

Determinants of Adequacy and Sustainability of Pension Reforms in Nigeria

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ABSTRACT

This study examined the factors that affect the adequacy and sustainability of the new Pension scheme in Nigeria. The aim was to ensure that the challenges of the old schemes are removed to the barest minimum with the adoption of the new scheme. However, the scheme is being attacked from numerous quarters. The twin issues of adequacy and safety of the funds (contributions) seemed to have overshadowed the intended benefits of the scheme. The participants in the scheme are too small to sustain their livelihood. Some have said that the payments fall short of their expectations and hence, the need for the scheme to be reviewed, or scrapped. This study shows that safety and appropriate reinvestment of pension fund can engender the adequacy and sustainability of the scheme.

Keyword: Pension Scheme, pension fund reform, Contributory Scheme, re-investment of pension fund, pension risk frame work.

I. INTRODUCTION

The Nigerian employment system has been characterized by several anomalies which have led to the inability of retirees in both the private and public sectors to access their pension benefits as and when due. From the challenges of unemployment to under-employment, employment and retirement, the stories of employment/labour system have never been so good in Nigeria. The prevalence of non-payment, of salaries and entitlements on-time, to the issue of unpaid backlogs remain very controversial and challenging with its negative distortions of the economic and financial planning of Nigeria. However, of greater challenges is the point of exit of the employment system either as a result of voluntary retirement, attainment of statutory service age or completion of the maximum service age (as is the case in the

public sector), the payment of pensions and gratuities has remained a major national economic and financial issue. In fact, the governments, at various levels, "have had to make huge budgetary provisions for the payment of backlogs. It should be noted that, pension issues are not Nigerian phenomenon alone. Many countries are also facing many challenges in the settlement of their retirement benefits (Myles, 2017). However, on Country-by-country analysis, Nigeria seemed to be far behind in the management of its retirement benefits.

For the Private sector, most organizations have had their ways by not establishing any formal pension scheme for their employees (due to the fact that there was no law to compel such), but rather chose to pay-off their employees upon retirement or any formal exit procedure (Ahmad, 2018). In doing this, most organizations calculate the final benefits of a given employee based on his or her annual salaries with other approved compensations which are in-line with the company's policy: This means there was no legal requirements for the private sector to put in place any formal pension scheme for their employees. The major legal effort at enacting a law for formal pension scheme was the National Provident Fund (NPF) which was established in 1961 to cater for the employees in the private sector. This was replaced by National Social Insurance Trust Fund (NSITF) in 1993 to cater for employees in the Private Sector of the economy against the loss of employment income in case of old age, invalidity or death.

However, most of these schemes DID NOT MAKE provisions for compulsory enforcement. It was at the discretion of the organizations and THEIR management. Hence, pension in the private sector remained the rule-of-the-thumb which most organizations reluctantly joined but failed to remit the statutory contributions as appropriate.

Therefore, the scheme was underfunded and was unable to fulfil its mandate as the retired employees had little or nothing to draw from the account upon retirement (Amaike, 2019). On the other hand, the public sector was never supported by any separate formal arrangements meant to cater for the cost of financing the pension liabilities of the government. What was largely available was a government-backed pension scheme where budgetary provisions were made for the purpose of settling all retirement benefits arising from a given financial year. However, as the retirement frame of the public sector workers increased, the budgetary allocations became grossly inadequate to settle the accompanying liabilities of government. Consequently, the pension liabilities of government have risen to well over two (2) trillion Naira (N2 Trillion) as at 2012 (Pencom, 2012). This is well above 50 percent of the estimated Federal Government of Nigeria total annual budgets for 2014 fiscal year.

The decisions of investment managers of the PFAs, who are responsible for the processes, impact greatly on the value of returns and safety of the funds, hence the need to put in place appropriate risk management systems. Sound and efficient investment management strategy in the huge pension fund assets has implication on the economy. The spread of large accumulated fund to the capital and money markets are employment opportunities creation (Adejoh, 2013).

Consequent upon the introduction of the new pension scheme, many concerns of mismanagement and sharp practices have been expressed by various stakeholders. More so, the recently reported fraudulent practices in the management of the Federal Pension funds by its officials have further heightened the fears of the participants in the scheme and have discouraged the prospective participants in the scheme. This doubt has led to the call for partial or total withdraw of some agencies of government, for instance, Nigeria Police Force has already been given the authorization by the Federal government to withdraw from the scheme.

