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Imperative of Pension Scheme in Achieving Employee Performance in Nigeria: A Focus on the Pension Reform Act 2014

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Abstract: This study examines the Imperative of Pension Scheme in Achieving Employee Performance in Nigeria with focus on the Pension Reform Act 2014. The objectives of the study include, understanding the evolution of pension in Nigeria, finding out the salient provisions of the 2014 Pension Reform Act, to examine the nexus between Pension and Performance. The research used the secondary data. The theoretical framework used in anchoring the study is the Scientific Management Theory by Fredrick Winslow Taylor. Some key findings made are; the evolution of the Nigerian pension scheme has been a gradual one, a transition from colonial ordinances, Legislative act, military decrees and Legislative acts. The salient provisions of the 2014 Pension Reform Act identified include, a contributory provision, investment of pension funds, a wider scope of coverage, provision for PENCOM as the chief bureaucracy for pension affairs, retirement benefit and deductions at source, penalty for non-remittance, provision for specified categories of exemption, and the non-provision for blockage of corruption in the sector; thirdly there were noticeable challenges in the pension administration such as poor public perception, poor funding, poor regulation, poor record keeping, pension staff questionable competency, frequent changes of pension polices, and corruption, all these undermine the use of pension as a credible instrument of improving employee performance. The recommendations made include; the evolution should continue, but a concerted effort should be made in making Pension reviews more participatory by involving all stakeholders to ensure a robust Pension Act; secondly the key provisions of the 2014 Pension Reform Act should be re-interrogated especially the area of bureaucratic corruption so as to check same and thirdly; amendment to the Act for more severe penalties to be imposed on erring employers especially those in the private sector who have refused to partake in the pension scheme, another recommendation was the need to increase the rate of contribution from employers and investment should be in less risky financial assets like Government Bonds, Treasury Bills, bank deposits and real estate's etc.

Introduction

Pension is a specified payment made periodically to an employee after retirement, normally it forms part and parcel of the employment contract. Pensions can only be guaranteed through a credible pension scheme. Nigeria being a former colony of Britain, received a pension tradition into her public sector

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that is entirely modeled after the British public pension structure. According to Uzoma (2018), since the Nigerian civil service was a brainchild of the colonial administration it was only natural that the colonial office handed over to Nigeria what may be called a “Model Pension Legislation”.

Actually, the commencement of pension scheme for the Native Administrative Servants/Staff (as public servants were then called) dates back to 1946, when the colonial government in Nigeria, through the Chief Secretary to the Government (in a circular no. 19/1945 of 24th March, 1945) announced a superannuating pension scheme for African staff employed by government (Public notice no. 4, 1946).

Okontini and Akeredolu, (2009) collaborated this when they opined that the history of pension in Nigeria began with a Pension Legislation enacted in 1951 by the British Colonial Administration. After independence in 1960 due to the limitations of the 1951 Pension Ordinance, a National Provident Fund was introduced in 1961. This too fell short of the expectations so in 1979 a new Pension Act came into effect. This was also later replaced with the National Social Insurance Trust Fund (NSITF) in 1993 due to the defects of that Pension Scheme.

Another scheme came on board in 1997 and yet again in 2004, all seeking to improve the entire pension spectrum and make it not only responsive to the needs of pensioners but also to help act as a catalyst for improving employee performance. This philosophy about pension can be collaborated by the mandate given to the Pension Transitional Arrangement Directorate (PTAD) by section 42 of the PRA 2014 which includes (i), taking over the functions of the various pension departments of the public service (ii), being responsible for the payment of existing retirees of the federal government that retired up to June 2007 (iii), ensuring that pensions are paid and as when due because it is a tool for improving national workforce performance.

Pension is an integral part of any employee compensation package. Pension ensures employees do not worry about their retirement and thus, this helps them to put in their maximum best in terms of quality and quantity of output as per performance. The idea that there is pension at the end of employees working life also means that certain unethical conduct may be eschewed. It also helps reduce organizational turn over, most times workers leave an organization because they feel that there is no security; part of this security is pension after retirement.

Some of these reasons led to the development of the various pension schemes in Nigeria starting from the colonial pension ordinances. The various pension laws had several drawbacks making them inadequate. This made the framers of the Nigerian Pension Reform Act 2014 to identify these flaws, thereby taking them into consideration when in their wisdom they came up with a Pension Scheme that incorporated key features to ensure sustainability of pension administration from its regulation, records, sanctions, funding, investment, to eventual disbursement.

Most organizations and or states have not been able to establish the critical link between a credible pension scheme and enhanced employee performance. The provisions of the Nigerian Pension Reform Act of 2014 may have addressed some of the flaws and inadequacies in the previous Acts of 2004, 1979 and 1951 Pension Ordinance. The Pension Reform Act of 2014 is not enough to translate to improved employee performance. The nexus between a credible pension and improved employee performance can only be established if the provisions in the Pension Reform Act of 2014 are judiciously applied, hence it is now incumbent on organizations both public and private to utilize the full benefits of the provisions of the 2014 Pension Reform Act to ensure overall improved employee performance is achieved with respect to using pension as a catalyst.

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Failure to do this means overall improved employee performance will not be achieved and the benefits therein will not be maximized. While the exact cost as per loss in monetary terms cannot easily be deduced, we can state hypothetically that improved employee performance will continue to be a mirage if factors like a functioning and functional pension scheme is not available and in this instance not fully embraced by all relevant stake holders. The attendant cost of not achieving maximum employee performance will mean reduced overall output in terms of quality and quantity. This will ultimately affect Nigeria in terms of global competitiveness.

Statement of the research problem

The pension schemes that were operated before the Pension Reform Act of 2014 did not achieve the ultimate goal of ensuring pension payment as and when due to beneficiaries. Turner (2006) noted that despite the fact that pension policies are currently receiving more attention globally due to the increasingly aging population, there is still a disconnect between pension and the role it should play in employee performance especially in developing states like Nigeria because of the ecological and systemic challenges of pension administration such states face.

The impact of a credible pension on employee performance cannot be lost on states because it acts either as a motivator or de-motivator. Worldwide, there are more than 500 million people over age 60, representing 10% percent of the global population (World Bank Report, 1994). This number will increase to almost 2 billion by 2050, or 30 % of the total population (Odia & Okoye 2012). This development underscores the primacy of benefits for retired employees across the public and private sectors globally. In Nigeria, successive governments at the Federal, States and Local Government levels since the turn of the 21st century have been largely unable to fulfill their statutory obligations to retirees in terms of regular payment of pension benefits due to the prevailing pension schemes pre 2014, with consequent negative effect on employee output, because workers see the way retirees are treated pension wise.

Under the previous pension regimes before the 2004 Pension Act, as noted by Ameachi and Alban, (2009) employees (civil servants) bore no direct responsibility by way of payroll tax for the provision of pension; instead pension benefits were paid through budgetary allocation to be kept in the consolidated revenue fund. Thus in most cases, the amount released usually fell short of the actual appropriation for pension payment. For a long time, delayed and non-payment of pension benefits in Nigeria became accepted as normal and inevitable. Retirees became an endangered group, condemned to die by mere failure of the pension administration system. This dampened the morale of the working and active populace hence reducing employee performance and increasing mal-administrative acts like corruption, moonlighting among others.

