

INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

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FORMATIVE EVALUATION OF NIGERIA'S CONTRIBUTORY PENSION SCHEME IN NATIONAL OPEN UNIVERSITY OF NIGERIA, LAGOS

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ABSTRACT

Given the need to evaluate and make the contributory pension scheme more responsive to the needs and requirements of contributors and the larger society, the study analyzed its level of awareness and effectiveness among the staff of National Open University of Nigeria, Lagos. Based on the questionnaire administered on 228 respondents, data presented on tables and hypotheses tested using chi square, the study found that the level of awareness of CPS is high, it is considered to be effective and better when compared with the old pension scheme, marital status and staff designation determined the perception of effectiveness of CPS and there is the need to establish a universal social pension scheme in Nigeria. arising from the findings, the study recommended the following measures as basis for making the scheme more responsive to the needs and requirements of contributors and the larger society: keeping contributors informed and empowered, explaining the gap between expected and actual pension income, linking CPS to NHIS, using CPS as an alternative to personal income insurance and encouraging banks and other financial institutions to loan money to retirees on the strength of their pension income.

KEYWORDS

Contributory Pension Scheme, National Pension Commission (PenCom), Pension Fund Administrator (PFA), Social Contract and Social Security.

1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Societies have passed through three epochal periods in humanity's evolution and development. From the initial state of nature, societies progressed to social contract and then to social security. This progression has been best articulated by the English philosopher, John Locke (1632 – 1704). Locke's work was adequately enunciated in the *Two Treaties of Government* in 1690. According to Locke, the state of nature described the period in which there was no government, and each individual had to fend for himself.

But as societies grew, people in the state of nature became aware of the need for laws. To achieve this, they entered into a "social contract" and subsequently established a political structure leading to the creation of governments for the express purpose of "protecting life, preserving freedom and security of property" (Christian, 2012). In this system of social contracts, material possessions were earned through individual labour and efforts. Thus, anything that a person laboured to create automatically became an extension of him.

However, because most humans are inherently acquisitive and because in the society there will always be aggressive self-serving types who will stop at nothing to satisfy their gluttony, the "great and chief end, therefore, of men's uniting into commonwealths, and putting themselves under government, is the preservation of their property" (Locke, 1690). Thus came to be the political society instituted by individuals for their mutual protection and by so doing, relinquished their freedom and transferred power to the political entity, the state. The state was thus empowered to make laws and enforce them, to assign penalties for infractions, and to make war when there was legitimate need for it.

By sub-letting their freedom and loyalties to the government in a social contract, the people in turn, expected physical, social and economic protection against needs and wants. It is in the realization of this and the need to continue to enjoy the allegiance of the people—especially at a point in history when the unprecedented gains of globalization benefits only a few—that has prompted the Social Security Department of the International Labour Office to suggest the urgent need for "a global social contract," part of which is the new, internationally-accepted, *Basic Social Security Floor* (ILO, 2008). Article 9 of the ICESCR states inter alia "...the right of everyone to social security, including social insurance," while Article 10 dwelt on assistance to families and the rights to adequate standard of living. Nigeria, like more than 160 other countries that are signatory to the Covenant, has a responsibility to uphold its spirit and letters. Likewise, section 17 of the Nigerian 1999 constitution elaborates the social objectives of Nigeria, which is basically similar to the ideas enunciated in the ICESCR.

The imperative for social security has not been lost on Nigerians and their governments. Nigerians have since independence in 1960, continued to strive for a sustainable social security system that would significantly lower economic insecurities, promote economic efficiency, social equity, growth and stability in spite of the nation's current woeful socio-economic statistics as captured by the indices of human development and poverty, life expectancy, literacy, employment etc.,. Since the First Republic, several efforts have been made by different administrations to put in place a sustainable framework for the takeoff of a social security system that would take care of health, pension, housing and other social needs of the populace. These efforts have resulted in the institutionalization of the National Housing Fund (NHF) via the NHF Act No. 3 of 1992, with a view to providing mortgage financing for residential housing to workers at low interest rates, the National Health Insurance Scheme (NHIS) Decree 35 (now Act 35) of 1999, the Pension Reform Act (PRA) of 2004, and more recently, the Employees' Compensation Act (ECA) 2010 which repealed the Workmen's Compensation Act (WCA) of 2004.

In spite of these social security initiatives, lack of income security, economic instability and consequently, the inability to meet basic needs are some of the challenges still confronting most Nigerians today. According to the World Bank's Development Indicators, 67.98% and 84.49% Nigerians live below \$1.25 and \$2.00 per day respectively (i.e., the international poverty line) as at 2010 (World Bank, 2013); while those living below the national poverty line only decreased marginally from 48.4% in 2004 to an estimated 46.0% 2010, despite the average GDP growth rate of around 6.6% (World Bank, 2013) within the same period.

