

**DEVELOPING EFFECTIVE STRATEGY FOR  
PENSION ADMINISTRATION IN THE NIGERIAN  
PUBLIC SECTOR**

**(A STUDY OF PENSION COMMISSION RIVERS STATE,  
NIGERIA)**

**BY**

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**ACC/2008/497**

**DEPARTMENT OF ACCOUNTANCY,  
FACULTY OF MANAGEMENT AND SOCIAL SCIENCES.  
CARITAS UNIVERSITY, AMORJI NIKE ENUGU**

**AUGUST 2012**

**TITLE PAGE**

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**BEING A RESEARCH WORK SUBMITTED IN PARTIAL  
FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR OF  
SCIENCE (BSc) DEGREE IN ACCOUNTING IN THE DEPARTMENT OF  
ACCOUNTANCY, FACULTY OF MANAGEMENT AND SOCIAL SCIENCES  
CARITAS UNIVERSITY AMORJI NIKE, ENUGU STATE**

**AUGUST 2012**

**APPROVAL PAGE**

**THIS RESEARCH PROJECT DEVELOPING EFFECTIVE STRATEGY FOR PENSION ADMINISTRATION IN THE NIGERIAN PUBLIC SECTOR (A STUDY OF PENSION COMMISSION RIVERS STATE, NIGERIA) HAS BEEN APPROVED AND ACCEPTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF BSc DEGREE.**

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**DATE**

**EXTERNAL EXAMINER**

**DATE**

## **DEDICATION**

I whole heartedly dedicate this work to God Almighty the fountain of all knowledge and to the less privileged, orphans, those whose rights have being infringed, those living in abject poverty.

## ACKNOWLEDGEMENT

Alhamdulillah Rabilhalemin praise is to Allah most beneficial, most merciful.

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## **ABSTRACT**

This research work is designed to develop effective strategy for pension administration in the Nigeria public sector, using pension commission as a study. The research work reveals how some retirees are forced to continue to work throughout their life, not out of choice but for lack of means of sustenance at old age. The sources of data collection for this work are primary and secondary sources, the researcher in this process of data collection for the research regarded the questionnaire to serve as the most important instrument used in the research, and the data gathered from questionnaire are analyzed by simple percentage, the chi-square techniques was employed to test the hypothesis and interpret the information for better understanding. The findings reveal that, a non-effective and efficient strategy of pension administration can be likened to poor pension administration and budgeted income to pensioners is not implemented as at when due. The implication were that, committees should be set up to audit the performance of pension boards and other pension bodies and responsibility should be assigned to the right people who must have access to the right information concerning retirees and also retirees should not solely depend on pension after retirement, alternate plans should be made from day one of the start of one's working years, this could include setting aside a percentage of one's salary in anticipation of retirement.

## TABLE OF CONTENTS

|                       |     |
|-----------------------|-----|
| Title Page-----       | i   |
| Approval Page-----    | ii  |
| Dedication-----       | iii |
| Acknowledgement-----  | iv  |
| Abstract-----         | v   |
| Table of content----- | vi  |
| List of table-----    | vii |

## CHAPTER ONE

|  |          |
|--|----------|
| <b>1.0</b> Introduction -----              | <b>1</b> |
| <b>1.1</b> Background of the study -----   | <b>1</b> |
| <b>1.2</b> Statement of the problem -----  | <b>3</b> |
| <b>1.3</b> Objective of the study -----    | <b>4</b> |
| <b>1.4</b> Test of Hypotheses -----        | <b>4</b> |
| <b>1.5</b> Research Questions-----         | <b>5</b> |
| <b>1.6</b> Significance of the study ----- | <b>5</b> |

**1.7** Scope of the study-----7

**1.8** Limitation of the study-----7

**1.9** Definitions of terms -----8

## **CHAPTER TWO**

### **LITERATURE REVIEW**

**2.0** Introduction -----10

**2.1** Historical Development of Pension Administration and reform in Nigeria -----14

**2.2** Nigeria Private Sector -----17

**2.3** The Udoji Pension Reforms -----19

**2.4** Survivor Benefits -----28

**2.5** Computation of retirement benefits -----31

**2.6** Factors attributable to poor pension Management in the Nigeria public Sector -----34

**2.7** Strategies for Effective pension Administration in the Nigeria public sector -----37

**2.8** The National Pension Commission {PENCOM} -----43

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

|            |   |    |
|------------|---|----|
| <b>3.0</b> | Introduction -----                          | 56 |
| <b>3.1</b> | Research Design -----                       | 57 |
| <b>3.2</b> | Area of Study -----                         | 57 |
| <b>3.3</b> | Source of Data -----                        | 58 |
| <b>3.4</b> | Population of Study -----                   | 59 |
| <b>3.5</b> | Determination of Research Instrument -----  | 60 |
| <b>3.6</b> | Sampling Procedure -----                    | 61 |
| <b>3.7</b> | Administration of Research Instrument ----- | 62 |
| <b>3.8</b> | Method of data analysis -----               | 62 |

## **CHAPTER FOUR**

### **DATA ANALYSIS AND PRESENTATION**

|            |                                      |    |
|------------|--------------------------------------|----|
| <b>4.0</b> | Introduction -----                   | 63 |
| <b>4.1</b> | Data presentation and analysis ----- | 63 |

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION, RECOMMENDATION**

|            |                          |    |
|------------|--------------------------|----|
| <b>5.1</b> | Summary of Finding ----- | 80 |
| <b>5.2</b> | Conclusion -----         | 84 |
| <b>5.3</b> | Recommendations -----    | 85 |

Bibliography -----87

Appendix I -----89

Appendix ii -----90

## **LIST OF TABLES**

**Table 4.2.1 Administration and distribution of questionnaire**

**Table 4.2.2 Age distribution of Respondents**

**Table 4.2.3 Marital status of Respondents**

**Table 4.2.4 Position of Respondents**

**Table 4.2.5 Perception of Respondents as to whether a non-effective and efficient strategy of pension Administration can be related to inadequate Accountability of public funds**

**Table 4.2.6 Perception of Respondents as to whether a budgeted income to pension are implemented**

**Table 4.2.7 Perception of Respondents as to the Delay in payment of pension**

**Table 4.2.8 Perception of Respondents as to whether there is any significant effect on pensioners as a result of non-payment of pension**

**Table 4.2.9 Perception of Respondents as to whether a more and effective strategy for pension administration can be ensured efficient**

**Table 4.10 Can non effective and efficient strategy for pension administration can be due to poor pension Governance?**

**Table 4.11 is budgeted income to pensioners implemented as at when due?**

## **CHAPTER ONE**

### **1.0 INTRODUCTION**

#### **1.1 BACKGROUND OF THE STUDY**

The greatest challenge to government worldwide remains the issue relating to pension fund management. A financial analyst called Alexandra Forbes argues

“Pension Management, world over, has become an increasingly great concern to most government and countries of the world”.

And coming to Nigeria, the country was guided by a number of pension regimes prior to the promulgation of the pension Act 2004, pension schemes in Nigeria had been bedeviled with many pitfalls. The public service operated an unfounded defined benefit schemes and the payment of retirement benefits were budgeted annually. The annual budgetary allocation for pension was often one of the most vulnerable items in budget implementation in even where budgetary provisions were made, inadequate and untimely release of fund resulted in delays and accumulation of arrears of payment of pension rights. It is then obvious that, the defined benefit scheme could not be sustained.

In the private sector on the other hand, many employees were not covered by the pension scheme put in place by their employers and many other schemes were not funded. Besides, where the schemes were funded, the management of the pension funds was full of malpractices between the fund management and the trustees of the pension board.

The scenario agitated a re-think of pension administration in Nigeria by the then President Olusegun Obasanjo`s administration, accordingly, the administration initiated a pension reform in order to address, eliminate and eradicate the problems associated with pension reform act 2004.

Good times come and go, retirement is definite, and the question therefore is “Can people still live a good life after retirement”? The non-implementation of budgeted income to pensioners, a non-effective strategy for pension administration is seemingly a growing problem in Nigerian economy. Some retirees are forced to continue to work throughout their life not out of choice but for lack of means of sustenance at old age. They are therefore forced to go in search of menial jobs to make ends meet, since they are not even sure of getting their pensions.

Apart from the stress associated with working at old age, how relevant can an individual be at age 70 or 80 in the face of ever changing knowledge brought about by advancement in technology? Besides, of what use is life without rest at old age? Even where one is willing and able to continue working, the opportunity for the elderly to continue working is declining. However, it is against this backgrounds that the researcher wishes to develop effective strategy for pension administration in the Nigeria public sector.

## **1.2 STATEMENT OF THE PROBLEM**

First comes the layoffs then pay cuts finally a delay in the payments of benefits due to poor policy formulation and implementation, incorrect record keeping and inadequate accountability of public funds. The non-implementation of budgeted income to pensioners, delay in the payment

and denial of pension accrued to pensioners leading to pensioners protesting over non-payment of pensions and non-compliance with ethics of public financial management.