This study is therefore aimed at critically examining the real issue of risks and adequacy in the management of the Funds in order to ensure that adequate regulatory frameworks are put in place and the internal process of fund management of the PFA, as well as the PFC, are closely monitored. It is the belief of the researchers that once the issue of risk is appropriately managed the industry will witness growth and contribute significantly to the development of the Nigerian economy. This will further enhance the confidence

of the participants in the scheme thereby encouraging sceptical employers and employees to build interest in it as well as commit their finances. More so, the study recognizes that information gap has led to the perceived bad faith about the scheme.

Hence, this study will bridge the gap as adequate as possible, to the extent that such acceptability can further help the Nigerian economy in generating the needed funds for its infrastructural needs as a result of the pension industry regulator, PENCOM, and the governments at different levels by encouraging and enforcing good corporate risk management practices in the pension administration. To this end, the following research objectives were ascertained:

- i. To examine the extent to which adequacy and sustainability of pension funds rely on the safety of pension scheme, re-investment of pension fund, and pension fund in the capital market.
- ii. To assess the extent to which adequacy of the pension reform rely on an effective pension risk frame work.

II. REVIEW OF RELATED LITERATURE

Nature of Pension Reforms

The Pension reform Act 2004 established a contributory pension scheme where both the employees and employer contribute percentage of the monthly income of the employee into the Retirement Savings Account (RSA) opened by the employee with any Pension Fund Administrator (PFA) of his or her choice among those licensed by PENCOM. The new Pension Reform Act 2004, and its operations, was a clear departure from the old system. The old pension system was largely fully unfunded and was based on the defined Benefit System (DBS).

This system clearly specified what the monthly/annual pension emoluments of a particular retiree shall be at a given time and as calculated by the appropriate agency taking into cognizance the standard of living and the inflation rate par time (this is in line with the constitutional provisions on Pension Benefits). However, the system was characterized with flaws as • the payment of benefit was not guaranteed due to inadequate budgetary provisions. The old system was otherwise referred to as the Pay-You-Go Scheme (PAYG). Some of the identified rationale for that necessitated the need for reforms.

Rationale for Reforms

- Ensure that every worker receives his retirement benefits as and when due.

- Empower the workers & assist workers to save in order to cater for their livelihood during old age.
- Stem the growth of pension liabilities.
- Establish uniform rules, regulations & standards for administration of pension matter.
- Secure compliance & promote wider coverage (Ahmad, 2018).

In order to carry out these objectives, the provisions of the PRA 2014 was diligently crafted in order to ensure that the Act meets the minimum expectations of the society at solving the National distortions which characterized the pension administration in Nigeria. As stated under section 2 of the PRA, 2014 the objectives of the scheme were stated as:

- a) Ensure that every person who worked in either the public sector of the Federation, Federal Capital Territory or Private sector receives his retirement benefits as and when due;
- b) Assist improvident individuals by ensuring that they save in order to cater for their livelihood during old age; and
- c) Establish a uniform set of rules, regulations and standards for the administration and payment of retirement benefits for the public service of the Federation, Federal Capital Territory and the Private Sector.

In order to achieve these set objectives, the Act mandated every employer of labour, as well as the employee, within the defined criteria to contribute and pay an amount equivalent to the percentage of the employees' certain combinations of monthly income into an account with the PFA. The Act equally empowers National Pension Commission (PENCOM) to license private sector fund managers as the collector and administrators of pension funds in Nigeria. PENCOM is also empowered to license separate organizations (which are usually banks) to act as the Pension Fund custodian. According to PENCOM, this is referred to as the principle of 'ring fencing'.

The aim of this dichotomy between the Fund Manager/Administrator and the Fund Custodian is to ensure that the Fund is not mismanaged by one single entity; where one acts in the dual capacity. Hence, the check and balance between the PFA and the PFC. While the PFA acts as the interface between the contributor(s) (the employers and the employees), it also has the final authority on the management of the fund. The PFC, on the other hand, acts as the direct collector of the contributions from the paying party as they act as the bankers to the PFAs. However, their utilization of the fund is as directed by the PFA. In the sum,

the fund management and investment is solely the responsibility of the PFAs.