As the biggest employer of labour in the formal sector of the economy in Nigeria, the government at all levels were involved in the pension matters debacle thereby inadvertently shooting themselves on the leg because of the reduction of employee performance directly and or indirectly as a result of a problematic pension scheme. It is also claimed that pension debts in the public sector rose in part because of the failure of some state governments to provide their counterpart funds necessary to make up the amount provided by the federal government, in situations where the affected pensioners worked for both Federal and state governments (Femi, 2004).

As such state governments across Nigeria particularly bore heavy burden of unpaid pension to the civil and public sector retirees. Not even retired military personnel were spared as retired officers and men of the armed forces took over the various military pension offices and turned them into their permanent places of abode. It was a national embarrassment; most retirees in frustration informed those actively working to

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look after themselves; in order words, do all you have to do not to depend only on your pension after retirement. This advice often voiced with venom had positive and negative consequences; I would say clearly it had more of negative because of its effect on overall employee performance.

In a similar vein, Adams (2015) observed that there is something particularly inhuman and degrading about the plight of most men and women who after spending the most active years of their lives, serving the nation, are left to face the vagaries and vicissitudes of life without security that comes with retirement. At all levels of government, retired public servants are neglected. Retirees were often invited from far flung regions and states across Nigeria to appear for biometric identification/verification and documentation ostensibly for the collection of pension. These actions had far reaching effects on employee productivity because those working could not be isolated from the challenges the retirees were facing after long years of service.

The last three schemes were contributory and private sector driven, but the public sector pensions were fully funded by government. They were typical pay As-You–Go (PAYG) System or Defined Benefits (Musalem & Palancions, 2004). Despite these Pensions Schemes the whole pension system was inefficient and ineffective. The administration of the Nigerian pension scheme was characterized by myriad of problems which included identification of the pensioners, determination of entitlements, reconciliation of amount paid, arrears and misappropriation of the funds. There was also the problem of determining overall government pension liability for budgetary and planning purposes. The most affected was the Public Sector Pension Scheme (Ejike, 2002).

As a way of putting paid to these problems, remove pressure on government's budgetary provision for pensions and improve employee performance, a new contributory pension scheme was introduced by the Pension Reform Act, 2014. This paper will therefore interrogate those salient features of the 2014 Pension Reform Act, 2014 and also examine ways in which those features can aid overall employee performance in Nigeria.

Research objectives

i. To understand the evolution of pension in Nigeria.

ii. To find out the salient provisions of the 2014 Pension Reform Act.

iii. To examine the nexus between pension and employee performance.

1.4 Research questions

i. How did pension evolve in Nigeria?

i. What are the salient provisions of the 2014 Pension Reform Act?

ii. What is the nexus between pension and employee performance?

1.5 Research methodology

1.5.1 Research design

This research is based on secondary analysis of published sources, regarding pension in Nigeria, scholarship on pension scheme and its management in Nigeria with emphasis on the various pension laws in Nigeria were reviewed. Regarding the various pension schemes in Nigeria, scholarly articles, media reports, published reports by various government agencies specifically PenCom and those published by the other relevant bodies independent of PenCom such as Pension Transitional Arrangement Directorate were reviewed. The study adopted the secondary data collection method and source alone. Textbooks, Periodicals, Journals, Newspapers, Magazines and Internet sources were used. The data was analyzed

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using secondary analysis. This involves the use of information gathered by others for own purposes, either to answer a new research question or examine an alternative perspective on the original question of a previous study.

Theoretical framework

Frederick Winslow Taylor (1856–1917) put forward the idea that workers are motivated mainly by pay (salary, benefits, allowances and pension). His theory of scientific management argued that employees are motivated to be productive by one thing, money. Because of this, Taylor believed that management should exercise close control over employees, to ensure that they were getting their money's worth, both during and after their employment (Owen, 2003).

The theory also emphasizes efficiency, much like Max Weber's bureaucratic theory "the principal object of management should be to secure the maximum prosperity for the employer, coupled with the maximum prosperity for each employee". Scientific management can be summarized in these main principles: Using scientific methods to determine and standardize the one best way of doing a job, a clear division of tasks and responsibilities and high pay for high-performing employees.

Justification of the use of the theory; the theory was used because it deals specifically on the effect monetary rewards have on employee performance. Pension forms an integral aspect of any employee’s monetary reward especially in the long run. The theory holds that for workers to be motivated to work, that task must be directly linked to monetary reward, which pension is an important component of. Since it is an established truism that pension are essentially designed to afford the retiree the capacity to sustain and maintain the life style he was used to while in service, it will motivate the employee to sustain levels of performance that will enable him/her be eligible for pension in the long run.

Literature review

Conceptual framework

A. Pension: The concept of pension denotes periodic payments a worker receives after retirement; it is a specified amount of money paid regularly to a person who has retired from employment. It is usually part and parcel of the employment contract (Femi, 2004). Turner (2006) defined pension as a series of periodic money payments made to a person who retires from employment because of age, disability or the completion of an agreed span of service. The payment generally continues for the remainder of the natural life of the recipient. Beyond the monetary value, pension serves as a bond between the retiree and the former employer. It is essentially designed to afford the retiree the capacity to sustain and maintain the life style he was used to while in service.

Amaechi and Alban (2009) describes pension as a fund into which a sum of money is added during an employee’s employment years, and from which payments are drawn to support the person’s retirement from work in the form of periodic payments. Adams (2015) defined pension as the amount paid by the government or a company to an employee after working for a specified period of time, either considered too old or ill to work or having reached the statutory age of retirement.

B. Pension reform: Pension reform is an act of adjusting the present or current Pension system by making it more cost effective, cost efficient, target-effective and cost beneficial to the beneficiaries (Ejimofor, 2019).

C. Classification of pension: With regard to classification of pension, Ugwu (2006) cited in Ayegba, James and Odoh (2013) classified pension into five classes: i. Retiring Pension ii. Compensating Pension iii. Superannuating Pension iv. Compassionate Allowance v. Invalid Pension.

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i. Retiring Pension; this is granted to an employee who is permitted to retire after duly completing the stipulated years of service which is normally 30-35 years or having attained the age stipulated for retirement.

ii. Compensating Pension; this is the type of pension granted to an employee whose post is abolished and the government is unable to provide a suitable employment.

iii. Superannuating Pension; this is the pension given to an employee who retires at the prescribed age limit as stated in the condition of service.

iv. Compassionate Allowance; this is pension granted to a public servant whose permanent post has been abolished.

v. Invalid Pension; this is pension granted to a government worker who is declared by the appropriate medical authority to be permanently incapacitated for further service.

