (PFCs). They undertake the management, growth, custody and safety of pension funds and assets as well as administration of retirement benefits. Each of the operators is assigned specific functions and responsibilities as supervised by a single regulator, the National Pension Commission (PENCOM).

Pension Fund Administrator (PFA)

A Pension Fund Administrator (PFA) is a company licensed by the Commission to manage pension funds assets through the Retirement Savings Account (RSA) on behalf of employees as provided for under sections 54 and 55(a)-(h) of PRA 2014.

Functions of PFA

PFAs are empowered by the Commission to:

(i) open RSA for all employees with a Personal Identification Number (PIN) attached;

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

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

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

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

(vi) cause to be paid retirement benefits to holders of RSA in accordance with the provisions of the Act;

(vii) be responsible for all calculations in relation to retirements benefits; and

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

At the inception of the scheme, twenty-six PFAs were licensed by the Commission to undertake the business of pension fund administration. Perceptive observers were quick to point out that the licensed PFAs were too many and some may probably have lacked the expertise and competence in managing pension funds and assets. The seeming attractiveness of Pension Fund Administrators to the industry may have been due to high hopes and positive projections about the viability of the industry. Industry observers had hinged their hopes and optimism of the scheme on the anticipated positive response to the scheme by the working population. It may have been this projection that enticed a large number of PFAs to the business. Nevertheless, after a decade of operation of the scheme, Akintomide (2016) laments the figure of 7.49million contributors representing 7.7%

of the country's workforce that has so far enrolled in the scheme as at September, 2016.

Concerned by the limited responsiveness of contributors to the scheme, the Commission instituted a deliberate policy to encourage mergers and acquisitions among PFAs. Accordingly, Standard Alliance Pension Managers Ltd voluntarily withdrew from the business of pension management and administration. Its assets were then acquired by Pension Alliance Ltd. First Alliance and Benefits Ltd also merged with Arm Pension Managers Ltd. Amana Capital Pensions Ltd was acquired by Sigma Sterling Pensions Ltd. Crib Pension Fund Managers Ltd; Penman Pensions Ltd; Evergreen Pensions Ltd also initiated and duly completed the processes of mergers.

The mergers, acquisitions and voluntarily exit from the business of pension fund management shrinked the initial list of 26 licensed PFAs to 21 PFAs which are currently undertaking the business of pension fund administration. The current list of PFAs is as follow:

i. AIICO Pension Managers Ltd;
ii. APT Pension Fund Managers Ltd;
iii. ARM Pension Managers Ltd;
iv. AXA Masard Pension Ltd;
v. Crusader Sterling Pensions Ltd;
vi. Fidelity Pension Managers;
vii. First Guarantee Pensions Ltd;
viii. Future Unity Glanvils pensions Ltd;
ix. Investment One Pension Managers Ltd;
x. IEI-Anchor Pension Managers Ltd;
xi. IGI Pension Fund Managers Ltd;
xii. Leadway Pensure PFA Ltd;
xiii. Legacy Pension Managers Ltd;

xiv. NLPC Pension Fund Administrators Ltd;
xv. NPF Pensions Ltd;
xvi. OAK Pensions Ltd;
xvii. Pensions Alliance Ltd;
xviii. Premium Pension Ltd;
xix. Sigma Pensions Ltd;
xx. Stanbic IBTC Pension Managers Ltd; and
xxi. Trustfund Pensions Ltd.

Federal Universities' Staff Unions are also in the process of registering a PFA to be known as NUPEMCO. The current number of operating PFAs after the mergers and acquisitions is still on the high side relative to the 7.49 million contributors to the scheme, that are mostly from the public sector.

Licensing Requirements for Pension Fund Administrators

Section 60 of PRA 2014 requires an applicant for pension fund administration to be granted the permit provided that the applicant:

(a) is a limited liability company incorporated under the Companies and Allied Matters Act whose object is to manage pension funds;

(a) has a minimum paid up share capital of such sum as may be prescribed from time to time by the Commission;

(b) satisfy the Commission that it has the professional capacity to manage pension funds and administer retirement benefits;

(c) has never been a manager or administrator of any fund which was mismanaged or has been in distress due to any fault, either fully or partially of the Pension Fund

Administrator or any of its subscribers, directors or officers;

(d) undertakes to the satisfaction of the Commission that it shall not be engaged in any business other than the management of pension funds; and

(e) satisfies any additional requirement or condition as may be prescribed from time to time by the Commission.

(2) All companies and institutions already engaged in the management of pension funds who are not licensed by the Commission shall at the commencement of this Act compute and credit all contributors to the RSA opened by them for each contributor including distributable income.

(3) all companies and institutions referred to in Sub-section (2) of this Section shall transfer all pension funds and assets held by them to PFAs and PFCs as may be determined by the Commission.

(4) pursuant to the provisions of section 116 of the Companies and Allied Matters Act, the voting rights of every shareholder in a PFA or PFC shall be proportional to his contribution to the paid-up share capital of the PFA or PFC.

Statutory Reserve Fund

Section 81 (1) (2) of PRA 2014 provides for every PFA to maintain a Statutory Reserve Fund as contingency fund to meet any claim for which the PFA may be liable as may be determined by the Commission. The reserve shall be credited annually with 12.5% of the net profit as the Commission may from time to time stipulate. The Statutory Reserve Fund is necessary to guarantee and maintain the solvency status of PFAs.

Choosing a PFA and Procedure for Registration

Section 11(1) (2) of PRA 2014 provides for every employee eligible to

participate in the Contributory Pension Scheme (CPS) the right to maintain a Retirement Savings Account (RSA) with a PFA throughout his working career. An employee can however, maintain only one PFA at a time. The choice of a PFA is a very important decision an employee is expected to make. What determines his comfort or otherwise at retirement is a factor of the investment performance of his RSA as managed by his PFA. Choosing a PFA, therefore, means making investment decision which requires a proper understanding of such variables as returns on investment and any other related accruals. PRAs 2004, 2014 places full responsibility on the shoulders of an employee for risk of investment through the choice of PFA. Where a PFA has low rate of returns or marginal profitability ration, accruals to RSA will also dwindle and so the fortunes of the employee at retirement.

An employee's fortunes will certainly swing up with a PFA of high investment profile, correct investment choices and high flexibility for portfolio diversification. Fundamentally, spreading investment risks over elastic range of assets mix provide a better guarantee against fluctuations in the business environment.

Employees would notice that three different PFAs may not be rated the same in terms of performance. They must either be good, better or best. The responsibility of an employee is to settle for the best PFA while making a choice of PFA using a diligent search. Typically, three employees that joined an organization same day, same salary scale and steps, same promotions to the end of their career same day may retire with either big, bigger or biggest retirement benefits in accordance with the good, better or best PFA choices they made. Choosing a PFA is, therefore, a crucial investment decision an employee is saddled with for a secured future. Employees are, therefore, advised to settle for high performing PFAs with credible rate of returns on investments. Once the choice of a PFA is made, the employee makes on-line registration, specifying his biometric data of:

- name and address of employer
- name of employee (surname first, middle name and last name);
- service or personnel number;
- department;
- sex;
- date of birth;
- date of appointment;
- salary grade level/steps;
- email address; and
- mobile phone number(s)

On receipt of the biodata, the PFA registers the employee by opening RSA account for him using a Personal Identification Number (PIN) of thirteen digits. Thereafter, the PFA forwards the biodata of the employee to the Commission which acknowledges by sending to the employee a confirmation of registration message about the PFA he has chosen. The employee then notifies his employer about the PFA he has chosen and the PIN of his RSA. Employees are strictly advised to maintain only one RSA throughout their working career as contributions cannot be made to more than one RSA.

For an employee who fails to open RSA within six months after assumption of duty, section 15(5) of PRA 2014 empowers the employer to request any PFA to open a nominal RSA for such employee to enable the remittance of his contributions. RSA is transferable from one PFA to another at least once a year.

Closed Pension Fund Administrator (CPFA)

A Closed Pension Fund Administrator (CPFA) is a company licensed

by the Commission to manage pension funds for its employees as provided under section 40 of PRA 2004. A CPFA cannot open or manage RSA for employees other than its employees or employees of its parent company, if it is a subsidiary. To qualify for registration as CPFA, the fund manager must have maintained a minimum pension funds and assets of ₦500,000,000.00 and must transfer such funds and assets to PFC of its choice. Where the employer has been managing its pension funds and assets but such funds and assets are less than ₦500,000,000.00, the scheme would be administered by a regular PFA. All CPFAs are regulated by the Commission in line with guidelines for operation of PFAs.

Registered Closed Pension Fund Administrators (CPFA) approved by the Commission include:

i) Chevron CPFA Ltd;
ii) Nestle Nigeria Trust Ltd;
iii) Nigerian Agip CPFA Ltd;
iv) Progress Trust CPFA Ltd;
v) Shell Nigeria CPFA Ltd;
vi) Total (E&P) Nigeria CPFA Ltd; and
vii) Unico CPFA Ltd.

It is imperative to reiterate that the licensing requirements for PFAs are also applicable to CPFAs, nevertheless, the functions and responsibilities of CPFA's are exclusive to management and administration of pension funds and assets of its employees only.

Pension Fund Custodian (PFC)

A Pension Fund Custodian (PFC) is a company licensed by the Commission under section 56 of PRA 2014 to warehouse pension funds and assets on trust for employees. The employer deducts pension contributions from employees and remits directly to PFC who in turn notifies the PFA of receipt of the contributions. The PFA then credits the deductions to the RSA of employee maintained on his behalf. PFAs do not have access to pension funds and assets as they manage and administer the funds on directives to PFCs. The lists of PFCs licensed by the Commission are as follows:

i) Diamond Pension Custodian Ltd;
ii) First Pension Custodian Nigeria Ltd;
iii) UBA Pension Custodian Ltd; and
iv) Zenith Pension Custodian Ltd.

Functions of Pension Fund Custodian

Section 57 of PRA 2014 sets out the functions of PFC to:

i) receive the total contributions remitted by the employer under section 11 of this Act on behalf of the PFA and credit the account of the PFA immediately;

ii) notify the PFA within 24 hours of the receipt of contributions from any employer;

iii) hold pension funds and assets in safe custody on trust for the employee and beneficiaries of the RSA;

iv) on behalf of PFA, settle transactions and undertake activities relating to the administration of pension fund investments, including the collection of dividends, bonus, rental income, commissions and related activities;

v) report to the Commission on matters relating to the assets being held by it on behalf of PFA at such intervals as may be determined, from time to time, by the Commission;

vi) undertake statistical analysis on the investments and returns on investments with respect to pension funds in its custody and provide data and information to PFA and the Commission;

vii) execute in favour of PFA relevant proxy for the purpose of voting in relation to the investments; and

viii) carry out other functions as may be prescribed by regulations and guidelines issued by the Commission from time to time.