Imperatives of Pension Administration Reform in Nigeria

Adetola (2015) asked, 'so what is pension and why such fuss concerning its provision, availability and sustainability?' A simple question one might respond. Pension is the payment of a stipend to a person who has retired from active employment or business engagement. The payment is sustained by way of deductions from past entitlements or past earnings, which are saved to provide retirement benefits. Often these deductions are tax-free against income and Corporation tax when specifically approved by the tax authorities. Thus, a tax savings device. Saving is long-term; it is also useful as a macro-economic tool for National development by enabling money to be in circulation for a long-term investment which in turn promotes economic expansions. Thus, pension contributions go a long way in enhancing a country's Gross Domestic Product (GDP) and the quality of life of citizens. From the above submission, it is deduced that pension administration is not just for the benefit of the individual pensioner but for the growth of the National economy which subsequently impacts on the well-being of all the populace both employed and the unemployed.

The pension liabilities of government as at 2014, has risen to a very alarming level, only second to the Nigerian foreign debts portfolio. (NBS, 2016). Governments at various levels could no longer maintain its obligations to the pensioners as at when due. Stories of accumulated pension arrears abound in the Nigerian system leaving pensioners dead without accessing their pension entitlements. Government had embarked on numerous, most times futile, verification exercises solely aimed at ascertaining the genuineness or otherwise of its pensioners. In the process of this, many elderly individuals have died while undergoing the rigorous exercises. The increasing pension liabilities portfolios were becoming the major source of concerns for economic policymakers and the government, as it was affecting the annual budgeting systems negatively over a period of time. Year-on-year governments, at various levels, made provisions for huge budgetary allocations towards the settlement of its pension liabilities. These allocations have remained insignificant (a minute) to the actual annual portfolio of governments. This had resulted in deficit and accumulated areas of pension in Nigeria. Adetola (2015) highlighted that the

government pension claims were about N2 trillion a staggering sum to pronounce. Imagine if this trillion-naira mark had been made in savings and investments, the economic impacts would have been huge on the productive sector.

World Bank (2014) observed that, 'systems providing financial security for the old are under increasing strain throughout the World. Rapid demographic transitions caused by rising life expectancy and declining fertility mean that the proportion of old people in the general population is growing rapidly. Extended families and other traditional ways of supporting the old are weakening. Meanwhile, formal systems, such as government-backed pensions, have proved both unsustainable and very difficult to reform. In some countries, these systems are nearing collapse. The increasing government responsibilities in today's modern economic arrangements have called for increasing public spending towards the provision of basic amenities and social infrastructures for the younger population and employees leaving leaner resources to cater for the provision of older population-in form of pension provisions and old age supports. In Nigeria, likewise most third World countries, social welfare for the aged is non-existent leaving the old retired citizens only to the pension benefits accruable. More so, the increasing economic hardship and urbanization in Nigeria is gradually wearing the communal systems of living which entailed that communities cater for its old natives as more people are adopting secluded lifestyles as a result of inadequate resources. This has further left the old people in the difficult situation in the absence of sustainable, timely and adequate payment of pension by their former employers-especially the government.

Reform Era in Pension Administration

In view of the above stated challenges in the pension administration in Nigeria, the government and its policymakers recognized the need to embark on total reform of the pension systems in Nigeria in order to ensure, not just the availability of funds for pension payments, but its sustainability. In view of the fact that the pension system hitherto adopted in Nigeria was the defined-benefit system (DB) under which government (or the employer) pays a fixed amount of money to the retiree at a given interval at retirement, except as otherwise reviewed, throughout his life. The government thought it wise to shift the paradigm in order to ensure that pension payments aligned with the economic situation of the country and the country and the economic status of the beneficiaries 'as at the time/period of payment.

Key Features of Pension Reform Act 2014

The Pension Reform Act 2014 was reputed as one of the most sophisticated enabling Acts Nigeria has ever adopted. Some of the notable features of the Act include:

1. Independent Regulator: The Act under sections 14, 15 16 & 17 prescribed the establishment of the National Pension Commission (referred to as "the commission"). It stated the object, membership, tenure and other substantive issues concerning the administration and functions of the Commission.
2. Transitional Provisions— Part Vi: Section 29 of the Act highlighted how the government intended to redeem its previous pension liabilities which were accumulated under the old scheme.
3. Publication of list of pension fund administrators: Sections 55 & 56 stipulated that the commission should publish the list of all PFAs and PFCs licensed under a particular year. It also stipulated the requirements of the PFAs & PFCs to subject their book to the commission's enquires.
4. Part Viii: Section 44-47 described the establishment and functions of the Pension Fund Administrators and the Pension Fund Custodians under the new scheme.
5. Obligation of the PFAs and PFCs: Sections 59 specifically & other supporting sections stipulated that the PFAs and PFCs have obligations to manage the funds under its management in accordance with the provisions of the Act, any regulation or guidelines made hereunder and any direction given by the commission.
6. Risk Management and Investment Committees: Section 66 and its associated sections required that PFA shall establish certain standing committees including Risk Management and Investment Strategy committee with their functions outlined.
7. Appointment of Directors and Chief Executive Officer: Section 67 of the Act prohibits the appointment of a director or CEO by any PFA or PFC without the prior written approval of the commission.
8. Investment of Pension Fund-Part Ix: Sections 72-78 of the Act stated the investment objectives or all contributions under the Act. It outlined the investment classes the Fund may be invested. It also precludes certain investment classes while restricting the extent of investment in others.

9. Scheme Establishment: Section 1 stipulates the establishment for any employment in the Federal Republic of Nigeria, a contributory pension scheme (referred as 'The Scheme').
10. Objectives of the Scheme: Sections 2 & 3 describes the objectives of the scheme and requirement for the withdrawal of contributions from the scheme respectively.

From the stated features it is has been argued that the pension industry is about the most regulated industry in the financial sector in Nigeria- and possibly all over the World. Given the strictness of the investment regulations, many industry observers have criticized such tight-fisted approach as too "boxed-up" as it stifled the investment initiatives of the PFAs and the PFCs especially ,in a new industry that requires growth of investment and returns-on-investment (ROI): However, the regulators have often advanced an argument to the extent that the strict investment regulation very important for a very sensitive industry/scheme as well as the newness of the scheme in Nigeria. The strict regulatory approach seemed to have been justified in the wake of the financial meltdown in the period between 2007 and 2011 which eroded the financial/market value of most financial/capital markets in the World Many European countries including Greece, Italy and Spain have not recovered fully from the negative impacts of the economic bust as a result of the initial booms which created false growth in many markets of the World. It was noted that many pension systems that allowed larger part of its assets in capital markets lost considerable values and became very difficult to meet its objective of providing retirement benefits as adequate as would have been otherwise expected in the case of positive growth in the fund. Nigeria, though was not spared of the financial crash, but was able to minimize its impacts as a result of the strict regulation of investment in the pension industry. However, the banking sector was not spared of the crisis as many of the banks heavily invested its funds in the capital market, especially in the wake of the margin loans crisis.

Funding

Prior to 2014 reforms, the pension system was largely unfunded and operated under the structure of Pay-As-You-Go (PAYE). Here the employer does not have any prior pension obligations to the employee until retirement. The employer, upon retirement of the employee, transfers the total pension portfolio of the employee to its pension department, which in turn administers the funds as stipulated in the pension guidelines

adopted by the organization. The major challenge of the system was that the employer had no ready-made pools from which it can draw the benefit of any retiring employees.

Hence, in most cases, employers were unable to meet such obligations whenever they fall due; most especially public institutions (government-controlled agencies) which could hardly meet its obligations as they fall due. Government has had to borrow to meet its obligations to its retirees over a period of time and whenever this payment falls short, it turned out to be arrears by the government. Therefore, most retirees in the public sector stayed without being paid their entitlements for many months and years, otherwise they died in the process. However; from the commencement of the PRA 2014, the structure has been largely Funded and Pay-As-You-Earn (PAYE). In other 'word, each contribution becomes due upon the payment of each month wages by the employee. By the stipulation of the PRA 2014, the employee is obligated to pay 7.5% of the sum of its basic salary, transport allowance and the housing allowance into the Retirement Savings Account (RSA) opened with a PFA. The employer, as well, is under statutory obligations to contribute the exact percentage (equal amounts) into the employee's RSA at the same time. This arrangement has made it impossible, except on default, for the RSA to become unfunded, at any given period.

The old scheme operated the Defined-Benefit system (DB). Under this scheme, the employee may not have any prior idea of what goes into the Retirement savings or predict what his regular benefits given the established structure under which pension payment is due. This system may, in most cases, create uncertainty for the retiring employee as planning becomes unreliable, and sometimes unsustainable. On the other hand, the new scheme moved to the Defined-contribution system (DC) under which employee knows the exact amount that enters his RSA period. Such employee would know and can adjust his retirement expectations as his emoluments change while still in employment. This creates reasonable certainty for retirement planning, even old age living standard stability.

