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ABSTRACT
The study was carried out to assess how effective one of the operators of the new contributory pension scheme. Pension Fund Administrators (PFAs) – has been discharging their responsibilities. This survey was performed using purposive sampling technique to their responsibilities. This survey was performed using purposive sampling technique to select active contributors and retirees from the new and the old schemes. Questionnaires were administered to respondents who were made to answer relevant questions hitherto rated on a 5-point Likert scale. Responses were analyzed using Z-statistics and Mann-Whitney test. Results showed that PFAs were not doing enough in the areas of updating the respondents on the movements in the pension fund and notification on the investment strategy to which their funds were channeled. All other roles such as level of customer service delivery rendered by PFAs, notifying respondents on fund performance and prompt payments were carried out satisfactorily. The study revealed among other things that the employment sector, employment status and pension scheme of the respondents had significant influence on the performance of PFAs while the PFA type does not. Consequently, the study recommended among other things that PFAs should provide more strategic investment opportunities and information to contributors to increase heir confidence in the new pension scheme.

KEYWORDS: *Pension, Reforms, Contributors, Retirees, Nigeria.*

Introduction
In most developed and the developing countries of the world, governments have institutionalized a welfare system usually called Pension System as an integral part of the social security system. Pension system is meant to provide income to retirees after cessation of employment occasioned by old-age and permanent disability. Events across the globe have shown that payment of pension as at when due has become a difficult responsibility for the governments. This challenge is more rampant in developing economies. Thus, senior citizens who have worked, at their productive age, for their countries are subjected to untold hardship while awaiting the payment of their entitlements. For instance, retirees in the employment of the Federal Government of Nigeria alone were owed about N2trilliong according to Maman (2011) as at the middle of 2004.

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Reforms in pension scheme became necessary as a result of the various problems inherent in the pay-as-you-go (PAYG) scheme previously operated in both the public and the private sectors, which became unsustainable due to inadequate budge provisions and low funding (Pencom, 2007). In an effort to address failure of governments toward paying prompt pension payment, wave of pension reforms have swept across nations from Western Europe (Britain, Switzerland, Denmark, the Netherlands, Sweden) to Latin America (Chile, Argentina, Peru, Bolivia, Colombia, Mexico, El Salvador, Uruguay), Eastern Europe (Poland, Hungary, Croatia), Central Asia (Kazakhstan), Turkey and Australia through adoption of some degree of market-based pension provision (Brooks, 2005). The funding system where active workers contribute to finance benefits of retired workers and the defined benefit plan of the pension scheme combined, more than any other factors, to account for the challenges facing payment of postemployment benefits in most countries.

Borrowing from the Chilean experience, the Nigeria government during the administration of President Olusegun Obasanjo thought it imperative to embark on pension reform via the enactment of Pension Reform Act of 2004 (PRA 2004). PRA 2004 establishes a Contributory Pension Scheme (CPS) for payment of retirement benefits of employees of both the public and private sectors. Under CPS, both employees and their employers are to jointly contribute certain percentage of employees' emoluments towards providing for the post employment benefits of the employees. Prior to the enactment of PRA 2004, the pension system in place was unfunded as there was no specific periodic payment towards financing the pension payment in addition to the fact that only employers totally provided the same.

Contrary to the practice with the non-contributory scheme where the pension asset was publicly managed, the pension fund so generated from the contributory pension system according to Section 44 of PRA 2004 shall only be managed by pension fund administrators (PFAs) licensed by the National pension Commission (Pencom). The transfer of managerial responsibility of pension assets to the organized private sectors is one of the fundamental features of the pension reform in Nigeria. Despite the enormous responsibility of the Pension Fund Administrators (PFAs) in the CPS, a comprehensive analysis of effectiveness with which their roles have been discharged is yet to be fully covered by literature. In view of this, this study aims at assessing how effective the PFAs have fared in line with the provision of the enabling act towards ensuring a workable pension system in Nigeria.

As a follow up to this section, the next section focused on the review of literature while section III reviewed the methodological approach adopted in the study. Results of findings, conclusion and policy recommendations were presented in sections I9V and V respectively.

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Literature Review and Conceptual Framework

The term pension has been defined variously by different authors. Friedberg and Webb (2005) defined pension as a form of compensation deferred until a worker leaves his or her job. Similarly, Greuning (2006) posited that pension constitutes the component of employment benefits payable to an employee after leaving an employment upon meeting certain requirements for leaving. Defined benefit which was in force prior to the introduction of the CPS is a plan where pension wealth and the eligibility of an employee is determined based on earnings growth, tenure and the wealth at the peak of service years. Contributory Pension Scheme is a plan where the pension wealth is a function of contribution by the employee and the employer, returns on the market value of the pension wealth contributed. Under the CPS scheme, at the time contribution is stopped, the value of wealth asset continues to grow unlike the defined benefit scheme.

