International Journal of Managerial Studies and Research (IJMSR)
Volume 11, Issue 6, June 2023, PP 17-23
ISSN 2349-0330 (Print) & ISSN 2349-0349 (Online)
https://doi.org/10.20431/2349-0349.1106003
www.arcjournals.org

The Contributory Pension Scheme and Pensioners Satisfaction in Nigeria

Felix E. Ukwu[1], Chine Sp Logan[2], Felicia U. Eze-Dike[3], Ogochukwu C. Okanya[4], Charles O. Manasseh[5*], Ikechukwu C. Mgbobi[6], Emeka P. Ejim[7]

[1]*Department of Public Administration & Local Government, University of Nigeria, Nsukka*
[2]*Department of Public Policy, Helms School of Government, Liberty University, Lynchburg, VA 24502, US.*
[3]*Department of English and Communication Art, Ignatius Ajuru University of Education, Rumuolumeni Port Harcourt, Nigeria.*
[4]*Department of Banking & Finance, Institute of Management and Technology, Enugu*
[5]*Department of Banking & Finance, University of Nigeria, Enugu Campus*
[6]*Department of Accountancy, Gregory University Uturu, Abia State*
[7]*Department of Business Admin &Management, Institute of Management and Technology, Enugu*

Corresponding Author:** ***Charles O. Manasseh, *Department of Banking & Finance, University of Nigeria, Enugu Campus. charssille@gmail.com*

Abstract: *The problems of pension administration in Nigeria are far from being over. The complaints of retires on accessing their pension fund shows that they are not satisfied despite the various reforms and new laws aimed at improving the system. The paper is aimed at investigating the Contributory Pension Scheme, the causes and the impact of dissatisfaction of the system on the pensioners. The findings include thatthe system still lacks prompt remittance of the contributions made by the employees and employers, no easy access of pensioners to their benefits as and when due and lack of prompt verification process and the prevalence of sharp corrupt practices that results to embezzlements. The recommendations put the need to stamp corruption out of the scheme, giving the pensioners skill training to prepare them on life after service, and training on how and where to manage and invest their retirement fund and allowing them access to certain percent of their fund while at service.*

Keywords: *Contributory, Pension, Scheme, Satisfaction*

1. Introduction

Nigerian legislature enacted the Pension Reform Act 2004, which was amended in 2014,this Act gave birth to the Contributory Pension Scheme(CPS) and a National Pension Commission (PENCOM), a corporate body to administer the provisions of the Act (Nworji, 021).The Pension Reform Act 2004 was enacted as a result of the failure of previous schemes to address the pension needs of Nigerians and to evolve a scheme that would carter for both the public and private sector employees. The primary objective of the pension scheme is to provide uniform guidelines for administration and prompt payment of benefit to retirees for a better standard of living.(Ime & Mfon, 2014). This gives credence to the maxim that a labourer deserves his wages or that having served for years, they deserve to retire with a good retirement package (Lekaga, 2020). Despite the desired results, huge gaps still exist in the pension administration, this led to the need for Pension Reform Act 2014. The "act repeals the Pension Reform Act No 2 of 2004, and enables the Pension Reform Act 2014 to continue to govern and regulate the administration of the uniform contributory pension scheme for both the public and private sectors in Nigeria (Omegoh, Gyang & Lateef, 2022). Otaigbe (2015) put that the Contributory Pension Scheme (CPS) has created opportunities ranging from the individual Retirement Savings Account (RSA), which stimulates fund accumulation to accumulation of long-term funds which has contributed to the growth in the capital market. The CPS is designed to be co- funded by the employers and employees and privately managed, the objective is to ensure that every deserving pensioner who worked in either the public service or private sector receives his pension as and when due. (Otaigbe, O.A.,2015).

