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PENSION FUND MANAGEMENT: A SUSTAINABLE DEVELOPMENT OF NIGERIAN PUBLIC CIVIL SERVANTS

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Abstract
The study investigated Pension Fund Management as a sustainable development of Nigerian Public Civil Servants. The study seeks to determine the influence of Pension Fund management on sustainable development of Nigeria Public Civil Servants with particular reference to Kaduna State. Data for the study were collected with the use of structured questionnaire and interview. Data obtained were analysed using percentages, frequencies and chi-square. Results and findings revealed that Pension fund Management influences the sustainable development of Nigerian Public civil Servants. Based on the findings, it was recommended among others that Government and Labour Unions should work out modality to monitor the National Pension Commission and the Pension Fund Administrators to avoid the incidence of fraud that will lead to the scheme failure.

Keywords: *Pension fund, Management and Nigerian Public Civil Servant.*

Background to the Study

One of the greatest challenges confronting government worldwide remains the issue of pension fund management (Sanni, 2012). Forbes in Sanni (2014) argues that pension fund management worldwide has become an increasing great concern to most government and countries of the world of which Nigeria is not an exemption.

Pension generally is a way of catering for the welfare of retirees. It is a periodic income or annuity payment made at or after retirement to employees who has become eligible for benefits through age, earnings and service (Ayegba, James and Odoh, 2013). According to Alo (2004), many countries are currently grappling with pension reforms in the face of pressures from ageing populations.

Series of pension schemes have emerged in Nigeria before and after independence. In the words of Sule and Ezegwu (2009), the exact origin of pension scheme in Nigeria is debatable; however, the history of pension in Nigeria could be traced to the prolonged battle between workers and employees of labour affirming that the victory of employees over employers marked the privilege of receiving gratuity and pension in Nigeria.

According to Kolawale and Mallum (2004) retirement pension is typically one of the largest social security component of public interventions for the retired public civil servants in Nigeria, except otherwise, mandatory retirement is expected to be blissful transition in the life of an employee. In western countries and some planned economies of the world like America, United Kingdom, Canada, Malaysia, etc. where pension schemes are functional, majority of the retired personnel live comfortably with their pension allowances without any distortion in their family economic stability. Government in these countries made available adequate resources and infrastructural provisions to cushion post-retirement conditions.

Despite several moderations of pension fund act in Nigeria, pension fund has been characterized by outright corruption and embezzlement, mismanagement and diversion of funds over the years (Maji, 2014). Fapohunda (2013) revealed recently the multi-million naira pension fund scandals pervading many strata of the Nigerian society like the pension unit of the office of the Head of Civil Service of the Federation, PENCOM, and the Nigerian police pensions (Fapohunda, 2013). A recent National Assembly public hearing on Pension revealed that six civil servants stole N24 billion from the police pension funds. The same persons were alleged compliances in the illegal diversion of another N24.6 billion from the police pension funds. Similarly, N151 billion and another N32.8 billion and another 6 million pounds were recovered after the conduct of environmental Data Computer exercise on pensioners since 2010 (Fapohunda, 2013).

Corruption in the Pension Scheme has become so pervasive. The embezzlement and corruption manifests in different shades and colours. Fapohunda (2013) further revealed that of the 141,790 pensioners listed on the government payroll, only 70,657 were said to be genuine, while the Police Pension Office also alleged collected N5 billion monthly as pensioner's claim instead of the actual requirement of N500 million. Thus millions of pensioners who served this country have their later years enmeshed in suffering due to the greed of some uncultured public office holders. More so, the delay in payment of pension and gratuities has brought untold hardship, frustration and death to many retirees, thereby making retirement phenomenon dreaded by workers. As pointed out by Denga (1996), the uncertainty that characterized the retirement life bothers serving workers to the extent that some workers falsify their age and career records in order to postpone retirement date. This problem is further compounded by the fact that post-retirement welfare of workers is not even a top priority of Nigerian government.

Furthermore, workers themselves do not give early planning and management of post-retirement conditions significant priority. As a result of their unpreparedness, many have faced lots of psychosomatic problems and some exhibit psycho-phobic reactions. Today payment of pension is becoming disturbingly high, it has become necessary for employees to plan further retirement early in their career because of sudden unexpected rationalization, high inflation rate, exchange rate volatility, mass unemployment and high economic uncertainties in order to avoid post retirement years in poverty.