Licensing requirements for Pension Fund Custodian (PFC)

Section 62 of PRA 2014 requires the Commission to approve requests to function as a PFC provided that such applicant:

i) is a limited liability company incorporated under the Companies and Allied Matters Act by a licensed financial institution with sole object of keeping custody of pension funds and retirement benefits assets;

ii) has a minimum paid capital of such sum that may be prescribed by the Commission from time to time and is wholly owned by a licensed financial

iii) institution with net worth of ₦25,000,000,000.00 or as may be prescribed from time to time;

iv) shows that the parent company has issued a guarantee to the full sum and value of the cash float of pension funds and assets held by the Pension Fund Custodian company, as may be determined by the Commission from time to time;

v) undertakes to hold the pension fund assets to the exclusive order of the PFA on trust for the respective employees as may be instructed by the PFA appointed by each employee;

vi) has never been a custodian of any fund which was mismanaged or has been in distress due to any default of the PFC; and

vii) satisfies such additional requirements as may be prescribed, from time to time, by the Commission.

Accessing Benefits from RSA

Section 7(1) (a)-(d) (2) (3) of PRA 2014 provides for a holder of RSA to utilize the benefits credited to his account provided that he has retired from his employment or attained the retirement age of 50 years. Withdrawal of funds from RSA shall be done through the following modes:

Lump sum withdrawal:- This allows a retiree to withdraw lump sum amount from his RSA provided that the amount left after withdrawal is sufficient to fund a programmed withdrawal or annuity.

Programmed Withdrawal:-This is a monthly or quarterly withdrawal calculated on the basis of an expected life span.

Annuity Based Withdrawal:-This is the purchase of an insurance policy from an
insurance company that guarantees the retiree a regular income on monthly or
quarterly basis till the retiree dies.

In the cause of implementation of CPS, many beneficiaries from the scheme have preference to lump-sum and monthly programmed withdrawals over the annuity product. One of the PFAs specifically stated that even the retirees that opted for the annuity product did so largely to use the product as collateral to secure loan facilities from banks. The National Pension Commissions Fourth Quarter Report (2017) confirms retirees preference for lumpsum and monthly programmed withdrawals when it states that 174, 512 retirees had opted for the product over and above 48, 539 retirees that have chosen the annuity product since the withdrawal options become operational up to the Fourth Quarter of 2017.

Whichever mode of accessing benefits a retiree opts for, calculation is usually done by his PFA through the expertise of an actuarist. The value of retirement benefits in the RSA of an employee is a factor of his contributions, contributions of his employer and performance of investment portfolios made by his PFA over the years. In the case of employees of the Federal public sector who had worked before the commencement of CPS, the value of RSA also includes the Federal Government Retirement Benefits Bonds (FGRBB).

Notwithstanding the provision of the Act on accessing of benefits from RSA, section 16(5) of PRA 2014 provides for an employee who disengages from employment before the age of 50 years and is unable to secure another employment within four months of such disengagement may make withdrawal from his RSA not exceeding 25% of the total value of his RSA in accordance with the provisions of section 7(2) (3) of PRA 2014.

Accessing benefits from RSA: The Case of University Professors in Public Service

Section 7(1) (d) of PRA 2014 provides for professors to access benefits under the CPS in accordance to the Universities (Miscellaneous) Provisions (Amendment) Act 2012. Section 9 of the Act 2012 provides that:

(1) an academic staff who retires as a professor in a recognized University shall be entitled to pension at a rate equivalent to his annual salary provided that the professor has served continuously in a recognized University up to the retirement age.

(2) Notwithstanding subsection (1) of PRA 2014 where a professor has not served up to the retirement age, he shall be entitled to the rate of pension mentioned under subsection (1) of PRA 2014 provided that he has served a minimum number of 20 years as professor in a recognized University.

(3) Where an academic staff joins a Nigerian University as a professor, such a professor shall have served continuously for at least 20 years in a recognized University.

Section 6(2) of PRA 2014 seeks to provide solution to the obvious question of funding the provision of Section 7(1) (d) of PRA 2014 for professors. It states that a shortfall arising from an employee who is supposed to retire with full benefits as the case of a professor that has served for 20 years professing, the shortfall in his retirement benefits shall be funded from budgetary allocation by the employer. In a situation where Nigerian Universities themselves are experiencing budgetary shortfalls, this provision of the Act rather compounds the funding problems for the retiring professors who had either retired at 70 years or spent 20 years on the position. In 2009, the Federal Government of Nigeria entered into an Agreement with staff Unions on University Campuses in what is generally referred to as the FGN/Unions Agreement of 2009. Part of the resolutions reached was that employers, in this circumstance, the Universities should fund the aspect of the agreement on earned allowances. Since then only very few Universities, if any at all, have been able to implement this aspect of the agreement, thus, creating industrial disharmony on Campuses. If our vibrant and energetic industrial Unions cannot hold the employers of labour to account on this provision of the Agreement, how can the aged professor at 70 years pressure the government on this provision of the Act when he is actually supposed to be taking his cool rest.

Arising also from the provision of the Acts on professor retiring with full benefits is the case of their RSA. This provision is silent on the contributions in their RSA from the time the scheme was introduced, the FGRBB and returns on investments. This issue is pertinent considering that professors are not exempted from the CPS. Does RSA form part of their retirement benefits? Or are the retiring professors on the old pension scheme as the Universities (Miscellaneous) Provisions (Amendment) Act 2012 seems to portray? If retiring on the old pension scheme, what happens to the RSA they co-funded? If permitted to retain his RSA as part of his salary contribution, is it possible for him to benefit from two pension schemes of the same source of funding? These are few among several unending questions arising from the case of pension benefits for professors that have spent a minimum of 20 years professing on the position or retiring at 70 years.

The suggestion here is that the professor's percentage of salary contribution, returns on investment and retirement benefits bonds be worked out and paid to him in lump sum by his PFA since it was part of his personal emolument. Thereafter, his gratuity and pension be worked out and paid to him as provided under the Universities (Miscellaneous) Provisions (Amendment) Act 2012 under the Federal Government Pension Transitional Arrangement Directorate (FGPTAD). The implication again is that, FGPTAD may become a going-concern as professors may continue to enlist on the scheme once they attain 20 years on the position or retiring at 70 years.

Processing Benefits from RSA

Guidelines from the Commission on how to process benefits from RSA requires an RSA holder to serve an early notice of not less than six months to his date of retirement to the PFA and employer. On receipt of the notice, the PFA would make available to the RSA holder modes or methods of withdrawal of benefits (lump-sum, programmed or purchase of annuity) in accordance to Section 7(1) (a) (b) (c) of PRA 2014.

Apart from the six months notice of intention to retire by an employee to the PFA, the employee should also present an official notice of retirement to his employer not later than three months from the effective date of retirement. The notice of retirement to the employer together with payslip or evidence of total annual emoluments should be made available to the PFA for sighting.

Once the employee notifies the PFA of his intention to retire with all the relevant documents, the PFA completes a Standard Notice of Retirement Form to the Commission. In the case of an employee in the public service that started work before the enactment of the Act, the PFA would forward to the Commission a request for redemption of retirement bonds. After verifying the claims, the Commission would request the Central Bank of Nigeria (CBN) to remit the proceeds of the retirement bonds from the Retirement Benefit Bonds Redemption Fund (RBBRF) into the RSA of the retiree to add up to his contributions' balance. Accordingly, the retiree will commence withdrawal of benefits from his RSA in line with the modes of withdrawal of retirement benefits.

Processing benefits from RSA of a retiree on medical ground

The Commission's guidelines on accessing benefits of a retiree on medical ground require the employee to produce:

(a) a medical certificate issued by a recognized doctor or a properly constituted Medical Board;

(b) letter of notification of retirement to both the employer and PFA along with payslip or evidence of annual total emolument; and

(c) evidence of accrued pension rights.

The PFA shall then notify the Commission of the retiring employee attaching the required documents and evidence of accrued pension rights. On verification of the claims, the Commission shall recommend the CBN to remit the proceeds of retirement bonds if entitled to the retiree's RSA. The retiree would then commence withdrawal in line with the provisions of the Act on modes of withdrawal.

An employee who retired on medical ground could be re-certified after two years. If re-certified fit, he can re-join contribution upon securing employment. Such a re-entry would cease the withdrawal of benefits from RSA.

Processing Benefits from RSA of a Retiree on Conditions and Terms of Employment

The Commission guidelines on accessing benefits on conditions and terms of employment indicate that the retiree would produce:

(a) letter of notification of retirement to the employer;

(b) confirmation from employer that the retirement is in accordance with conditions and terms of employment accompanied by payslip or evidence of annual total emoluments; and

(c) evidence of accrued pension rights.

The PFA shall then notify the Commission of the retiring employee, attaching the required documents and evidence of accrued pension rights. The Commission, after due verification of the claims shall request the CBN to redeem the retirement bond to the qualifying employee's RSA. Withdrawal of benefits from the RSA shall be based on the provisions of the Act in Section 7(1) (a) (b) (c).

A retiree on conditions and terms of employment at less than fifty years of age shall still have access to his RSA if he is out of employment for a period of four months. However, he may withdraw only up to 25% of the amount in his RSA. On attaining the age of fifty years employment, without securing another, he shall have full access to the balance of his RSA in accordance with the provisions of the Act on modes of withdrawal of benefits.

Processing benefits from RSA of missing employee/retiree

The Commission's guidelines on accessing benefits of a missing employee or retirees shows that the employer or next-of-kin shall notify the PFA of an employee/retiree that is missing after a minimum period of twelve months. After confirming the identity of the next-of-kin on its data base, the PFA shall request the next-of-kin to produce for identification either international passport, driving license, letter of confirmation of identity from bank, the notary public or third party.

After proper identification of next-of-kin, the PFA shall demand for documents to attest that the employee or retiree is really missing. The documents to attest that the employee or retiree is really missing shall include:

(a) a police report declaring that the retiree or employee had disappeared. The report should state the circumstances under which the retiree or employee was missing and that he has not been found after twelve months of search;

(b) confirmation of disappearance from the employer in case of an employee who is still in service with his passport attached;

(c) print media publication on the disappearance of the missing person;

Having confirmed the above documents, the PFA shall forward a Missing Persons Notification Report to the Commission within 48 hours of the receipt of attestation of missing person from the next-of-kin with photocopies attached.

The PFA report shall request the Commission to establish a Board of Inquiry on Missing Persons. The Board after conducting an investigation on the case, shall forward its findings, and recommendations to the Commission within thirty working days of its establishment. The Commission shall then convey the recommendations of the Board to the PFA and employer within forty-eight hours of its receipt of the Board’s report.