The Nigeria pension scheme has continually attracted the interest of both scholars and policy makers' world over (World Bank,2013) the increased attention could be attributed to the mismanagement ofthe pension fund that has remained a common feature of the nation's pension system or the cry of these retirees for help. The pension scheme in Nigeria, is yet to be a garden of roses for the retirees as the outcome has been untold hardship, hypertension and death to many of the supposed benefiting pensioners. In line to seek an improvement on the Nigerian pension scheme, Senator Aliyu Wamakko (APC-Sokoto) on February 9, 2022, moved a motion in the Senate pushing for an amendment to the 2014 pension act. Entitled "The Pension Reform Act 2014 Amendment Bill 2022.(Omegoh, C., 2022)The amendment is seeking an amendment to the Pension Reform Act 2014, to make way for a greater impact of the pension scheme to the retirees in the country. Senator Aliyu Wamakko told his colleagues that none of them can claim ignorance of the long-drawn-out anguish of retirees from the Civil Service, Nigerian Prison Service, universities and other federal agencies in the country. These retirees rather than enjoy retirement after assiduously serving their fatherland end up in misery as they cannot easily access their benefits.

It is observed that the administrators of pension funds are the ones that draw profits from those funds, while the pensioners, the contributors are left in the mercy of the PENCOM administrators. Disgustingly, many of the retirees have formed unions to seek redress to the unwholesome bottlenecks against accessing their benefits. Many sleeps in the pension provider's offices, some lay their mats at the ministry or office they retired from, many become regular visitors at the relevant pension verification offices. Adekola, (2022) posited that t is an uncontestable fact that one of the most traumatized, abused and neglected categories of Nigerian citizens are pensioners whose only crime is that they had served their country meritoriously. Besides they are seen as old and weak men and women who lack the energy to fight for their rights as other able-bodied individuals and unions do. Most of the existing literatures have focused on the pension administration and its modified laws aimed at making the scheme effective and efficient. But the focus here is to investigate the extent the scheme or reform has gone to make the pensioners satisfied based on the assessment of their benefits as and when due. Problems presented by pension matters across the country continued to increase despite measures to solve them. From all the parts of the country, workers who retired from both the public and private sectors have been singing sad notes of despair as their benefits becomes a paw in the bottle.

It is disheartening to note that despite the incessant reforms, many Nigeria pensioners still go through the eye of a needle to access their pension benefits, and no level of government is exonerated from this painful reality. The story is more pathetic at the state and local government levels. Whereas pensioners in countries like United Kingdom, United State of America and South Africa and many other countries provide various forms of succor such as social security financial support, health care programmes, recreational provisions and entertainment programmes at no cost to them, among others (Ogwuru & Uma, 2015) Nigeria is adopting obsolete schemes, where the mind of the leaders is to use the opportunity to exacerbate their inordinate ambitions and siphon public fund. Therefore, the study will seek to find out the gaps in the existing scheme, and proffer suggestions for a credible, satisfactory and equitable pension scheme that will bring succor to the pensioner's happiness.

2. Pension Reforms in Nigeria: An Overview

Over the years, the operation of the pension system in Nigeria, was marked by many hitches that resulted to grossly unsatisfactory operative standard. The first pension scheme in Nigeria was introduced in 1951 by the British Colonial masters, this was known as the Pension Ordinance of 1951 (Ouwuru et.al.,2015). It provided the public servants with both pension and gratuity. The enactment of the National Provident Fund (NPF) in 1961 was the first legislation passed to address pension issues of private organizations. The civil service pension scheme was instituted by the basic pension decree 102 of 1979, the local government pension scheme was enacted by the military fiat in 1977 and the armed forces pension scheme created through decree 103 of 1979 with retroactive effect from April 1974. There were also the pension's rights of judges Decree No5 of 1958 as amended by amendment Decree No5 of 1988. The police and other agencies pension scheme Decree No75 of 1993 which was backdated to 1990 and it became a landmark in the issue of pension management in Nigeria (Oyerogba, Olugbenga & Adeoluwa, 2013) The National Social Insurance Trust Fund (NSITF) scheme was promulgated by decree No. 73 of 1993 and replaced the National Provident Fund and took effect from July 1, 1994. It was established to carter for private sector workers especially, as regards to loss of employment renumeration at death or loss of job. A giant stride was made in 2004, during President Olusegun leadership, as the Pension Act of 2004 was enacted to contain the exigencies and fallouts of the former pension schemes. Aboyemi, (2021) noted that earlier, the public service operated the Defined Benefit Scheme (BDS) where the retirees were entitled to life pension based on years of service and hierarchy. The problem resulted from the dependence of the old scheme on availability of fund and the consequence is the pillage of arrears of retiree's pension entitlements. Pensioners were made to go through dire hardship as they were neglected and abandoned into penury as government made the payment of pension a philanthropic rather than a statutory obligation.