Nature of the act and the scheme

While the Act made the scheme compulsory for the organized private sector (employing persons as at the time of the Act) and in the public service of the Federation, no such mandate was placed on the States (Municipal) and Local Governments in the Federation. The Act

made it optional but appealing to the States and Local Government authority. It is not effective in any 'State until, a Law is passed to that extent; This has also made the available contributors leaner. As at December, 2013, just about 20 States in the Federation have passed the Pension. Law and less than that have commenced the actual contributions into the scheme. Of those that have started contributing, reports have it that it is only about two States (Lagos and Niger) that have been faithful to their remittances (Pencom, 2014).

Another major blow to the Act and the scheme is the fact that even though it is compulsory in the private sector, not all available employers have embraced the scheme. While many employers have bemoaned the cost of pension others have simply ignored its existence and benefits. Though the Act empowered PENCOM to enforce its compliance among the eligible employers, as well as sanction defaulting employers, these aspects of the Law has not been fully enforced; leaving a significant portion of the market out of the scheme. According to PENCOM data, there were only about four (4) million subscribers at the end of last quarters of 2019, five years after the scheme took effect and increased to a little over five (5) million, contributors (10% of the total expected subscribers) as at end of last quarters of 2019.

The inherent nature of the scheme and the tone of the Act seemed to have lain precise and more emphasis on the formal sector. The scheme is such that it encourages the, deduction from the salaries by the employers and remittances to the PFAs but deemphasized the method through which the informal sector can be made to participate freely in the scheme only encourages deductions that are coming only from the employees' payroll/slip, i.e. from salaries or Additional Voluntary contribution (AVC). In others words, even employees either organized private sector or in the Public sector cannot add to his RSA contributions from any other source other than his salary. This places limits on the informal sector as most of the entrepreneurs do not have verifiable payroll systems from where the accuracy or otherwise of deductions for the scheme can be made. More so, most of the informal sector employers pay their staff by cash and not through the banking system.

In recent times, however, PENCOM has mused ways of opening up the scheme in order to capture the unreached formal sector, as well as 'design products that will win the interest and need of the informal sector but not much has been achieved in this respect. The gap between the market and the scheme seemed widening everyday

another major strategy of PENCOM toward forcing employers to adopt the scheme is to emphasise that all, organizations doing business with the public sector must produce their certificates of Participation issued by their PFAs before they can be given businesses has not succeeded so much as most employers have found ways round it as well as the inability of the agencies to implement such directive faithfully.

Theoretical Framework

The underpinning theory guiding this study is the Deferred Wage Theory Myhmad (2018) views the Pension plan as a method to defer some compensation until an employee. retires. The employer promises to provide a pension payment in exchange for current services. The deferral of wages often results in individual tax savings. The advantages to the employer of providing a pension plan are less obvious. Under the deferred wage theory, firms offer pension plans because of economies of scale in administrative, portfolio management and other cost, e.g., Lester (1967), in Myhmad, (2018). The employer receives cash flow benefits to the extent that the present value of deferred wages exceeds the required funding (especially as now required by ERISA).

Empirical Review

Aaron (2018) noted that there is basically four concerns pension system "sustainability should address from a political economy perspective, the adequacy of the system for the average voter's needs to be ensured. If a system is not seen as beneficial by the electoral majority, namely by not helping them maintain their pre-retirement living standards, it could be voted out. While government is happy that it has reduced its pension liabilities and created a relatively perfect pension solution for the Nigerian working populace, the beneficiaries seemed to have different opinions about the efficiency of the system. Aaron (2018) opined that while financial sustainability is an important factor underlying the sustainability of the reform, simply focusing on it alone is seriously inadequate as by doing so, one fails to take into account what pension systems are expected to achieve. By adopting a narrow vision of spending on pensions, this approach also fails to take into account potential feedback effects on fiscal spending from the impact of reforms on pension system adequacy. Fiscal sustainability and pension system adequacy are not conflicting aims, but rather two sides of the same coin. Real fiscal sustainability • cannot, be achieved without ensuring, pension system adequacy. If pension system falls short, there could

be strong political pressure for higher government spending on other support.