Overview of CPS

Prior to 2004, the pay-as-you-go defined benefit (DB) scheme in use in Nigeria was characterized with a lot of problems as most pensioners lived in what Ambachtsheer (2008) termed materially reduced post – work standard of living. Under DB Scheme, pension payment to retirees was determined base don years of service and terminal emolument while in active service. Enactment of the contributory Pension Act tasks the employer and the employee to contribute fund in form of regular percentage of emolument, into a pension assets/fund, with employee reserving the right to access the fund as the post employment benefits at retirement. PRA 2004 provides that the employees in both public and private sector contribute a minimum of 7.5% of their basic salary, housing and transport allowances and 2.5% for the military. The employer shall also contribute 7.5% and 12.5% in the case of the military personnel. However, an employer may choose to contribute on behalf of the employees, provided that the total contribution shall not be less than 15% of the basic salary, housing and transport allowances of the employee.

By virtues of Section 44 of PRA 2004, the management of pension fund rests solely with PFAs. Among the duties to be carried out on management of the fund are to, open retirement savings account (RSA) for all employees with a Personal Identity Number (PIN) attached, invest and manage pension funds and assets in accordance with the provisions of the PRA 2004, maintain books of account on all transactions relating to pension funds managed by it, provide regular information on investment strategy, market returns and other performance indicators to Pencom and employees or beneficiaries of the retirement savings accounts, provide customer service support to employees;

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including access to employees account balances and statements on demand, cause to be paid retirement benefits to employees in accordance with the provisions of the PRA 2004, be responsible for all calculations in relation to retirement benefits and carry out other functions as may be directed, from time to time, by the Pencom. Under the new CPS, pensioners can access their retirement saving accounts (RSA) either through programmed withdrawal planned by PFA or an annuity offered by an insurance company.

PRA 2004 recognizes open and closed PFAs. An open PFA is the one without any employment-relationship with the employee-contributor established by a bank or by an insurance company that is licensed for the provision of pension services. A closed pension fund is a fund where only employees of the employer that established the fund are eligible for membership. A PFA must not perform any other services except pension business. Among the differences identified between the CPS and the old defined benefits scheme according to Aminu (2007) are the old scheme was not funded while the CPS is a fully funded scheme as provisions are made for the financial resources needed to settle the financial resources at retirement; membership of the private sector employees was voluntary under the old scheme while it is mandatory under CPS provided the private firms engaged up to 5 or more employees; the management of pension fund under the old scheme was largely saddled with government or any of its agencies while the private sector through the PFAs and PFCs are charged with the management of the CPS. The supervision of the old scheme was fragmented to different regulatory agencies however PenCom is the only approved regulatory agency of all operators of the new CPS.

In spite of the success of the new scheme, challenges loom in future for the new scheme. Among such challenges are inadequate regulatory frameworks, corrupt practices by the operators of the scheme, frequent change of government policies, and inability of the Nigerian financial system to accommodate the geometrically growing pension fund at an optimal level. Similarly, the scheme has not been accepted as such by most state government of the nation thereby undermine the potentials of the scheme. Although, PenCom has taken a number of steps such as drafting of Pension Reform Act which act as a guide that will facilitate each state to enact a similar law that will be a replica to PRA (2004).

Safeguards for the CPS

In order to forestall inefficiencies peculiar with the PAYG system, PRA 2004 attaches importance to the safety of the pension fund assets by ensuring the availability of funds to contributors when they retire. A number of provisions contained in the PRA 2004 are aimed at protecting the pension fund/assets. Among such provisions as stated in PRA 2004 and others are establishment of PenCom, separation of PFA and Pension Fund Custodian (PFC), issuance of corporate governance code for pension operators, pension fund custodian guarantee, deduction of government-employers' contribution from Consolidated

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Revenue Fund, public disclosure of information, investing in well-rated securities, etc.

It is important that PenCom came into existence as a regulatory agency to monitor the activities of the pension operators which are PFA and Pension Fund Custodian (PFC). The principal aim of PenCom is to regulate, supervise and ensure the effective administration of pension matters in Nigeria. In June 2008, in furtherance of its responsibility, PenCom issued a Code of Corporate Governance essentially aimed at setting out regulations of best international practices to guide PFAs (including CPFAs) and PFCs on the structures and processes to be used towards achieving optimal governance set up. Also, the management and custody of the pension assets are the responsibilities of PFAs and PFC respectively. This separation serves as checks and balances on both PFA and PFC as the latter has custody of the fund with the caveat that same could only be invested on the exclusive order of the former. The PFA shall not have any relationship with the PFC with which it chooses to do business, such as being an employee or principal officer or shareholder in a PFC that the PFA appoints to carry on any form of business on its behalf, or in its subsidiary or associated company, or its parent bank, duality of directorship in PFA and PFC board or an associated company of the PFA has a significant business relationship with the PFC or its parent or its associated company, and vice versa (PenCom, 2008). Similarly, Section 52 of PRA (2004) stipulates that PFAs are mandated to maintain 12.5% of the yearly after tax profit as statutory reserve fund. Besides, the PFC is required to issue a guarantee to the full sum and value of pension funds assets it holds.