Where the report of the Board does not presume the person reasonably dead, it shall advise for further inquiry. In such a circumstance, the PFA shall, based on submission from the Commission – notify the next-of-kin about such a decision taken by the Board.

Where the report of Board reasonably presumes the missing person dead, the PFA shall also convey such a decision to the next-of-kin and request him to submit a letter of administration.

The PFA shall then acknowledge the Commission within forty-eight hours, the receipt of report of the Board. The acknowledgement shall include information on up to date accumulated contributions; date of disappearance or withdrawal from service (if the missing person is a retiree); balance of contributions and retirement bonds in the case of qualifying public sector employees. The Commission shall verify the documents and if satisfied, give consent for the next-of-kin to benefit from the RSA of missing employee/retiree now presumed dead. Withdrawal of benefits from the RSA shall be in accordance with modes of withdrawal.

Processing Benefits from RSA of Deceased Employee/Retiree

In line with guidelines from the Commission, the employer or next-of-kin of the deceased employee/retiree shall notify the PFA of the death of the employee or retiree. The next-of-kin shall back up the notification with documents as evidence of identification such as international passport, national identity card, driving license or confirmation of identity from bank or the notary public. Where the next-of-kin cannot produce the above documents, he shall be identified by the third party. The third party in addition to the above stated means of identification should provide a letter of confirmation from the notary public.

The PFA, having confirmed the identity of the next-of-kin based on the above documents shall demand the following as evidence of death of the employee/retiree:

(a) letter of administration or will admitted to probate;
(b) death certificate;
(c) certificate of registration of death;
(d) police report in the case of death by accident;
(e) burial warrant issued by the Local Government Council; and
(f) evidence of death/burial issued by a religious body.

The PFA will verify the documents and notify the Commission of the death within forty-eight hours of the receipt of the notice of death of either employee or retiree from the employer or next-of-kin of the deceased employee/retiree.

In notifying the Commission of the death, the PFA shall forward a certified true copy of the retirement bond certificate for redemption for qualifying employee or retiree along with the documents that serve as evidence of death listed above. The Commission shall evaluate the Death Notification Report to its satisfaction and advise the CBN to remit the proceeds of retirement bonds to the RSA of the deceased employee or retiree.

Processing Benefits from RSA under Insurance Policy

Section 4 (5) of PRA 2014 provides that "employers shall maintain life insurance policy in favour of the employees for a minimum of three times the annual total emolument of the employee." This pre-supposes that if an employee on annual total emolument of ₦50, 000.00 dies under the cover of CPS insurance policy, his beneficiary or the next-of-kin would be entitled to N150,000.00 from the insurance company. The employer is wholly responsible for payment of premium to maintain the policy which is renewable on a yearly basis.

On payment of premium, the Act requires the insurance company to issue a certificate to the employer to indicate that its employees are under the cover of the policy. The employer is expected to display this certificate of policy in a strategic place within the organization for all its employees to see. Employers are further required to report to the Commission at the end of March yearly to indicate that the policy for that particular year had been renewed.

The Act anticipates that implementation of the insurance policy would increase premium income and boost activities for the insurance industry. In the 2008 fiscal year alone, about ₦23 billion was expected to be generated as premium from group life insurance of employees. In practice, however, public and private sector employers are culpable in violation of this provision of the PRA 2014.

At the commencement of implementation of the Act, many reasons were given to explain the violation of this provision. One of such is lack of budgetary provision for payment of premium. The other reason given by public sector employers was the recapitalization process in the insurance sector. The argument then was that until the process was concluded, it may not be clear which insurance company would survive the process. However, many years after the recapitalization process, employers in public and private sector organizations are still non-chalant on implementation of group life insurance policy. Organizations may have been scared of the staggering premium on the policy.

Whichever side of the argument, the obvious fact remains that the provision of the Act on group life insurance policy is not being complied with. Unfortunately, this provision of the Act is the one most favourably disposed to employees, but unfortunately not being implemented. One is not praying for any misfortune, however, death is inevitable. So if the inevitable occurs, it is only appropriate that the beneficiaries are appropriately compensated, particularly for employees just joining an organization with no significant accumulation of savings. This matter deserves a more serious consideration by employers before it becomes a contentious issue between stakeholders, particularly the organized labour.

Though the group life insurance policy had been flagged off by the Federal Government for workers in the Federal public sector in 2008 under the supervision of the Office of the Head of Service of the Federation (HOSF), the extent of its success is still in doubt. In flagging off the scheme, insurance companies were centrally contracted to implement the policy on group life insurance. The pilot scheme on group life insurance policy was expected to test-run for two years after which it will be decentralized at the end of 2009. By the beginning of 2010, therefore, respective Ministries, Departments and Agencies (MDAs) were expected to have commenced the handling of arrangements concerning group life insurance scheme for their employees in the Federal public sector. By 2017 it is still doubtful whether the group life insurance scheme has been decentralized to MDAs.

It is important to stress that the above guidelines and regulations on accessing benefits from RSA are subject to review from time to time by the Commission.

Retirement Benefits and Taxation under CPS

Section 10 (1)-(4) of PRA 2014 provides that contributions to the scheme under this Act shall form part of tax deductible expenses in the computation of tax payable by an employer or employee under the relevant income tax law. The section further provides that all interests, dividends, profits, investment and other income accruable to pension funds and assets shall not be taxable. Nevertheless, income earned on any voluntary contribution made under 4(3) of PRA 2014 shall be subject to tax at the point of withdrawal where the withdrawal is made before the end of five years from the date the voluntary contribution was made. The tax relief on accruable income to pension contributions funds and assets is meant to improve the welfare of retirees.

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CHAPTER FIVE

CONTIBUTORY PENSION SCHEME AND ECONOMIC DEVELOPMENT

The Global Perspective

The role of pension funds assets as stimulant to economic prosperity of Nation-States is highly invaluable. Quantum accumulation of pension funds assets and the subsequent financing of mega projects across economies of the world has been a link to the emergence of mega estates and edifices. Clark *et al* (2008) stress the importance of pension funds assets as part of urban revitalization movement sweeping America by pointing out that:

> *while a billion people watched the Academy Awards this year, few thought about the celebrity-filled Kodak Theatre and the strip of Hollywood real estate it sits on. This strip of real estate is part of an urban revitalization movement sweeping America. Savy investors and their investments are paying off. At the forefront of this trend are some of America's largest pension funds. The Hollywood and Highland Centre is just one such landmark; think Times Square, Harlem's 125th Street, Brooklyn's Waterfront development, San Francisco's Piers, down-town Los' Angeles with its impressive Frank Gehry's designed Walt Disney Concert Hall and Boston's Chinatown. All received pension money for their investors.*

Clark, Hebb and Hagerman cannot be less truthful than the role of pension funds assets in urban renewals and revitalization not just in America but a mass of other economies across the globe. The urban centres are not only being renewed, the mega projects which are the major beneficiaries of pension funds assets are making money for their investors. These edifices are a clear evidence of transformative effect of pension funds assets in economic development which Clark *et al* allude to in the case of American typified by the mega projects below:

Boston’s China town (1)

33 Harrison Avenue, Chinatown, Boston MA, USA (Images of Mega Buildings 1)

Source:

https://www.google.com.ng/search?ei=jo27Wt6XKsuiUpeyhKgN&q=boston+chinatown+images&oq=boston+china+images&gs_l=psy-ab.3.0.0i7i30k1.207052.216022.0.219776.12.12.0.0.0.0.276.1588.2-6.6.0....0...1c.1.64.psy-b..6.6.1584...0i7i10i3 0k1j0i8i 7i30k1.0.e3d7T617Amk

Boston’s China town (2)

33 Harrison Avenue, Chinatown, Boston MA, USA (Images of Mega Buildings 2)

Source: https://www.google.com.ng/search?ei=jo27Wt6XKsuiUpeyhKgN&q=boston+chinatown+images&oq=boston+china+images&gs_l=psy-ab.3.0.0i7i30k1.207052.216022.0.219776.12.12.0.0.0.0.276.1588.2-6.6.0....0...1c.1.64.psy-b..6.6.1584...0i7i10i3 0k1j0i8i 7i30k1.0.e3d7T617Amk

San Francisco's Piers

Pier 27, The Embarcadero, San Francisco, CA 94111, USA (Images of Mega Buildings 1 & 2)

Source:

https://www.google.com.ng/search?ei=xoe7WvquLMv_UrS_pcgC&q=san+francisco+piers+images&oq=san+francisco+piers+images&gs_l=psy-.3...8966.16306.0.16748.7.7.0.0.0.0.396.1478.3-4.4.0

San Francisco’s Piers

Pier 27, The Embarcadero, San Francisco, CA 94111, USA (Images of Mega Buildings 3 & 4)

Source:

https://www.google.com.ng/search?ei=xoe7WvquLMv_UrS_pcgC&q=san+francisco+piers+images&oq=san+francisco+piers+images&gs_l=psy-.3...8966.16306.0.16748.7.7.0.0.0.0.396.1478.3-4.4.0

Times Square

Times Square, Theater District, New York, NY, USA (Image of Mega Buildings 1 & 2)

Source:

https://www.google.com.ng/search?ei=O5G7Wqr9KMHoUM6ordAP&q=times+square+images+and+address&oq=times+square+images+and+address&gs_l=psy-ab.3...6862.22682.0.23210.40.34.0.0.0.0.0.0..0.0....0...1c.1.64.psy-ab..40.0.0....0_.ilYDo5_xsAw

Times Square

Times Square, Theater District, New York, NY, USA (Image of Mega Buildings 3, 4, 5 & 6)

Source:
https://www.google.com.ng/search?ei=O5G7Wqr9KMHoUM6ordAP&q=times+square+images+and+address&oq=times+square+images+and+address&gs_l=psy-ab.3...6862.22682.0.23210.40.34.0.0.0.0.0.0..0.0....0...1c.1.64.psy-ab..40.0.0....0.il YDo5 xsAw

Harlem’s 125th Street

Harlem 125th Street, New York, NY 10027, USA (Images of Mega Buildings 1 & 2)

Source:

https://www.google.com.ng/search?ei=pI67WraJFMP1UKqnu-q=harlems+125th+street+images&oq=harlems+125th+ street+images&gs_l=psy-ab.3...198240.246244.0.248054.20.20.0.0.0.0.1376.4464.2-9j6-1j1.11.0....0...1c.1.64.psy-ab..9.4. 265 6...0i7i30k1j0i13i30k1j0i13i5i30k1j0i13i5i10i30k1j0i8i13i30k1.0.vbzYctx0maE

Harlem’s 125th Street

Harlem 125th Street, New York, NY 10027, USA (Images of Mega Buildings 3 & 4)

Source:

https://www.google.com.ng/search?ei=pI67WraJFMP1UKqnu-q=harlems+125th+street+images&oq=harlems+125th+ street+images&gs_l=psy-ab.3...198240.246244.0.248054.20.20.0.0.0.0.1376.4464.2-9j6-1j1.11.0....0...1c.1.64.psy-ab..9.4. 265 6...0i7i30k1j0i13i30k1j0i13i5i30k1j0i13i5i10i30k1j0i8i13i30k1.0.vbzYctx0maE

Brooklyn’s Waterfront

Brooklyn’s Waterfront, 499 Van Brunt St, Brooklyn, NY 11231, USA (Images of Mega Buildings 1 & 2)

Source:

https://www.google.com.ng/search?q=brooklyn
%27s+waterfront+images&tbm=isch&tbo=u&source=univ&sa=X&ved=0ahUKEwis8tzmkY_
aAhXF1RQKHdbrASsQ7AkIQQ&biw=1352&bih=626

Brooklyn’s Waterfront

Brooklyn’s Waterfront, 499 Van Brunt St, Brooklyn, NY 11231, USA (Images of Mega Buildings 3, 4, 5 & 6)

Source:

https://www.google.com.ng/search?q=brooklyn%27s+waterfront+images&tbm=isch&tbo=u&source=univ&sa=X&ved=0ahUKEwis8tzmkY_aAhXF1RQKHdbrASsQ7AkIQQ&biw=1352&bih=626

In agreeing with the impact of pension fund assets for mega projects, urban renewal and economic growth, Jackson (2017) points to the rising rural agricultural productivity and processing. He observes the development being accompanied by industrial and public infrastructure, manufacturing, transportation and housing while encouraging impact investors that seek social development.