Baker, Logue and Rader (2006) on their part argued that pension is mainly divided into two; namely the i. Defined Benefit Pension Scheme (DBPS) and the ii. Defined Contribution Pension Scheme (DCPS).

i. Defined Benefit Pension Scheme: This pension plan is essentially based on the pay-as-you-go (PAYG) method. It involves a benefit formula that specifies what each covered employee will receive when the employee under the scheme retires. Retirement benefits are typically made in the form of annuity and retirees receive periodic benefits for as long as they live. The benefits formula says how much these periodic payments will be (Baker, Logue & Rader, 2006).

In the same vein, Anthony (2008) states that a Defined Benefit Plan is a plan in which the benefit on retirement is determined by a set formula rather than depending on investment returns. The traditional Defined Benefit Plan has a standard formula for its calculation i.e. the final salary plan under which the pension paid is equal to the number of years worked, multiplied by the member's salary at retirement, multiplied by a factor known as the accrual rate. The final accrued amount is available as a monthly pension.

The Defined Benefit Pension Scheme is basically employer driven and mostly funded by the government. The employer bears the responsibility of husbanding the fund and ensuring that Pension is paid to retired staff members. Mboto (2005) is of the view that in the case of Nigeria, the benefit side was characterized by two components of payments; lump sum benefit in the form of gratuity, based on the number of years of service and the terminal compensation package and monthly pension payments guaranteed for life, the rate of payment being dependent on the length of years of service.

ii. Defined Contribution Pension Scheme: The Defined Contribution Pension Scheme is fully funded and portable. It involves the coming together of the employer and the employee to jointly contribute to the pension fund at specific ratios. As observed by Baker, Logue and Rader (2006), the Defined Contribution Pension Scheme has no benefit formula; no formula indicating how much a person will receive on retirement. Again, benefits are not paid in the form of annuity, instead when an employee retires he/she gets access to an investment account that has held funds on the person's behalf. The value of the account at retirement depends on two factors:

a. The contributions that were made to individual accounts

b. The investment returns that were earned on the account.

In a defined contribution pension plan, contributions are paid into an individual account for each member. The contributions are invested, for example in the stock market, and the returns on the investment which may be (positive or negative) are credited to the individual account on retirement. The member's account

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is used to provide retirement benefits, sometimes through the purchase of annuity which then provides a regular income (Mboto 2005). Essentially, the contributory pension scheme is individualized, participatory, portable, well-funded and has potential for higher coverage.

D. Pension scheme: Pension scheme is an arrangement geared towards providing members of the scheme with regular payment (Butler, 1997). Pensioners are people who have spent the useful part of their lives in rendering services for the progress of their countries.

E. Models of pension administration: Models are simplifications of existing phenomenon. It is the systematic tools for the investigation and analysis of administrative practices prevalent across countries. In relation to pension administration; models provide a systematic explanation of the differences that exist in pension scheme and highlight the general characteristics and their inter-relationship between the three pillars of pension scheme. These pillars are;

i. A publicly managed, funded, unfunded defined benefit pillar.

ii. A privately managed, funded, defined contribution pillar.

iii. A voluntary private pillar as delineated by the World Bank in averting the "old age crisis" (Siegmann, 2007).

Arising from the World Bank classification of the three pillars of pension schemes, two dominant models have been identified in this study, they are the State-Centric and Market-Oriented Models. The State Centric Model; is otherwise known as the non-contributory pension scheme, it is an unfunded publicly managed pension scheme that pays pensions in relation to workers earning. Generally, the State-Centric Model is financed on a Pay-As-You-Go (PAYG) basis. It is the pillar one of the pension scheme. Taxes and others sources of government revenue are used to finance the scheme or from the current income of the working population. Contributions are imposed on gross wage income hence the younger or working generation pays for the pension benefits of older generation often referred to as a "contract between generations" (Okotoni & Akeredolu, 2008).

The solvency of the system is dependent on demographic stability. It is a demographic dependent system, when there is a drop in dependency ratio deficit financing results. An increase in dependency ratio must be matched by reduction in pension benefits or increase in payroll taxes if the pension system must be sustainable. If either of these measures is taken, a financial crisis results. The benefits structure is designed to suit the budgetary constraints of the system and it is proportional to future wages and population growth. Pension befits payments has macro-economic implications on fertility. This model sees pension as employee's right that cannot in any circumstances be reduced or withheld (Bassey, Etim & Asinya, 2010).

The Market-Oriented Model; there are two variants of the Market-Oriented Pension Model

(a) Defined Contribution Scheme (DCS); this is the pillar two of the pension scheme. It has the following basic elements

i. Each participant pays the same fraction of their salary to obtain fixed pension rights as percentage of their current salary or final salary.

ii. The fund is supervised by an independent body.

iii. There is a single funding and investment policy for each pension type adopted by a state.

(b) Notional Defined Contribution Scheme (NDCS); this variant incorporates the basic features of the Pay-As-You-Go system and the contributory scheme. The rate of benefits in this scheme is dependent on the rate of contribution. The financing is dependent on payroll taxes (Orifowomo, 2006).

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F. National Pension Commission (PenCom): This is the constitutional body responsible for;

i. Control of pension administration.

ii. Licensing of fund operators.

iii. Regulation of the entire pension scheme spectrum.

iv. Sets the guidelines for investing in pension funds.

v. Resolving of disputes among stakeholders.

vi. Sanction of erring agencies.

G. Pension Fund Administrators (PFA): These are limited liability companies who manage pension fund only. To qualify; a company must register with Corporate Affairs Commission (CAC) and have a minimum paid up capital of 150,000,000 naira or as prescribed by PenCom and such company must have demonstrated a track record of credible fund management and competency (Mboto, 2005).

H. Pension Fund Custodians (PFC): These are licensed financial institutions setup to hold pension fund and assets on trust. Capital needs is a minimum net worth of 5 billion naira or wholly owned by a company with net worth of 5 billion naira (Ameachi, & Alban, 2009).

Annuity: A fixed sum of money paid to someone each year, typically for the rest of their life. These are four basic types of annuities to meet your need: immediate fixed, immediate variable, deferred fixed and deferred variable annuities. These four types are based on two primary factors when you want to start receiving payments and how you would like your annuity to grow. Pension payments are typical examples of annuity (Femi, 2004).

I. Gratuity: A sum of money paid to an employee at the end of a period of employment. The gratuity amount depends upon the tenure of service and last drawn salary. Gratuity calculation formula is Number of completed years of service (n)*15/26. One can calculate his/her gratuity amount with the help of the following formula; Gratuity=n*b*15/26 (Ugwu, 2006).

J. Programmed withdrawal: This is a method by which the employee collects his retirement benefits in periodic sums spread throughout an estimated life span.

K. Employee performance: Employee performance (sometimes referred to as workforce productivity) is an assessment of the efficiency of a worker or group of workers. Performance may be evaluated in terms of the output of an employee in a specific period of time. Typically, the productivity of a given worker will be assessed relative to an average for employees doing similar work. Because much of the success of any organization relies upon the performance of its workforce, employee performance is an important consideration for organizations (Agba, Ochimana & Abubakar, 2013).