In a similar vein, Beredugo (2015) examined the impact of pension fund accounting on pensioners' wellbeing together with their sustainability and life expectancy. The study was carried out on a sample of 400 pensioners drawn from Oyo, Rivers and Kano States; while, a judgmental sampling technique was used. The Ordinary Least Square (OLS) was however adopted for the hypotheses tests and it was discovered that pension fund accounting significant affect pensioners' wellbeing and that pensioners' sustainability is dependent on collective bargaining between the pensioners and their administrators. It was recommended that organizations should always recognize pension costs along with the plan's assets and obligations in their financial statements; and organizations and/or governments should bear the contribution of low-income earners.

Zaidi (2016) points out "policy-makers need to remember that pensions were not introduced by chance. Spending on pensions is but a means to an end the alleviation of poverty and the provision of income replacement during retirement." While with the introduction of pension scheme in 2004, Nigerian government may have succeeded in reducing its future fiscal burden, it has not achieved the concerns for poverty alleviation among pensioners. In fact, more people are seeing retirement as a state of dramatic drop in their standard of living and poverty. One of the conclusions in this study is that living standard of workers dropped sharply after retirement. For instance, a director in the Federal Civil Service whose gross monthly salaries were about N400,000 (\$2,500), on retirement his monthly pension payment from his PFA, from 2010 came down to N40,000 (\$250). This represents only about 10% of the pre-retirement emoluments. By implication, his consumption capacity has, been reduced by as much as 90% post-retirement. This represents an increase in poverty rating-by income.

Nwanna and Ogbonna (2019) in an article titled Pension Reforms Act 2014 and the provision of infrastructures for sustainable development in Nigeria states that, the Nigerian economy is facing significant challenges inhibiting the attainment of its full potentials. Retirement Planning as an exercise the world over is fraught with many challenges prompting many developing nations to amend and sometimes restructure their national old-age programmes. As they do so, these countries seek guidance on how to design market and regulatory structures to enhance their chances of

success. This paper investigates the types of risks facing retirement saving holders in the Nigerian Reform Pension Act 2004 and examines which financial, regulatory, and labour market institutions that appear most supportive of retirement reforms, and most urgently needed, in Nigeria. The Pension Reform Act 2014 provided for a funded contributory pension scheme that covers both the public and private sectors. Using a regression analysis on the performance results of Pension Fund Administrators proxy by Pension Fund Assets and total pension registration and economic growth proxy by gross domestic product at basic price; They try to establish a relationship in the investment performance of pension funds in Nigeria. The study observed the low level of compliance by employers of labour, especially those in the private sector, to the provisions of the Pension Reform Act 2004, which impedes the successful implementation of the scheme. Notwithstanding that, the New Pension Reform Act 2014 has created an environment in which the administration of promised old-age benefits will be made more affordable, efficient, and equitable in the future. The pension reforms act 2014 contributes significantly to the economic growth of Nigeria.

Chibueze and Ogwemoh, (2020) examined the post 2014 Pension Reform Act on Nigeria economic growth. The study specifically sought to ascertain the effects of post 2014: Retirement Savings Account (RSA) portfolio performance; Closed Pension Fund Administrators (CPFA) portfolio performance; and contributory pension scheme (CPS) portfolio performance on Nigeria economic growth. The study is hinged on the deferred wage theory and endogenous growth theory. The study adopted ex-post facto research design. Secondary data was quarterly sourced from National Pension Commission for a period of 2011 to 2019. The Ordinary Least Squares was employed in estimating the hypotheses as stated in the study's model specification. The findings show that retirement savings account portfolio performance; closed pension fund administrators portfolio performance; and contributory pension scheme portfolio performance have positive and significant effect on Nigeria economic growth. This implies that the Nigeria pension industry is contributing significantly to Nigeria economic growth. The study recommended amongst others that policy makers, especially, the pension regulators such as PenCom, etc. should make concerted efforts at expanding and regulating the investment outlets for Pension Fund Custodians in the country.

III. METHODOLOGY

This study adopts the cross-sectional field survey of quasi-experimental research design. The survey design was adopted because of the need to gather enough discriminative data across a wide range of the study subjects that further enhanced the generation of our finding. Data used in this study will be mainly the primary data and was collected from cross section of retirees from selected States in the South-South Geopolitical zone in Nigeria. These data sets were collected from selected States with predominant large pensioners. These include Rivers, Delta and Akwa-Ibom States.

1.1 Research Hypotheses

In other to achieve the objectives of the study, the following null hypotheses were tested:

H0₁: Adequacy and sustainability of pension fund do not significant depend on safety of pension scheme, re-investment of pension fund, and pension fund in the capital market.