The need for mega projects and infrastructure to stimulate economic growth for transformative impact in the society no doubt exist, however, the quantum of funds to sponsor such mega projects and infrastructures for the required impact are lacking. Pension funds assets, thus, assume the centre stage in bridging the funding gap. The crucial role pension funds assets may seem to be playing in funding mega projects and infrastructures especially among advanced capitalist economies, workability of the funds for the developing nations is rather pessimistic. The obvious interpretation of this scenario is that capitalist models of economic development with structural features of deregulation, trade liberalization, devaluation and foreign exchange depreciation. These economic policies that are detrimental to the welfare and well-being of developing economies. Attempts to domesticate these economic policies in the past had often resulted to economic fatalities with disastrous consequences.

The objective, form and content of globalization, its dynamics and operations have been the intense desire to link peripheral economies to their metropolitan systems. The vagaries of economic recession, depression, inflation and stag inflation among several others which oscillate even among metropolitan economies do impact dialectically on the welfare of peripheral economies. This trend could only be reversed with appropriate policy framework on domestic investment and massive local production. Only then could quantum accumulation of pension funds assets bridge the infrastructural funding gap as well as sponsor mega projects to intensify and positively impact economic activities. Therefore, if pension funds assets must meaningfully bridge the infrastructural funding gap among the developing economies to stimulate growth and development, an in-ward looking economic blueprint must be designed with a dynamic, strong and self-reliant local content. Otherwise, the Boston's China Town, San Francisco's Piers as good examples of mega estates sponsored from pension funds assets in America with tremendous impact on national economic prosperity would continue to be a mirage for developing economies.

In the case of Chile, the Organization of Economic Cooperation and Development (OECD) (1998) on maintaining prosperity in an aging society perceives pension funds as the largest investor funds in the Chilean capital market. It stresses that up to 1996, 17.9% of pension funds portfolio were invested in mortgage bonds. Thus, in the Chilean housing market, two out of every three houses were presumed to be financed by pension savings.

The report stresses a significant reduction in public expenditure as well as increase in public savings and budget surplus over a ten-year period from 1987-1996, due largely to pension reforms of the 1980s. Resolving the budget deficit over a ten-year period for the Chilean economy is a huge success recorded by the pension reform as in Table 2 below:

Table 2: ***"Public Savings (Chilean Government) 1987-1996 as % of GDP"***

Year	Current Income	Current Expenditure	Public Savings
1987	25.2	22.2	3.0
1988	22.3	20.0	2.3
1989	21.2	18.2	3.0
1990	20.5	18.1	2.4
1991	22.3	18.6	3.7
1992	22.4	17.5	4.9
1993	22.6	17.7	4.9
1994	21.9	17.2	4.7
1995	21.5	16.2	5.3
1996	22.6	17.0	5.6

Source: ***"Budget office, OECD, 1998".***

The reduction in public expenditure, increase in public savings and budget surplus as well as mortgage financing are positive indicators of the impact of pension funds to the Chilean economy. Like the use of Pension funds to develop mega projects in the American economy, the trend around the world is to stimulate GDP by massive investment of pension fund. So crucial is the role of pension funds in economic transformation across the globe that any economy that tends to ignore its relevance does so at its own detriment.

Nevertheless, the prospects offered by reforms in the pension sector has always been accompanied with their challenges. In the case of Chile, the government had to pay the price for reforms in the pension sector with students' riots of the 1990s. This forced the government to reappraise the pension reforms as they were to introduce some palliatives.

On the whole, reforms in the pension sector is a growing trend among economies around the world to stimulate their economic prosperity, enhance the social security and well being of their citizens. Irrespective of the challenges encountered in course of implementing of the reforms, the obvious prospects should be a source of inspiration.

CPS and the Nigerian Economy

Nigeria's Pension reform is yet to impact the economy positively as to

reverse deficit financing in the national budget within the last ten years of its operation as well as the case in Chile. Nevertheless, indices manifesting from the reforms have shown high prospects for economic turn around. The National Pension Commission's Annual Report (2010) indicates significant increase in pension funds investment in government securities from ₦498.88 billion in 2009 to ₦829 billion in 2010 representing an increase of ₦330.32 billion or 30% of the Federal Government's ₦1.093 trillion bonds issued in 2010. The size and quantum of ₦5.9 trillion pension funds assets accumulated from savings of 7.49 million contributors in the first decade of the operations of the scheme up to April, 2017 also offers optimism and hope (Agabi, 2017). PENCOM's Report (2017) heightens the optimism as pension funds assets have risen to ₦7.52 trillion as at fourth quarter of 2017 from the 7.82 million contributors. The report attributes the assets growth up to the fourth quarter of 2017 to market valuation of quoted equities and the slightly higher pension contributions in the period. Appropriate investment of huge accumulated pension funds assets is expected to stimulate demand and acceleration effect for overall economic growth and development.

In the real sector for instance, intense investment of pension funds in mortgages is expected to correspond with demand for services of professionals in the areas of architecture, estimate surveying, quantity valuation, building and civil engineering, technicians and artisans. Demand for building materials like cement, iron rods, and other related products is also expected to assume an upward trend with positive effect on the national economy.

Barrow (2008), therefore, appraises the beauty of CPS from the dimension
of pool of long-term funds for the financial market to support the development of infrastructure, private sector, small and medium scale enterprises. He concludes that such opportunity was not available before the introduction of CPS unlike America where they have schemes that make people to save for long-term.

The Nigerian economy is yet to benefit from urban renewal and
revitalization movement enjoyed by economies across the globe from pension funds assets despite a decade of operation of the scheme. This is in contrast to the Chilean economy that started enjoying the benefit of surplus budget as in table 2 within seven years of the introduction of the scheme in 1980. If the accumulated pension funds must impact the economy through mega projects, pension funds investors must certainly think big and invest big.

Even as the prospects of pension funds assets to the national economy appear hopeful and optimistic there are some serious disturbing signals often posed by demographic challenges. Demography is the fulcrum of social planning and any social policy that ignores it is bound to suffer disorientation.

Nigeria's demographic characteristics have certain dispositions towards economic disorientation if not properly harnessed or re-tracked. Makama (2011) observes the projected Nigerian population of over 170 million people as at 2011 with a growth rate of 3.2% as exponential and leaning towards population explosion, unemployment, poverty and social crisis. Lawan (2011) describe the growth rate of 3.2% as unpalatable. Kent (2011) upheld the views using the United Nations projections on Nigeria as a country in the world with the highest growth and fertility rates. He posits that the number of young people constitute 42.3% which is almost half of the population and apparently the largest in the world.

These projections on demographic characteristics establish Nigeria as one of the countries in the world with the fastest growing population of the youth. It is also a fact that unemployment rate in Nigeria is among the highest in the world. The inherent contradictions are that, this class of population is the most vulnerable, erratic and irrational considering their high propensity to delinquent tendencies.

Under such circumstances, the nation would be prone to social crisis which is the situation Nigeria has found herself recently. It is then logical that violent crimes as armed robbery, armed conflicts and militancy, kidnapping, vandalism, land disputes and ethnic clashes, religious fundamentalism, insurgency, detonating of bombs and cultism are on the upward trend in Nigeria. These atrocities are carried out by the youths, often for economic reward; even where the perpetrators face the danger of self injury and or even death – as in cases of detonating bombs - those seldom caught do confess that they were recruited to such crimes with attractive offers of economic prospects and opportunities. This attests that economic conditions and criminality or social crisis maintain a relationship. The World Economic Forum Report (2017) confirms the trend by ranking Nigeria as the 5th most dangerous nation in the world after Columbia, Yemen, El Savador and Pakistan.

Policy planning on pension reform did not properly weigh the role of demographic crisis with its destabilizing effect on the economy and by extension, reforms in the pension sector. The policy is more favourably disposed to the abilities of the capital market to mobilize savings for economic transformation with little attention to the operating environment. Even agriculture that is presumed to be the dominant sector of the economy with the highest employment ratio is not accorded due consideration by the pension reform policy. The pension reform policy did not establish any link between pension funds and the chunk of workers employed in the agricultural sector. It is the PRA 2014, ten years after the commencement of the reforms that peripherically seeks to include the peasant farmers under the Micro Pension Scheme along several others in the informal sector. But then the challenges of heavily burdened illiterate society are there to surmount.

This all important sector is too relevant to be ignored by any social policy that may stand the test of time. In the years ahead, the massive accumulation of pension funds and use of such or urban renewal will definitely affect agriculture. The ever growing population and intense, industrial activities will mount pressure on the fixated asset of land and even other renewable resources which FAO (2017) observes would put the global food security in jeopardy due to the mounting pressures on national resources and climate change. The emerging consequences would be considered in greater details under the sub-head.

Population, Economy and Pension Reform

It has been earlier been stressed that demographic trends are central to, and do decisively influence economic, political, socio and cultural policies. Thus, for any socio-economic policy to maximize its desired impact, demographic parameters must be factored in. Issues of infrastructure, health, education, housing, economic, political, cultural, religious and social protection are targeted at meeting the demands of a population. A growing population could, indeed, be an asset to a nation. The United Nations Report (2017) on World Population Prospects asserts that countries where demographic trends favour the working population such nations will harvest demographic dividend especially where there are sufficient opportunities for productive engagement in labour force. The report further asserts that such attainment requires sufficient investment in human capital of children and youth through universal access to education and health care. Nevertheless, improper utilization of this asset portends some danger for the future. The Economic and Social Council of the United Nations' Report (2017) on population and development states that countries with growing population of young people must find ways to provide education and employment opportunities for youth or risk forfeiture of some portion of their potential contribution toward national development.