The 2004 Pension Act repeals the Pension Act of 1979 (CAP 345 Laws of the Federation of Nigeria) and consequentially amended the Nigeria Social Insurance Trust Fund Act of 1993 which all the while regulated retirement benefits in the public and private sector respectively. With the repeal came the Contributory Pension Scheme (CPS), which many Nigerians regarded as a great victory in the agitation for better pension scheme for pensioners. Under CPS, it is compulsory for employers in public service and private sector with a certain number of employees to make a minimum contribution towards the retirement benefits of these employees, the employers in the other hand, have a contribution made on the same account from their monthly income. The contributions are managed by the Pension Fund Administrators (PFAs) and kept in safe custody by Pension Fund Custodians (PFCs). There is expectation that there will be added value to the savings over the years through returns on investment (Omegoh, Gyang & Lateef, et al., 2022). These remarkable innovations are expected to change the narrative from fund unavailability due to budgetary lapses to availability of funds as the money is now contributed in a regular basis. The assurance of receiving the entitlement is established as the pensioner is provided with an up-to-date situation of the account, creating hope and great expectation. The new pension scheme is to ensure that the retirees, who worked in either the public service or private sector receives his pension regularly on retirement.

Pension Fund administrators (PFA's) are regulated and licensed by National Pension Commission (PENCOM). The employee registers with a PFA who generates a Personal Identity Number (PIN) and open a Retirement Savings Account (RSA) for the employee. The contribution by the worker is usually deducted from the monthly salary. At the end of each month the employer deducts stipulated percentage of employee's monthly remuneration and dutifully contributes his own agreed percentage for the employee and sends the contribution to the employee's PFA/PFC who credits employee's RSA. The employer may decide to increase the percentage willfully as a consideration to improve the benefits of the retirees as the case of Nigeria, where the Federal Government made a slight increase recently.

3. Major features of the Contributory Pension Scheme

Pension Reform Act 2014 which replaced the Pension Reform Act of 2004, was to ensure that the pensioners under the CPS, benefit as and when due, their retirement entitlements. Some of the features of the Act as put by Etuk, (2022), Oyerogba et al., (2013), & Ogwuru et.al.,(2015) include:

3.1. Contributors' Rights

The contributor who is a worker either in the public or private sector, under Contributory Pension Scheme (CPS) is offered a right of choice to choose a Pension Fund Administrator (PFA) to manage his or her pension account. There are many Pension service administrators in Nigeria that operates pension fund management. This offers the workers the opportunity to make a choice, it is then the PFA responsibility to open a Retirement Savings Account (RSA) for the Contributing worker, who is also given a Personal Identification Number (PIN), which invariably, is the pension account number of the holder. The Pension Reform Act of 2014, guarantees another opportunity to transfer his or her account to another PFA, for personal reasons, once within a year if he or she so desires. Participants retiring under the CPS can decide on the mode of their retirement benefit payment. Retirees under the CPS can choose either the Programmed Withdrawal (PW) or Retiree Life Annuity (RLA) method. The PW is a product offered and administered by the PFAs under the regulation and supervision of PENCOM, which provides a retiree with the option of a lump sum and regular monthly or quarterly pension payments. The act makes it a criminal offense for any Pension Fund Administrator to misappropriate the savings of an employee.

3.2. Mobility of Labour

The Contributory Pension Scheme (CPS} come with a free movement of occupation opportunity, that affords the worker the freedom to change work without worries of changing the pension administrator or account. The RSA provides labour mobility opportunity across sectors and different tiers of government. Once RSAs are opened, and Personal Identification Numbers (PINs) are issued to a holder, the PINs are tied to him or her throughout their lifetime. Therefore, in case of change of job, he or she maintains the RSA for contributions from the new employer. Therefore, there is no need to open another RSA while changing jobs, the only requirement is to provide the new employer with the PIN and PFA.