1.2 STATEMENT OF RESEARCH PROBLEM

Before 2004, Nigeria had operated a pension scheme that was not contributory. It was basically a pay-as-you-go Defined Benefit Scheme (DBS). It relied fully on budgetary allocation for its funding with attendant challenges of increasing budget burden, corruption, ghost pensioners, delays in gratuity payment and payment of monthly pensions to deserving retirees etc. As at 2004, the old pension scheme was clearly unsustainable and manifestly crooked. When the 2004 Pension Reform Act was promulgated, it was meant to establish a contributory scheme for the payment of retirement benefits of employees in the public and private sectors. The law sought a system that would correct the failures of the old scheme, in which workers were subjected to undue hardship, especially in the non-payment of their pensions. Under the old scheme, such expected beneficiaries had to queue for days to get their pensions, with many of them dying in the process without getting paid. Under the contributory scheme, every employee is mandated to open and maintain an individual Retirement Savings Account in his or her name with any Pension Fund Administrator of his choice and notify his employer of it, according to Section 11 of the 2004 PRA. PFAs are, by law, mandated to manage the RSA accounts, but these funds and pension assets must be kept with Pension Fund Custodians, who are guaranteed by banks. They are to be regulated by the National Pension Commission. The employer, according to the law, must always deduct 7.5 percent of the employee's remuneration and add another 7.5 per cent to it for such an employee; making a total of 15 per cent, which should be paid into the RSA as salaries are paid monthly. On retirement, a worker can have access to the funds when he reaches the age of 50 and is no longer in paid employment or, when he gets to the retirement age stipulated by his employer. However, he would not be allowed to withdraw the total balance in his RSA, as he can only be given certain percentage of the fund known as lump sum, while the rest will be utilized either as programmed withdrawal or as annuity. If the retiree opts for programmed withdrawal, his PFA will

be paying him monthly pensions for a maximum period of 18 years. On the other hand, if he opts for annuity, the remaining balance in his RSA, after deducting the lump sum, will be transferred to an insurance company chosen by him, and the insurance company will pay him for life.

Bearing in mind the evident flaws of the old pension regime, it would be important to conduct an evaluation of the new scheme nine years after its implementation from the perspective of its key stakeholder-contributors to the scheme who are prospective retirees and beneficiaries of the scheme. The result of the study will answer critical questions: is the scheme working as planned? Are there unintended consequences that have emerged over the nine years it has been implemented? Can the scheme be fashioned to work and better serve the interest of the primary contributors and prospective beneficiaries? Can the scope and coverage of the scheme be expanded to cover not just those in the formal sector of the economy but also the many that are within the informal sector of the developing Nigerian economy? It is in finding answers to these general questions and the specific research questions that the rationale and justification of the study can be found.

1.3 RESEARCH QUESTIONS

This study seeks to examine the following specific research questions:

1. What is the level of awareness about the CPS of the Federal Government of Nigeria among the staff of NOUN?
2. What is the level of participation of NOUN staff in the CPS?
3. What is the perceived level of effectiveness and satisfaction among NOUN participating staff in CPS?
4. Do NOUN staffs have faith in the ability of CPS to deliver on its promises?
5. Is there an association between marital status and staff designation with the effectiveness of the CPS?

1.4 OBJECTIVES OF THE STUDY

The general objective of this research work is to appraise the awareness and effectiveness (real and perceived) of Nigeria's Contributory Pension Scheme among the staff of the National Open University of Nigeria (NOUN).

The specific objectives of the study are to:

1. Determine the level of awareness of CPS among NOUN staff.
2. Determine the level of participation of NOUN staff in CPS of government.
3. Examine the perceived level of effectiveness and satisfaction of the NOUN with CPS.
4. Assess the level of trust and sense of security felt by NOUN staff participating in the scheme.
5. Determine the factors affecting effective participation/utilization of CPS among the staff of NOUN.

1.5 SCOPE OF THE STUDY

The study seeks to examine the rationale for the establishment of PRA 2004. Furthermore, the study also attempts to examine the roles of the regulatory agencies (PenCom, PFAs) created by the aforementioned legislation, identify achievements and challenges of the scheme resulting therefrom, and evaluate some factors that may be responsible for those achievements/challenges. The study population was the staff of NOUN, comprising academic and non-academic staff at the Headquarters of the University.

1.6 DEFINITION OF TERMS

Contributory Pension Scheme (CPS): A pension scheme where both the employee and the employer contribute a percentage of the employee's salary as premium at the pre-determined rates.

National Health Insurance Scheme (NHIS): It refers to the social health insurance scheme created by the NHIS Act, 1999. It is also the name of regulatory agency for the scheme.

National Housing Fund (NHF): Established under the NHF Act No.3 of 1992, the NHF is a mandatory employee contributory fund (at 2.5% of basic monthly salary) for all workers earning the minimum national wage and above in both the public or private sectors of the economy, for the purpose of providing houses to intended beneficiaries within the scheme.

National Pension Commission (PenCom): Created by the PRA, 2004 as the regulatory agency for the CPS. Its functions include issuing regulatory guidelines over the investment of pension fund, retirement benefits/pension, Pension Fund Administrator (PFA), Pension Fund Custodians (PFC), etc.

Social Security: A generic term used to describe government-back welfare scheme aimed at assisting the aged, the needy, the retired, the disabled or the sick in the society, including their spouses and dependents (where applicable).

Universal Declaration of Human Rights, 1948 (UDHR): The first international human right instrument under the UN system and a precursor to other more specific instruments on the protection of rights.

2.0 LITERATURE REVIEW

2.1 CONCEPTUAL FRAMEWORK

The basic underlying principle of any social security scheme entails the provision of income to beneficiaries at times when they are not able to fend for themselves e.g., at retirement. Given this perspective, the most common social security schemes are pension, stipends for the elderly, unemployed, disabled, veterans, etc. Others include health insurance, child benefits, etc.

