The New Contributory Pension Scheme in Nigeria: Investment Returns and Pensioners Benefits in Federal Universities in South-Eastern Nigeria

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Abstract
Pension scheme administration in Nigeria, before the introduction of the new contributory scheme, was fraught with numerous problems associated with weak administration, lack of regulatory and supervisory agency, mismanagement of pension funds, absence of database on pensioners profiles, insufficient budgetary allocation and untimely release of funds which culminated in huge arrears of pension rights. Pensioners in the old scheme were subjected to untold hardship after meritorious service to the nation. The introduction of the new contributory pension scheme and investment of consolidated pension funds to generate returns accruable to pensioners as additional pension benefits have ushered in hope to hitherto hapless retirees and potential pensioners in Nigeria. The study is predicated on the agency theory as its theoretical framework. The methodology adopted primary and secondary sources of data generation. T-test is used to test the hypothesis. The article investigates the contractual relationship between the principals and agents in the pension business and to ascertain whether the agent is working to protect and serve the interest of the principal as regards to actual declaration of exact investment returns and payment of investment returns to enhance pension benefits of pensioners under the scheme. The result of the study reveals that investment of consolidated funds in the new contributory pension scheme generates additional pension benefits to retirees and the contributory workers in service. Creation of awareness about the provisions of the Act among the workforce and periodic review of the Act to reflect socio-economic realities of the nation are recommended to make the scheme functionally meaningful to its beneficiaries.

Key Words: Pension Funds, Investment Returns, Enhancement, Pension Benefits.

Introduction

The administration of pension scheme in Nigeria has been a perennial problem in the public service. Successive governments of the country had been burdened with numerous problems associated with the pension systems operated in both the public and private sectors. The Nigeria pension schemes were marred with defects. Pension administration in Nigeria has suffered epileptic release of funds to address numerous cases of unsettled pension benefits associated with the old pension scheme (Olurankinse and Adetula, 2010). The defined pension benefit (pay-as-you-go) scheme operated in the public sector was characterized by insufficient funding, discrimination in coverage, demographic shifts and weak administration; while those in the private sector had low compliance ratio. Invariably, the scheme in the public sector became unsustainable and further compounded by unregulated increase in salaries that resulted in huge pension liabilities, mismanagement of pension funds, misappropriation of pension funds, and corrupt practices of all sorts (http://www.faqs.org/periodicals/201009/2087472371.html).

Carmichael and Palacios (2004) argue that given the widely held belief that providing for the retired generation is, at least in part, a responsibility of government, it is not surprising that the different models of mandated retirement income provision and public pension schemes have by far longest history of low sustainability. The post-second world war period witnessed increased acceptance of pay-as-you-go financing, with little concern expressed over poor rates of return on pension fund investments. As populations have aged in recent decades and the liabilities of public pension schemes have exploded, many governments have shifted the focus of their attention to private pensions, both voluntary and publicly mandated, as a means of reducing their future liabilities and mitigating increasingly obvious intergenerational transfers.

There are varying views from different ideological perspectives on the on-going debate on the new contributory pension scheme. For instance, Ibe (2005:84) observes that the contributory pension scheme is funded in the sense that the contributions and the returns from the investment of such funds provide the resources for meeting the pension obligations. On the contrary, the defined pension benefits scheme is unfunded because the pension obligations are met from the general current revenue, taxation in the case of the government and this is the reason why it is referred to as a "pay-as-you-go" system. Payment of pension obligations in the unfunded pension scheme thus depends largely on general productivity and tax revenue growth in the economy as well as a host of demographic features of the economy. In the funded pension system, payment of pension obligations would encounter problems if there were earnings problems with pension investments due to management problems and adverse movements in macroeconomic variables. Pensioners under both schemes face risks as to what the future value of their benefits would be, with pensioners under a publicly managed system facing largely political risks and the privately managed contributory pension scheme facing investment risks. While the risks are spread through a market mechanism in the contributory pension scheme, in the defined pension benefits scheme, it is through the legislative mechanism which modifies the benefit plan in the future.

Aminu (2006:38) argues that there is no doubt that pension systems are a critical tool in reducing poverty among the elderly. But an aging population, poor administration, early retirement, and unaffordable benefits have strained both pension balances and overall public finances, lending urgency to the call for pension reform. He notes that as it is in most developing economies, payment of pensions have posed a big challenge to Nigerian Government in terms of identification of pensioners, determination of entitlements, reconciliation of amounts paid, reconciliation of arrears and determination of the government's overall pension liability for budgeting and planning purposes. Aminu (2006) further observes that the previous pension scheme failed because there was no serious attempt to make the pension scheme work. The old scheme was not mandatory for the private sector. It was left at the discretion of the various employers to determine compliance. The pension scheme was strictly based on affordability and level of social responsibility. The mandatory pension scheme was a public driven initiative characterized by very weak enforcement of the rules and regulations. Besides, organizations were easily tempted to encroach upon the staff pension funds to address what the employer may regard as "temporary financial squeeze". The old pension scheme was unsustainable due to dearth of resources and inadequate budgetary allocations which informed government failure in meeting the obligatory pension promises.