### **1.3 OBJECTIVES OF THE STUDY**

The aims and objectives of the study are to ;-

1. To proffer solutions to the problem that brings about a non-effective and efficient management in pension administration.
2. To identify measures and steps dealing with the issues of poor implementation of budgeted income to pensioners.
3. To examine the quality of personnel in various pension boards.
4. To ascertain whether the administration of pension funds are done judiciously.

### **1.4 TEST OF HYPOTHESIS**

For the purpose of the study, the following hypothesis were put forward;-

1. Ho : Non-effective and efficient management cannot be compared to poor pension administration.
2. Hi : Non-effective and efficient management can be compared to poor pension administration.

Ho : The budgeted income to pension are not implemented as at when due.

Hi : The budgeted income are implemented as at when due

## **1.5 RESEARCH QUESTIONS**

1. Can people still live a good life after retirement?
2. Why poor policy formation and implementation of pension benefits?
3. Does incorrect record keeping and inadequate accountability of public funds cause delay pension benefits?
4. Does non-implementation of budgeted income to pensioner leading to pensioners protesting over non-payment of pension?
5. Does non-compliance with ethics of public financial management cause problem of pension?

## **1.6 SIGNIFICANCE OF THE STUDY**

Holistic change is required in order to create a framework that will enable consumers have a greater financial security at old age. This study signifies a whole lot; it is intended to find out the intrinsic and extrinsic cause of poor pension administration. The findings will hopefully:

1. Assist the researcher that although simple in nature will
  - a. Effect radical improvements in the administration of pension funds
  - b. Deliver significant benefits to all consumers when they retire.
2. Serve as a guide to public official in charge of this administration of pension funds to pensioners.
3. Assist the governments in setting priorities according to their social fiscal policies.

4. Enable providers of pension, plans quickly to improve the flexibility and appropriateness of today`s product.

However, it is the researcher`s belief that greater attention to ethical and social responsibilities will improve the way pension funds are managed and ministered.

### **1.7 SCOPE OF THE STUDY**

This project work is concerned with an effective strategy for pension administration in Nigeria public sector. The work will be limited with pension commission (**PENCOM**) and with other relevant areas such as pension scheme for civil servants, pension governance, Nigeria Social Insurance Trust Fund, Contributory pension scheme.

### **1.8 LIMITATIONS OF THE STUDY**

1. Developing effective strategy for pension administration in the Nigeria public sector (a study of pension commission) has not been an easy task due to inaccessibility to some relevant materials most managers of government prostrate perceived this research work as adding their companies thereby withholding vital information.

Consequently, some staff of the pension bodies was reluctant to discuss the subject freely.

2. Time factor is also another problem, which affected the compilation of this work, despite the high scheme in the school; period allocated for the project work must be strictly worked towards.

3. The incessant bombing in the country thereby posing everybody a prime suspect also was one of the limitations.

## **1.9 DEFINITION OF TERM**

**1. PENSION:** is a fixed sum paid regularly to a person, typically given retirement from service.

**2. PENSION FUND:** is any plan, fund or scheme which provides retirement income.

Pension should not be confused with severance pay; the former is made in regular installments while the later is paid in one lump sum.

**3. RETIREE:** is one who has retired from active working life. Retirees receive pension.

**4. GRATUITY:** is money given to an employee in return for service(s) at retirement.

**5. LUMP SUM:** is a single payment for a number of separate items, money paid in full rather than in several smaller amounts.

**6. ANNUITY:** is any terminating stream of fixed payments over a specified period of time.

**7. PENSION ADMINISTRATION:** is the management of pension funds and affairs.

**8. PRE-REQUISITE:** is a thing required as a condition for some other things to happen or exist.

**9. PUBLIC SECTOR:** is the part of an economy concerned with providing basic government services. These include services such as Police, Hospitals, Schools, Military and Public transport.

## **CHAPTER TWO**

### **INTRODUCTION**

#### **2.0 LITERATURE REVIEW**

Pension system is designed to provide an income to those individuals who suffer a less in earning capacity due to disability or the death of a wage earner in the family. A pension is an earning payable at a regular interval to someone who retired from a pensionable employment. It is also a promise of an employer which he grants to his employee after retirement. Ajekamo and Aroh(2003)viewed pension as ;-

Periodic payment made by an employer to his retired employee until his death in consideration of past services rendered to the establishment.

Therefore, it is payments made to someone during his lifetime by his former employer to enable him enjoy the essentials he used to during working age. It has to be earned after which the employer agrees to make monthly

payment throughout the life of his employee. Ubaka (2000) viewed pension as a;-

Periodic payment or allowance to an Individual or to his family because some meritorious service rendered or when certain conditions such as age, length of service e t c have been crystallized or fulfilled.

That is, it is a periodic income or annuity payment made after retirement to an employee who has become eligible for benefits through age, earnings and services. Uzoma (1994) Opined that;-

Pension came into existence as a way of compensating employee who has spent most of their productive life working for the Employer.

The Primary goals of pension system should be to provide adequate, affordable, sustainable, and robust retirement income, while seeking to implement welfare improving scheme in a manner appropriate to the individual country.

An **adequate** system is one that provides benefits that are sufficient to prevent old age poverty on a country specific absolute level in addition to proving a reliable means to smooth life time consumption for the vast majority of the population

An **affordable** system is one that is within the financing capacity of individuals and the society and does not unduly displace other social or economic imperatives or have untenable fiscal consequences.

A **sustainable** system is one that is financially sound and can be maintained overtime, that has the capacity to withstand major shocks, including those coming from economic, demographic and political vitality.

The **design** of pension system or its reform must explicitly recognize that, pension benefits are against future economic output.

To **fulfill** their primary goals, pension systems must contribute to future economic output. Reforms should therefore, be designed and implemented in a manner that supports growth and in capital and labor market.

## **RETIREMENT FROM EMPLOYMENT**

Since the human body and its organs are not made for all time sedentary existence, there must be movements and activities engaged in to sustain the ageing processes. It is a natural law as well as the biblical injunctions of God to our forebear Adam that;-

In toil you shall eat of it all the days of your life  
and in the sweat of your face, you shall eat bread  
till you return to the ground.

Toiling is therefore, one of the destinies of human existence. Through it, human existence becomes a reality in all spheres and all its activities contribute in large measures to the growth of human organs until they got to a stage when performance generally diminishes to an unacceptable level of productive.

An important aspect of employment is that, it is only through it that all human achievements come about. From the level of sustaining all primary community needs to thee creation of all the wonderful works of art,

architecture, science and technology, human labor of employment has made existence quite worthwhile for all, and this unique situation will continue until the end of time, but for every individual in this predestined cycle of development, the bodily organs in use go to point when movement, energy, sensory organ and others will be incapable to cope with the trend when this situation arises one will either call it quit or be invited to retire.

## **2.1 HISTORICAL DEVELOPMENT OF PENSION ADMINISTRATION AND REFORMS IN NIGERIA**

The colonial service provided the earliest forms of structured, organized employment in Nigeria. The British colonial office established a pension plan for the colonial administrators and later extended it to indigenous Nigerian staff.

The first pension legislation in Nigeria was enacted in 1951 and was then known as the pension ordinance.

Although, the ordinance was promulgated in 1952, it had retrospective effect from 1<sup>st</sup> January 1946.

The colonial pension law was primarily designed for the United Kingdom officers, who were moved from post to post in the vast British Empire, the intension was to ensure that they maintained continuity of service wherever and whenever they were sent to serve the colonial pension law made by granting of pension at the pleasure of the Auditor- General under the ordinance therefore, pension was not an automatic rights of Nigerians , it could be withheld or denied of an officer if he was found quality of negligence of duty or misconduct while in service.

However, various pension and legislation includes the following;-

1. Pension Act Cap. 147
2. Pension (increase) Act Cap. 147b
3. Pension (retired and transferred officers employed stationing corporation.) Act Cap. 148
4. Widows and Orphans pension Act amended by Widows and Orphans pension decree 1973
5. Pensions (special application) Act 1960
6. Pensions (special provisions) Act 1961
7. Pensions (statutory corporations services) Act 1961
8. Pensions Act 1964
9. Pensions (Transferred service) Decree 1966
10. Police pension decree 1966
11. Pension (federal fire services) Decree 1966
12. Pensions and Gratuity (war service) Decree 1966
13. Pension (increases) Decree 1966

However, in 1979, the military government promulgated decree No 102 known as pension decree of 1979; the decree then consolidated the above pension enactments, dealing with then pension, war pension and disability benefits and gratuities for civilian employees of the public service of the federation. The decree is also used for the award of pensions and gratuities in the other tiers of government (state and local government). In fact, the federal government exercised exclusive power over pensions and gratuity. The decree though promulgated 1979 has retrospect date 1<sup>st</sup> April 1974.