Fapohunda (2013) observed that despite several moderation of pension schemes, the management of pension scheme in Nigeria over the years has been characterized by multiple and diverse problems such as inadequate funding, poor documentation and filing in the pension office, accumulated arrears of pensioners, inability to determine the appropriate investment portfolio, lack of accountability, corruption and embezzlement of funds among others. It is noted that some states in the country are yet to join the on-going Contributory Pension Scheme (CPS). Reports emanating from the Pension industry in Nigeria revealed that 28 out of the 36 states are yet to subscribe to the CPS, a decade after introduction, even though it is mandatory for all employers of labour on formal platform (Vanguard, 2014). This suggests lack of confidence on the part of employees arising from failures of previous similar government policies. Added to this is the fear of continuity and sustainability by successive governments since new government in Nigeria have been known to jettison previous programme midway to start another similar one.

Based on these prevailing problems, this study seeks to determine the influence of pension fund management on sustainable development of Nigerian public civil servant.

Research Hypothesis

The hypothesis below was formulated in order to achieve the objective of the study.

Ho: Pension fund management does not influence sustainable development of Nigerian public civil servants.

Literature Review

Concept of Pension Fund Management

A pension is a contract for a fixed sum to be paid regularly to a pensioner, typically following retirement from service (Ayegba,et.al. 2013). According to Adam (2005), pension is the amount paid by government or company to an employee after working for some specific period of time, considered too old or ill to work or have reached the statutory age of retirement. It is equally seen as the monthly sum paid to a retired officer until death because the office has worked with the organization paying the sum.

Adebayo (2006) and Robelo (2002) asserted that pension is also the method whereby a person pays into pension fund a proportion of his/her earnings during his working life. The contributions provide an income (or pension) on retirement. Tola (1999) likened pension to the termite and noted that “failure to prepare for the rainy day is to prepare to be swept by the rain. The Kaduna state government is operating both the Defined Benefit Scheme for workers who have few years now to retire and the contributory pension scheme for others. Kaduna state has its own pension unit that it inherited from then Northern region. In 1988, civil service reforms were implemented and it renamed and transferred to departments of establishment training and pension under the state pension board.

The defined benefit scheme is still being funded by the Kaduna state government. Balogun (2006) observed inter alia;

“In the last two and a half decades, most pension schemes in the public sector had been poorly funded or unfunded, owing to inadequate budget allocations, budget releases which seldom come on schedules and were far short of due benefits. This situation had resulted into unprecedented and unsustainable outstanding, pension deficits estimates to over N2 trillion before the commencement of the Pension Reform Act in 2004, the proportion of pension of salaries increased from 16.7% to 30% between 1995 and 1999”.

Akinyemi (2006) and Asuquo (2002) corroborated this fact and stated that the management of the Defined Benefit Scheme was generally weak, inefficient and non-transparent. There was and still no authentic data base on pensioners while 14 documents were required to file pension claims. Among other things, Balogun (2006) and Akinyemi (2006) identified as hindrances to effective pension scheme in the state are:

1 Restrictive and sharp practice in the investment and management of pension funds.
2 Process of documentation, application and registration became very cumbrance that computation officers and clerks cashed on and were looting the system dry and blue.
3 Delays in release of funds to pensioners further compounded the predicament of the pensioners and retirees.

Hence Balogun (2006) noted further exacerbated the problem of pension liabilities to the extent that pensioners are dying on verification queues and Kaduna State inclusive. At the federal level most of the over 300 parastatals, the scheme was bankrupt before the pension reform act 2004 came on board. It is inferred from this worth that prior to PRA 2004, the pension scheme was regulated without standard or effective supervision and diversified in Nigeria. It was against his backdrop that the federal government constituted various committees headed by Chief Ajibola Ogunsola and Mr. Fola Adeola at different times to look at the challenges of pension scheme in Nigeria and proffer solutions. Fola Adeola's committee report was enacted into the Pension Reform Act (PRA) and came into operation on 1st July 2004 (Balogun, 2006).