Social security is largely a collective care arrangement to meet contingencies and other conditions of insecurity due to either deprivations or contingencies or both (Akosile & Oyedele, 2013). Put differently, "social security arrangements are both collective adversity and deficiency issues (Akosile & Oyedele, 2013)." While the adversity aspect is addressed through a contingent social security (CSS) such as the Nigerian Employees' Compensation Act 2010, the issue of deficiency is directly addressed via the provision of a basic social security. The twin dimensions (deficiency and adversity) are inseparable components of macroeconomic continuum and are closely related to the problem of poverty reduction and development.

Given the severity of poverty in Nigeria and its concomitant fallouts (militancy and insecurity—terrorism, kidnapping, armed robbery are common experiences of daily life in Nigeria presently). Social security anchored on adequate and sustainable pension scheme is therefore an imperative in addressing the problem of poverty reduction for a particular group of Nigerians. With a total enrollment figure of 5.8 million as at 2013, this figure is low (in a population of about 160million, but remains significant. Figures from the National Bureau of Statistics put the national, revised absolute poverty level on the basis of per capita estimation at 62.6% for the 2009/10 fiscal year (NBS, 2013).

2.2 THE PENSION REFORM ACT, 2004

Faced with rising and unsustainable costs of financing the old pay-as-you-go Defined Benefit Scheme (DBS) of the Nigerian pension system, the country switched to the Contributory Pension Scheme (CPS) in 2004 in line with the Pension Reform Act of 2004. The National Pension Commission (PenCom) was set up by the PRA, as the statutory regulatory agency for the nation's Contributory Pension Scheme. The Commission is also empowered to license Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs). According to the law, all employees in both the public and private sectors organizations with at least five (5) employees are mandated to subscribe to the scheme.

PenCom commenced formal operations in December, 2004. Under the CPS, PenCom supervises and ensures the effective administration of pension matters in Nigeria by doing the following (PenCom, 2008):

- Ensuring that payment and remittance of contributions are made and beneficiaries of retirement savings accounts are paid when due;
- Ensuring the safety of the pension funds by issuing guidelines for licensing, approving, regulating and monitoring the investment activities of Pension Funds Administrators;
- Receiving and investigating any complaint of impropriety leveled against any Pension Fund Administrator, Custodian or employer or any of their staff or agents;
- Standing as a watchdog, with the overriding objective of ensuring that all pension matters are administered with minimum exposure to fraud and risk; and
- Employing the use of approved risk rating agencies to determine the viability of an investment instrument.

The CPS is predicated on a minimum of 7.5% of the basic salary, housing and transport allowances, each for the employer and the employee (except for the military and security agencies, where it is 12.5% and 2.5% respectively) being paid into a personalized and portable Retirement Savings Account (RSA) for each employee. Alternatively, an employer may elect to contribute on behalf of the employees, but the total contribution shall not be less than 15% of the Basic Salary, Housing and Transport allowances of the employees.

In addition to the contributory pension section 9(3) of the Act mandates every employer of labour to take a Life Insurance Policy on behalf of their employers for an insured amount of at least three (3) times their annual total emolument. However, entitlements under the life insurance policy are paid to a deceased employee's survivors (spouse or child) or to the recorded next of kin in line with Sec. 5(1) & (2) of the Act. It must be pointed out that the life insurance policy herein referred to does not cover injury, disability or disease suffered by a worker at work or in the course of employment—such contingencies are exclusively situated within the purview of social protection services, which are firmly addressed by the Employees Compensation Act (ECA), 2010 which is administered by the NSITF.

Under the scheme, PFAs and PFCs were created to manage the contributory pension funds under the regulatory guidance of the PenCom. While PFAs administer the Retirement Savings Accounts into which the pension contributions go into, the PFCs keep the money. According to PenCom (2008), "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."

The key features magnifying the advantages of the new pension scheme over the old one include the following: It is fully funded, privately managed, allows employees the freedom to maintain individual accounts, choose their PFAs and change them when they need to. PFAs are also mandated to maintain a statutory reserve fund which will act as a buffer. The scheme has also generated a pool of funds for development for the national economy.

According to the Thisday (2013), Nigeria's Contributory Pension Scheme has achieved the following milestones between 2004 and the end of second quarter of 2013:

- PenCom has in the last nine (9) years registered eighteen (18) Pension Fund Administrators (PFAs), four (4) Closed Pension Fund Administrators (CPFAs) and seven (7) Pension Fund Custodians (PFCs);
- Pension assets under the management of PFAs has grown to N3.38 trillion, representing about 8 per cent of Nigeria's Gross Domestic Product (GDP) as at June, 2013, while the number of Retirement Savings Account (RSA) holders rose to 5.5 million as at end of May 2013; and
- Retirees drawing monthly pension under contributory pension rose to 54,558 retirees from both public and private sectors as at September 2012 and they collectively received over N151.52 billion of their accumulated pension savings as lump sum and N1.77 billion monthly as pension as at then.