3.3. Capital Formation and Investment

The old pension scheme was bedeviled with lack of funds as it depended on budgetary allocations which in many cases was not allocated or tampered with. But the CPS establishes continuous contribution both from the employee and employer and more significantly, the fund is kept by a registered private firm for safe custody and management of the account. The CPS has thus generated a pool of long-term funds that can been invested in the economy. It creates room for capital formation and investment.

3.4. Minimum Pension Guarantee

In some cases, where the employee has not accumulated enough in his RSA, as a result of years of service, the Pension Fund Administrator is required to pay the retiring worker a Minimum Pension Guarantee (MPG) as contained in the Pension Reform Act 2014. A level of minimum pension is calculated and paid to the retiring account holder. A contributor or worker that disengages from employment or is disengaged before the age of fifty years and fails to be re-employment or secure another job within four months is allowed to make withdrawals an amount not exceeding 25% of the total amount in his Retirement Savings Account.

3.5. Benefits of Account Status

The contributory Pension Scheme affords the employee a good opportunity to know the status of his or her RSA balance. The PFA furnished with the email and phone number of the account number, where at regular intervals alert of remittances are received, thereby updating the employee of current status of his or her pension account.

3.6. Coverage and Exemption

The Pension Act 2014 that established the contributory pension scheme mandate all workers in the public service of the federation, federal capital territory and the private sector where the total number of employees is up to five or more to join the contributory scheme. This affords all employers of labour the opportunity to avail themselves the honour of adopting the CPS and allowing their employees to choose the PFA of their choice.

3.7. Remission of Pension Contribution

The remittance of the pension contribution to the Pension Fund Administrator/Custodian is to be made within seven days of payment of salary, in case of defaulting, the employer is liable to penalty. Cases of differences or grievances are to be settled by the PENCOM at first instance, before proceeding to the National Industrial Court, if dissatisfied.

3.8. Contributions Based on Monthly Emoluments

The rates of contributions under the new Act by both the employer and employee are a minimum of 10% and 8% respectively, against the 7.5% of the employee’s monthly basic, housing, and transport allowances by both parties under the repealed Act. It is no longer based on employee’s basic pay.

3.9. Freedom from Tax

Like the 2004 Act, it states that any interests, profits, dividends, investments, and other income accruable to pension funds or the asset is not taxable. Voluntary contribution withdrawn by retirees is no longer subject to tax if withdrawn within 5 years.

4. The Contributory Pension Scheme and Catalysts of Dissatisfaction

There have been strong assurances of the credibility of Contributory Pension Scheme (CPS) against any form of challenges that will warrant fear by the workers and pensioners. Olayinka, C. (2015) reported that the CPS and its funds was sacrosanct and contributors' funds were even guarded against effects of inflation. However, the need for revisiting and overhauling the subsisting pension schemes in the country has become imminent due to demands for a systemic overhauling, these constant calls foreclose the possibilities of fraudulent acts against pensioner's fund. (News Direct, 2021). Many actions therefore tend to jeopardize the good intensions of CPS that consequently result to dissatisfaction of the pensioners, these actions include:

4.1. Remittance of Pensions Fund

Non-remittance by employers to Pension Fund Administrators (PFAs) is one of the major issues, especially, among the private sector. Employers in the private sector on defense, cite so many challenges because they cannot remit. It is not only the states and Federal Government that are owing pensioners, the private sector is also an active participant in the non-payment of pensions. Indeed, since the advent of the CPS scheme, there is still instances of failure of the federal government and some state governments that have keyed into CPS, to transfer to PENCOM the accrued rights of government workers for onward transfer to the various Pension Fund Administrators - PFAs (Nworji, 2021).