Nigeria's demographic trends of a growing youthful population and children as well as rising unemployment leans towards demographic threats. Arkwright (2018) states that the biggest threat for Nigeria is around demographic. In his views, everyone talks about demographic dividend and I firmly believe that is a possibility but there is a scenario of a demographic disaster. The rising youth population with high unemployment requires a corresponding investment in human capital, access to education and health care for national development. Demographic characteristics rather than serving as fundamental factors for economic growth and social security provision may pose a significant threat as shown in tables 3-9.

Table 3: World Ranking of the Seven Most Populous Countries of the World

World Ranking	Country	Population
1	China	1, 384, 380, 000
2	India	1, 318, 790, 000
3	United States of America	325, 443, 000
4	Indonesia	263, 991, 000
5	Brazil	207, 761, 000
6	Pakistan	197, 865, 000
7	Nigeria	190, 886, 000

Source: *www.en.m.wikipedia.org/wiki/list-of-countries-and-dependencies-by-population Retrieved 18/7/2017*

Table 3 ranks the seven most populous countries of the world based on estimates for 2017 by the Population Division of the United Nations' Department of Economic and Social Affairs. China's population of 1,384,380,000 people is ranked the first position among the over 190 centuries of the world. China's population is being properly utilized for the growth and development of the country with major economic indices pointing to the positive direction. On the contrary, Nigeria's population of 190,886,000 people occupies the 7^{th} position in the world with some disturbing economic indices particularly the rising youth unemployment which apparently constitute the larger segment of the population. But more worrisome about the Nigerian population is her fixed land mass in km^2 as shown in table 4 below

Table 4: Total Land Area per Seven Most Populous Countries of the World

World Ranking	Country	Total Land Area/km^2

1	United States of America	9, 833, 520 km^2
2	China	9, 596, 961 km^2
3	Brazil	8, 575, 767 km^2
4	India	3, 287, 263 km^2
5	Indonesia	1, 904, 569 km^2
6	Nigeria	923, 768 km^2
7	Pakistan	881, 913 km^2

Source: *www.en.m.wikipedia.org/wiki/United-States Retrieved 18/7/2017*

www.en.m.wikipedia.org/wiki/China Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/Brazil Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/India Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/Indonesia Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/Nigeria Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/Pakistan Retrieved 18/7/2017

Nigeria's total land area of 923,768 km^2 places her in the 14th position on the African Continent and 32nd position in the world (Mongabay, 2018). Her population of over 190 million people with a density of 197.21 km^2 entitles a Nigerian to 1.25 acres of land if the sharing formula is evenly distributed. If the population of the country doubles by 2050, this number of average of land available to the citizen will further shrink to 0.62. The mounting pressure on land could only be imagined.

It may be noted that Russia obviously is a country with the largest land mass on the surface of the earth with a total of 17,076,200km^2 and density of 8.4/km^2 which entities a Russian to 29.4 acres of land. This is followed by Canada with total land area of 9,984,670km^2 and density of 3.9km^2 to 63.3 across of land (Mongabay, 2018). Nevertheless, Russia and Canada are not listed in table 4 due to their populations of 146,773,226 million and 37,067,011 million people respectively (Wikipedia, 2017). The case being made is that population more than size among other factors command influence in the comity of nations.

From table 4, Nigeria's total land area of 923,768km^2 occupies the 6th position among the seven most populous nations of the world with Pakistan occupying the 7th position with a total land area of 881,913km^2. Both Nigeria and Pakistan are predisposed to demographic crises considering their limited size of total land area against the backdrop of their rising youth population of …………. Percent for Nigeria and ……………… percent for Pakistan. Both countries are classified among the developing world with no strong industrial base.

Nigeria's case becomes more worrisome as the United Nations Report (2017) forecasts Nigeria to be the 3rd most populous nation on earth by 2050 when it would occupy the current position enjoyed by America. The report adds that such countries with rising population profile need to create sufficient opportunities for productive engagement in labour force as well as investment in human capital and limitless access to education and health care.

With low investment in human capital limited landmass and increasing growth rate in population, Nigeria's future looks bleak. Nevertheless, all hope is not lost. The growth rate in population has inherent wealth of intellectual endowment for exploitation. For instance, a single software solution, a product of intellectualism could generate millions of jobs for the economy. The case of google software package is too obvious a reference to cite. From a mere search engine to gargantuan economic universe, even larger than all sectors of the Nigerian economy put together. This attests to the magic wand of the services sector in general and communication technology in particular in creating economic impact. The services sector no doubt, is the solution to Nigeria's future, but must be explored to the fullest. This explains why the country has to pay any price to provide qualitative education to her citizens.

Qualitative education will unlock employment opportunities for the youthful population and, indeed, actualize their potentials for national development. The positive impact of this will surely reflect on the national economy and pensions. Thus, a symbiotic relationship exists between demographic trends, economic growth and pensions. Where, how, what and when to invest pension funds assets, given the scenario will be explained in the subsequent sections.

Meanwhile, our analysis of the implications of the rising population on societies among countries of the world may be extended to the demographic characteristic of densities as in table 5 below.

Table 5: Population Densities of the Seven Most Populous Countries of the World

World Ranking	**Country**	**Population Density/km^2**
1	India	392.8/km^2
2	Pakistan	244.4/km^2
3	Nigeria	197.2/km^2
4	China	145/km^2
5	Indonesia	124.66/km^2

6	United States of America	36.6/km^2
7	Brazil	23.8/km^2

Sources: *www.en.m.wikipedia.org/wiki/United-States Retrieved 18/7/2017*

www.en.m.wikipedia.org/wiki/Chuina Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/Brazil Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/India Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/Indonesia Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/Nigeria Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/Pakistan Retrieved 18/7/2017

From the table 5, the most densely populated nation on earth is India with 392.8/km^2 followed by Pakistan and Nigeria with 244.4/km^2 and 197.2/km^2 respectively. However, India land mass is three times the size of Pakistan and Nigeria respectively. The implication of this is the mounting pressure on available national resources as well as environmental degradation.

In the case of Nigeria, the UN projections on population growth will have an impact on density which may double from its current figure of 197.2/km^2 to 394.4/km^2, greater than India's current density of 392.8/km^2 recorded as the highest in the world for now. The difference between Nigeria and India's density is in India's total land area of 3,287,263km^2 which is three times larger than Nigeria's total land area of 923,768km^2. Nigeria fixed land mass with rapid increase in density would result to environmental issues of pollution, erosion, flooding and general land degradation and health challenges, seismic hazards and earthquakes. The National Space Research and development Agency (NASRDA) has already identified Mpape in Abuja, Kwoi in Kaduna, Ijebu Ode in Ogun, Shaki in Oyo and Igbogene in Bayelsa as likely epicenters of major earthquakes.

The report is attributable to intense human activities of mining and drilling of boreholes, resulting to disequilibrium in the earth crusts. Intense impact of the rising density would also mount the pressure on land, thereby, pushing its prices above fixed income earners and retirees. Many employees and retirees may no longer afford to buy land for their retirement homes or farmlands in planning for comfortable post-service life. In fact, the greater part of employees and retirees' income will go for house rent to bourgeois landlords with little or nothing left for other needs including their food requirements. But the most aggravating issue arising from intense density would be social upheavals in terms of land crises and disputes. Communities will rise against communities, societies will rise against societies, and individuals will rise against individuals all in quest for land. Proactive measures by the government to redefine and regenerate the economic structure, boost the services sector, create vast opportunities for employment and introduce efficient social security provisions like pensions and other social welfare packages would douse tension in the society.

The entire African Continent will not be insulated from the above scenario. Why events seem to unfold earlier in Nigeria is due to her limited landmass relative to her population. In the case of five most populous countries in Africa under consideration, Nigeria's total land area seems to be the smallest even with the highest population and density. An overview of the pending impact of demographic trends on national economies and social security provision of the five most populous countries in Africa is considered using tables 6-9 below:

Table 6: Ranking of the Five Most Populous Countries in Africa

Ranking	Country	Population	Year
1	Nigeria	190, 886, 000	2017
2	Ethiopia	102, 374, 044	2017
3	Egypt	93, 519, 000	2017
4	Democratic Republic of the Congo	82, 243, 000	2017
5	South Africa	54, 956, 900	2015

Source: *www.en.m.wikipedia.org/wiki/Nigeria Retrieved 18/7/2017*

www.en.m.wikipedia.org/wiki/Ethiopia Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/Egypt Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/Democratic-Republic-of-the-Congo Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/South-Africa-Retrieved 8/7/017

Table 6 shows population ranking of the five most populous countries in Africa with Nigeria and South Africa occupying the first and fifth positions respectively.

Table 7: Total Land Area per each of the Five Most Populous Countries in Africa

Ranking	Country	Total Land Area
1	Democratic Republic of the Congo	2, 345, 409 km^2
2	South Africa	1, 221, 037 km^2
3	Ethiopia	1, 104, 300 km^2
4	Egypt	1, 010, 407.87 km^2
5	Nigeria	923, 768 km^2

Source: *www.en.m.wikipedia.org/wiki/Democratic-Republic-of-the-Congo Retrieved 18/7/2017*

www.en.m.wikipedia.org/wiki/South-Africa-Retrieved8/7/017

www.en.m.wikipedia.org/wiki/Ethiopia Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/Egypt Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/Nigeria Retrieved 18/7/2017

Table 7 shows the total land area of the five most populous countries in Africa with Democratic Republic of the Congo as the biggest in size with a total land area of 2,345,409km^2 and Nigeria as the fifth in size with a total land area of 923,768km^2. Democratic Republic of the Congo is therefore, twice the size of Nigeria and larger than the combined area of Spain, France, Germany, Sweden and Norway, Wikipedia (2017). While Nigeria occupies the first position as most populous country in Africa in table 6, she reverts to the fifth position in terms of total land area. It should be noted that the above countries are being considered for their populations rather than landmass. Otherwise, the biggest country in terms of physical size on the African Continent is Algeria with a total landmass of……………………………., followed by…………………………………. Nigeria's landmass of 923,768km^2 comes up in the 14th position.

It is overt that Nigeria's greatness lies in her population rather than her size. Otherwise, countries like Democratic Republic of the Congo, South Africa, Ethiopia or Egypt would have been the giant of Africa considering their massive total land area advantage over Nigeria. Those canvassing for break-up of Nigeria should better have a re-think as it will not confer any advantage to such propositors. Rather, such emergent smaller nations will relegate themselves into oblivion among the comity of nations. In the event of Nigeria's break up, a situation we should all condemn, then Ethiopia, the second most populous nation in Africa is eagerly waiting in the wings, ready to assume leadership of the black race on earth as the giant of Africa due largely to her population advantage.