## **2.2 NIGRIA PRIVATE SECTOR**

Private sector retirement scheme were generally well established with sound pension schemes, which were running relatively satisfactory. There were, however, no law compelling a private sector company established for its employee neither was there a legal regulatory body, other than registration with the Federal joint tax board, essentially for tax exemption purposes.

With the enactment of the new pension law, the private sectors were now compelled to open a retirement savings account for their employees. The pension funds and assists of the private sector shall be held by a custodian and they should adhere to the national pension commission.

Private sector plan in Nigeria are of three types namely;-

1. Insured provident fund
2. Non-insured (private) provident fund
3. Defined benefits plans

## **CHARACTERISTICS OF PRIVATE PENSION PLANS**

1. Most private pension plans are defined contribution plan where the contributions are used to purchase insurance policies. Non-insured (private) provident funds are also defined contribution plans, but the contributions in this case are accumulated in a fund.

A small percentage of private sector employers operate defined benefit plans.

2. The normal retirement age in these plans for male varies from 55 to 60 years, while almost invariably, it is 55 years for female.
3. Retirement benefits are vested in the employees, although, this is usually granted such that there are gradual increases each year after vesting commence.
4. The diversity of plans within the private sectors tends to inhibit inability of employees both within the sector and between it and the public sector.

### **2.3 THE UDOJI PENSION REFORM**

The public services review commission (1972-1977) widely known as Udoji commission, was a mile stone in the annals of the Nigeria public service because of its comprehensive review work and land mark recommendations encompassing all levels of government. The commission's recommendations with respect to pension scheme in the public services were based on the following basic principles.

- i. Payment of pension or gratuity should be seen as deferred pay.
- ii. The vesting of pension rights in the employee. These means that pension benefits for which a public servant qualifies are his, by rights and therefore cannot be withheld, reduced or otherwise tempered with.

- iii. Payment of pensions and gratuities shall be charged on and paid out of the money voted for that purpose by government a non-contributory, pay-as-you-go arrangement.
- iv. All public sector schemes should be modified to promote mobility of labor within the public services.
- v. All persons who comes within the umbrella of the pension act circulars, standard directors and rules (refer to above) should be eligible for same retirement benefits.
- vi. The private sector companies should continue to run their individual pension schemes.
- vii. Strengthening and recognition of the national provident fund as autonomous body to carry out its responsibilities.
- viii. Whenever new salary scales are approved, there should be corresponding change in retirement benefits.

It is worthy of note that the Udoji commission , in what is described as a long term consideration, also, recommended that a national pension plan should be considered as a goal towards which a nation should as resources and capacities allowed. Specifically, the commission said;-

We propose a National plan as a goal towards which the nation could move as resources and capacities allow such a plan should be tailored to economic and social realities and have the necessary flexibility to adapt.

## **POST UDOJI REFORMS**

Most of the original provisions in the pension Act No 102 1979, especially relating to light of services and scale of benefits had been

amended before the new law came into force on the 1<sup>st</sup> of September 1979 when that act was enacted and December 2003, the pension office issued eighty-four(84) administrative circulars amending many provisions in the act about seventy six percent (76%) of these circulars dealt with review of the qualifying light of services, pension rates, computation of benefits and relation issues.

### **SOME OF THE AMENDMENTS ARE;-**

1. Reduction of qualifying services for gratuity from 10-5 years and pension from 15-10 years (1992).
2. Changing the minimum and maximum age for entry into the services and from 16-50 years respectively, (Public Service Rule 2000).
3. Changes in the minimum pension and the quantum of pension payable to various levels of retirement in compliance with the rule that pension's payment should be correspondingly adjusted whenever there is a review of salaries/wages of serving officers.
4. Mandatory retirement at age 60 or 35 years of service whichever is earlier affected through the civil services (Reorganization) Act No 43 of 1988.
5. Increase of maximum pension from 70% - 80% for 35 years service.
6. Decentralization of the payment of gratuity/circular (No b49951114/vi/337/of 21<sup>st</sup> August 1985)

7. Harmonization of pension officers who retired before 1<sup>st</sup> January, 1901 with the pension of those who retired after that date (establishment circular ref no B632/S.1/x/13/105 of 30<sup>th</sup> January 1997.)

Besides, the administrative circulars, a number of efforts were also made to review the publish service pension scheme. These efforts culminated in the setting up of the following committees.

- i. Technical committee on the review of the civil pension scheme. (Ajibola Ogunshola1 ) 1989.
- ii. Pension review committee (office of the secretary of the government of the federation, 1995.)
- iii. Committee on the review of the local government pension scheme (1975.)
- iv. Adamu Fika committee on the implementation of Ayida panel report (pension sub-committee) 1988.
- v. Presidential committee on harmonization of the public and private sector retirement/pension scheme for greater efficiency (Ajibola Ogunshola ii) 2000.
- vi. Cabinet committee on review of pension (Adamu-Ciroma) 2001. Finally, we have the Fola Adela committee that is the latest and form the basis of the new pension law.

## **THE NIGERIA RAILWAY AS A PUBLIC SECTOR**

The Nigeria railway commenced operation in 1998 as one of the earliest establishment of government.

As its operations began to require the employment of permanent staff, it introduced a gratuity scheme for its retired staff, this was a once and for all lump sum paid to retired staff. The wages rates in the 40s were, for clerks and skilled artisans, from 2-10 pounds to 33.68 pounds per months which a labor report of that period termed “meager reward....(which) does not compensate for the far greater cost of leaving, particularly, so far as rents are concerned. Gratuity to established staff that are on retirement at age 55 was consequently meager rate, this become the pattern for public employees up till the promulgation of the pension ordinance in 1951 and which was given retrospective effect from January 1946.

### **NIGERIAN SOCIAL INSURANCE TRUST FUND (NSITF) DECREE NO 73 OF 1993**

This scheme was introduced by government to improve the benefits and operations of the National provident fund.

The decree was promulgated in august 1993 with retroactive effect from 1<sup>st</sup> January 1992, however, due to the need to examine certain issues arising from its provision; its operations were delayed until 1<sup>st</sup> July 1994.

The principal provisions of the decree are dealt with herein. Its coverage include every person employed by a company incorporated (or deemed to be incorporated) under the Companies Allied Matters Decree 1977, or employed by a partnership or in any other case, where the No of persons employed is not less than five;-

- a. Invalidity pension
- b. Invalidity grant
- c. Retirement pension
- d. Retirement grant
- e. Survivor's pension
- f. Survivor's grant
- g. Funeral grant

## **ADMINISTRATION OF THE SCHEME**

The fund shall be under the management and control of a management board comprising, Chairman, two representatives each of Nigerian Employees Conductive Association (NECA) and Nigeria Labor Congress(NLC), one representative each of Federal Ministry of Employment, labor and productivity and Central Bank of Nigeria(CBN),three executive directors and managing directors.

There are very few issues requiring further attention from government and management board of the fund. Gratuity is a benefit of importance generally provided in retirement scheme of government and corporate organizations. There will be no justification for its omission. The funeral grant is a welcome provision though the rate stipulated is too low for its purpose.

## **GENERAL SCHEMES**

The commission on review of civil service pension scheme (1998) recommended that it should be 70% of minimum wage. In government employment, wage should be recognized as a living wage for the lowest paid worker, any worker whose retirement benefit pension is below that level is

therefore subsisting in penury which is unacceptable for a retire under a social security scheme.

## **NATIONAL HEALTH INSURANCE**

Government is aware of its responsibility and the need to improve its performance in the area of primary health care for the community. As financing of a comprehensive health care, nationally, it's quit enormous, the Federal Ministry of Health did set up a committee in 1985 to look into the introduction of a National Health Insurance Scheme as a means of providing additional financial resources for health care delivery and ensuring National coverage of its facilities. Efforts were since made to streamline an acceptable program on modalities to be applied. A technical corporation agreement for assistance in procuring consultant experts from the international labor organization (ILO) was executed in 1991 with the UNDP.

The Nigeria Employees Consultive Association (NECA), on its part, invited attention to the need for the exercise to caution in the planning of the scheme, determining the overall cost and level of contribution by employers and employees, the lack of administrative, managerial skills, and experience to make the scheme work, inadequacy of human material and financial resources to make the scheme operate properly and successfully, the pervading bureaucratic and administrative delays characterizes most of public scheme.

The problems which have confounded health care delivery in Nigeria over the years include low financial allocation by government, shortage of

medical personnel, perennial shortage and high cost of drugs. Some of its services rely in part or whole on foreign aid to sustain. These have resulted in low salaries, idle essential assist and equipment that cannot be maintained, unending shortage of drugs. Inadequate provision and maintenance of hospital building, health centers and clinics to meet increasing demand of health needs. The short of qualified medical personnel imposes a limitation on health care delivery.