4.2. Embezzlement of Funds Meant for Payment

Nweke (2015) lamented that one of the major factors against good pension administration under the supervision of Pen Com is embezzlement of funds meant for payment. A case oflocus classicus is the case of the former Chairman of Nigeria Pension Reform Taskforce Team, (PRTFT), Abdulrasheed Maina, who has been accused of diverting about N100 billion from pension funds (Omegoh et. al (2022) Maina, who was earlier granted bail, reportedly absconded upon the bail and was declared wanted until he was discovered in Niger and repatriated back to the country to continue his trials on the fraud.

4.3. Inactive Enforcement Machinery

The Contributory Pension Act of 2014 is guarded by strong legislation and sanctions against defaulters, yet there is no active monitoring machinery to check the excessive actions of the PFAs and other stakeholders involved in the management of the scheme. There is then need to put in place a machinery to monitor the performances of the different Pension Fund Administrators at close ranges. (Etuk, 2022).

4.4. Fear of the Safety of the Funds

News of Federal Government borrowing large amount of pension fund for the purpose of servicing its debts became viral in the social media, contributors into the CPS jittery over safety of their fund and hope of pensionable retirement, however, the National Pension Commission (PENCOM), refuted the rumour and assured of the safety of their funds. Sections 85-91 of the Pensions Reform Act 2014 provides for the investment of the pensions fund by the Pension Fund Administrator, however, there is no provision made in the Act for an insurance cover for workers' funds with the Pensions Fund Administrators. This has increased the fears of some contributors in the new system, who are worried about the safety of their contributions (Otaigbe, 2015).

4.5. Effect of Inflation is to Savings

The spiral rise of dollars in exchange to Naira, is seriously reducing the impact of the benefits in achieving anything meaningful. The prices of materials and food and the general state of the economy put the pantry pension in a confusion as making a business plan may not be backed with strong adequate capital.

4.6. The Verification Exercise

The retirees are made to face a lot of stress in the verification of their personal and work information. Many who are not very literate may end up filling wrong data that may affect their payments. The verification may lead to travels, sleeping outside home, many documentations among others. Many pensioners do go through long stress to correct mistakes keyed into the data bank. Many suffer from one ailment to the other and may land into greater problems on the issue of verification.

4.7. Plague of Insecurity

A serious source of dissatisfaction suffered by pensioners is the threat of Insecurity. Nigeria is plagued by a great tension sparked by insecurity. The result is fear to go to farm, fear to travel, fear of banditry, fear of kidnappers, fear of herdsmen and Boko Haram, to mention but a few. This tension renders great dissatisfaction on the senior citizens, who now live in fear, especially, the security of their life and property, even the security of their benefits.

5. Impact of Dissatisfaction of Contributory Pension Scheme on Employees and Pensioners

5.1. Emotional and Psychological Trauma

It is disgusting and pathetic to give your youthful age to serve your country only to be abandoned at a time you deserve a pat in the back for a meritorious service (Fuayefika, 2014). The agony is so excruciating that no one deserves such treatment. Many are portrayed to intense emotional and psychological trauma, over frustrations from getting their entitlements which is their right. The agony has led to great loses such as untimely death and sudden illnesses (NewsDirect, 2021).

5.2. Extension of Service Years

Fear of the unknown has led many would be pensioners to extend their years of service because of the fear of the unknown. This is as result of the media information on the rigmarole in accessing one pension rights at retirement. The worker continues to seek means and ways to continue to be in service to put hold the day of reckoning, which is retirement.

5.3. Tendency for Sharp Practices

Many who loath the retirees take home start to resort to unwholesome practices to amass wealth illegally. Dubious financial practices that favour's his personal finance is pursed even to the detriment of the organization.

5.4. Reluctance to Work

A good retirement package is aimed at motivating the employee to greater attention to work. The fact that one will retire with a good package is enough to be a catalyst and motivation to work harder with full exertion of one capability. In the other hand, view of poor pension package is a drag in the strength of the worker, all manner of tactics is employed to avoid commitment to work.

5.5. Poor Capital Formation

Irregular payment of pension benefits results to inability to save to start a business venture, but regular pension payments allow the pensioner opportunity to plan and accumulate fund to operate a business of choice. Therefore, it is a bad influence for pensioners to lack savings because it will lead to dissatisfaction to life (Adebayo, 2022).