Employee performance is the amount of goods and services that a group of workers produce in a given amount of time. It is one of several types of performance that economists measure. Employee performance, often referred to as labor productivity, is a measure for an organization or company, a process, an industry, or a state. Workforce performance is to be distinguished from productivity which is a measure employed at individual level based on the assumption that the overall productivity can be broken down to increasingly smaller units until, ultimately, to the individual employee, in order be used for the purpose of allocating a benefit or sanction based on individual performance (Anyim, Ikemefuna & Mbah, 2011).

In 2002, the OECD defined it as "the ratio of a volume measure of output to a volume measure of input". Volume measures of output are normally gross domestic product (GDP) or gross value added (GVA),

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expressed at constant prices i.e. adjusted for inflation. The three most commonly used measures of input are;

i. Hours worked, typically from the OECD Annual National Accounts database.

ii. Workforce jobs; and

iii. Number of people in employment.

Workforce performance is generally measured in two ways, in physical terms or in price terms. Other specific measures include

i. The intensity of labour-effort, and the quality of labour effort generally.

ii. The creative activity involved in producing technical innovations.

iii. The relative efficiency gains resulting from different systems of management, organization, co-ordination or engineering.

iv. The productive effects of some forms of labour on other forms of labour.

These aspects of performance refer to the qualitative dimensions of labour input. If an organization is using labour much more intensely, one can assume it's due to greater labour performance, since the output per labour-effort may be the same. This insight becomes particularly important when a large part of what is produced in an economy consists of services (Dotal, 2016). The factors affecting the performance of individual work roles according to Franklin & Dagan (2006) include:

i. Physical-organic, location, and technological factors

ii. Cultural belief-value and individual attitudinal, motivational and behavioural factors

iii. International influences e.g. levels of innovativeness and efficiency on the part of the owners and managers of inward investing foreign companies.

iv. Managerial-organizational and wider economic and political-legal environments.

v. Levels of flexibility in internal labour markets and the organization of work activities e.g. the presence or absence of traditional craft demarcation lines and barriers to occupational entry; and

vi. Individual rewards and payment systems such as pension, gratuity and benefits, and the effectiveness of personnel managers and others in recruiting, training, communicating with, and performance-motivating employees on the basis of pay and other incentives.

Evolution of Pension Scheme in Nigeria

According to Okontini and Akeredolu, (2009) the history of pension in Nigeria began with a Pension Legislation enacted in 1951 by the British colonial administration. This Legislation was referred to as the Pension Ordinance with retrospective effect from first January, 1946. The pension was essentially designed for the colonial officers who were moved from post to post in the vast British Empire. At independence, this colonial pension plan was inherited. The Pension Legislation Ordinance of 1951 according to Moboto (2005) had the following key features;

i. The essence was to facilitate continuity of service wherever they were deployed to serve.

ii. The scheme had a minimum coverage for only few Nigerians in the colonial service.

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In 1961 the National Provident Fund was introduced. The fund was the first formal social protection scheme in Nigeria for the non-pensionable private sector employees. The scheme according to Anthony (2008) had the following key features;

i. The scheme provided for a lump sum benefit for dependents on retirement or death.

ii. The contributory rate of the scheme was 4 Naira by both the employer and employee.

iii. The upper limit of the total contribution was 25%.

iv. The scheme had a minimum coverage as it was only for the private sector employees.

However, in 1979, a new Pension Act came into effect as the Pension Act No. 102 of 1979, with retrospective effect from 1st April, 1974. Essentially, this Act consolidated all the enactments on pension and gratuity scales designed for public officers by the Udoji Public Service Review Commission in 1974. The 1979 Pension Act according to Femi (2001) had the following key features;

i. It formed the basic Pension Law by which all recent pension laws are built.

ii. This Pension Act gave rise to the following Acts; Armed Forces Pension Act (AFPA) No. 103 of 1974, Pension Rights of Judges (PRJ) Decree No. 5 of 1985 with effect from 1st January 1985 and Amendment Acts no. 51 of 1988, 29 of 1991 and 62 of 1991.

In 1993, the National Social Insurance Trust Fund (NSITF) scheme was set up by Decree No. 73 of 1993 to replace the defunct National Provident Fund (NPF) Scheme with effect from 1st July, 1994. It was designed to cater for employees in the private and public sectors of the economy. The 1993 National Social Insurance Trust Fund according to Balogun (2006) had the following key features;

i. The emphasis was directed towards enhancing social protection of the private sector employees ii. The fund took over all the assets of the National Provident Fund (NPF) to run a limited social security programme.

iii. The scheme operated on a tripartite platform of government, organized labour and employees in response to the requirement of International Labour Organization (ILO) convention of 1952 which mandated all member states to establish a social security programme for its members.

iv. The scheme mandated all private employees of five or more to remit 10% of their monthly emolument in the ratio of 3.5% employee and 6.5% employers. The initial monthly contribution prior to 2001 was 7.5% in the ratio of 2.5% employee and 5% employers.

In 1997, parastatals were allowed to have individual pension arrangements for their staff and appoint Board of Trustees (BOT) to administer their pension plans as specified in the Standard Trust Deeds and Rule prepared by the office of Head service of the Federation (Odia & Okoye, 2012). In 2004, a Pension Reform Act repealed the previous act under this scheme. The 2004 Pension Reform Act according to Ameachi and Albano (2009) had the following key features;

i. 7.5% is contributed by the employer and employee for both the public and private sectors.

ii. The military employee contributed 2.5% while employer/government contributed 12.5%.

iii. Remittance from employers to the PFC should not be later than 7 days after deduction while PFC must notify PFA within 24hrs of receipt.

iv. Erring PFC will be sanctioned 2% of the value of the deduction in case of default.

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v. the scheme created PenCom.

vi. Employees with three years or less to retire were exempted from the scheme. Another category of employees exempted were Judicial officers.

vii. There was a provision for big corporations with assets of at least 500,000,000 five hundred million to manage their own assets called “Closed Pension Fund Administrators”

Interrogating the salient provisions of Pension Reform Act 2014

The Pension Reform Act of 2014 has the following key highlights which include the under-listed.

i. Investment of pension funds: A critical element of the Contributory Pension Scheme as enshrined in the PRA 2014 is the mandatory investment of pension funds by the Pension Fund Administrators. As a cardinal hallmark of the scheme, investment of pension funds is intended to enhance the Retirement Savings Account balances of the workers. It is in recognition of this laudable vision that the PRA 2014 in part xii, section 85(1) states that: all contributions made under the Act shall be invested by the Pension Fund Administrators with the objectives of safety and maintenance of fair returns on amount invested.

Furthermore, the Act indicates in section (86) subsections (a-i) the modes of investment of pension funds which include bonds, bills, debentures, redeemable preference shares and other debts instruments issued by the Federal Government, Central Bank of Nigeria (CBN) amongst other credible institutions. Over the years, there appears to be some laxity in the execution of this investment process by the Pension Fund Administrators. Workers are usually in the dark with respect to how their funds are thriving in the investment market. According to Abdulazeez (2015), concerns have been expressed that the new pension system favours private investors over workers/contributors in respect to returns on invested funds.