Based on emerging operational challenges and increased expectation of contributors and prospective beneficiaries of the scheme, after almost nine years of operating the CPS powered by the PRA 2004, there are now moves to repeal the Act (earlier amended in 2011) by the Pension Reform Bill 2013 which was before the National Assembly as at the time of conducting this research. The main objectives of the Pension Reform Act (PRA) 2013 Bill, according to the Commission were to enhance the powers of the Commission in its regulatory and enforcement activities; enhance the protection of pension fund assets; unlock the opportunities for the deployment of pension assets for national development; review the sanctions regime to reflect current realities; provide for the participation of the Informal Sector; increase the percentage contribution to the basic RSA; provide the framework for the adoption of the Contributory Pension Scheme (CPS) by States and Local Governments; among others. Other major amendments sought by the Bill, 2013 include:

- Payment of gratuity as additional benefits which was abolished under Section 4 of the PRA 2004 is to be reintroduced based on the persistence of workers and the consensus of stakeholders, but to be based on collective bargaining.
- Adoption of CPS by States and Local Government: as at September, 2003, Niger was the only State of the federation that had fully complied with the contributory scheme. The Bill seeks to formally bring all the States and LGAs into the Scheme with some allowed local variations.
- Greater regulatory oversight over PTADs by PenCom to enhance transparency and accountability in the administration of pension funds under the old DBS.
- To capture a wider number of employees in the informal sector which unarguably constitute the greater chunk of the country's economy, the Bill seeks a minimum requirement of five (5) employees for organizations to participate in the scheme be reduced to three (3) to enable small businesses, especially the Small and Medium Scale Enterprises (SMEs) to partake in the scheme.
- Seeks to expand the sphere of permissible investment instruments to accommodate initiatives for national development which include among others investment of the pension funds in the real sector with a focus on infrastructure and housing.
- Funding of the Minimum Pension Guarantee (MPG) and the establishment of the Pension Protection Fund (PPF): this will help to ensure that pensioners do not earn less than a given treasured and also to compensate pensioners in the unlikely event of financial losses that may be sustained from investment of pension funds. The PPF would take care of the aforementioned circumstances and would be funded through grants from PenCom and pension operators.
- Seeks to align the pension law with section 173 of the 1999 constitution which provides for the review of pensions of every five (5) years; this would help to reduce the negative effect of inflation on a fixed income.
- While Sections 7 and 10 of the PRA 2004 provides for tax exemption at the point of accumulation and payment of retirement benefits, the Act was, however, mute on taxation of pension funds. Thus, the 2013 Bill seeks the amendment of Section 7 of the PRA 2004 to include tax exemption on income earned from the investment of pension funds.
- The bill also seeks to incorporate past changes to the PRA 2004 in the Pension Reform (Amendment) Act 2011 which exempt personnel of the military and other security agencies from the CPS; the Universities (Miscellaneous) Provisions Act 2013 which reviewed the retirement age and benefits of University Professors; as well as the third alteration of the 1999 constitution vide the Third Alteration Act which vests jurisdiction on pension matters in the National Industrial Court.

3. RESEARCH METHODOLOGY

The data need of this study was defined in two broad areas. First is the extent of participants' awareness of CPS from the perspective of enlightened users of the system. Second is the effectiveness of cps in meeting the needs and expectations of primary participants in the scheme, again from the perspective of its users.

The study relied on questionnaire as the survey instrument for collecting data on the participants' awareness and perceived effectiveness of CPS based on Nigerian experience of respondents. The questionnaire majorly tried to establish the profile of respondents in the key areas of age, gender, marital status,, number of dependents under 18 years, educational qualification, salary scale, category of staff, years of service in noun, nature of current appointment and year of first pensionable appointment. The other issues covered by the questionnaire included:

Are you a contributor to CPS?

Apart from cps, are you aware of any other entitlement under the CPS?

How many years have you been on CPS?

Has noun been remitting your contributions into your RSA?

Do you get regular account updates from your PFA?

Rating of CPS vis-à-vis the old pension scheme

Identification of the greatest threat to pension fund assets

Should pension funds be invested to increase the value and benefits to retirees?

Recommended options for the investment of pension funds

Adequacy of the current pension scheme to secure/sustain retirees financially

Support of the current initiative to amend the pension reform act 2004

The draft questionnaire was peer reviewed and pre-tested in seeking to enhance its ability to measure what was intended. The outcome of the exercises led to the recasting of ambiguous questions, deleting of redundant ones and inclusion of new ones to fill identified gaps. It became imperative therefore to select respondents from a population of highly literate and financially active Nigerians who are aware of the old DPS and the new CPS obtainable in Nigeria.

To meet the outlined requirements of the data collection source, the study used a population of academic and nonacademic staff of National Open University of Nigeria (NOUN). Being a federal institution with staff drawn from all states, tribes and religions in Nigeria, the population surveyed met the requirement of active and knowledgeable users of CPS in Nigeria. This is in line with the grounded theorists' rule of selecting purposive samples from participants who represent the major categories of people relevant to the research [Charmaz, 2003] and [Henwood and Pidgeon, 1993].

National Open University of Nigeria is an open and distance learning university established in 2000 to offer university education using flexible mode of learning. It is headquartered in Lagos and has 50 study centres in all the 36 states and federal capital territory, Abuja. NOUN offers academic programmes leading to the award of diploma certificates, First, Masters and PhD degrees in 5 major Schools-Arts and Social Sciences, Law, Management Sciences, Education and Sciences. The total staff strength consisting of academic and nonacademic staff stood at 1497 as at October 2013. The number of staff as at October 2013 in the Lagos office of NOUN stood at 840 as at October, 2013. This study was limited to the staff of NOUN in Lagos office.