Table 8: Population Densities of the Five Most Populous Countries in Africa

African Ranking	Country	Density/km^2
1	Nigeria	197.2/ km^2
2	Ethiopia	92.7/ km^2
3	Egypt	90/ km^2
4	South Africa	42.4/ km^2
5	Democratic Republic of Congo	34.83/ km^2

Source: *www.en.m.wikipedia.org/wiki/Nigeria Retrieved 18/7/2017*

www.en.m.wikipedia.org/wiki/Ethiopia Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/Egypt Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/Democratic-Republic-of-the-Congo Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/South-Africa-Retrieved 8/7/017

From table 8, the number of people per kilometer square (197.2/km^2) in Nigeria is twice the case of (92.7/km^2) in Ethiopia which is the second most densely populated country in Africa. Ironically, Ethiopia's total land area of 1,104,300km^2 is bigger than Nigeria's total land area of 923,768km^2. It is then understood that the pressure on land in Nigeria is twice the one of Ethiopia thrive the one of South Africa and four times that of Democratic Republic of the Congo.

Table 9: Ranking by the Human Development Index (HDI) of the Five Most Populous Countries in Africa.

Ranking	Country	HDI	Year	World Ranking	Classification
1	Egypt	0.690	2014	108th	Medium
2	South Africa	0.666	2014	116th	Medium
3	Nigeria	0.514	2015	152nd	Low
4	Ethiopia	0.448	2015	174th	Low
5	Democratic Republic of the Congo	0.435	2015	176th	Low

Source: *www.en.m.wikipedia.org/wiki/Nigeria Retrieved 18/7/2017*

www.en.m.wikipedia.org/wiki/Ethiopia Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/Egypt Retrieved 18/7/2017

www.en.m.wikipedia.org/wiki/Democratic-Republic-of-the-Congo Retrieved 18/7/2017 www.en.m.wikipedia.org/wiki/South-Africa-*Retrieved 8/7/017*

The Human Development Index (HDI) measures, the welfare and well being of a country using the indices as access to education, health care and longevity. From table 9, only two of the five most populous countries in Africa are grouped in the medium category of HDI. The remaining three are grouped as low under HDI. Out of the three countries classified as low, Nigeria and Ethiopia happens to be the two most populous countries in Africa. This shows that access to education, health care and life expectancy in Nigeria and Ethiopia is on the decline. Incidentally, Nigeria and Ethiopia holds the total population of Egypt, South-Africa and Democratic Republic of the Congo put together.

The United Nations population projections earlier referred to anticipates

the 2017 world population of 7billion people to rise to 8.6billion and 9.billion by 2030 and 2050 respectively. The report adds that African population growth rate will move from over 1.2billion people in 2017 to 1.7billion and 2.5billion in 2030 and 2050 respectively. The report further states that the population growth rate in Africa would favour the youth where childbearing abilities will contribute significantly to the world population even as individual families may be inclined to having fewer children. The UN report further asserts that, concentration of population in poorer countries would make it harder for such governments to eradicate poverty, reduce inequality, combat hunger and malnutrition, expand and update education and health systems, improve the provision of basic services to ensure that no one is left behind. If the two most populous countries of Nigeria and Ethiopia are holding the total population of the three five most populous countries in Africa put together, and access to education, health services and life expectancy are low, and then there is a lesson to learn from the UN Report (2017), that links escalating population and poverty leading to social challenges. The report adds that growth in population for the period 2030 to 2050 will concentrate in nine countries of India, Nigeria, Democratic Republic of the Congo, Pakistan, Ethiopia, the United Republic of Tanzania, the United States of America, Uganda and Indonesia. Five out of the nine countries the population growth is projected to concentrate are in Africa. Three out of the five countries are being classified as low by HDI standard as indicated in Table 9. This implies that the wellbeing of poorer countries in terms of literacy, access to quality health and life expectancy would further deteriorate given the inability of poorer countries to provide for the needs of their growing populations. This will compound the existing social upheavals and insecurity prevalent in such societies as is the case with Nigeria at the moment. The social crisis will have a devastating impact on the economies of poorer countries. Economic growth would generally slow down with deteriorating effect on the living standards of employees and retirees.

At 152nd position by world ranking and or low classification, Nigeria and other poorer countries may find it harder to eradicate poverty, reduce inequality, combat hunger and malnutrition, expand and update their education and health systems and improve the provision of basic services. To avert the looming disaster, issues of demographic trends, economic growth and social security including reforms in the pension sector must be a serious concern of policy formulators. Concerted investments in human capital and social services including social security provisions which pensions is part of deserve more than the lip service being paid to the issues.

In Nigeria, public education system has collapsed at all levels with deteriorating infrastructures and facilities. The teachers who are the drivers of the education system are too ill-motivated for quality service delivery. The alternative education offered by the private sector is too expensive and unaffordable for the vulnerable poor and fixed income earners like employees and retirees. Just like the educational system, the health system is also too expensive and inaccessible for the vulnerable groups in the society. Public water supply has failed in most Nigerian cities resulting to indiscriminate drilling of boreholes with the disastrous consequences of disequilibrium in the earth crusts. To avert the challenges of looming demographic crisis, we need to redesign and reconstruct our social service provision. Massive investment in educational and health facilities, infrastructures, social security and pensions would yield demographic dividend for the nation. Otherwise, we shall reap more devastating effects of demographic crisis in the years ahead.

Demographic Trends and Pension Funds Investment Outlay

Nigeria's prestigious position as the seventh most populous country in the world carries along with it the tremendous advantage of a chunk of market for the world and African economies. A large market offers high prospects for manufacturing and other sectors of the economy where pension funds could reasonably be invested. Rising population and urban growth stimulate demand for all kinds of goods and services. For instance, the growth rate of youth population in Nigeria will intensify investments in such sectors as education and youth related facilities where returns on investments would be quite attractive. Smart investors would also take advantage of the local content policy on manufacturing by investing pension funds in the local manufacture of such items like pencils as its potentials in the rising child and youth population are quite enormous.

Grand as the idea of high population acting as stimulant to demand and economic growth may sound; caution should be exercised in celebrating their efficacy especially in a developing nation like Nigeria where a vast majority of the population are unemployed with no economic states and purchasing power. This segment of the population who unfortunately is in the majority cannot respond to the opportunities and prospects offered by the economy.

In the interim, agriculture will continue to play its leading role as the dominant sector of the economy. The rising population will need food for sustenance and industrial manufacturing, thereby, creating the market for agricultural products. Encouraged by deliberate high returns and prospects in the sector, many youths will opt for the farms. Young millionaires will emerge from the farms and make the sector very attractive.

Pressure on land will become intense. Arable land, erstwhile, used for cultivation would mostly be taken over for residential accommodation and industrial activities due to rising population and intense urbanization.

There are however, two sides of this divide. While the mounting pressure on land will persist due to population expansion, there will be high prospects for industrial and economic growth on the other hand. Some villages within the radius of 50 kilometers of the present urban cities would be submerged into cosmopolitan urbanized settlements by the year 2050. This may sound alarming but observations on rapid expansion of urban settlements around Nigerian cities are a clear evidence of impending urban explosion. In Makurdi Town for instance, the new settlements of Judges Quarters, Nyiman Layout, Owner-Occupier and Police Mobile Barracks, to mention but a few, have surged rapidly within the last twenty years to merge with Makurdi metropolis. One could only imagine what the situation would be by year 2050. Quasi-urban settlements of Abinsi, Ikpayongo and Daudu within the radius of 30 kilometers from the Makurdi centre would be sub-merged with the Makurdi Metropolis, thereby, creating another mega city. Like Makurdi Town, submergence of quasi-urban settlements would be experienced at the mega cities of Abuja, Lagos, Port Harcourt, Kano, Benin, Onitsa, Enugu, Calabar and Kaduna among several others.

The rising density and urbanization would trigger growth in industrial and manufacturing activities. This requires an efficient transportation system for haulage of industrial goods, services and the growing population. Strategic investors should be smart enough to mobilize pension funds assets for investment in ultra modern rail transportation system; a cheaper and efficient system for mass mobility of industrial goods and the rapidly expanding population.

It is a heart-warming development that the Nigerian government seems to be working to actualize the vision for an ultra-modern rail transportation system to boost industrial growth, urban renewal and easy movement of a rapidly growing population. At the launching of two locomotives and ten coaches for the rail systems as well as Dryland Port in Kaduna on 4th January, 2018, President Muhammadu Buhari announced a master plan for a modernized rail system to link all industrial centers and States capital in Nigeria. He also announced the extension of a rail line from Kano to link Niger Republic for regional integration not just with ECOWAS but the Magreb as well. The linking of Benue-Cameroon border with ultra-modern roads and railways will unlock the economies of Central, East and Southern Africa the now highly industrialized Nigerian economy. These ambitious projects should not be allowed to end on the drawing board. Private sector collaboration is highly required through consortiums for mobilization of pension funds for massive investment in the sector. Actualization of this lofty dream of a transformed rail transportation system will certainly intensify industrial activities; ensure easy, massive, cheap and efficient mobility of goods and services as well as human traffic. These infrastructures are requisite for industrial take-off. Closely related to the development of transport sector using the pension funds for economic growth are such infrastructures as iron and steel, electricity, mining of mineral resources and roads. Ultra-modern highways and railways would require the development of iron and steel industries as well as electricity to power the industries and railways. Massive investments in infrastructural development using pension funds would certainly transform and revitalize the economy. Most of these infrastructures are self-funding and investments in them are worthwhile ventures. For instance, investment in roads and highways could be re-couped by tollgate collections. The organized private sector can form consortiums to access and utilize pension funds assets for investment and rapid economic transformation of the country. Nevertheless, government should be willing to divest and give concessions in the identified areas for massive, rapid and sustainable private sector investments.

As the population continues to expand with intense industrial activities, there will be great need to house the growing population. The housing sector, therefore, offers a virgin field for investment of pension funds for rapid economic growth and transformation. Just like the development of other self-funding infrastructures, the housing sector is also a self-sustaining investment for pension funds with minimal risk. Nigeria is currently in deficit of housing supply. The Centre for Affordable Housing Finance in Africa Report (2017) on hpusing supply states that housing production in Nigeria is approximately 100,000 per year short of at least 1,000,000 units that are needed yearly to bridge the 17 to 20 million housing deficit by 2033 if the population growth rate is maintain at 3.5 percent. Considering the UN projections on population growth for the years ahead, the housing deficit may persist with even a wider margin unless urgent interventionist measures are taken to arrest the trend. Massive investment of pension funds in housing will regenerate and impact the economy. Building materials like cement, iron rods, aluminum products and others would be required in large quantities. Employment opportunities will be created for the mass number of youths. Professional services of architects, quantity surveyors, engineers, builders, artisans, landscapers would also be required in mass quantities. Aggregate demands in the economy will shoot up due to enhanced purchasing power as those in employment will have disposable income to spend. As employment is being generated, more contributors will join the CPS and the accumulated savings will continue to grow. Thus, the housing schemes financed by mortgages from pension funds assets have the capacity to regenerate and positively impact the economy for the general good of the investors and retirees.