However, arrangements should be made, as in the old days, for our senior citizens (MEN & WOMEN) of 65 years of age and above (most of who are really poor and indigent) to be given free medical attention and drugs in all government hospital and health centers in the country.

## **2.4 SURVIVOR BENEFITS**

As currently provided under the regulations.

For a pensionable officer who died in service (from November 1997)

1. Preparation or embalming where necessary, settlement of mortuary bills, provision of casket at different grade level ranging from ₦20,000.00 to ₦60,000.00 for consolidated salary any moment, not less than #1000.00 transportation of corpse to deceased home town, if requested by the family, allowing members of the family who live in the government quarters to remain for up to three months.
- A. Where an officer died in the course of his duty and without his own fault.

- i. The next of kin shall be paid gratuity to which he would have been entitled to at the date of death.
- ii. The widow will be granted pension for life while unmarried and of good character at a rate of one third of deceased officer's accrued pension at the time of his death.
- iii. Surviving child/children will be entitled to a pension in respect of one child up to age of eighteen years of an amount not exceeding one third of the officer's last pay, if only one surviving child, that child shall be entitled to two thirds of the officer's accrued pension until age eighteen.
- iv. In the case of a polygamous family, the authority may grant a pension to one or more of such widows not exceeding the aggregate value of the pension to a sole widow under the proceeding provisions.
- v. In case of death of widow, the surviving children will be paid a pension in respect of each child one sixth of accrued pension of the deceased officer until the age of eighteen.
- vi. Where the officer does not qualify for a pension, his dependents shall be entitled to a pro-rata pension at the rate of two percent per annum of pensionable services based on the final salary of the deceased officer.

B. Where a pensionable officer dies within five years after retirement.

His next of kin or survivor shall continue to be paid his pension, which he was receiving before his death, for a period expiring at the end of his retirement. The complex character of the regulation covering survivor benefits makes a review of the provisions desirable for its inadequacies covered. There are lots of unsettled issues in the manner of paying pensions

to aged retirees. In spite of several incidents of such pensioners collapsing and dying from heavy and costly strains of travelling and endless waiting at pay points, no solution has yet been found. Allied to this problem is the periodic life certificates required of a pensioner. The Ogunshola committee recommends its presentation, the issue of life certificates and manner of pension payments to elderly retirees should be looked into in the light of the experience of pensioners reporting at pay points. These and other issues affecting aged retirees need to be given urgent attention by government and as stated by Ogunshola committee.

## **2.5 COMPUTATION OF RETIREMENT BENEFITS**

Computation is the process by which the retirement (*Terminal Fermid*) benefits of a retiring/ deceased/ missing officer is worked out based on the length of pensionable services, basic salary and all allowances enumerated in circular Ref. B.632/ 5.1/618 of 13<sup>th</sup> September 1971. Computation of retirement/ terminal benefits is very vital both to the officer and government in that, it is the point which the officer's benefits are measured in monetary terms, any under payment will result in the retiree receiving less than he is entitled to and equally, any over payment will result in loss of fund to government. Care should therefore be taken to ensure the right benefits are computed and paid. The processing of retirement benefits for computation starts after the pensions. Administration division has provided data on the retiring/ deceased/ missing officer's name and gratuity if already paid.

The data is provided on a perform, retirees establishment files are sent to the computation section to determine in terms of naira and kobo, how much the retiree/ missing officer is entitled to as gratuity and pensions.

To compute the benefits of retiring officer, accurate information on the following are very vital. This information includes:

- Actual date of birth
- Date of entry in the service
- Date of last promotion
- Last salary earned prior to retirement
- Length of service
- Percentage of gratuity
- Pension payable
- Certified true copy and detached up to date record of service
- Stamped death certificate/ coroner's medical certificates of accident/ letter of administration/ sworn affidavit e.t.c (where applicable)
- Gazette of secondment and subsequent transfer from one service to another.
- Approval of condensation / merger of service
- Authority for conversion/ up grading from one post/ carder to another.
- Reason for leaving the service e.g. compulsory, voluntary, statutory, missing, abolition of office, disability and withdrawal e. t. c.

When all the information has been gathered and critically examined, the following steps are taken in the actual computation.

1. Determine the number of years served
2. Progress the salary from the time of employment to retirement taking into consideration all promotions, advancements, annual increments and all salary reviews, the outcome is the final basic salary of the retiring officer.

## **RE-COMPUTATION**

If the benefits of a retiree, a deceased or a missing officer has been computed and paid, latter a letter of promoting the officer to a higher grade is received having effect before his date of retirement, his benefit will be to his new grade, the differences in gratuity and pension is paid on the new pension.

On the other hand, if an officer has an outstanding disciplinary action against him before leaving the service and after his exit, it was discovered that he was guilty and was demoted, his benefits will be recomputed and over payment recovered en-bios from his future pensions until such over payment is fully recovered.

## **2.6 FACTORS ATTRIBUTABLE TO POOR PENSION MANAGEMENT IN THE NIGERIAN PUBLIC SECTOR**

**1. Poor record keeping;** - Poor record keeping has been the bane of Nigeria public service pension scheme. Many pension departments at the federal, state and local government level have no up to date records of retirees when they are living or dead. This in turn makes it impossible for them to determine their actual pension benefit obligations at any particular time. It has been discovered that most government pension departments are not computerized.

**2. Incident of Ghost workers;** - Because of poor record keeping, there have being reported cases of ghost pensioners in all the ties of government. Corrupt officials take advantage of administrative lapses to perpetuate fraud on a massive scale to the detriment of both the government and the

pensioners. This in turn undermines the ability of the government to pay benefits in future.

**3. Low quality man power;** - many government pension departments are manned not really by staff specifically trained for pension scheme administration. In the same vein, many members of board of trustees of government parastatal are hardly conversant with the rudiments of pension scheme administration.

**4. Non-Actuarial valuation of the scheme;**- The Nigeria public sector pension scheme has never at any level been subjected to any actuarial valuation. This explains why it is almost impossible to determine its current status, exact amount needed to meet all pension obligations, growth rate of membership of the scheme, level of funding required to sustain this and future prospects of the scheme. All these make planning for the efficient running of the scheme an arduous task.

**5. Non-indexation of pension benefits;**- Despite the hyper inflationary situation in Nigeria, which has been on for decades now , pension payable to retirees are not inflation indexed. Pensioners are now getting some relief only because of the recent pension harmonization exercise.

**6. Inadequate pension benefits;** - Until recently when computation of pension started to be based on total emoluments as against basic pay, public service pension were very meager. Many public servants relapse into destitution immediately after retirement with many falling sick and prematurely. This situation rebates the very concept of a pension scheme.

**7. Low worker morale in pension departments;** - Pension departments in the public services are often not provided with the required working tools and necessary infrastructures. The staff of these departments are often not fully motivated, often times, to the point of frustration. Many become fraudulent because of this situation; these problems affect their attitude to work and the image of the department they work for.

## **2.7 STRATEGIES FOR EFFECTIVE PENSION ADMINISTRATION IN THE NIGERIA PUBLIC SECTOR**

The factors attributable to poor pension management in the Nigeria public sector aforementioned, if properly looked into, can be reserved. It can serve as good beginning for pension administration. Other factors to be considered are mentioned below:

### **1. Record management:**

Record management is the application of systematic control concerning the creation, maintenance, and destruction of records required in conjunction with the operation of an organization, in the process of and payments of retirement benefits, records is the pivot on which the entire exercise revolves. A good pension administrator relies on the information and record kept on the retiree, from the day he/ she entered the public service until his final exit, record entails the administrative procedures usually taken to ensure that the computation of an officer retiring benefits is smooth and devoid of problems. It is essential that an officer's benefit should be paid if he is qualified and on time to make it meaningful.

In the case of pension administration, papers largely constitute part of the materials needed to operate. It follows therefore, that these papers should be recorded, classified, filled, and passed to schedule officers for attention and effective preservation.

The filed papers must be stored and retrieved when needed; the place where these activities take place is called a registry. The registry is in fact the shop window of any modern organization or industry today. It is the first contact point in any organization and it should therefore not be underrated if the management is to achieve its goal. This accounts for why the pension accounts and records division depends entirely on records generated and kept by the record division to function properly.

At the time of employment of an officer, a file is opened; all career progressions, promotions and relevant bio-data completed by the officer throughout the course of the officer's career are kept in the file. It is this same file that pension administrators use to compute the officers benefits when he/ she bows out of service. It is therefore, necessary proper and accurate to keep records for easy administration of pension.

It is important to know that the administration of pension in the public services is strictly controlled by statute in addition to the acts there are other enabling circulars, regulations and guidelines that are issued from time to time that form the component elements in the administration of pension in Nigeria. All these acts and circulars should be properly kept as record for smooth processing of retirement benefits.