Being a staff of NOUN facilitated access to the elements of the study population and cooperation from them in completing the questionnaire. With a population of 840 staff, the sample size was determined at 271 using taro Yamani's formula for sample size determination for a finite population. The questionnaire was administered on all available and willing 271 staff on the 14th and 15th of December, 2013.

While a total of 271 copies of the questionnaire were administered, only 251 were returned within the two days. Given incompleteness' and inconsistency in completion 23 returned questionnaire were rejected. Thus, 228 returned questionnaires were analyzed. This gave an effective response rate of 84.13%.

The collected primary data were presented on tables and analyzed using frequency distribution. Data were also collected and analyzed to define the profile of respondents.

4.0 FINDINGS AND DISCUSSION

4.1 PROFILE OF RESPONDENTS

The profile of respondents is as indicated on Table 1 below.

TABLE 1: SOCIAL DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

S/N	Variable		Frequency	Percentage (%)
A.	Age	20 - 25	5	2.19
		26 - 30	60	26.32
		31 - 40	92	40.35
		41 - 50	38	16.67
		51 - 60	30	13.16
		Above 60	3	1.32
		Total	228	100.00
B.	Gender	Female	128	56.14
		Male	100	43.86
		Total	228	100.00
C.	Marital Status	Married	162	71.05
		Single	66	28.95
		Total	226	100.00
D.	Highest Academic Qualification	SSCE/WAEC	8	3.51
		NCE/OND	22	9.65
		B.Sc./HND	89	39.04
		PGD	17	7.46
		Masters	69	30.26
		PhD	23	10.09
		Total	228	100.00
E.	Staff Designation	Academic	61	26.75
		Non-Academic	167	73.25
		Total	228	100.00
F.	Years in Services	2003 [11]	8	3.51
		2004 [10]	2	0.88
		2005 [9]	12	5.26
		2006 [8]	12	5.26
		2007 [7]	14	6.14
		2008 [6]	8	3.51
		2009 [5]	38	16.67
		2010 [4]	32	14.04
		2011 [3]	48	21.05
		2012 [2]	18	7.89
		2013 [1]	36	15.79
		Total	228	100.00

Source: Field Survey, 2013

While 40.35% of the respondents were between the ages of 31 & 40 years, 26.32% and 1.32% were between 26 & 30 years and 60 years and above respectively. Majority (56.14%) of the respondents were females while 43.86% were males.

Almost two-third (71.05%) of the respondents was married, while 66 (or 28.95%) were single. In terms of educational qualification, about one-tenth (10.09% and 9.65%) had PhD and OND/NCE as their highest academic qualifications respectively, while 30.26% and 39.04% had Masters and B.Sc./HND respectively. The table also shows that 61 or 26.75% of the respondents were academic (teaching) staff, leaving a balance of 73.25% as non-academic (non-teaching) staff.

On the number of years spent in the services of NOUN, the years 5 and 3 had the highest number of respondents with 16.67% and 21.05% respectively.

4.2 ANALYSIS BASED ON RESEARCH QUESTIONS

4.2.1 Awareness and Effectiveness of the CPS

TABLE 2: EXTENT OF RESPONDENTS' AWARENESS AND ASSESSMENT OF EFFECTIVENESS OF CPS

S/N	Variable		Frequency	Percentage (%)
A.	Contributor to the CPS	Yes	218	95.61
		No	10	4.39
		Total	228	100.00
B.	Aware of any other entitlement under the Nigerian pension law like death benefits	Yes	81	35.53
		No	147	64.47
		Total	228	100.00
C.	Aware if employers have been remitting contributions to the RSA	Yes	135	59.21
		Don't know	62	27.19
		No	31	13.60
		Total	228	100.00
D.	Gets regular account updates on RSA from the PFAs	Yes	141	64.68
		No	77	35.32
		Total	218	100.00
E.	Effectiveness of the CPS compared to the old Scheme before it	Very effective	48	21.05
		Effective	119	52.19
		Neither effective nor ineffective	43	18.86
		Ineffective	10	4.39
		Very ineffective	8	3.51
		Total	228	100.00
F.	Think Pension Funds should be invested to increase value and benefits for retirees	Yes	192	84.21
		No	36	15.79
		Total	228	100.00
G.	Adequacy of the current pension scheme to secure/sustain employees economically when they retire	Yes	78	34.51
		Don't know	73	31.86
		No	77	33.63
		Total	228	100.00
H.	Support for an amendment of the PRA increase minimum employees' contribution from 7.5% to 8.5%, while employers pay 12.5%	Yes	166	72.81
		No	62	27.19
		Total	228	100.00
I.	Greatest threat to pension assets	Financial losses due to bad investments	24	10.53
		Misappropriation by government officials	83	36.40
		Misappropriation by PFAs	67	29.39
		Misappropriation by PFCs	27	11.84
		Non-remittance of contributions by employers	27	11.84
		Total	228	100.00

Source: Field Survey, 2013

Table 2 reveals that 218 respondents representing 95.61 accurately stated that they were contributors to the CPS, while 4.39% incorrectly said they were not contributors. However, awareness on the existence of other entitlements like death benefits for survivors under Nigerian pension law was low with only 35.53% claiming to be aware of them. On awareness of employer remitting pension contributions to the Retirement Savings Account (RSA) 59.21% of the respondents were aware, while 13.60% claimed they were not aware.