6. Conclusion

One of the great expectations of retirement is to have a peaceful and restful days after meritorious service years, and not a to be troubled by the torments of a non-functional system. Everybody desires peaceful and healthy old age and an assurance of a good condition of living. This is the dream of every employee, to retire with assurance of regular benefits from his or her pension scheme. The Contributory Pension Scheme is meant to be an answer to the prayers of every pensioner. It came with many provisions that improved the pension process, from the study, it virtually put to rest many of the areas of grievances from the older schemes. However, the need to fill the identified gaps or the grey areas in the scheme becomes imperative to bring satisfaction on the faces and lives of the senior citizens who gave their youthful strength to serve their fatherland in one capacity or the other. The issue of embezzlement needs to be nipped on the bud, the catering away of billions of Naira from the safety of the CPS by the officials meant to be in charge of the scheme is unacceptable. The trend must be stamped out through stiffer measures and legislation to save the pension funds. The call for amendments to the existing scheme should be heeded to contain all the challenges hindering the smooth operation of CPS, which include prompt remittance of the contributions made by the employees and employers, easy access of pensioners to their benefits as and when due and a verification process without stress among others.

The call to allow the workers access to a percentage of their pension fund while in service needs consideration, but should be attached to a guideline to invest the money into a retirement plan where the workers at the verge of retirement, are trained into skills of their choice, which they can operate or manage at their age. With viable ventures, they will not retire into idleness, which has consumed many able-bodied pensioners who retire into idleness. Many retired pensioners are still able bodied and full of life, plans to keep them active and relevant after retirement may bring satisfaction to them.

REFERENCES

Aboyemi, G (2021). Saving pension reforms from reversal of fortune. Sun Newspaper.

Adekola, A (2022). Reconsidering objectives of pension reform act 2014, The Nation's Newspaper.

Etuk, E (2022). Unending reforms of the Nigerian pensions act: The dilemma of the pensioners. *Beijing Law Review*, **13**, 264-277. Doi: 10.4236/blr.2022.132017

Fuayefika. T. (2014). 'Agony of Nigeria's Pensioners' The Tide Newspaper. http://www.thetidenewsonline.com/2014/10/13/agony-of-nigerias-pension

Ime T. A, Mfon S. U, 2014). Pension administration and capital formation in Nigeria: The challenges. *European Journal of Business and Management* www.iiste.org ISSN 2222-1905 Vol.6, No.6, 2014

Lekaga, F.J (2020). Analysis of retirement benefits in Nigeria: A case study of some selected Federal establishment. *Equatorial Journal of Marketing and Insurance Policy*, (1): 115

NewsDirect (2021). Pension fraud: The agony of elder-citizens and the need for systemic purging. Editorial

Nweke, E (2015). Still on the plight of pensioners in Nigeria. This Day

Nworji, E (2021). Pension scheme and its many challenges. Lagos, This Day

Ogwuru H.O.R and Uma, K.E (2015) Immiseration of the Nigerian pensioners: The socio-economic implications. *International Journal of Economics, Commerce and Management* United Kingdom Vol. III, Issue 5, Page 1439 http://ijecm.co.uk/ ISSN 2348 0386.

Omegoh, C, Gyang, B., Lateef D et al (2022) Contributory pension of woes, agony. The Sun Newspaper.

Olayinka, C (2015). Pensioners' pains continue, even with reforms. This Day

Otaigbe, O.A.,2015, Management of pension pchemes in Africa: Nigeria's experience, challenges, and the way forward. *Global Journal of Interdisciplinary Social Sciences*., Vol.4(2):33-36

Oyerogba, E, O., Olugbenga, M. O., Adeoluwa, Z. S (2013). Contributory pension scheme: Problems and prospects. *Prime Journal of Business Administration and Management (BAM)* ISSN: 2251-1261. Vol. 3(12), pp. 1264-1268

.

Citation: *Felix E. Ukwu et al. "The Contributory Pension Scheme and Pensioners Satisfaction in Nigeria" International Journal of Managerial Studies and Research (IJMSR), vol 11, no. 6, 2023, pp. 17-23. DOI: https://doi.org/10.20431/2349-0349.1106003.*