Another sector that should be fully developed to sustain the economy and pension reform is culture and tourism. Cultural artifacts and other elements of atavism are the hidden wealth and treasures of the nation which can serve as a major source of foreign exchange earner when fully explored. The nation’s extremely rich multi-cultural diversity and heritage are expressed through the Nollywood medium, puppet theatre, carnivals and festivals. These could be modernized and promoted to attract tourist within and outside the country. One important aspect of cultural resource is that it does not deplete, therefore, guaranteeing their sustainability for the economy. The current multi-billion naira Nollywood industry is just but a tip of the iceberg when our cultural heritage is fully explored.

The private sector may not be very willing to invest in the area of culture and tourism but government support in sponsorship of carnivals and festivals may give a boost to the sector. Also, government incentives like tourism allowances to civil servants will go a long way in contributing to the development of the sector for economic sustenance. Any civil servant who benefits from tourism allowances would be made to spend it for the purpose it was meant. A fully developed culture and tourism sector has high prospects for the economy and pension reforms.

Despite the high prospects, optimisms and hope of pension reforms to national economic growth, the extent to which the goals of economic transformation are being achieved is still a matter of polemics. Gunu *et al* (2012) affirms the lack of evidence to link CPS and economic growth in Nigeria. The Nigeria Capital market that was intended to provide the bridge between pension funds assets and economic transformation has undergone one form of crisis or the other, hence, its abysmal performance. In 2008, precisely four years after the commencement of the scheme, the world witnessed the worst capital market crisis in contemporary times as shares and mortgage prices dropped sharply to unprecedented levels. The four-year old pension scheme as at then also suffered from the crisis as the stock market and the banking sectors were deeply affected by large scale instability (Dostal, 2010). He asserts that even the IBTC Pension Fund Administrator that won the award of *“pension fund manager of the year, 2009”* by the *“Thirsday Newspaper”* posted negative rate of return after the inflation and charges were factored in. Though the National Pension Commission kept on assuring that pension funds assets were insulated from the world capital market crisis, overwhelming evidence of investment performance in the capital market proved to the contrary. Eight years down the line, another economic catastrophe of immense proportion hit the capital market again through the economic recession of 2016. Virtually all sectors of the economy including the pension sector were affected. Even though the National Bureau of Statistics (NBS) reported positive signs of recovery from the recession in the third quarter of 2017, the rate of recovery was significantly slow and the negative effect of this economic mishap continued to linger on the business environment. The business climate expressed by the capital market crisis and economic recessions has dealt a lethargic blow on the capital market by weakening its strength to galvanize pension funds for economic transformation.

The economic prospects offered by pension reforms could better be attained under a peaceful and conducive economic environment. Given our social setting that is prone to upheavals and social crisis, the prospects of pension reforms cannot be sustainably guaranteed. The World Economic Forum Report (2017) ranks Nigeria as the fifth most dangerous country in the world after Columbia, Yemen, El Salvador and Pakistan. The report was based on continuous spate of violence and other terrorist acts such as kidnapping, armed robbery, cultism, ethnic conflicts, herdsmen attacks and religious extremism among several other threats to peace and stability in the society. Without peace and stability, economic growth and development cannot be achieved. Consequently, reforms in the pension sector cannot also be sustained.

Another challenge to sustainable economic growth with concomitant effect on pension reform is the growing trend of corruption in the pension sector in particular and the society at large. Report of the National Assembly probe of administration of pension funds for instance alleged a fraud of N12billion pension funds frozen in three accounts owned by two Directors of a Federal Ministry. So startling was Abdulrasheed Maina's (Chairman of the Pension Reform Task Team) press interview Premium Times (2015) in which he stated that N1.6billion was recovered from just two pension offices out of the 98 that were earmarked for restructuring. This report alludes to the massive fraud and other irregularities in the pension sector. Maima's interview alleged a monthly stealing of N4.25billion from Pension Office in the Office of the Head of Service of the Federation (HOSF); and daily stealing of N300million from the Police Pension Office.

In another exclusive interview granted to Channels Television (2017) Maina reiterated his innocence by asserting that within the short period he conducted the exercise on reforms in pension office, he recovered ₦282 billion in cash and ₦1.6 trillion worth of investments and assets which some top civil servants had carted away. In his submission, Maina requested for audience with Mr. President to present his claims with documentary evidence. Maina's case is on-going but the fundamental fact remains that if these alleged corrupt cases are not contained then the desired impact of pension funds to the national economy will continue to be a mirage. The on-going probe Committee of the House of Representatives and Maina's assertions with a request for an audience with Mr. President to unearth the truth about corrupt practices in the pension sector should be addressed once and for all.

The dismal performance of the capital market has posed a major disconnect between pension savings and economic transformation. This is contrary to Chile's ten-year budget surplus in Table 2 which demonstrated a good example of how pension funds can impact a national economy. Other economies around the world have demonstrated value addition to Gross Domestic Product (GDP) with positive application of accumulated pension funds (Clark, Njuguna in Gunu *et al*. 2012). They estimate the value addition of pension assets at AUS 1billion or about 20% contribution to GDP for Australia; €140billion Euro in 2004 for Belgium; CAD1.3trillion or 30% contribution to GDP in 2003 for Canada; 714 billion or 24% contribution to GDP in 2003 for China; £1.9trillion or 14% contribution to GDP in 2003 for the United Kingdom; and $14.5trillion or 37.7% contribution to GDP for the United States of America. The Nigerian economy is yet to maximize value addition of accumulated pension funds to GDP as the case of other economies indicated above. With accumulated pension funds of N7.52 trillion by the fourth quarter of 2017 according to PENCOM Fourth Quarter Report (2017), the contribution of pension funds to GDP of the Nigerian economy is expected to be quite overwhelming. However, the economy is yet to respond to this stimulated.

Gunu *et al* (2012) state that there is no evidence to support the link between CPS and economic growth in Nigeria. The obvious answer lies in the lack of capacity of the lethargic capital market. As presently structured, there is no strong economic base for the capital market to thrive. Elsewhere in the world where pension funds have impacted economies, such economies are strong and virile with a well developed capital market. For us to attain that feat, the pension reform must be driven by patriotism and national agenda with home grown solutions to economic growth. Neo-liberal policies of devaluation of national currency and trade liberalization had not and would not be an answer to the vagaries and oscillations of transitional economies. It is impactive to reiterate that diversification of the economy away from oil to agriculture, manufacturing, solid mineral exploitation, culture and tourism, infrastructure and ICT development are the major drivers to re-track the economy on the path of sustainable development. The Economic Recovery and Growth Programme (ERGP) of the Buhari Administration aimed at stimulating massive production, manufacturing and local content, processing, exportation, as well as new order of doing business are square pegs in square holes. A domestic inclined, strong, sound, vibrant and self-reliant economy would build confidence and attract investments. Only then would the capital market muster enough synergy to mobilize the accumulated pension funds for economic revitalization and transformation.

Retirees Welfare under Contributory Pension Scheme (CPS)

The crux of 2004 reforms in the pension sector is to enhance the welfare of workers in post-employment life. Has this main objective of the scheme been achieved after a decade of its operation? In providing an answer to this question, I had an interface with retirees, operators and regulators of the scheme for on-the-field assessment of how the retirees were faring under the scheme. My findings were mixed reactions of frustrations and optimism.

Many retirees had, indeed, complained of the abysmal meagre amount of pension benefits they were collecting under the new pension scheme. Some actually expressed their bitterness over the stipends that have no bearing of whatsoever to the prevailing inflationary pressures in the economy. Relative to their counterparts who had retired under the PAYG pension scheme, retirees under CPS assessed their living conditions as worse-off.

The apparent reason which cannot be accepted as a justification is that those who had retired in the early years of the commencement of the contributory pension scheme had not accumulated enough savings in their RSAs to guarantee a comfortable living. If the initiators of the scheme were proactive, they would have envisaged such a scenario and introduced palliatives to cushion the hardship that early retirees on the scheme are being subjected to. Some form of bonus awards under the circumstance would have sufficed.

Moved by the hardship faced by retirees, the National Pension Commission examined the balances in RSAs of retirees under programmed withdrawal to observe that returns generated by PFAs were enough to enhance their monthly pensions. Accordingly, the Commission enhanced the monthly pensions for RSA holders under programmed withdrawal to address the problem of meagre pension income earnings by retirees under CPS. This positive development is a milestone attained by both the Commission and PFAs for the wellbeing of retirees.

Apart from the meagre amount of pension benefits earned by early retirees on the referenced pension scheme, there is an embarrassing delay in the commencement of pension payment. The delay in commencement of pension payment for up to a year after retirement has brought untold hardship to retirees. This is attributable to non-release of Federal Government Retirement Bonds to PFAs in the case of retirees from the Federal public service. It is imperative to stress that delay in the commencement and irregularity in pension payments were the major reasons for reforms in the pension sector. If such bureaucratic bottlenecks are still being experienced under the reformed pension scheme, then the plight of workers in pension administration are yet to be addressed. To reverse the trend, bureaucratic bottlenecks as delayed release of Federal Government Bonds to PFAs be frontally addressed to curtail its negative impact on the success of the scheme.

Despite the frustrations and disillusionment of some early retirees under CPS, many other retirees still expressed confidence, hope and optimism in the scheme. Their optimism is based on the responsiveness, regularity, promptness and timely payment of monthly pensions. Proponents of CPS argued that regularity and promptness in the payment of small amount of pension income is far better than living on a bigger income that is irregular or inaccessible at all. They expressed their enthusiasm to the regularity and promptness of the scheme by referring to it as effective pension.

An overview on implementation of CPS indicates that the scheme is yet to
impact significantly on the welfare of retirees due to the delay in commencement of pension payment as well as the meagre amount of pension income. Nevertheless, the prospects for the scheme can still be harnessed. One sure way of doing so is to take practical and bold steps and decisive actions to address bureaucratic bottlenecks to ensure prompt and timely release of Federal Government bonds to PFAs for early commencement of pension payment. Delay in the release of Federal Government bonds would also be eliminated in course of time considering that employees that started work after 2004 would not be drawing from the bonds on retirement. This would resolve the issue of

delay in the release of Federal Government bond for commencement of payment of pension income to retirees.