The need to reform the defined pension scheme became inevitable because of the deficiencies associated with the scheme. The foregoing scenario necessitated a shift from the existing practice to a more sustainably defined contributory pension scheme. This culminated in the establishment of the Pension Reform Act of 2004 by the former President Olusegun Obasanjo's administration. The Act provides for a contributory pension scheme for the public service of the federation, employees of the federal capital territory and employees of any private sector organization with up to five (5) or more employees. The introduction of the new scheme has generated intellectual discourse amongst scholars on the investment returns and enhancement of pensioners' benefits and sincerity of purpose on management of accrued returns. Carmichael and Palacios (2004) note that the risk that a government will fail to deliver its promises is more explicit in government-managed mandatory contributory schemes. Makele (2008) queries how and why should employees be compelled to make contributions to be invested without provisions for clients to know about the detailed returns on investment and interest rate accruable to contributors' investment. Rather, Section 47(f) of the Act provides that "the Pension Fund Custodian shall undertake statistical analysis on the investments and returns on investments with respect to pension funds in its custody and provide data and information to the pension fund administrator and the National Pension Commission". The Act does not make any provisions with regard to the responsibility of the Pension Fund Custodians to render account on investments to the employee-contributors through their respective Pension Fund Administrators in-charge of their individual retirement savings account. The success of this mandatory privately managed pension scheme shall be largely determined by the return on investment achieved on accumulated savings as well as the ease with which these funds can be accessed throughout the retirement life of each of the scheme members (Henshaw, 2006).

The objective of this article is to analyze how the cordial relationship between principals and agents in the contractual ventures leads to enhancement of pension benefits in Nigeria. In this relationship, the principal delegates or hires an agent to perform services and then delegate decision-making authority to the agent to keep custody of the fund and assets and to invest as he considers fit on behalf of the principal. This article attempts to establish whether the goals of the principal and agent are not in conflict or that the principal and the agent reconcile different tolerances for risk. The relationships between the duo are not necessarily harmonious. This study is concerned with the conflict of interest between agents and principals whereby the agents, taking advantage of their expertise, skill and knowledge of the act, pursue personal interest rather than that which will serve and protect the interest of the principals, with the belief that the principal will not understand the agents behaviour. An agent is more likely to adopt the goals of the principal and thus behave in the interest of the principal when the agent is aware of a mechanism in place that allows the principal to verify the behaviour of the agent. The agent is more likely to comply with goals of the principal to sustain and respect the letters of the contractual agreement and serve the interest of the principal. Although behaviour never occur as it is preferred by the principal because it does not pay to make it perfect. However, to checkmate the excesses of the agent, society creates institutions that attend to these imperfections by managing or buffering the anticipated risks. The institutions are legally created to instruct and manage agents and to deal with the inevitable imperfections of control (http://www.wisegeek.com/what-is-an-agency-theory.htm). Therefore, the main thrust of this article is to determine whether the investment of the contributory pension funds has generated additional pension benefits to pensioners in federal universities in South-Eastern Nigeria.

Conceptual Clarification

Pension: Eche (2011:1) defines pension as a periodical payment and/or a lump sum reward on a contractual legally enforceable agreement between an employer and an employee or any other sum payable gratuitously by the government, employer of labour or a company to its employee in consideration of past services rendered upon cessation of employment. He stresses that pension is critical to how a worker will live after retirement. It is therefore the right of the worker on how his pension works, what changes that may be made by his employer, how secure is the fund. Pension is simply the amount set aside either by an employer or the employee or both to ensure that at retirement, there is something to fall back on as income. It ensures that at old age they will not be stranded financially. Pension is a plan for the rainy days after retirement, and an arrangement to provide people with income when they are no longer earning regular income from employment. It is also a tax deferred savings vehicle that allows for the tax-free accumulation of fund for later use as a retirement income. Pension is a regularly paid gratuity, paid regularly as benefit due to a person in consideration of past services; notably to one who retired from service on account of retirement age, disability or similar cause; especially, a regular stipend paid by a government to retired public officer and/or disabled soldiers, typically in the form of a guaranteed annuity. A pension created by an employer for the benefit of an employee is commonly referred to as an occupational or employer pension; while a pension fund is a general term used to describe an investment fund built up during working life and used at retirement to purchase an annuity to provide a continuing income (http://en.wikipedia.org/wiki/Pension).