Sustainable Development of Employees:
Balogun (2006) in his article "understanding the new Pension Reforms Act (PRA) 2004, observed that Pension schemes exist to provide post-retirement benefits to employees The primary goals of a pension system should be to provide adequate, affordable, sustainable and robust retirement income, while seeking to implement welfare improving schemes. An adequate system seeks to provide sufficient benefits to prevent old age poverty, smoothen a reliable means of lifetime standards and acceptable lifestyle.

The article added that an affordable system is that which is within the financing capability of employees and does not unduly displace other social and economic imperatives. A sustainable system is the one that is financially sound, funded and maintained over a foreseeable horizon under a broad set of reasonable assumptions. It is also the system that has the capacity to withstand major shocks, including those coming from economic demographic and political volatility.

The Pension Reforms Act 2004 is the most recent of the Federal Government aimed at addressing the associated problems of the old pension system. It establishes a uniform pension system for both the public and private sectors respectively. However, most private organisations are yet to comply. That notwithstanding, for the first time in the history of the country, a single authority has been established (National Pension Commission) to regulated all pension matters in the country.

Elements of the Contributory Pension Scheme

The key objectives of the new scheme according to Sanni (2014) are:

1 To ensure that every person who has worked in either the public or private sector receives his retirement benefits as at when due.
2 To assist improvident individuals by ensuring that they save to cater for their livelihood during old age.
3 To establish a uniform set of rules and regulations for the administration and payment of retirement benefits in both the public and private sectors, and
4 To stem the growth of outstanding pension liabilities.

The new Pension Scheme is contributory, fully funded, based on individual accounts that are privately managed by Pension Fund Administrators with the pension funds' assets held by Pension Fund Custodians (Barrow, 2008).
Contributory system under this system, the employees contribute a minimum of 7.5% of their Basic Salary, Housing and Transport Allowances. Employers shall contribute 7.5% in the case of the Public Sector. Employers and employees in the private sector will contribute a minimum of 7.5% each. An employer may elect to contribute on behalf of the employees such that the total contribution shall not be less than 15% of the Basic Salary, Housing and Transport allowances of the employees (PenCom, 2008). However, recent amendments were made to the Act which exempts military personnel from contribution. According to PRA (2004) an employer is obliged to deduct and remit contributions to a Custodian within 7 days from the day the employee is paid his Salary while the Custodian shall notify the PFA within 24 hours of the receipt of Contribution. Contribution and retirement benefits are tax exempt.

Individual Accounts

The employee opens an account known as "Retirement Savings Account" in his name with a Pension Fund Administrator of his choice. This individual account belongs to the employee and will remain with him throughout his life-time. He may change employers or pension fund administrators but the account remains the same. The employee may only withdraw from this account at the age of 50 or upon retirement thereafter.

Life Insurance Policy

Every employer shall maintain life insurance policy in favour of an employee for a minimum of three times the annual total emolument of the employee (PRA, 2004). Base on the guidelines of PenCom and NAICOM for group life insurance, employees must bear all costs related to life insurance for the employers, separate from contributions made under the scheme (Barrow, 2008).

Privately Managed

The new scheme requires Pension Funds to be kept by Pension Fund Custodian (PFCs) and privately managed by Pension Fund Administrators (PFAs).

Pension Fund Administrators: According to Amoo (2008), PFAs are private organizations that have been duly licensed to open retirement savings accounts for employees, invest and manage the pension funds in fixed income securities listed and other instruments as the commission may from time to time prescribe, maintain books of accounts on all transactions relating to the pension funds managed by it, provide regular information an investment strategy to the employees or beneficiaries and pay retirement benefits to employees in accordance with the provisions of the Act.

Pension Fund Management

Sanni (2014) enumerated the factors attributable to poor pension fund management in the Nigerian public sector as follows:

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

2 *Incident of Ghost Workers* – Because of poor record keeping, there have been reported cases of ghost pensioners in all the tiers of government. Corrupt officials take advantage of administrative lapses to perpetuate fraud on a massive scale to the detriment of both the government and the pensioners. This in turn undermines the ability of the government to pay benefits in future.

3 *Low Quality Manpower* – Many government pension departments are manned not really by staff specifically trained for pension scheme administration. In the same vein, many members of board of trustees of government parastatal are hardly conversant with the rudiments of pension scheme administration.