The following are worthy of note that for efficient record keeping for pension administration.

**1. Minimum age entry into the service;-** the minimum age of entry into the service is 15 years in accordance with section 14 of decree 102. Any service rendered before the age of 15 years would not reckon as qualifying service in computing benefits.

**2. Maximum age entry into the service;-** formerly, according to decree 102, the maximum age is 45 years, a person who joins the service above 45 years of age is not qualified for a permanent and pensionable appointment, the person is thus is not entitled to benefits under the pension decree. The minimum and maximum age for the entry into service was recently amended to 16 and 50 years respectively (public service rule 2000)

**3. No extension of pensionable service after attaining the statutory age;-** there is no provision in extant laws circulars for extension of pensionable service after the statutory age as such, persons are required to leave the service at 35 years on pensionable service or age 60. Whichever comes first? Furthermore, section 271 of the federal republic of Nigeria 1977 constitution sub-section (1) allows a judicial officer appointed to the supreme court or court of appeal to remain in service until he attains the age of 70 years while sub-section(2) allows other judicial officers to any other court to hold office until he attain the age of 65 years.

**4. Date of retirement;-** date of leaving the service is not a service date and is thus not salary earning. It is the date a person starts life as a retiree.

**5. Effect of recall/ withdrawal of letter of retirement, withdrawal, resignation:** a person who wishes to cancel, withdraw his notice of retirement should do so within the period of the notice or before the

expatriation of the notice, otherwise such request to withdraw will be to no effect.

**6. Conversion of resignation to withdrawal/ retirement;**- there is no provision in pension law or civil service rules that permits the conversion of resignation to withdrawal/ retirement. The length of pensionable service notwithstanding after the notice has expired. It should be noted that any service rendered prior to resignation will not be reckoned with on reengagement; unless the break has been condoned (PSR028045) and section 12 of the pension decree no 102 of 1979.

**7. Change of date of birth;** - only the date of birth recorded at the time of entry into the service is acceptable or processing pension forms. Such date recorded by an officer shall not be changed throughout the career of the officer in accordance with section 3(4) of the new pension reform AG

## **AUDIT QUERIES**

Processing of pension document is not smooth sailings because the documents are on various occasions subjected to federal Audit queries from the computation unit. These queries are properly examined and appropriate replies given.

These queries serves as checks and balances to ensure;-

- a. That government funds are not committed wrongly
- b. That loss of fund is eliminated

Efficient record keeping system is very vital to all pension schemes in Nigeria, the absence of such efficient system causes delay in processing

retirement benefits. Information on any officer must be properly stored and easily retrievable so as to avoid delay in the processing and computation of retirement benefit, it is essential that officer's benefits should be paid if he is qualified and on time to make it meaningful

## **2.8 THE NATIONAL PENSION COMMISSION (PENCOM)**

The new pension reform Act 2004, stipulates that there shall be an established body to be known as the National Pension Commission, the commission referred to in this Act shall;

- a. Be a body corporate with perpetual succession and a common zeal.
- b. May sue and be sued in its corporate name. The commission may acquire, hold or dispose affray moveable or immoveable property for the purpose of its function under these Act.

## **OBJECTS OF THE COMMISSION**

According to the Act, the principal object of the commission should be to regulate, supervise and ensure the effective administration of pension matters in Nigeria.

## **MEMBERSHIP OF THE COMMISSION**

- a. A part time chairman who shall posses a university degree or its equivalence of less than 20 years experience

b. (I) A director-general who shall (1) be chief executive officer responsible for day-to-day administration of the commission.

(ii) Posses professional skill and with no less than 20 years cognate experience relating to pension matters and or insurance. Actuarial science or other related file, and be a fit and proper person.

c. Four (4) full-time commission who shall each ;(i) posses professional and cognate experience in finance and investment, or accounting or pension management, actuarial science, Business Administration or other related field (ii) Be a fit and proper person.

Part-time members of the commission who shall be representative each of

i. The head of the civil service of the federation.

ii. The federal ministry of finance

iii. The Nigeria union of Labor Congress

iv. The Nigeria Employers consultative Association

v. The Central Bank of Nigeria

vi. The Securities and Exchange Commission

The act also stipulates that there shall be four organized department of the commission namely; technical, administration, inspectorate and finance and investment. The departments are to be headed by four commissioners.

The chairman, the director-general and other members of the commission other than ex-official members shall be appointed by the president one each

from the six geo-political zones in Nigeria subject to the confirmation of the senate. The tenure of the office for the chairman, director-general and the commissioner shall be four (4 years) and may be reappointed for another tenure.

## **FUNCTIONS OF THE NATIONAL PENSION COMMISSION**

The commission will be responsible for the

1. Regulation and supervision of a scheme
2. Issuance of guidelines for the investment of pension fund
3. Approval, licensing, regulation and supervision of pension fund administrators, custodians, and other institution relating to pension matters and the commission may, from time to time examine.
4. Establishment of standard rules, regulations, guidelines for the management of the pension board.
5. Ensuring maintenance of a national data bank on all pension matters.
6. Carrying out public awareness and education on the establishment and management of the scheme.
7. Promotion of capacity building and institutional strengthens of pension fund administrator and custodians.
8. Receiving and investigating complaints of impropriety leveled against any pension fund administrator, custodian, employer or any of their staff or agents, and commission, is necessary or expedient for the discharge of its function under these act.

## **POWER OF THE COMMISSION**

The National Pension Commission shall have the power to;-

1. Formulate, direct and over see the overall policy on pension matters in Nigeria
2. Fix the terms and conditions of service including remuneration of the employees of the commission.
3. Request or call for information from any employer or pension administrator or custodian or any other person or institution on matters relating to retirement benefits.
4. Charge and collect such fees, levy, or penalties as may be specified by the commission.
5. Establish and acquire office and other premises to the use of commission in such locations as it may deem necessary for the proper performance of its function.
6. Establish standards, rules and guidelines for the management of the pension funds.
7. Investigate pension fund administrations, custodian or other party involved in the management of pension funds.
8. Impose administrative sanctions or fines on erring employers or pension fund administrative or custodians.
9. Order the transfer of management or custodian of all pension funds or assets being managed by a pension fund administration or held by a custodian whose license has been revoked under this Act subject to

insolvency proceeding to another pension fund administration as the case may be and do such other things which in its opinions are necessary to ensure the efficient performance of the functions of the commission under the act.

## **OBJECTIVES OF THE SCHEME**

The objectives of the scheme are as follows;-

1. Ensure that every person who worked in either the public service of the federation, federal capital territory or private sector receives his retirement benefits as at when due.
2. Assist improvident individuals by ensuring that they save in order to cater for their livelihood during old age.
3. Establish a uniform set of goals, rules, regulations and standards for the administration and payment of the retirement benefits for the public service of the private sector.

## **PENSION FUND ADMINISTRATION (PFA)**

PFAs are private limited liability companies licensed to manage pension funds under the act.

Their functions are as follows

- Open retirement savings accounts (RSA) for each employee with a personal identity number (PIN)
- Invest and manage pension funds and assist in accordance of the act.
- Maintain books of account on all transactions relating to pension funds managed by them.
- Provide regular information on investment strategy, market returns and other performance indicators to the pension and employers or beneficiaries of (RSA)
- Provide customer care service, support to employee's account including access to employee's account balance and statement on demand and pay retirement benefits to account holders/ beneficiaries in accordance with the provision of the act.

### **CLOSED PENSION FUND ADMINISTRATION (CPFA)**

Any private organization or public agency with existing self funded and well managed pension scheme, that wishes to manage its own fund is allowed by section 37 of PRA and item 415 of **PENCOM** guidelines to be licensed as CPFA. The CPFA shall have the same responsibilities/ functions as PFA and report to **PENCOM**.

### **PENSION FUND CUSTODIAN (PFC)**

A pension fund custodian must be bank licensed to hold the pension fund assets on behalf of PFC.

- Receive the total contributions remitted by an employer on behalf the PFA in respect of an employee.
- Notify the PFA within 24 hours of the receipt of the contribution.
- Hold pension funds and assets in safe custody on trust for the employee and beneficiaries of PSA, settle transactions and undertake investment including the collection of dividends and related activities.
- Report to **PENCOM** on matters relating to the assets being held by it on behalf of PFA.
- Undertake statistical analysis on the investments with respect to pension fund in its custody and provide detailed information to the PFA and **PENCOM**, as well as execute in favor in relations to the investment.

## **LEGIBILITY**

The scheme covers all employees in the public service of the federation, federal capital territory and the private organization with 5 or more workers

## **EXEMPTION**

The following categories of employees are exempted from the contributory scheme; all existing pensioners are exempted from the scheme,

Any employee who at the commencement of the Act is entitled to retirement benefits under any pension scheme existing before the commencement of the scheme (ACT) and is scheduled to retire mandatory on or before 30<sup>th</sup> June, 2007.