In practice, there is considerable overlapping of interests between pension fund custodians and pension fund administrators, both of which are characterized by the involvement of interest in the banking industry. The exclusion of contributors from the investment decisions of the PFAs in spite of the fact that they ultimately have implications for pension savings account, put the workers in a difficult position. The atmosphere of secrecy surrounding the operations of the pension fund investment diminishes the credibility and transparency of the process. It is rather a deliberate strategy to undermine and sabotage the interest of unwary working population as it relates to their pension funds. Commenting on the vexed issue, Dostal (2016) noted that Pension Fund Administrators fail their customers in terms of providing clear information about their investment strategies.

A survey of PFA websites showed that many have not been updated for at least two years. Moreover virtually all companies were in breach of PenCom’s guidelines to publish the rates of returns of the Retirement Savings Account (RSA) fund at the end of each financial year and to make unit prices for their RSA funds readily accessible on their websites. The silence on rates of returns appears to be no coincidence and covers up negative returns once inflation and management charges are factored in. Apart from inflationary pressures, the near total restriction of investment of pension funds in Federal Government of Nigeria securities is another debilitating factor.

Statistics have shown that over 73% of the pension funds with the PFAs in Nigeria are invested in FGN securities. Similarly, 52% of the funds were invested in FGN bonds, while 19% were invested in treasury bills. Also the PFAs invested a meager 2.7% pension funds in real estate properties and 7% in bank securities. It is cogent to realize that Nigeria’s Pension asset has grown. It grew by 228 billion naira in October 2019 to end the month with an asset value of N9.81 trillion (PenCom, 2019).

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ii. Limited scope of coverage: It is instructive to observe that the objectives of PRA 2014 reflect a wider scope of potential coverage which includes all the strata in the formal and informal sectors of the national economy. Among the objectives of PRA 2014 is to: (a) establish a uniform set of rules, regulations and standards for the administration and payments of retirement benefits for the Public Service of the Federation, the Public Service of the Federal Capital Territory, the Public Service of the State Governments, the Public Service of the Local Government Councils and the private sector. This critical mandate is yet to be realized because the implementation or operation of the PRA 2014 is still mainly restricted to the Federal Public Service made up of Ministries, Departments and Agencies (MDAs) and its other parastatals.

Many State Governments' Public Service, Councils of Local Governments and a wide spectrum of the Private Sector are yet to fully key into this laudable contributory Pension Scheme as encapsulated by the PRA 2014. The implication of this is that most state governments are still under the burden of unfunded pension debt regime whereas the PRA 2014 was intended to encompass and manage the pension industry in Nigeria. Cases of heavy backlog of pension arrears of many years still dot the budget profile of many state governments in Nigeria.

Ekpulu and Binigilar (2016) noted that as of march 2014, the figure of registered contributors stood at 6,025,117 employees covering both the public and private sectors, which is only about 11% of the total labour force in Nigeria. More than 70% of the population was yet to enlist into the scheme. There has always been misperception and suspicion by a wide cross section of workers on the credibility and sustenance of the new pension scheme.

According to Maina (2014), while the initial reluctance and skepticism of workers to register with pension fund administrators has reduced, there is a large population especially in the informal market of the private sector outside of the scheme. Several years after the take-off, the scheme is still bedeviled by general misconception and knowledge gap. The low scope of coverage recorded by the PRA 2014 as at 2012 may be a reflection of poor institutional framework represented by the supervisory and regulating body-the National Pension Commission (PenCom).

iii. PENCOM and undue bureaucracy: In part 5, section 17, of the PRA 2014, the National Pension Commission (PenCom) is charged with the following strict mandate:

a. Enforce and administer the provisions of this Act;

b. Coordinate and enforce all other laws on pension and retirement benefits, and

c. Regulate, supervise and ensure the effective administration of pension matters and retirements benefits in Nigeria.

The above mentioned functions are direct, specific and unambiguous in character. As a serious national issue, pension matters are strictly constitutional and belong to the Exclusive legislative list as captured in the second schedule (section 4) of the 1999 constitution of the Federal Republic of Nigeria. In this regard PenCom ought to be well situated to discharge its functions with maximum efficiency. Unfortunately, this has not been the case with the array of missteps and derelictions on the part of the commission since its inception. It is in this context that Fapohunda (2017) lamented that there is a significant lack of adequate capacity building in the new pension industry with the personnel in the emerging pension fund industry showing a high degree of overlap with other business interest.

More specifically, Maina (2014) observed that PenCom has been weak, in enforcing regulatory compliance. For example, PenCom failed to enforce regulations stating that Pension Fund Administrators must report in a timely manner about the value of their retirement savings account. The entire gamut of

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activities and evolving administrative mix generates a dynamic of its own with a tendency to derail set objectives. As a result, the management process becomes rigid, slow and prone to manipulation by unscrupulous staff. Mukoro, (2005), Anazodo, Okoye and Emeka, (2012) had noted earlier before now in various independent studies on the Nigerian public service that the Nigerian bureaucracy tends to be tainted.

The operations of the PRA 2014 is evidently hampered by the interplay and interactions of different intervening bureaucratic elements in the ministries, departments and agencies of governments at different levels. The next bureaucratic interface presents the pension fund administrators, pension fund custodians and the other variables within the framework of corruption and pervasive impunity. Fraudulent tendencies have continued to thwart the realization of efficiency and high performance in the civil service. Another area of interest is the leadership duration of PenCom officials.

The tenure of the Chairman and the Director-General of the National Pension Commission (PenCom) is for a period of five years in the first instance and may be extended by another term of five years by reappointment (PRA, 2014). While this provision appears normal and apparently innocuous, the impact of a non performing leadership for ten years would result in a legacy of monumental disaster. Given the strategic nature of PenCom as an institution in the socio-economic and political dynamics of Nigeria, the PenCom leadership at all levels should be restricted to a single tenure of five years and no more. This would forestall privatization of office and tendency to nurture cronyism and corruption.

iv. Retirement benefits and deduction at source: In part 2, sections 3(1) to 4(1), the Act provides for the establishment of a Contributory Pension Scheme for payment of retirements benefits of employees for whom the Act applies. With regard to the scope of employees involved, the new pension scheme shall apply to all employees in the Public Service of the Federation, States, Local Governments and the Private Sector.

The rate of contribution to the scheme for any employee to which this Act applies shall be made in the following rates relating to monthly emoluments: (a) a minimum of ten percent by the employer and (b) A minimum of eight percent by the employee. However, in section 7(1), the Act states that a holder of Retirement Savings Account (RSA) shall upon retirement or attaining the age of 50 years, whichever is later, utilize the amount credited to his retirement savings account for the following benefits:

- Withdrawal of a lump sum from the total amount credited to his retirement savings account provided that the amount left after the lump sum withdrawal shall be sufficient to procure a programmed fund withdrawal or annuity for life.
- Programmed monthly or quarterly withdrawals calculated on the basis of an expected life span.