The other prospect for the scheme is that those who have put in long years of service would have accumulated substantial amount in pension contributions in their RSAs to guarantee a comfortable retirement life. Moreover, PFAs have taken advantage of the boost in the Nigerian capital market to invest pension funds and their investments are yielding good returns to augment pension income for employees and retirees. The recent monthly pension enhancement is an evidence of the prospects ahead. This trend is expected to be sustained. Employees and retirees can further their prospects through independent investments for additional income. This matter is treated in greater detail in the subsequent chapter. Meanwhile, employees and retirees are further encouraged to monitor the activities of their PFAs closely to know their performance status. Regulators of the scheme can also ginger competition among PFAs by the activation of transfer window to enable easy mobility of employees from one PFA to the other. The above measures would certainly maximize the potentials and prospects of the scheme for improved welfare and living conditions for the retirees.

It is evident from the foregoing that implementation of CPS is bedeviled with constraints and challenges particularly for early retirees on the scheme. The challenges, no doubt, have impacted negatively on the welfare and living conditions of the retirees. Nevertheless, these constraints and challenges are surmountable given the optimism, hope, potentials and prospects offered by the scheme.

HR Function and DCS

Conventional approach to management regiments the functions of a Human Resource Manager to the routines of recruitment capacity building or training and re-training, promotion and discipline of employees in an organization. The HR Manager therefore, allocates and citizens both human and material resources in the most cost effective manner to achieve the set targets, goals and objectives of an organization.

In public sector organizations, achievement is measured by efficiency and effectiveness of service delivery. The private sector organizations rather measured their success on the scale and quality of output in attaining profit optimization.

Modern approach to management appraises an organization beyond the confines of efficient service delivery or profit maximization. Adding value to the lives of employees within the organization as well as the general society are issues of major concern to modern approach in management. Under the concept, the organization is expected to extend its services beyond its set targets and objectives for the overall benefits of the society or communities it operates within. This new approach to management is referred to as Corporate Social Responsibility (CSR) partly returning to the society what has been gained from it. In the context of human resource utilization, management forms are beamed on life after employment. Thus, the employer's corporate social function goes beyond the environmental HR functions to the more humane perspective of quality living after retirement. Accordingly, schemes, packages and post-employment plans are designed for employees to transit to in comfort after employment.

It is this philosophy of corporate social function that defined the policy design and implementation on pension reforms of 2004. The policy target is to guarantee better quality of life for retirees after employment.

The laudable objectives of pension reforms and their corporate social postures, notwithstanding, some human resource issues are still of notable concern to human concern to human resource managers. The Pension reform Act 2004 abolishes the qualifying period of ten years for pension under DBS. The Act also elongates the qualifying age for pension from 45 to 50 years. Critics are apt to are to observe that in a society where life expectancy is estimated at 45 years, extending the qualifying age for pension to 50 years is equal to denying majority of employees the privilege of enjoying their retirement benefits themselves. Again, given our social environment where the extended family system places the burden of family responsibilities on income earners, even after employment is quite unproductive to the retirees and the society. Thus, abrogation of qualifying period of ten years for pension and elongation of qualifying age for pension to 50 years under DCS are matters of concern to HRM under the corporate social function.

PRA also abolishes gratuity payment to retirees. This aspect of the law has been subjected to severe criticism as many analysts logically perceive gratuity as an award and right to a retiree for his meritorious service to an organization. They, therefore, see no justification in its cancellation. This position may likely be upheld by labour and industrial unions. To avert industrial disputes, dialogue and negotiation be deployed proactively by organizations. This brings to fore the professional competence of HRM in exploring the window provided under section 4, sub-section 4(a) of PRA (2014) on payment of gratuity to employees.

Another issue of pension reform that relates to human resource function is that of employee’s discipline. Most conditions of service of organizations under DBS provide for a dismissed employee to forfeit his gratuity and pension. This contributed significantly to strict observance of code of conduct by employees. Under DCS, employees are only required to forward records of dismissed employees to PFAs and PFCs who are forbidden by this law from employing such dismissed employees. PRAs are silent on accumulated benefits RSA of the dismissed employee. Many observers are of the view that mere denials of employment is not enough punishment to an employee dismissed on a case of large scale fraud; as this may not be deterrent enough for other employees with similar intentions. A differed opinion rather observed that the dismissed employee’s RSA was partly funded by his salary. Thus, denying him of his earned income is not justified. A neural position then submits that the dismissed employee should only forfeit part of the contribution in his RSA made by the employer. Varied as the opinions, the fundamental point establishes the fact that RSAs did not address the issue of employee discipline sufficiently. Even as RSA is a personal asset to employees, it should only remain so if the employee leaves an organization in accordance to the conditions and terms of employment. The challenge before human resource function is to evolve commencement sanctions that would also service as deterrent to accts of misconduct by employees.

Another issue related to human resource function that is not sufficiently addressed by pension reform is that of collateral security for overdrafts, loans and advances taken by employees from banks or employers. Under DBS, terminal benefits as gratuity and pensions were used as collateral security for overdrafts loans and advances either from the banks or employee’s establishment. DCS permits PFAs to pay retirement benefits independent of employers such that terminal benefits can no longer serve as collateral security for overdrafts, loans and advances. In subsequent review of PRA, consideration be given to the issue of retirement benefits serving as collateral security for overdrafts loans and advances. Human resource function has a role to play In this respect by evolving a policy on terminal benefits and collateral security.

From the foregoing, conditions and schemes of service of organizations under DCS need to be reviewed in order to blend with the provisions of PRA. In the circumstance, role of human resource manager becomes imperative to harmonize the conventional human resource functions, corporate social function of organization and discipline of employees.

Retirement Planning and DCS

Planning for retirement is a very herculean task. It involves strategic forecast into the future which the present does not have control over. The vagaries of inflation, fluctuations in capital market, interest rates and other global market trends are the most disturbing factors to economic managers and retirement planners. To further compound the problem, most employees do not start planning for retirement early in their career. They make the common mistake that retirement will not come soon only to discover that it has come sooner than expected. Consequently, unplanned retirement catches them unawares with its adverse effects of misery, untold hardship and frustration.

Early preparation for retirement, preferably on the first day of an employee's working life is recommended. This involves taking fundamental decisions on issues like when to marry, the family size to have, additional training for oneself, the number of children and the kind of lifestyle you wish to retire to.

Under the DBS an employee was confronted with retirement planning decisions like investment options, envisaged income that could stand the test of inflation in the economy and the type of insurance policy to take. The burden of planning for retirement was heavily placed on the shoulders of employees.

The DCS has, however, relieved employees of the burden of planning for retirement. Some observers have appraised the Pension Reform Act 2004 as a singular piece of legislation that has had tremendous potentials of impacting positively on employees in their retirement years. The design of the scheme also encourages and saves on behalf of employees. It plans investments that budgets against inflation, interest rates and other market fluctuations on behalf of employees. The group life insurance policy for instance is an innovation that was, hitherto, not provided for in the old pension scheme. Mobility of labour encouraged by the scheme without any encumbrance to employee benefits is also an asset to planning for retirement. An employee now has the right and privilege to change his job as frequent as possible to his advantage without losing his retirement benefits.

With proper implementation, the scheme has all it takes for employees to retire comfortably without losing their sleep over post-employment life. The rigorous effort of planning is being handled on behalf of employees by the new pension scheme through investment decisions by the retirement benefits administrators, the Pension Fund Administrators.

Despite the efforts to design a promising future on behalf of retirees by the new pension scheme, individual efforts of employees are still required to complement the initiatives of the scheme. Employees are, therefore, advised to make parallel investments to augment their savings and investments under the scheme. Accordingly, proactive steps are needed in planning for retirement by engaging in productive activities that yield additional income. In this respect, a little space at the backyard could be converted into animal husbandry such as sheep and goat rearing, poultry, fishery, piggery, rabbitry, and grass cutter farms among others. It is also the right time for the employee to establish the tree plantation and crop farms such as orchard, the palm oil, banana, plantain, sugar cane plantations, rice, yam and cassava among several others. Employers are reminded that agriculture is now a big business and should be taken as such for improved and sustainable income at retirement. The purchase of stock from viable companies and an annuity product from insurance company may not be out of place. Investment in blue chip companies over a long period of time may prove a worthwhile effort at retirement. Nevertheless, this should be done with caution considering the vagaries and fluctuations of the capital market operations. Commence work on that house you wish to retire to immediately. No matter how slow the pace of work, make sure that it is steady. If you wait until you put in your papers for retirement, it might not get completed or even when completed might erode you completely of your terminal benefits. Learn that trade now. Publish those books that were written out of your vast experience acquired from years of service. Any extra income that is complementary to your savings and investments under the scheme is highly desirable. Do not marry in retirement to start the process of raising children and their training all over again. Your retirement income may not be enough to sustain a new family and the education of your children.

Self-development within the service period is very crucial to maintain service-compliance and even beyond employment. Within the 30–35 years of years of your service period, your job description at the point of entry may have become obsolete or new ways of doing it may have been devised. Many new jobs would also emerge with new skills and techniques of doing them.

Only your training and re-training will keep you afloat to maintain your relevance. Thus, a secretary who refused to align himself to the computer system with rigid attachment to the manual typewriter in the last 30 years may probably have been out of job in an era that is reliant on the use of computers. Rather, his counterpart that acquired computer skills through training and re-training will be service-compliant even in retirement. Similarly, a lecturer who is ICT compliant is
amenable to knowledge update than the one that is not ICT complaint.

Digitalization have taken over all processes of human endeavours and the earlier you align yourself to the evolved trend, the more service-compliance you become irrespective of your professional background. Acquire more skills while in service as such would prove useful to you even in post-employment life.

The steps outlined above for comfortable retirement are practical and real, provided that there is caution in the present consumption pattern. Good things of life are desirable by all but note that if you delay in having them today by way of investment to budget for tomorrow, you may have them in better quantities and quality in the year’s ahead. Remember that scientific inventions and technology are improving on a daily basis. The exotic car, the designer clothes and shoes in vogue today may be outdated tomorrow. If you use all your earnings on them now, you will have nothing left to invest for the future that guarantees their improved quality. If you, however, invest your income to generate extra cash and attain financial stability, you will be in a better position to buy the kind of fashion the world of tomorrow may offer. It is only then that the jamboree and lavish parties can be hosted without stress. Yatching on holidays, flying first class return air tickets abroad and accommodation in luxury hotels, sumptuous meals and spa as well as relaxation at swimming pools are attainable if you plan for them today. The defined contribution scheme has taken care of about 80% of retirement planning needs for employees. Those who utilize the remaining 20% of retirement planning through parallel investments will surely retire to a future full of prospects and warranty. Once your economic freedom is enhanced, you are also assured of involvement, inclusiveness and unhindered access to democratic liberties and fundamental human rights which guarantee your time state of freedom. Welcome on board.

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