Also, judges and other categories of employees stated in section 29 of the constitution of the Federal Republic of Nigeria 1977 judicial officers or any person whose pensions have been defined from the scheme.

### **CONTRIBUTORY PENSION SCHEME**

This is a relatively new concept in Nigeria; it required both the employer and employee to contribute towards the pension of the employee. The contributions guarantees pre-funding of the scheme as both employer and employee set aside some percentage amount of the employee's salary monthly for the scheme.

It provides ready fund for investment , this guarantee return on investment in favors of the employee investment of the fund could be centralized or based on individual accounts in Nigeria, the individual account option appears to have been preferred, and would be privately managed. Investment could be managed by private concerns or by a government agency.

Compared to the defined benefit system, this is long-term scheme, which with careful management will not fail the pensioners or the employer, as there will always be fund to pay. The defined contributory scheme has a level of mandatory contribution that will determine benefits.

The amount of contribution should be arrived at after the actuarial valuation of the employees.

IDAKWO (2003) asserts that

It is generally believed that with defined contributory Scheme, every worker whether in the

public or private Sector would receive his retirement benefits as at when due.

It will assist improvident individuals by encouraging them to save for their livelihood during old age and will guarantee prompt payment of retirement benefits thereby eliminating the situation where benefits are either never paid or unnecessary delayed.

More so, funds generated through the contributory pension scheme would be available for growth and development of the entire economy, the scheme provides extra security to the workers as pension, earned in any organization is transferrable to another organization if change of job becomes necessary. Under the new reforms, deductions from monthly salary is as stated;-

A. In the case of public service of the Federal Capital Territory.

- i. A minimum of 7 ½ % by the employer
- ii. A minimum of 7 ½ % by the employee

B. In the case of military

- i. A minimum of 2 ½ % by the employer
- ii. A minimum of 12 ½ % by the employee

C. In other cases

- i. A minimum of 7 ½ % by the employer
- ii. A minimum of 7 ½ % by the employee.

Hence forth, every Nigeria worker has the odious task outdating his or her records while in service.

## **DIFFERENCES BETWEEN THE NEW SCHEME AND PREVIOUS PENSION ARRANGEMENT**

1. Under the contributory pension scheme (CPS) employer and employee makes founded contributions into a Retirement Savings Account (RSA) for the exclusive benefits of the employee or his legal beneficiaries, while previous DB schemes in the public sector where largely unfunded or parastatals, the management of such funds were most times not handled professionally. Sometimes resulting in default payment of retirement benefits especially in the public sector.

2. Previously, there was neither a clear regulation on pension nor a regulatory framework. Employer generally established schemes on terms best suited to them and often under very loose arrangements under the CPS, **PENCOM** has created as the sole regulator for all pension matters and pension funds are required to be managed and administered by privately owned and LIC custody of the selected by each employee. While the custody of the assets is the responsibility of a third party PFC appointed by the PFA. **PENCOM** also issued guidelines for the investment of pension funds.

3. Consequently, most schemes except in the public sector and very large multinationals, made lump sum retirement benefits payments and employees retirement future was thereafter dependent on his/her ability to manage the lump sum received and/or secure alternative sources of income at retirement. Under the CPS, each employee must receive pension for life

## **CHAPTER THREE**

### **RESEARCH DESIGNS AND METHODOLOGY**

#### **3.0 INTRODUCTION**

Effective decisions are based on sound information therefore; the quality of any decision is a function of the quality of information gathered. It is in tune with this fact that this chapter focuses on the method of gathering and collecting data, attempts are made to discuss the methodology under the following sub-headings;-

1. Research Design
2. Sources of Data
3. Population size
4. Sampling Method
5. Validity of Instrument
6. Reliability of the instrument
7. Data analysis technique

#### **3.1 RESEARCH DESIGN**

As stated in chapter one, the purpose of this study is to empirically examine some determinants of poor pension administration in the Nigeria public sector. In studies of this nature, quasi-experimental designs which are sometimes called surveys are preferred. Cook (1983; 74) in research method administration science stated, "Descriptive studies, where the aim of the research is to generate new facts are largely quasi-experimental" the type of design is especially suited to such studies since description implies natural observation of the characteristics of the research subject without intentional manipulations of the variable of the research. The quasi-experimental designs are widely used in administrative or school science research because of the complex relationships that exist between variable.

**3.2 THE AREA OF THE STUDY;** - This indicates the peculiar feature of the area of study that can assist the reader or supervisor of the work to locate the place without outside assistance. The study of the impact of poor pension administration in Nigeria will be carried out mainly in Rivers state, but with a broader view of what is happening in most public parastatals in Nigeria in general. It is expected that respondents for this study will be made up of retirees from public sector.

### **3.3 SOURCES OF DATA**

#### **A. PRIMARY SOURCE**

The researcher collected this through Questionnaires, interviews and personal observations.

#### **QUESTIONNAIRES**

These questions were intended to find out how effectively strategies are, the type of question used includes multiple choice, dichotomy and open-ended questions.

**Multiple choice question;-** This type of question offers the respondents alternatives from which to choose. The merit of this type of question is that it offers the respondents flexibility of choice.

Open-ended questions; - Such questions were included and intended to give respondents opportunity to express their fair views

## **INTERVIEWS**

This is one of the tools used in gathering data to get more information, the researcher conducted interviews with some pensioners.

## **PERSONAL OBSERVATIONS**

The researcher equally had some personal observations from demonstration by public retirees.

## **B. SECONDARY SOURCE**

The researcher made use of presentations, magazines, business news papers, journals and textbooks.

### **3.4 POPULATION OF THE STUDY**

The research population is not limited to human beings alone but any other thing that forms the object of the study. The population for this study is 5000. It consists of public parastatals, ministries, ministerial departments, extra ministerial departments and other retirees as well.

### 3.5 SAMPLING METHOD

A sample is a subject of the data while sampling refers to the process of selecting scientifically valid samples as well as generalizing from such sample to the total data. Sampling data was applied in this study to arrive at a working universe for the research. This technique had elements of both probability sampling methods. Though, the various aspect of the public sector examined were of different business type, these was a vital characteristics likely to affect the responses, depositions, or opinions of the people, staff, of these public sector companies in matters relating to public sector pension administration . In practical operations, the sample size is often determined by the sampling fractions given as Yaro-Yamani which is formulated as

$$n = \frac{N}{1+N(e)^2}$$

Where;

n = sample size

N =Total population

e=error margin

1=constant

$$\therefore n = \frac{5000}{1 + 5000 (.05)^2}$$

$$= \frac{5000}{1 + 5000 (0.025)^2}$$

$$n = \frac{5000}{1 + 5000 (0.025)^2}$$

$$n = \frac{5000}{1 + 5000 (0.025)^2}$$

$$1 + 12.5$$

$$n = \frac{5000}{13.5} = 370.370$$

$$APP = 370$$

### **3.6 SAMPLING PROCEDURES**

The data for this study is 370, it consist of top and middle level management staff of some selected public parastatals, ministries, ministerial departments and other retirees as well. This data is united to human beings and anything that forms object of the study. These techniques has element of both probability and non-probability sampling procedures.

### **3.7 ADMINISTRATION OF RESEARCH INSTRUMENT**

In administering the instruments, questionnaires are used. A total number of 370 questionnaires were given out to the respondents and 350 were returned. The data collected from the questionnaires in carrying out the study were used.

### **3.8 METHOD OF DATA ANALYSIS**

Data obtained were analyzed through the use of tables and percentages.

The statistical technique which this study intends to apply in the analysis of the data is

( $\chi^2$ ) test techniques, questions raised in the questionnaires would be presented in a table and analyzed by the method of percentage.

## **CHAPTER FOUR**

### **DATA PRESENTATION AND ANALYSIS**

#### **4.0 INTRODUCTION**

In the research work, data collection has no meaning unless processed to allow one arrive at a meaningful conclusions, this study which is aimed at developing effective strategy for pension administration in the Nigeria public sector restricted to Rivers state.

The questionnaires administered had two sections A and B which was about the bio-data of the respondents, information parastatals and their ideas respectively, as to how a more effective strategy can be adopted.

#### **4.1 DATA PRESENTATION AND ANALYSIS**

Responses to question raised in the questionnaire would be presented in a table and analysis method of percentage as aforementioned in the previous chapter.

**TABLE 4.2.1**

**ADMINISTRATION AND DISTRIBUTION OF QUESTIONNAIRE**

| <b>RESPONDENTS</b> | <b>FREQUENCY</b> | <b>PERCENTAGE</b> |
|--------------------|------------------|-------------------|
| <b>MALE</b>        | 250              | 71%               |
| <b>FEMALE</b>      | 100              | 29%               |
| <b>TOTAL</b>       | 350              | 100%              |

**SOURCE;-** Field survey 2012

From table 4.1 above, 71% of respondents are male while the female respondents constitute of 29%.