H0₂: Adequacy of the pension reform does not significant depend on effective pension risk frame work.

The statistical and mathematical tools to be used include percentages, frequencies, tabulation, and descriptive statistics while regression analysis was used to test the question generated in this work. The regression model is a s presented below:.

$$Y = f(X_1, X_2, X_3) \text{ -----(1)}$$

$$A\&S = \beta_0 + \beta_1 SPS_1 + \beta_2 RIF_2 + \beta_3 PFCM_3 + \epsilon \text{ (2)}$$

$$PFR = \beta_0 + \beta_1 RFW + \epsilon \text{ -----(3)}$$

That is $B_1 - \beta_3 > 0$

Where: A&S = Adequacy and Sustainability; SPS = Safety of Pension Scheme; RIF = Re-investment

of Pension Fund; PFCM = Pension Fund in the Capital Market; PFR = Pension Fund Reform; and RFW = Risk Frame Work; $\beta_0, \beta_1, \beta_2, \beta_3$, are the coefficients of the regression, while ϵ is the error term capturing other explanatory variables not explicitly included in the model. The regression reports p values which can be used as an alternative approach in assessing the significance of regression coefficients. The p value shows what is the smallest level at which we would be able to accept the null hypotheses of a test. We use a 5% level of significance; hence we conclude that the coefficient is significantly different from zero at the 5% level if the p-values is less than or equal to 0.05. If it is greater than 0.05 then we cannot reject the null hypothesis that the coefficient is actually zero at our 5% significance level.

IV. DATA PRESENTATION

The result as it relates to the research objectives and questions. A total number of three hundred and fifteen (325) copies of the questionnaire were distributed to cross section of pensioners in Rivers, Delta and Akwa-Ibom States. Three hundred and ten (319) were eventually' retrieved but three hundred and thirteen (313) were usable for the analysis, making it a response rate of 96.3%. Respondents' opinions were, presented in tabular form using the descriptive statistics.

For the purpose of testing research objectives and questions, regression analysis was adopted. This is appropriate in view of the fact that it is to be tested and help in determining the relationships between the variables.

Table 1

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Adeq_and_Sust	313	1.00	5.00	3.9776	1.11924
Safety_Pension_scheme	313	1.00	5.00	4.0256	1.07982
Reinvestment_of_fund	313	1.00	5.00	3.7284	1.08887
Fund_in_Capi_Mark	313	1.00	5.00	3.9808	1.13211
pension_risk_framework	313	1.00	5.00	3.6597	0.98921
Valid N (listwise)	313				

Table 1 above shows the descriptive statistics that gives an overview of the responses for each of the variables used for the hypotheses tests. The means response on the need for increased adequacy and sustainability of the pension reform falls within 3.97. This is closer to 4 indicating that on the average, respondents from the distribution agreed that increase adequacy and sustainability of

the pension reform is essential. The means response on safety pension scheme (mean = 4.0256) also falls within the ambits of agreed perceptions. The mean response for reinvestment of pension fund also fall with 4 (mean= 3.7284). The mean response of 3.9808 on the need to have the pension funds in the capital market also shows that the most of the respondents also agreed on the assertion. The

mean response of 3.6597 falls within 4 indicating that on the average, respondents' opinion tilted toward agreeing on the need for pension risk

framework as a prerequisite of managing pension funds in Nigeria.

Table 2

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	44.067	3	14.689	13.089	.000 ^b
	Residual	346.776	309	1.122		
	Total	390.843	312			

a. Dependent Variable: Adeq_and_Sust

b. Predictors: (Constant), Reinvestment_of_fund, Fund_in_Capi_Mark, Safety_Pension_scheme

The analysis of variance shows a favorable F-value for the imperative of pension reforms [$f_{cal} = 13.089$ p-value < 0.05] with a p-value of 0.000 that is lower than the 0.05 level of significance; this indicates a goodness of fit for the model.

Table 3

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.923	.336		5.730	.000
	Safety_Pension_scheme	.153	.059	.148	2.613	.009
	Reinvestment_of_fund	.143	.058	.139	2.458	.015
	Fund_in_Capi_Mark	.228	.053	.230	4.292	.000

a. Dependent Variable: Adeq_and_Sust

The analysis on the multiple regression show that with a favourable t-statistics for safety pension scheme, reinvestment of fund and the availability of pension fund in the capital market [$t_{stat} = 2.613, 2.458$ and 4.292 p-value < 0.05] as well as a p-value of 0.009, 0.015 and 0.000, that are lower than the 0.05 level of significance respectively; indicates that safety pension scheme together with an efficient reinvestment of the

pension fund as well as having the pension fund in the capital market both individually and collectively play predominant roles in ensuring the sustainability and adequacy of pension fund management in Nigeria. It is therefore concluded that adequacy and sustainability of pension fund significantly depend on the safety of pension scheme, re-investment of pension fund, and pension fund in the capital market.