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

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

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

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

Methodology

The study adopted the survey design method. The population for the study was 11065 pensioners in Kaduna State. Cochran's Finite population formula was used to determine the sample Size. Stratified random sampling was used to select the 8 local government areas out of the 23 local government areas in the state used in the study. In each of the selected local government areas, a list of all the pensioners was obtained from Kaduna State Pension Bureau and 47 pensioners were randomly chosen from each of the selected local government areas used in the study. This gives a total of 376 respondents that were also randomly selected and used for the study.

Both primary and secondly sources of data were used for data collection. Primary data used were questionnaire and interview. Secondary data were obtained from official documentations, publications, paper clippings and internet services.

Both nominal and ordinal scales were used to measure the variables. Percentages and chi-square were used for data analysis.

Results and Analysis

TablePension Fund Management and Sustainable Development

	SA		A		D		SD		Total	
	Fre	%	Fre	%	Fre	%	Fre	%	Fre	%
Pension Administrators concern about pensioner's welfare.	43	11.4	279	74.2	42	11.2	12	3.2	376	100
Pensioners involved in the calculation of their entitlements.	26	7.0	140	37.2	37	9.8	173	46.0	376	100
Payment paid as at when due.	48	12.8	164	43.6	13	3.5	151	40.1	376	100
Pensioners plan ahead of retirement.	39	10.4	245	65.2	27	7.2	65	17.2	376	100
Proper fund management.	279	74.2	87	23.1	10	2.7	-	-	376	100

Source: Field Survey, 2014.

From the result in table above, it is very clear that the respondents were of the view that the Pension Administrators concern about the pension welfare, payment paid as at when due, pensioners plan ahead of retirement and the proper fund management will influence the sustainable development of the Nigeria public servants.

An average of 79% of the respondents strongly agreed that the above mentioned items will influence the pension fund management and thereby sustain the development of the Nigerian public servants.

Test of Hypothesis
Using the chi-square to test the hypothesis with data in the table above,
$X^2 = 402.56$; DF = 15; P = 0.05;
Critical value = 25.1

Since the computed value is more than the critical table value, we reject the null hypothesis which states that Pension fund management does not influence sustainable development of Nigerian public civil servants.

The finding of the above hypothesis revealed that the better the pension fund management, the better the sustainable development of the Nigerian Public Civil Servants. This finding also agrees with Balogun (2006) when he opines that a sustainable system is the one that is financially sound, funded and maintained over a foreseeable horizon under a broad set of reasonable assumptions. Fapohunda(2013) and Sadat(2014) by implication agree that poor Pension fund management such as inadequate funding, poor documentation lack of accountability, corruption embezzlement of funds among others are cloak on the wheel of sustainable development of Nigerian public civil servants.

Conclusion
From the findings of this study, the Pension Fund Management will influence the sustainable development of the Nigerian Public Civil Servants. In Kaduna State both the old scheme (Defined Benefit Scheme) and the new scheme (Contributory Pension Scheme) are still operational. In the old scheme pensioners queue up at government offices for verification and collection of their monthly pensions while pensioners in the new scheme do not need to queue up to be verified. Their monthly pensions are paid straight into their bank account.

Another major difference is that while pensioners in the old system travel long distances to be verified, the local offices of the Pension Fund Administrators (PFAs) manage that level of interface without challenges. The Pension Fund Administrators are concerned about pensioners' welfare. Under the new the Pension Fund Management, the administrators avail the contributors or pensioners a lot of information ranging from monthly balances and contributions and the lump sum available upon retirement to monthly pension and these will enable the pensioner to plan ahead of retirement.

Recommendations
For sustainable development of the Nigerian Public Civil Servants, the following recommendations will enhance the Pension Fund Management:

1. National Pension Commission (PENCOM) and Pension Fund Administrators should organize more awareness, seminars to educate the public and stakeholders on how to calculate their entitlements.
2. Government and all labour unions to work out modality to monitor the PENCOM and PFAs to avoid the incidence of fraud that will lead to the scheme failure.

3. As a matter of necessity, government should from time to time review its pension and gratuity laws in both the public and private sectors to reflect the inflationary, exchange rate volatility and other changing trends in the economy.
4. The regulator (National Pension Commission) should enforce the relevant sanctions of the Pension Reform Acts on defaulting employers to improve on the existing compliance.
5. The government of Nigeria should be ruthless and punish those who steal pensioners' funds to serve as deterrent to others.

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