**TABLE 4.2.2**

**AGE DISTRIBUTION OF RESPONDENTS**

| <b>RESPONDENTS</b>  | <b>FREQUENCY</b> | <b>PERCENTAGE</b> |
|---------------------|------------------|-------------------|
| <b>BELOW 30</b>     | 50               | 14%               |
| 31-45               | 90               | 26%               |
| 46-60               | 180              | 51%               |
| <b>61 and ABOVE</b> | 30               | 9%                |
| <b>TOTAL</b>        | 350              | 100%              |

**SOURCE;-** Field survey 2012,

From the table 4.2 above, it shows that 14% of the respondents are under

|                | <b>FREQUENCY</b> | <b>PERCENTAGE</b> |
|----------------|------------------|-------------------|
| <b>SINGLE</b>  | 70               | 20%               |
| <b>MARRIED</b> | 280              | 80%               |
| <b>TOTAL</b>   | 350              | 100%              |

the age  
of 30,  
26% of  
responde  
nts are  
ages 31

and 45, 51% of the respondents are above the age 60. It is assumed that, respondents between 9% are in a better position to give relevant information.

**TABLE 4.2.3**

### **MARITAS STATUS OF RESPONDENTS**

**SOURCE;-** Field survey 2012,

From table 4.3 above, 20% of the respondents are single and 80% are married, it can therefore be deduced from the table that a higher percentage of the respondents will need to meet their family need after retirement.

**TABLE 4.2.4**

**POSITION OF RESPONDENTS**

| <b>RESPONDENTS</b>     | <b>FREQUENCY</b> | <b>PERCENTAGE</b> |
|------------------------|------------------|-------------------|
| <b>SENIOR MANAGERS</b> | 40               | 11%               |
| <b>MANAGERS</b>        | 80               | 23%               |
| <b>SUPERVISORS</b>     | 100              | 29%               |
| <b>OFFICERS</b>        | 130              | 37%               |
| <b>TOTAL</b>           | 350              | 100%              |

**SOURCE;-** Field survey 2012,

From table 4.4 above, highest rate of respondents are officers which are 37% while the percentage of managers and senior managers total 34%, 29% of respondents are supervisors. Therefore, the information given can be depended upon.

**TABLE 4.2.5**

**PERCEPTION OF RESPONDENTS AS TO WHETHER A NON-EFFECTIVE AND EFFICIENT STRATEGY OF PENSION ADMINISTRATION CAN BE RELATED TO INADEQUATE ACCOUNTABILITY OF PUBLIC FUNDS.**

| Category of Respondents | Respondents for “YES” As Answer |     | Respondents for “NO” As Answer |      | Respondents for NEUTRAL as answer |      | Total No of respondents |
|-------------------------|---------------------------------|-----|--------------------------------|------|-----------------------------------|------|-------------------------|
|                         | No of Resp                      | Per | No of Resp                     | Per  | No of Resp                        | Per  |                         |
| Senior manager          | 20                              | 50  | 5                              | 12.5 | 15                                | 37.5 | 40                      |
| Managers                | 20                              | 25  | 10                             | 12.5 | 30                                | 37.5 | 80                      |
| Supervisors             | 60                              | 60  | 10                             | 10   | 30                                | 30   | 100                     |
| Officers                | 80                              | 66  | 20                             | 15.3 | 50                                | 23   | 130                     |
| <b>Total</b>            | 200                             | 57  | 45                             | 13   | 105                               | 30   | 350                     |

SOURCE: Field Survey 2012

From table 4.5 above, it is clear that a total percentage of 57% are of the opinion that inadequate accountability of public funds can be related to non-effective and efficient strategy of pension administration. However, only 13% are not of the opinion that effective strategy of pension administration can be related to inadequate accountability of public funds, while 30% are neutral in LIC funds and a non-effective and efficient strategy of pension administration.

**TABLE 4.2.6**

**PERCEPTION OF RESPONDENTS AS TO WHETHER BUDGETED INCOME TO PENSIONERS IS IMPLEMENTED.**

| Category of Respondents | Respondents for “YES” As Answer |     | Respondents for “NO” As Answer |      | Respondents for NEUTRAL as answer |      | Total No of respondents |
|-------------------------|---------------------------------|-----|--------------------------------|------|-----------------------------------|------|-------------------------|
|                         | No of Resp                      | Per | No of Resp                     | Per  | No of Resp                        | Per  |                         |
| Senior manager          | —                               |     | 40                             | 100  | —                                 | —    | 40                      |
| Managers                | 20                              | 25  | 30                             | 37.5 | 30                                | 37.5 | 80                      |



|                       |     |    |     |    |    |    |     |
|-----------------------|-----|----|-----|----|----|----|-----|
| <b>Senior manager</b> | 30  | 75 | 10  | 25 | -  | -  | 40  |
| <b>Managers</b>       | 40  | 50 | 10  | 13 | 30 | 36 | 80  |
| <b>Supervisors</b>    | 60  | 60 | 10  | 10 | 30 | 30 | 100 |
| <b>Officers</b>       | 100 | 77 | 100 | -  | 30 | 23 | 130 |
| <b>Total</b>          | 40  | 11 | 220 | 63 | 90 | 26 | 350 |

**SOURCE;-** Field survey 2012,

From table 4.7 above, a total of 63% from all the category of respondents are of the opinion that payment of pension are delayed while 11% of the respondents show they are of the opinion that there is no delay in the payment of pension, 26% had neutral option concerning the delay of pension.

**TABLE 4.2.8**

**PERCEPTION OF RESPONDENTS AS TO WHETHER THERE IS SIGNIFICANT EFFECT ON PENSIONERS AS A RESULT OF NON-PAYMENT OF PENSION**

| Category of Respondent | Respondents for “YES” As Answer |     | Respondents for “NO” As Answer |     | Respondents for NEUTRAL as answer |     | Total No of respondents |
|------------------------|---------------------------------|-----|--------------------------------|-----|-----------------------------------|-----|-------------------------|
|                        | No of Resp                      | Per | No of Resp                     | Per | No of Resp                        | Per |                         |
| Senior manager         | -                               | -   | -                              | -   | 40                                | 100 | 40                      |
| Managers               | 40                              | 50  | 10                             | 13  | 30                                | 36  | 80                      |
| Supervisors            | 80                              | 80  | -                              | -   | 20                                | 20  | 100                     |

|                 |     |    |    |   |     |    |     |
|-----------------|-----|----|----|---|-----|----|-----|
| <b>Officers</b> | 90  | 69 | 10 | 8 | 30  | 23 | 130 |
| <b>Total</b>    | 210 | 60 | 20 | 6 | 120 | 34 | 350 |

**SOURCE;-** Field survey 2012,

From table 4.8 above, a total response constituting of all respondents with yes as an option is 60%, while only a total of 34% decided to remain neutral and 6% responded No in relation to the effect of non-payment of pension to pensioners.

**TABLE 4.2 9**

**PERCEPTION OF RESPONDENTS AS TO WHETHER A MORE EFFICIENT AND EFFECTIVE STRATEGY FOR PENSION ADMINISTRATION CAN BE ENSURED**

| <b>Category of Respondents</b> | <b>Respondents for “YES” As Answer</b> |            | <b>Respondents for “NO” As Answer</b> |            | <b>Respondents for NEUTRAL as answer</b> |            | <b>Total No of respondents</b> |
|--------------------------------|--|------------|---------------------------------------|------------|--|------------|--------------------------------|
|                                | <b>No of Resp</b>                      | <b>Per</b> | <b>No of Resp</b>                     | <b>Per</b> | <b>No of Resp</b>                        | <b>Per</b> |                                |
| <b>Senior manager</b>          | 40                                     | 100        | -                                     | -          | -  | -          | 40                             |

|                    |     |    |   |   |    |    |     |
|--------------------|-----|----|---|---|----|----|-----|
| <b>Managers</b>    | 60  | 75 | - | - | 20 | 25 | 80  |
| <b>Supervisors</b> | 80  | 80 | - | - | 20 | 20 | 100 |
| <b>Officers</b>    | 90  | 69 | - | - | 40 | 31 | 130 |
| <b>Total</b>       | 270 | 77 | - | - | 80 | 23 | 350 |

**SOURCE;-** Field survey 2012,

From table 4.9 above, total of 77% agreed that a more efficient and effective strategy can be ensured, while 23% have a neutral opinion that there can be improvement in the strategy of administering pension, No respondent was of the opinion that no improvement can be made in the administration of pension.

## **DATA ANALYSIS**

In order of analysis, the data above, hypothesis formulated earlier in chapter one will be used and tables 4.5 and 4.6 is to be reproduced which will enable the researcher use Chi-square to test the hypothesis.