The twin concepts of ‘lump sum’ and calculation of ‘expected life span’ are indeterminate. What constitutes the lump sum in numerical terms? What is the basis of calculating an expected life span? There is a compelling need for proper clarification of these concepts. While analyzing the same issue, Okojie (2017) argued that the provisions depict the worker as incapable of informed decision regarding his legitimate retirement benefits. Another contentious issue has been the exact source at which the employer’s and employee’s contributions are deducted. The Act states in section 3 that the employer shall:

a. Deduct at source the monthly contribution of the employee and;

b. Not later than 7 working days from the day the employee is paid his salary; remit an amount comprising the employee’s contribution and the employer’s contribution to the pension fund custodian specified by the pension fund administrator of the employee. This section generated a deluge of controversy in the MDAs as it relates to the ‘source’ at which deduction is made, since the Act failed to define and identify

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the 'source.' Although the Act in section 12, subsection 3 states that the Accountant General of the Federation shall make the deductions, there was no further clue on the exact source.

Diverse opinions were rife as to whether the source could be the Federal Ministry of Finance, the Budget office or office of the Accountant General of the Federation. The bone of contention is the suspicion by workers across the different MDAs that they were being short changed by way of double deductions. In his assertion, Ejimofor (2019) noted that further deductions from employee's salary at his place of work by the bursary department violates provisions of the Act and contrary to all directives of the Federal Government on the matter.

In a similar vein, Augusto (2017), averred that in order to ensure timely remittance of the deductions, the budget office deducts the contributions at source from the allocations to the Ministries, Departments and Agencies (MDAs) through the Retirements General Warrants. The implication of the deduction at source is that the total amount required by the MDAs from the budget office is net of the employee's pension contribution. Therefore, the MDAs are not expected to make any additional deductions for pension contribution. However, the sum deducted by the budget office should be reflected in the pay slips of staff for the purpose of transparency.

iv. Exemption from the scheme: The PRA 2014 in section 5 contains what has been described as a discriminatory policy, because the Act exempts some categories of professionals from the contributory pension scheme. These include the categories of persons mentioned in section 291 of the Constitution of the Federal Republic of Nigeria (1999) (as amended), Members of the Armed Forces, Intelligence and secret service. This provision clearly violates the letter and spirit of cardinal objectives of the Act which is to 'establish a uniform set of rules, regulations and standards for the administration and payments of retirement benefits.'

The exemption clause indirectly created the window of agitation to opt out of the contributory pension scheme as enunciated in the PRA 2014. Among the first group to seek alternative pension platform is the Academic staff union of Universities (ASUU). Recently, PenCom at the behest of the Federal Government issued a License of approval to the ASUU pension scheme known as the Nigerian University Pension Management Company (NUPEMCO) as an independent pension scheme for university lecturers.

v. Corrupt practices: Under the regime of the new Pension Scheme, incidents of sharp practices which characterized the previous Pension plans began to manifest. In a documented report, Maina (2014) noted that the Pension office of the Head of Service of the Federation has been collecting 5 billion Naira for the payment of pension every month. The breakdown of this amount was 3.3 billion Naira for the payment of pension of over 141,000 retirees, 800 million Naira as arrears' and 900 million Naira as death benefits and gratuities. However, investigation by the Pension Reform Task Team after a biometric exercise revealed that only 825 million Naira was required for the payment of just 71,000 genuine pensioners.

In other words, officials of the pension unit has been collecting 5 billion Naira monthly and paying only 825 million Naira to pensioners and pocketing nearly N4.2 billion Naira. This revelation shocked the Nation and rekindled skepticism and doubt about the capacity of the PRA 2014 to turn around the pension industry for the better. The report further revealed that civil servants and officials of the pension offices organized a sophisticated syndicate which specialized in stealing pension funds in the most mind boggling manner. One of the ways used in stealing the funds was through the payment of ghost pensioners. This was done with the connivance of bank officials, staff of the office of Head of Service would shuffle files of living and dead people to cook up names and add to the payroll.

Although corruption is endemic in Nigeria, this scale of fraud in a supposedly well supervised and regulated system is worrisome and bizarre. It is expected that the relevant institutions should plug the

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loopholes in order to allow the PRA 2014 to thrive and engender a credible, reliable and transparent Pension administration in Nigeria. This has become inevitably urgent because a recent National Assembly public Hearing on pension recalled that six civil servants stole 24 billion Naira from the police pension fund.

The same persons were alleged accomplices in the illegal diversion of another 32.8 billion Naira from the same police Pension fund. Similarly, 151 billion Naira and six 6 million pounds were recovered after the conduct of biometric data capture exercise (Fapohunda 2017). This massive scale of organized and syndicated fraud is enough for the declaration of state of emergency in the pension sector in Nigeria. This sad turn of events if not immediately checkmated would ruin the gains of the new pension scheme, worsen the fate of pensioners and seriously sabotage the Nation's economy.

v. Penalty on remittance default: The PRA 2014, in section (11) sub-section (6) provides that an employer who fails to deduct or remit the contributions within the time stipulated in section (3) (b) of this section shall in addition to making the remittance already due, be liable to a penalty to be stipulated by the commission. The Act went further in subsection (7) to reveal that the penalty referred to in sub-section (6) of this section shall not be less than 2% of the total contribution that remains unpaid for each month or part of each month the default continues and the amount of the penalty shall be recoverable as a debt owed the employee's retirement savings account.

The 2% penalty appears cheap and rather than serve as deterrence against defaulters has on the contrary encouraged fraudulent practices and impunity in the industry. While reacting to this provision, Olanrewaju (2019) lamented that the Act encourages corruption by providing such a weak penalty for failure by the employer to remit contributions (by employer and employee) to the pension fund custodian within 7 working days from the day the employee is paid his salary. With such a small penalty (2%), and the high cost of borrowing from the banks, employers are likely to prefer not to remit pension contributions and pay the cost of non-remittance.

vi. Investment of pension funds: The number of contributors to the new scheme grew from 1.7 million in 2006 to 3.5 million in 2008, a growth of 106%. Total funds contributed also grew by 73% from 606 billion Naira (US$4.2 billion) in 2006 to 1.05 trillion Naira (US$7.2 billion) in 2008 and a projected figure of 1.2 trillion Naira (US$11.3 billion) by year ending December, 2009. Pension funds are institutional investors that have large pools of investible funds, and are therefore catalysts to economic development.

Hirt and Block (1993) stated that institutional investors represent organizations that are responsible for bringing together large pools of capital for reinvestment which include pension funds. The investment portfolio of Pension Funds should be diversified to reduce risks, because diversification in modern portfolio theory is adjudged to be rational. Investors hold portfolios which consists of risk-free securities (Government Bonds Treasury Bill) and risky or market security (equities). Equities are subject to systematic (economy-wide) and unsystematic (industry-related) risks and their prices are volatile.