Table 4

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.513	.138		18.175	.000
	pension_risk_framework	-.183	.058	-.175	-3.139	.002

a. Dependent Variable: Pension_fund_reform

The regression result shows that with a favourable t-statistics for pension risk framework [$t_{stat} = 3.139$, p-value < 0.05] as well as a p-value of 0.002; it shows that having a pension risk framework in place can enhance the workability of the new pension reform. It follows therefore that

the null hypothesis is rejected and the alternative hypothesis is accepted. This indicates that adequacy of the pension fund reform significantly depends on effective pension risk framework.

V. SUMMARY, CONCLUSION AND RECOMMENDATIONS

The study tested the factors that could enhance the adequacy and sustainability of the pension scheme in Nigeria. The test shows that safety pension scheme, reinvestment of the pension fund and placement of pension fund in the capital market can enhance the adequacy and sustainability of the pension scheme in Nigeria. It was also discovered that a formidable pension risk framework can bring about a robust pension fund reform in Nigeria.

This further corroborate that the absence of revenue due to unwholesome investment of the pension fund have led to increasing agitations among the participants who have called for the cancellation of the scheme given the meagre amounts paid as pension by the PFAs to their retirees. Retirees under the scheme have specifically kicked against the way the balances in their RF accounts were being spread at retirement. They claimed that the amounts paid as gratuity were grossly inadequate compared to what they got under the old scheme. These growing concerns had spread among existing participants who are yet to retire as they have fears for the live after retirement.

The problem of inadequacy has become a major threat to the scheme as increasing number of agitations have risen. Many participants have accused the Pension managers of misapplying their funds to foster their business interests against the interest of the funds owners (Contributors). With the results from the studies and where adequately applied, most of the agitation can be addressed

Although, the challenges of pension adequacy are not a Nigerian phenomenon, the pension schemes all over the World are coming under intense strains. Both the pension managers and payer (Public and Private Sector) are developing active strategies at reducing the generosity of pension benefits. It is therefore important to state that adequacy in sustaining a pension scheme can, never be overemphasized as participants would seek alternative means where they are dissatisfied with the existing pension arrangements irrespective of the social cost of the alternatives provided, they are deemed adequate. This is no doubt particularly instructive to the private pension fund manager

In conclusive term, pension reform is desirable in Nigeria and many respondents agreed that the national distortions of the pension administrations do not only exist in the time past. The stories of pensioners that have died without

receiving their dues also abound in the literatures of the Nigerian Pension administrations.

However, it is important to state that the new pension scheme has brought significant improvements in the pension administration in Nigeria. With the new scheme, retirees under the scheme need not to do any elaborate verification exercise as were the case under the previous scheme. PFAs now have up-to-date information about their participants from the date of their enrolment in the scheme up to the retirement point, including that of their beneficiaries in the event of death. In addition to this, the participants equally have updated records of their remittances as well as the balances in the RSA/RF account periodically, but the focal point is the inadequacy and unsustainable nature of the pension fund which can be addressed by ensuring that the pension fund is secured, reinvested and can also be traced to the capital market.

It is therefore recommended that the regulator should constantly review its investment lists to ensure that the funds take advantage of other liquid investment outlets where possible. A situation where the regulator continues to maintain same set of assets class for years despite changes in domestic and international portfolio markets will not help the principle of risk-return of investment strategies. The operational works of the PFAs/PFCs should be closely monitored, however, without stifling independence and innovations. This will ensure that proper and efficient processes are adopted by the operators. The regulatory works need to be concise, fast and definite to all parties involved. Pencom should ensure that resolution of disputes among PFAs, PFAs-PFCs, PFAs-Participants, PFAs-Drawers etc. are resolved faster. Situations where, simple administrative disputes, such as double-pin resolution take longer time to resolve does not just hindered the works of the PFAs involved but diminished the confidence of the affected participants(s) who wants such issues affecting his funds resolved with minimal disruptions.

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