Majority (64.68%) of respondents receive regular account updates on the RSA from their Pension Fund Administrators (PFAs). On effectiveness of the CPS compared to the previous scheme before it, 21.05% and 52.19% said it was very effective and effective respectively.

On the support for whether pension funds should be invested, 84.21% gave their nod, while 15.79% objected. A similar majority (72.81%) support was expressed for the proposed amendment to the Pension Reform Act (PRA) 2004 that would see an increase in minimum contributions of employees by 1% to 8.5% while the employers contribute 12.5%. Views on the adequacy of the CPS to secure and sustain employees economically at retirement were almost equally split amongst "yes" (34.51%), "don't know" (31.86%) and "no" (33.63%).

Among the corruption factors considered threats to pension fund assets, misappropriation by government officials topped the pack at 36.40%, followed by misappropriation by PFAs at 29.39%, while exactly equal proportion of respondents (11.84) believed misappropriation by Pension Fund Custodians (PFCs) and non-remittance of contributions by employers were the greatest threats.

TABLE 3: PREFERRED OPTIONS FOR INVESTING PENSION FUNDS

Variable	Frequency	percentage
Critical National Infrastructure	37	16.15
Government Bonds	101	44.27
Money Market Instruments	32	14.06
Stock Market /Shares	58	25.52
Total	228	100

(Source: Field Survey, 2013)

Table 3 reveals that Government bonds (44.27%) and stocks (25.52%) were respondents' options for investing pension funds; even as 14.06% preferred (other) money market instruments (apart from government bonds) and 16.15% thought critical national infrastructures like roads and power to be the right way to invest the funds.

TABLE 4: ASSOCIATION BETWEEN MARITAL STATUS, AND STAFF DESIGNATION WITH EFFECTIVENESS OF THE CPS

Marital Status		EFFECTIVENESS OF THE CPS COMPARED TO THE DBS					Total
		Very Effective	Effective	Neither Effective nor Ineffective	Ineffective	Very Ineffective	
	Married	38 (23.6)	89 (55.3)	28 (17.4)	6 (3.7)	0	161
	Single	10 (14.9)	30 (44.8)	15 (22.4)	4 (6.0)	8 (11.9)	67
	Total	48 (21.1)	119 (52.2)	43 (18.9)	10 (4.4)	8 (3.5)	228 (100%)
Chi-square = 11.4614 Df = 4 p = 0.0218							
Staff Designation		Very Effective	Effective	Neither Effective nor Ineffective	Ineffective	Very Ineffective	Total
	Academic	12 (19.7)	16 (26.2)	19 (31.1)	8 (13.1)	6 (9.8)	61
	Non-Academic	36 (21.5)	103 (61.7)	24 (14.4)	2 (1.2)	2 (1.2)	167
	Total	48 (21.1)	119 (52.2)	43 (18.9)	10 (4.4)	8 (3.5)	228 (100%)
Chi-square = 20.6468, Df = 4, p = 0.0004							

Source: Field Survey, 2013

Table 4 shows statistically significant relationship between marital status, and staff designation with effectiveness of CPS ($P < 0.05$). A greater proportion of married respondents (23.6% and 55.3%) believed the CPS was very effective and effective as against 14.9% and 44.8% of the singles respectively. In the case of staff designation, a greater proportion of the non-academic staff (i.e., non-teaching) compared to the academic (or teaching) staff, felt the scheme was effective.

TABLE 5: AWARENESS AND VIEWS ON OTHER SOCIAL SECURITY SCHEMES

TABLE 5: AWARENESS AND VIEWS ON OTHER SOCIAL SECURITY SCHEMES				
S/N	Variable		Frequency	Percentage (%)
A.	Awareness of other social security schemes other than the CPS	Yes	5	2.65
		No	223	97.35
		Total	228	100.00
B.	Need for a nationwide, government-backed social security/protection for vulnerable members of the society	Yes	197	86.40
		No	31	13.60
		Total	228	100.00
Funding for Universal Social Security				
C	Payroll tax only	Yes	15	7.61
		No	182	92.39
		Total	197	100.00
	Corporate tax only	Yes	21	10.66
		No	176	89.34
		Total	197	100.00
	Corporate and payroll taxes	Yes	70	35.53
		No	127	64.47
		Total	197	100.00
	Lottery taxes	Yes	29	14.72
		No	168	85.28
		Total	197	100.00
	Taxes from the super-rich only	Yes	54	27.41
		No	143	72.59
		Total	197	100.00
	Pension funds	Yes	31	15.74
		No	166	84.26
		Total	197	100.00
	Government budget only	Yes	109	55.33
		No	88	44.67
		Total	197	100.00

Table 5 reveals that only 2.65% of respondents are aware of other social security schemes other than the CPS. On the need for a nationwide, government-backed social security/protection for vulnerable members of the society, 86.40% of the respondents indicated agreement.