Part IX of the pension Return Act, 2004 states that the objective of the investment of pension Fund is safety and fair returns. It stipulates areas in which Pension Fund should be invested. These include, Federal Government Bonds, Treasury Bills, equities listed on the stock Exchange, bank deposit and real estates. Investment income from Pension Funds less administrative charges are credited to contributors' (RSA's). Pendey (2002) states that the rate on return of shares is the Dividend Yield +Capital Gain and it is expressed as:

$$Rs = \frac{Div.\ 1}{P0} \quad \frac{P1\text{-}P0}{P0}$$

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Where:

Rs = Rate of Share Return

Div.1= Dividend Declared

P0 = Price of Share at beginning

P1 = Share Price at year end

The portfolio manager has to compare his Rs with the prevailing inflation rate to assess the performance of his equity portfolio. The new contributory Pension Scheme is being welcome by Nigerian workers, but with skepticism. To the government, it will free huge funds budgeted annually for other developmental needs. This paper sets out to assess or evaluate those problems that have the capacities of scuttling or jettisoning the good intentions of the new scheme.

Pension and employee performance (Empirical review)

A study by Bassey, Etim and Asinya (2010) titled “An overview of the Nigerian pension scheme from 1951-2004” in their findings through the use of a questionnaire conducted on 60 respondents at the University of Calabar Teaching Hospital established that Pension Schemes significantly minimized the unproductively of employees, especially those with a contributory and fully funded nature and a clear legal and administrative framework. This helped improve overall worker productivity, their findings showed that the medical personnel were more focused on the job because of the security pension offered them.

Another study titled ‘Pension economics and public policy’ by Ippolito (1997) in its findings established a direct link between employee performance and pension plans. His findings showed how pension plans can affect employee behavior and how organizations might be expected to use those effects to shape and motivate their labour force, by reducing early quit-rates and increase early retirement rates pension also assist employers in attracting and retaining workers who have personal attributes valued by organizations. His findings finding showed that and challenged the accepted view of defined contribution plans as merely convenient tax deferred saving plans. His findings proved that these plans can help firms elect and pay their best workers without expanding monitoring resources.

Another study by Allen and Clerk (1987) titled ‘Pension and firm performance’ from their findings showed that there was a direct correlation between pension plans and employee behavior which in turn affected overall organizational performance. Their findings showed that firms with pension had lower turnover rates and more efficient retirement decision with their employees less likely to shrink. The study showed that, pension compensation is very closely linked to worker performance and there is some risk that turn-over may fall too much without any or poor pension package. They went further to prove that although wages do not seem to fall with pension compensation, profit rate are not affected by pension coverage. This suggests that pension coverage is associated with higher productivity by employees.

A study by Ajwad, et al (2018) titled ‘Financing social protection in Tanzania’, in their findings using survey instruments discovered that social security programs specifically pensions are an important component of government expenditures, and complements other government social spending, their findings indicate that social security programs like pension promote employee performance.

Grunewald (2021) in his findings from a study titled ‘Global studies on the historical origins of old-age pensions from a political regime perspective’ showed that democratic and non-democratic regimes had different policy priorities when designing old-age pensions for the first time. Whereas democracies had significantly higher legal pension coverage rates than non-democratic regimes because they employed

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coercion to improve employee performance. The study also showed that temporal effects and colonial legacy mattered. Longstanding democracies introduced much higher legal pension coverage rates than countries that had recently democratized; this gave them an edge with respect to employee performance. Additionally, the French colonial legacy spurred high legal pension coverage rates than African autocracies. These findings underline the importance of taking the multidimensionality of welfare programs into account when analyzing political regime differences and their impact on employee performance.

Baur, (2019) in his study titled ‘More cautionary tales from Illinois; Tier II pension and why actuaries matter’ directly linked employee performance to pension. Her findings showed that as a result of ill-fated reforms in the state of Illinois in the US which required local districts to lower pension due to a boost in salaries inadvertently created pension woes, meaning the state pension failing the federal pension adequacy test, the resultant effect was a drop in the performance of the employee’s in sectors that were most hit.

Lotto, (2020) in a study titled Understanding the implication of pension debt on fiscal policy in Tanzania, through results from the paper indicate a mismatch between benefit payments and members’ contributions, in that, outflows are found to exceed inflows for a large part of the examined period, which tends to imply that pensions adequacy is questionable, and that the system cannot be sustained for a longer period if no rescue is put in place immediately, thus may adversely affect performance of employees. Further, drawing from the computed life expectancy of pensioners, it was indicative that the size of the retirement age cohort will continue to enlarge over time; which would result in increasing pension obligations. Since increased pension expenditure would not be fully covered from the existing pension assets, the government as a guarantor would be required to cover the matured pension obligations through its annual fiscal budget, creating uncertainty because of the political implications, the results from the paper showed that this uncertainty was responsible for a drop in the performance of the public servants studied.

Romp and Beetsma, (2020) while exploring the feasibility of a funded pension system with inter-generational risk sharing and its impact on employee performance showed through their findings that with voluntary participation the likelihood of employee performance improving was dependent on increases with risk aversion and financial market uncertainty. The findings showed that it is likely that mandatory participation is necessary to sustain a funded pension pillar that would not only sustain but improve workforce performance and at the same time letting participants benefit from intergenerational risk sharing.

Rosseler (2020) in a study titled ‘Germany CTA does pension the UK way’ showed in the findings that most German firms were trying to construct an Anglo Saxon-style pension fund in Germany under the current fiscal, employment and regulatory regime, despite no natural legal framework facilitating such an approach. The study showed that this is a model which has created a great deal of interest in Germany because of its impact on employee performance which was calculated to be relatively higher in the UK. Several big name employers have already adopted a similar approach to enable unrestricted funding of their occupational pension schemes. Examples include Shell, Daimler-Chrysler and Hewlett Packard. The study concluded by stating that pension directly affects motivation which in turn affects employee performance.

Terziev (2019) in a study titled ‘Historical development and characteristics of pension systems’ noted through his findings that particular attention needs to be paid to the types of pension savings because of its impact on employee performance; the study analyzed in detail different ratio of employee performance with reference to corporate pension funds, independent pension funds and funds providing one-off lump

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sum at a certain age and upon retirement due to old age or disability. In summary the findings indicate a nexus between pension and employee performance.

Walsh, (2018) study on why states and cities in the US are short on cash, with respect to pension issues, through its findings indicate a growing and disproportionate balance between the available pension fund and retirees, showing that the pension scheme was caught in an ever increasing financial squeeze. The US economy may be growing, but the cost of state-run pension system was growing faster. More government employees were retiring, creating a payment challenge. Her study showed that with the fear or perception that there could be a default on pension employees anticipating such due to the nature of their pension plan openly confessed that the thought of a pension default affected their performance.