### **TEST 1**

Hi: Non-effective and efficient management cannot be compared to poor pension administration governance.

Ho: Non-effective and efficient management can be compared to poor pension administration governance.

**TABLE 4.10**

**CAN NON-EFFECTIVE AND EFFICIENT STRATEGY FOR PENSION ADMINISTRATION BE DUE TO POOR PENSION GOVERNANCE?**

| <b>ALTERNATIVE</b> | <b>NO OF RESPONDENTS</b> | <b>PERCENTAGE</b> |
|--------------------|--------------------------|-------------------|
| <b>YES</b>         | 200                      | 57%               |
| <b>NO</b>          | 45                       | 13%               |
| <b>NEUTRAL</b>     | 105                      | 30%               |
| <b>TOTAL</b>       | 350                      | 100%              |

Using Chi-square

$$X^2 = \sum \frac{(f_o - f_e)^2}{f_e}$$

| Fo  | Fe    | Fo-Fe  | (Fo-Fe) <sup>2</sup> | $\frac{(Fo-Fe)^2}{Fe}$ |
|-----|-------|--------|----------------------|------------------------|
| 200 | 116.7 | 83.3   | 6938.9               | 59.46                  |
| 45  | 116.7 | (71.7) | (5140.9)             | (44.05)                |
| 105 | 116.7 | (11.7) | (136.9)              | (1.17)                 |

|       |  |  |  |       |
|-------|--|--|--|-------|
| Total |  |  |  | 104.7 |
| 350   |  |  |  |       |

$X^2$  calculated = 104.7

Using 5% level of significance

Degree of freedom =  $n-1$ ,  $3-1 = 2$

$X^2$  calculated value = 5.991

### **Decision rule**

If  $x^2$  calculated is greater than  $x^2$  critical value, reject the null hypothesis, otherwise, accept.

From the above decision rule, a non-effective and efficient strategy of pension administration can be due to poor pension governance.

### **Test 2**

Ho: The budgeted income to pensioners are not implemented as at when due.

Hi: The budgeted income to pensioners are implemented as at when due.

**TABLE 4.11**

**IS BUDGETED INCOME TO PENSIONERS IMPLEMENTED AS AT WHEN DUE?**

| <b>ALTERNATIVE</b> | <b>NO OF RESPONDENTS</b> | <b>PERCENTAGE</b> |
|--------------------|--------------------------|-------------------|
| <b>YES</b>         | 220                      | 63%               |
| <b>NO</b>          | 40                       | 11%               |
| <b>NEUTRAL</b>     | 90                       | 26%               |
| <b>TOTAL</b>       | 350                      | 100%              |

Using Chi-square

$$-X^2 = \frac{\sum (F_o - F_e)^2}{F_e}$$

Fe

| F <sub>o</sub> | F <sub>e</sub> | F <sub>o</sub> -F <sub>e</sub> | (F <sub>o</sub> -F <sub>e</sub> ) <sup>2</sup> | $\frac{(F_o - F_e)^2}{F_e}$ |
|----------------|----------------|--------------------------------|--|-----------------------------|
| 220            | 116.7          | 103.3                          | 10671  | 91.44                       |
| 40             | 116.7          | (76.7)                         | 5882.89  | 5.77                        |
| 90             | 116.7          | (26.7)                         | 712.89   | 44.81                       |

|                  |  |  |  |        |
|------------------|--|--|--|--------|
| <b>Total 350</b> |  |  |  | 142.02 |
|------------------|--|--|--|--------|

$X^2$  calculated – 142.02

Using 5% level of significance

Degree of freedom  $n-1$ ,  $3-1 = 2$

$X^2$  critical value = 5,991

**Decision rule:**

If  $x^2$  calculated is greater than  $x^2$  critical value, accept the null hypothesis, otherwise, reject from the pensioners pension is implemented as at when due.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 SUMMARY OF FINDINGS**

The purpose of this study is to find out the intrinsic and extrinsic causes of poor pension administration in the Nigeria public sector. A retirement income system is supposed to perform two important tasks. The first is to ensure that elderly people have income high enough to allow them live in dignity no matter what their circumstances were during their working years. The second is to maintain a reasonable relationship so that there is no drastic reduction in a person's standard.

Neither one of these objectives is being fully met as lots of pensioners today lives in abject poverty. Many workers with average income experience sharp drop in their standard of living when they retire, from tens to thousands of conversations had with the people nearing retirement in the Nigeria public sector, it is clear that the retirement income market is significantly failing the vast majority of consumers. However, holistic change is required in order to create a frame work that will enable consumers have greater financial security at old age. The findings of this research were drawn mainly from information gotten from chapter two (literature review) and chapter four of this research.

In chapter two, various literature in connection with the strategy adopted in administering pension especially in the Nigeria public sector were reviewed as well as literature relating to the statement of problem in chapter one later reviewed in chapter two. In chapter four, responses were arranged, tallied into frequencies and equally tabled. These responses were later converted to percentages and interpretations and findings were on the data collected, also, was the use of Chi-square test analysis to test data collected.

The following represents the major findings of this study from the perception of respondents to the delay in payment of pension 66% agreed that there is a delay in payment of pension while 8% did not agree that there was a delay in payment of pension, 26% were neutral regarding if there was a delay in pension payment.

As to whether there is a significant effect on pensions as a result, non-payment of pension, 60% agreed that there is a significant effect while 34% were neutral about a significant effect. Only 6% refused that there is a significant effect on pensions.

The perception of respondents to whether a non-effective and efficient strategy of pension administration could be related in adequate 57% of the respondents in agreement while 13% disagreed, 30% were neutral.

The respondent's perception to non-implementation of budgeted income to pensioners had a total of 63% agreeing that budgeted income to pensioners were not implemented while 26% agreed that budgeted income to pensioners were implemented, 11% were neutral about the implementation of budgeted income to pensioners.

From the chi-square test analysis

As to whether non-effective and efficient strategy for pension administration be linked to poor pension governance. The Chi-square test analysis proved that non-effective and efficient management can be linked to poor pension governance.

**TEST 2** was on whether budgeted income to pensioners is implemented as at when due, Chi-square test analysis proved that budgeted income to pensioners is implemented as at when due.

## **5.2 CONCLUSION**

Based on the finding of the study, the following conclusion has been made.

The system of pension administration in Nigeria public sector is one that is non-effective and efficient as it does not ensure a proper standard of living is met after retirement. Retirement in Nigeria public sector have little or no expectation concerning financial benefits as the norm concerning payment of pension entails delay in the payment of pension and some cases denial. These brings about a significant drop in the standard of living for people who may not have made alternatives and do not have trusted relations to assist them financially.

## **5.3 RECOMMENDATIONS**

After a careful analysis on the different response collected from questionnaires and interview, some recommendations were made, the recommendations made includes that of how the new pension will be effected.

1. Committees should be set up to audit the performances of pension boards and other pension bodies.
2. Responsibilities should be assigned to the right people must have access to the right information concerning retirees and their overall performance should be subjected right performance review.

3. Retirees should be solely dependent on pension after retirement, no matter how effective the strategy adopted in the administration of pension fund is, alternate plans should be made from day one of start of one's working years. This could include setting aside a percentage of one's salary in anticipated retirement.
4. Government should put in place legal legislative instrument that would ensure that the reform would be implemented over an infinite horizon (long term) such that it would align with political economy of the country and enjoy the support from subsequent government.
5. Also, necessary framework and good governance should be put in place to ensure that the image pool of funds generated would be effectively and judiciously invested to develop infrastructures and transform economy.
6. **PENCOM** should organize more awareness, seminars to educate the public and stakeholders.
7. **PENCOM** should develop credible national pension data bank to ensure that all stakeholders in both formal and informal sectors are well covered.

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PENSION REFORM ACT, 2004

2004 ACT No 2

### **Appendix i**

Department of Accountancy

Faculty of Management and  
Social Science,

Caritas University,

Amorji-Nike, Enugu State.

Dear Sir/Madam

QUESTIONNAIRE

I am a student of the afore named institution, the enclosed questionnaire is in respect of my research project which deals with Developing effective strategy for pension administration in the Nigeria public sector (a study of pension commission).

The research is purely academic and any information provided will be kept strictly confidential.

Thanks for your anticipated co-operation!

Yours Faithfully

Sanni Unekuojo

## **Appendix ii**

### **Pension administration Questionnaire**

The objective of this survey is to determine the factors that influence effective strategy for pension administration in the Nigeria public sector.

#### **SECTION A**

Please tick the appropriate answer



8. Is there delay in payment of pension?

Yes { } No { } Neutral { }

9. Can a more effective and efficient strategy for pension administration be ensured?

Yes { } No { } Neutral { }

10. Can an effective and efficient strategy of pension administration be related to inadequate accountability of public funds?

Yes { } No { } Neutral { }