Similarly, government-employers pension contribution shall be a direct charge on the Consolidated Revenue Fund of the Federation. In order to guarantee the sustainable growth of the pension asset, PFAs are directed by the PenCom to invest in well rated financial instruments by rating agencies. The need for this is to ensure that the PFAs invest in financial instruments such as government bond which are adjudged not risky.

As an additional requirement, every PFA shall employ a Compliance officer who will be charged with the responsibility of ensuring compliance with the provisions of the law regarding pension matters as well as the internal rules and regulations of the particular PFA. Compliance officers are required to liase with PenCom and the Board of Directors of the PFA with regard to the activities of the PFA.

Report requirement for PFAs and PFCs

In order to keep track of their activities, the licensed operators are required to make a regular repot of their activities to PenCom. This becomes necessary in view of the volume and nature of the funds the PFAs handle to timely spot-light any grey areas. Besides, this information is expected to be passed on to PenCom electronically and would not constitute a hardship for any fully automated operators (PRA, 2004).

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Clear, legal and administrative sanctions have been provided for non – compliance with rules and regulations guiding the scheme. These were stated in the Act Public disclosure of information by PFAs and Custodians are required and they are to disclose their rates on return and publish their audited accounts.

Review of Related Studies

Kantudu (2005) assessed the impact of reputation of the auditing firms on compliance with the provision of Statement of Accounting Standard on Retirement benefits (SAS 8). Using 30 companies from 19 sector of the Nigerian economy listed on the Nigerian Stock Exchange (NSE), the author found an inverse relationship between reputation of the audit firms and level of compliance of listed companies with the provision SAS 8. Study by Brooks (2005) asserted that privatization in every aspect of the pension management is capable of shifting the paradigm of social security from redistributive one to individual oriented ones.

Bonoli (2003) studied the effect of pensions system on the Gross Domestic Product of 8 Western European Countries which adopted Pay-as-you-go (PAYG) or multi-pillar (where state provided only a minimum flat rate of retirement benefits sufficient to cover basic needs and the bulk was provided by individuals through funded and contributory scheme) systems. It was found that the percentage of pension expenditure on Gross Domestic Product (GDP) in countries using PAYG continue to grow higher than those using Multi-pillar system. Tijjani (2009) also averred that there is a limit on avenues for the investment of the pension fund generated from the contributory pension scheme due to the directive of PenCom that only federal government bonds and other well rated securities which are limited in number should be traded on.

Methodology

A survey of perception of existing pensioners and current employee-contributors expected to become pensioners in future was undertaken. Selection of pensioners was based on the ground that they are able to express opinion on the promptness or otherwise of payment of pensions which is the ultimate aim of the CPS as at when due by the PFAs. Existing contributors were considered to examine the extent at which PFAs abide by the functions required to be performed of them to guarantee timely payment of pension after active employment. Snowball sampling was employed to identify pensioners while stratified random sampling was used to select existing contributors. The respondents include pensioners and active contributors under closed and open pension administrators and also ensure representation from both private and public sectors. 400 questionnaires were administered to elicit performance of statutory functions by PFAs as expressed by the respondents. The responses to the operational questions were rated on a 5-point Likert scale of agreement with 1 and 5 representing strongly disagree and strongly agree respectively. The

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responses were analyzed using Z-test statistics to determine the significance of the response in line with the functions of PFAs based on the opinion expressed by all the respondents. Similarly, Mann – Whitney test was used to determine whether factors such as sector of employment, type of PFA, employment status and pension scheme is of significance on the performance of PFAs.

Hypotheses of the Study

Null hypotheses (H_o) are tested in order to achieve the objective of the study and they are as stated below:

Hypothesis I: The extent at which the PFAs discharge their role is not statistically significant

Hypothesis II: The mean response on the extent of discharge of the PFAs roles as expressed by the respondents do not differ based on their peculiarities.

Presentation of Data and Analysis of Results

A total of 289 respondents representing 72% filled and returned the questionnaires. 235 were active workers with the remaining 54 being retirees. The overall average service year of the respondents was 18 years while the average service years were 15 and 32 for active workers and retirees respectively. 170 (58.8%) were engaged in public service and 119 (41.2%) in organized private sector. Similarly, 233 respondents have their pension fund being managed by open PFA, 33 by closed PFA with the remaining 23 respondents receiving pension under the old pension regime. All tests were conducted at the p-value of 5%.