Findings

i. The evolution of the Nigerian pension scheme has been a gradual one, a transition from colonial ordinances, Legislative act, military decrees and Legislative acts again; it started with the Colonial Pension Legislative Act of 1951 (retrospectively from 1946), to 1961, to 1979 (retrospectively from 1974) to 1993, to 1997, to 2004 and to the current Pension Reform Act of 2014.

ii. The salient provisions of the 2014 Pension Reform Act identified include, a contributory provision, investment of pension funds, a wider scope of coverage, provision for PENCOM as the chief bureaucracy for pension affairs, retirement benefit and deductions at source, penalty for non-remittance, provision for specified categories of exemption, and the non-provision for blockage of corruption in the sector.

iii. Pension was directly and indirectly responsible for employee performance irrespective of the type of pension plan and most importantly irrespective of the ecology studied; furthermore pension also had the same impact irrespective of the nature or type of profession. Despite this affirmation the study identified certain challenges hindering this aforementioned assertion and they include;

a- There are noticeable challenges in the pension administration such as poor public perception, poor funding, poor regulation, poor record keeping, pension staff questionable competency, frequent changes of pension polices and corruption, all these undermine the use of pension as a credible instrument of improving employee productivity.

b-. A major aspect of the drawback in the administration of the contributory Pension Scheme is the inherent structural and management weakness of National Pension Commission (PenCom) as the regulating authority. The abdication of its statutory functions on some critical issues undermines its role in the effective implementation of the new pension scheme which is aimed directly or otherwise to improve employee productivity.

c- Many states of the federation and especially the private sector were not and have not fully incorporated pension as part of employee compensation package. In the private sector for example, most firms do not partake in the pension scheme. This causes a rush for public sector jobs and moon lighting, thus affecting employee productivity.

Summary

Pension before 2004 and by extension 2014 was regulated by three bodies namely, the Security and Exchange Commission (SEC); which licensed the fund managers; the National Insurance Commission (NAICOM) which licensed Insurance companies and Joint Tax Board (JTB) which approved and monitored all private pension services. With the establishment of PenCom in 2004, regulation became more effective. The National Pension Commission (PenCom) is charged with the following strict mandate: Enforce and administer the provisions of this Act; Coordinate and enforce all other laws on

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pension and retirement benefits, and Regulate, supervise and ensure the effective administration of pension matters and retirements benefits in Nigeria.

The above mentioned functions are direct, specific and unambiguous in character. As a serious national issue, pension matters are strictly constitutional and belong to the Exclusive legislative list as captured in the second schedule (section 4) of the 1999 constitution of the Federal Republic of Nigeria. In this regard, PenCom ought to be well situated to discharge its functions with maximum efficiency. Unfortunately, this has not been the case with the array of missteps and derelictions on the part of the commission since its inception.

The 2014 Act did not provide for more severe penalties on erring employers. This created a lot of laxity especially with those in the private sector. The 2014 Act did a very good thing by stating clearly that investment should be in less risky financial assets like Government bonds, Treasury Bills, bank deposits and real estate's etc. The only lacuna here was there is no stringent administrative check to ensure that this is complied with by the relevant investors of pension funds. Over the years, there appears to be some laxity in the execution of this investment process by the pension fund Administrators. Workers are usually in the dark with respect to how their funds are thriving in the investment market.

According to Abdulazeez (2015), concerns have been expressed that the new pension system gives privileges to private investors over workers/contributors in respect to returns on invested funds. In practice, there is considerable overlapping of interests between pension fund custodians and pension fund administrators, both of which are characterized by the involvement of interest in the banking industry. The exclusion of contributors from the investment decisions of the PFAs in-spite of the fact that they ultimately have implications for pension savings account, put the workers in a difficult position. The atmosphere of secrecy surrounding the operations of the pension fund investment diminishes the credibility and transparency of the process. It is rather a deliberate strategy to undermine and sabotage the interest of unwary working population as it relates to their pension funds. Commenting on the vexed issue, Dostal (2010) noted that pension fund administrators fail their customers in terms of providing clear information about their investment strategies.

The issue of Pension is not new. It has been there since the colonial era but its relevance seems to be restricted to the public sector and high end private sectors. The other private sectors are not adequately carried along in terms sensitization and awareness about the pension scheme. Most of the state legislatures should align their State Pension Laws and processes to the 2014 Act. It is instructive to observe that the objectives of PRA 2014 reflect a wider scope of potential coverage which includes all the strata in the formal and informal sectors of the national economy.

Among the objectives of PRA 2014 is to: (a) establish a uniform set of rules, regulations and standards for the administration and payments of retirement benefits for the Public Service of the Federation, the Public Service of the Federal Capital Territory, the Public Service of the State Governments, the Public Service of the Local Government Councils and the private sector. This critical mandate is yet to be realized because the implementation or operation of the PRA 2014 is still mainly restricted to the Federal Public Service made up of Ministries, Departments and Agencies (MDAs) and its other Parastatals.

Many State Governments' Public Service, Councils of Local Governments and a wide spectrum of the Private Sector are yet to fully key into this laudable contributory Pension Scheme as encapsulated by the PRA 2014. The implication of this is that most state governments are still under the burden of unfunded pension debt regime whereas the PRA 2014 was intended to encompass and manage the pension industry in Nigeria. Cases of heavy backlog of pension arrears of many years still dot the budget profile of many state governments in Nigeria. The Act encourages corruption by providing such a weak penalty for failure

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by the employer to remit contributions (by employer and employee) to the pension fund custodian within 7 working days from the day the employee is paid his salary. With such a small penalty (2%), and the high cost of borrowing from the banks, employers are likely to prefer not to remit pension contributions and pay the cost of non-remittance.

Conclusion

The previous Pension Schemes in Nigeria did not meet the primary objective of providing pensioners with regular monthly pensions. Nigerian pensioners had been subjected to several harrowing and humiliating experiences in the process of collecting their entitlements. The government, on the other hand, has been burdened by huge budgetary allocations, most of which were under-funded. It is hoped that with all stakeholders embracing of the 2014 Pension Reform Act, there will be improved productivity from employees. There is no gain saying that the PRA 2014 has recorded unprecedented turn around in the pension industry in Nigeria. The economy has equally received quite a boost in the area of massive accumulation of capital for economic development through lending and investment of idle funds. What should be done is to ensure that the Pension Scheme and its administration are used in such a way that employee productivity is enhanced.

Recommendations

i. The evolution should continue, but a concerted effort should be made in making Pension reviews more participatory by involving all stakeholders to ensure a robust Pension Act.

ii. The key provisions of the 2014 Pension Reform Act should be re-interrogated especially the area of bureaucratic corruption so as to check same.

b- More severe penalties should be imposed on erring employers especially those in the private sector who have refused to partake in the pension scheme and there is also need to increase in the rate of contribution from employers.

c- Since the 2014 Act mandated that investment should be in less risky financial assets like Government Bonds, Treasury Bills, bank deposits and real estate's etc., there should be stringent administrative checks to ensure this is compiled with by the relevant investors of pension funds.

d- There is also an urgent and compelling need to address the highlighted areas of conflict and contradictions in the 2014 Pension Reform Act with a view to injecting the necessary impetus of due diligence, transparency and professionalism into the pension industry. Until and unless these paradigm shifts are put in place, the Nigerian pension establishment would continue to be plagued by incessant challenges.

iii. There is need for more sensitization campaigns to raise the level of awareness about the scheme, since it has been established that there is a relationship between pension and employee performance. Consequent upon this point, state legislatures should align their State Pension Laws to the 2014 Act without further delay, and also make laws to compel private firms in their domain to comply with the provisions of the Pension Act.

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