The sources of funding for universal social security in Nigeria were listed by the respondents as:

Government budget only (55.33%), corporate and payroll taxes (35.53%), taxes from the super-rich only (27.41%), pension funds (15.74%), lottery taxes (14.72%), corporate tax only (10.66%) and payroll tax only (7.61%).

Answers to Research Questions

Research Question 1: What is the Level of Awareness about CPS among the Staff of NOUN?

The level of awareness of CPS among staff of the National Open University of Nigeria was high, particularly given the fact that the scheme is mandatory. However, specific knowledge about some aspects of the schemes was relatively low. Table 2 reveals that 95.61% are aware of being contributors to the scheme, 35.53% are aware of other entitlements like death benefits, 59.21% are aware of the employer remitting pension contributors to the RSA, and 64.68% receive regular account updates on the RSA from PFAs.

Research Question 2: What Is The Level Of Participation Of NOUN Staff ON CPS?

Because of the compulsory nature of the scheme, participation is closely associated with awareness. The results of the study showed the level of participation as (95.61%). Participation by way of accessing benefits of the scheme could not be measured for employees, who are currently working. It is only on retirement that effectiveness by way of access to benefits could be measured.

Research Question 3: What is The Perceived Level of Effectiveness and Satisfaction among Participating Staff in CPS?

A combined total of 73.24% of respondents indicated that CPS was effective especially when compared with the old pension scheme.

Research Question 4: Do NOUN staffs have faith in the ability of CPS to deliver on its promises?

While there was a general belief that pension funds could be corruptly mismanaged, 36.4% and 29.39% of the respondents believed misappropriation by government officials and the PFAs to be the biggest threat to the CPS. On adequacy of the pension funds to meet the needs of the employees at retirements, respondents were almost equally divided in their responses, with 34.51% and 33.63% being positive and negative respectively. Perhaps, it was in recognition of this uncertainty that prompted 84.31% of the staff to support investment of the pension funds.

Research Question 5: What Are Those Factors Affecting Effective Participation/Utilization of the Scheme?

Marital status and staff designations showed statistically significant association with effectiveness of the CPS compared to the old pension scheme.

4.3 DISCUSSION OF FINDINGS

Awareness and Participation in CPS

The scheme as designed and implemented is mandatory; hence contributions are taken from source. The level of awareness and participation in the CPS among the staff was quite high: (95.1%) The higher awareness on remitting of deductions recorded for the CPS might have been informed by the fact that most of the PFAs are reachable for clarifications and they also give monthly/quarterly account updates as confirmed by 64.68% of the respondent

Level of Effectiveness and Satisfaction of the Staff on CPS

A combined 73.24% of respondents felt CPS was effective. This suggests a high level of satisfaction of participants with the scheme. Being satisfied with the scheme does not preclude efforts toward rejigging the scheme and making it more responsive to emerging needs, expectations and requirements of users. This is in line with efforts being made to review and update the law that established the scheme.

Level of Trust and Sense of Security Felt by the Staff Participating In the Scheme

With regards to the ability of the scheme to meet the future needs and satisfy the requirements of contributors on, the enquiry was two-pronged: the biggest threat to pension funds as well as the guarantee that the CPS could adequately cater for employees. On the first point, there was a general consensus that the pension funds could be threatened by mismanagement, given the pervasive corruption in the land. Among the possible threats considered, misappropriation by corrupt government officials and PFAs topped the pack with 36.40% and 29.39% respectively. Given the perennial cases of pension funds theft involving government officials, the views of the NOUN staff could be understood. However, it may be pointed out that no serious infractions have been recorded so far with CPS involving the PFAs.

On the second point which deals with sustainability and adequacy of the CPS to cater for employees' economic needs at retirement, responses were almost equally split amongst "yes" (34.51%), "don't know" (31.86%) and "no" (33.63%). It was the recognition of this fact that might have informed the reason why about five out of every six respondents (84.31%) supported the investment of pension fund, while 72.81% gave their nod for an increase in CPS deductions to a total of 20% from 15%, with the employees paying 8.5% as against the current rate of 7.5%.

Compared to the DBS, it has been reported that some of the officers who have retired under the CPS do not receive as much funds as they had hoped. Such a situation, could be improved upon with increased contributions as discussed above, especially considering the fact that the average lifespan of Nigerians—which, as at 2011, was 52 and 54 years for male and female respectively (WHO, 2012)—is sure to increase in the nearest future, thereby stretching the pension assets. Another issue that should also be mentioned about sustainability and adequacy of the pension funds is the eroding effects of inflation. Section 3 of the PRA 2004 gives the option for a retiring worker to take a lump sum from his RSA but provided the remaining amount is enough to fund an annuity with a resultant income "not less than 50% of his monthly remuneration." With an inflation rate averaging over 11% in the past ten (10) years (World Bank, 2013), it is important that there is some provision for a fully indexed pension and appropriate actuarial reviews by the PenCom. Simply put, PenCom should ensure that what a pensioner earns monthly, which by law should not be less than 50% of his last monthly remuneration while he/she was in service, should be a function of real purchasing power, not nominal figures.

Factors Influencing/Affecting Effective Participation/Utilization of the Scheme

In the case of the CPS, the PFAs are at the centre of the pension scheme. Majority (64.68%) of the respondents reportedly got timely account updates on RSA.