Results and Interpretation

Below are the results from the analysis of the responses obtained from the questionnaires administered.

Table 1: Descriptive and Z-statistics

Roles of PFAs	Mean	No of Respondents	Computed T - value	Sig-value
1. Accuracy of RSA transaction alert	2.2898	228	-10.444	0.000
2. Notification of investment strategy	2.7143	245	-9.737	0.000
3. Notification of returns on fund performance	3.4286	238	5.913	0.000
4. Level of customer serviced	4.3992	238	31.817	0.000
5. Prompt payment of pension	4.2215	252	18.374	0.000
6. Perceived overall performance of PFAs	4.0588	278	17.0	0.000

Source: Result of Data Analysis using SPSS 15.0

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Table 1 depicted the level of perception of the present and actual contributors to the new CPS together with that of pensioners under the old defined benefit scheme. Their views were considered in the line with the major roles expected to be delivered by the PFAs. The mean responses of roles numbered 1 and 2 were 2.2898 and 2.7143 respectively. These were below average of 3 indicating that PFAs were not discharging the role to the expectation of the PRA, 2004. Contrarily, the mean responses to other roles listed numbers 3-6 were more than the mean of 3.00. Thus, the respondents believed that the PFAs were performing to their expectation. The t-test significance value column, however, revealed that the response to the major roles were statistically significant for all the questions.

Hypothesis II was tested using Mann-Whitney non-parametric statistics due to the ordinal nature of the data obtained from the questionnaires.

Table 2: Mann – Whitney Asymptotic Significance values

Grouping factors / Roles of PFAs	Sector of employment	Employment Status	PFA Type	Pension scheme
1. Accuracy of RSA transaction alert	0.303	NA	0.711	NA
2. Notification of investment strategy.	0.000	NA	0.008	NA
3. Notification of returns on fund performance.	0.000	NA	0.000	NA
4. Level of customers service delivered by PFAs.				
5. Prompt payment of pension	0.227	0.002	0.869	0.005
6. Perceived overall performance of PFAs.	0.138	0.000	0.446	0.00
	0.000	0.000	0.446	0.000

Source: Result of Data Analysis using SPSS 15.0

Table 2 depicted the significant values from Mann-Whitney Test based on the grouping of respondents on the basis of their sector of employment (private or public), Status (active workers or retirees), PFA type (open or closed PFAs) and pension scheme (defined benefit or CPS). In order to explore better the opinion of the respondents, Mann-Whitney test was performed for each of the major roles expected to be delivered by the PFAs.

Based on the sector of employment, the performance of the major roles as expressed by the respondents showed that the mean response from private and public sectors respondents differ significantly on notification of investment strategies, notification on the fund performance and level of customer service delivered by the PFAs based on the fact that the significant value is lesser than the assumed p-value of 0.05. However, the difference in the opinions expressed by public sector and private sector respondents were not significant on accuracy of the RSA and promptness in payment of pension. These results were

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validated by that of overall performance of the respondents based on sector of employment which showed significance value of 0.000 which is less than the p-value of 0.05.

Similarly, results of the analyses on the basis of status of employment (Act also revealed significant difference on level of customer service delivered by PFAs, prompt payment of pension and the overall performance of PFAs as expressed by the active workers and the retired ones. Also, the PFA type of the respondents showed that no significant difference exists between level of discharge of all the major roles of PFAs except for notification of investment strategy and notification of fund performance as expressed by respondents under the open and closed PFAs. Finally, the pension scheme of the respondents had significant effect on the level of customer service delivered, prompt payment of pension and the overall performance of the operators of the pension scheme of the respondents.

From the above result, it was revealed that PFAs were not doing enough in the areas of updating the respondents on the movement in the pension fund and notifying the contributors on the investment strategy to which their funds were channeled. All other roles such as level of customer service delivery rendered by PFAs, notifying respondents on fund performance and prompt payments were carried out satisfactorily. In addition, it could be inferred that the sector of employment, employment status and pension scheme of the respondents had impact on the opinion expressed by the respondents while the PFA type does not.

Conclusion

Prior to the implementation of the contributory pension scheme currently in force in Nigeria, retirees faced serious dilemma in accessing their retirement benefits. The success recorded in the new pension scheme is largely attributed to the funding arrangement and contributory nature. Thus, retirees under the new CPS are well catered for, given the promptness with which their retirement benefits are settled. This was in sharp contrast with the experience of the retirees under the old scheme where benefit is defined and unfunded.

Consequently, the study recommends that PFAs should make necessary information available to contributors especially in the areas of investment. The Nigerian government should also create a conducive environment in terms of consistent policies for the financial system to accommodate the growing pension fund. Strict compliance to the various laws in relation to pension is advocated while sanctions should be meted out to corrupt officials of the Scheme.

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