On how to boost accruable benefits from pension fund by investment, 44.27% and 25.52% went for government bonds and stocks/shares respectively, while 16.15% thought critical national infrastructures like roads and power to be the right way to invest the funds. Here, care must be taken by the PenCom to ensure that necessary institutional frameworks are put in place to ensure that accumulated pension contributions standing at almost N5 trillion are prudently invested in only productive endeavours and not in high risk and questionable business concepts that would endanger the economic survival of the owners of the funds at retirements.

Marital status and designation of staff were the statistically significant factors that influenced the perceived effectiveness of the contributory pension scheme ($P < 0.05$). A greater proportion of married respondents (23.6% and 55.3%) believed the CPS was very effective and effective as against 14.9% and 44.8% of the singles respectively; while a greater proportion of the non-academic/non-teaching staff compared to the academic/teaching staff, felt the scheme was effective.

Towards a Universal Nigerian Social Security Schemes and What Lessons From Other Countries

A total 197 respondents representing 86.40% believed there was the need for a nationwide social protection scheme for the most vulnerable in the society. Out of this number, 55.33% and 35.53% were of the view that government budget and payroll & corporate taxes respectively, should provide the needed funding for a comprehensive national social security scheme.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

Summary of the key findings of this study include:

1. The level of general awareness of the staff of the National Open University of Nigeria about CPS was high, but specific knowledge about some components of the scheme was relatively low.
2. Participation in the CPS is not by choice- it is mandatory. Hence all qualified staffs are contributors to the scheme.
3. Many respondents were not certain if deductions for CPS were remitted to their RSA.
4. The scheme was considered to be effective by a combined 73.24% of the respondents. Effectiveness of the CPS was determined by marital status and staff designations.
5. A vast majority of the respondents were of the view that there was the need for a nationwide social protection scheme for the most vulnerable members of the society, which should be funded mainly through government budget and payroll & corporate taxes.

5.2 CONCLUSION

Findings of this research revealed mixed results for awareness and effectiveness of CPS among staff of the National Open University of Nigeria (NOUN). Awareness of the scheme was generally high, even though knowledge about some of its components was relatively low. While perceived effectiveness of the CPS was high, the fact that a combined proportion of 65.79% of the respondents believed that the pension funds could be misappropriated by corrupt government officials and the PFAs, should prompt the relevant government agencies to take necessary steps to engender transparency and prudence in the management of pension fund assets.

CPS has been hugely successful, compared with the old pension scheme, but there is room for sustainable improvements that will guarantee that the scheme better serves the interests of contributors and the larger society.

5.3.1 RECOMMENDATIONS

The sustainable improvements needed in getting CPS to better serve the interests of contributors and the larger society will include the following:

1. ENHANCING THE AWARENESS LEVEL OF CONTRIBUTORS ON THE ELEMENTS AND PROVISIONS OF THE SCHEME

Each and every contributor to CPS should be given a copy whether soft or hard of the law establishing the scheme for reading and ease of reference. PenCom bulletin on current happenings in the area of pension administration in Nigeria should be produced and given to every contributor on a regular basis. The need for contributors to be informed and empowered cannot be overemphasized.

2. BRIDGING THE GAP BETWEEN EXPECTATIONS AND ACTUAL RECEIPTS OF CONTRIBUTORS AFTER RETIREMENT

What most contributors have heard and are expecting is that upon retirement, their monthly pension will not be less than 50% of their last monthly salary. This is true but confusing. Most contributors look forward to receiving 50% of their total salary but what is provided for is 50% of their basic salary. The difference between the two salary payments is often very significant.

3. LINKING CPS RETIREES TO NHIS

While most workers in Nigeria enjoy the benefits of NHIS, they are removed from the scheme on retirement. This need not be so. Retirees who are on CPS, can continue on NHIS after retirement if they so wish. The monthly contributions on the NHIS can be paid by the PFA from the pension of qualified and interested retirees. In this way, the health of retirees will not be jeopardized.

4. ENCOURAGING PRIVATE INDIVIDUALS TO PARTICIPATE ON CPS AS AN ALTERNATIVE TO INSURANCE

Provisions should be made in the law establishing CPS that will allow individuals to enroll on the scheme as an alternative to personal income and other forms of insurance. This will allow interested individuals to make regular monthly contributions and on getting to a certain age become eligible to an annuity or computed monthly payment based on the contributions they have made. This will guarantee them an income even when they are no longer working.

5. ENABLING RETIREES TO BORROW FROM BANKS AND OTHER INSTITUTIONS ON THE STRENGTH OF THEIR MONTHLY PENSION INCOME

Since CPS guarantees retirees regular income, they should be able to borrow based on the expected income to meet emergency situations. It is to be noted that banks these days give loans/facilities to customers based on their salary being paid through them. This gesture should be extended to retirees on CPS.

5.4 RECOMMENDATION FOR FUTURE RESEARCH

A national study on awareness, satisfaction and effectiveness should be carried out to ascertain the views of a greater proportion of Nigerians regarding CPS as well as to determine appropriate sources of funding for a universal social protection scheme for the most vulnerable members of the society.

Furthermore, to better understand the issues, it would be important for the study design to also examine other specific factors that influence awareness, utilization, satisfaction and perceived effectiveness of the scheme.

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