Methodology

The data for this research were primarily obtained from the primary and secondary data sources, that is, questionnaire and interviews were used for primary source; while qualitative method was used for documentary evidence. Structured questionnaire was used to elicit information from the respondents. Fixed response questionnaire was used because it facilitates data analysis and the estimation of validity and reliability indices for the instrument. Descriptive survey design was adopted for the study. Survey methods through questionnaires and interviews; and documentary studies constituted the major data gathering techniques in this study. In analyzing the data generated for the study, the researcher applied t-test. Nworgu (1991:227) illustrates that t-test is used in testing hypothesis to establish the significance of the difference between mean when sample size is small. The t-test (which is a small sample test) can also be used for larger samples. For the researcher to find the critical p-value, he must determine the degree of freedom in addition to such other consideration as the level of significance.

Burnham *et al* (2004:114) state that descriptive statistics is a range of basic statistical tools for describing data. The main appeal of descriptive statistics is that it is a powerful and economical way of measuring, analyzing and presenting political participation, and social and political attitudes generally. Asika (1991:135) observes that most nonparametric statistics are used with minimum assumptions. Their use is not restricted and their chance of being used improperly is minimal. Some measurement scales (i.e. nominal and ordinal scales) are weaker than others. But nonparametric statistics can be effectively used even when the data are measured on weak measurement scales. The focus of the study is on pensioners and workers in federal universities in South-Eastern Nigeria.

Theoretical Framework

The theoretical framework adopted for this article is agency theory. Agency theory in a formal sense originated in the early 1970s, but the concepts behind it have a long and varied history. Among the influences are property-rights theories, organization economics, contract law, and political philosophy, including the works of Locke and Hobbes. Some noteworthy scholars involved in agency theory's formative period in the 1970s included Armen Alchian, Harold Demsetz, Michael C. Jensen, William Meckling, and S.A. Ross. The concept of agency theory originated from the works of Adolf Augustus Berle and Gardiner Coit Means, Stephen Ross and Barry Mitnick some of who were discussing the issues of the agent and principal as early as 1932. Ross was responsible for the origin of the economic theory of agency and Mitnick originated the institutional theory of agency, though the basic concepts underlying these approaches are similar as they are conceived as complementary in their uses of similar concepts under different assumptions.

Berle and Means explored the concepts of agency and their applications toward the development of large corporations. They saw how the interests of the directors and managers of a given firm differ from those of the owner of the firm, and used the concepts of agency and principal to explain the origins of those conflicts. Michael C. Jensen and William Meckling shaped the work of Berle and Means in the context of the risk-sharing research, popular in the 1960s and 1970s to develop agency theory as a formal concept. Jensen and Meckling formed a school of thought arguing that corporations are structured to minimize the costs of getting agents to follow the direction and interests of the principals. Indeed, Ross introduced the study of agency in terms of problems of compensation contracting. In essence, agency was seen as an incentives problem.

Mitnick introduced the now common insight that institutions form around agency, and evolved to deal with agency, in response to the essential imperfection of agency relationships. The theory stresses that behaviour never occurs as it is preferred by the principal because it does not pay to make it perfect. However, society creates institutions that attend to these imperfections, managing or buffering them, adapting to them, or becoming chronically distorted by them. These institutions are legally created to instruct and manage agents, and to deal with the inevitable imperfections of control (http://www.wisegeek.com/what-is-an-agency-theory.htm).

Simon's (1945) work straddled both economics and public administration; and in political science, Clark and Wilson (1961) developed an incentives model of organizations. The key concepts of agency theory were developed by scholars in economics and political science and incorporated into the agency approach. Besides, agent-principal was employed in a number of works across the social sciences, well before an explicit theory of agency was proposed. In political science, Pitkin (1967) and Tussman (1960) used agent-principal language in works on political philosophy; and Swanson (1971) described collective society using such terms in sociology. In the early 1970s, agency theory was not known in political science and sociology before Mitnick. Susan Shapiro introduced agency concepts to sociology in 1987. Agency theory was first introduced to political science by Moe in 1984. Eisenhardt introduced the theory to management in 1989. In all cases, these scholars acknowledged Mitnick's works. Mitnick introduced the study of delegation as the creation of agents in government. His book on Corporate Political Agency in 1993 included the applications of agency theory and basic theory about agency relationships developed in the context of corporate political activity.

Agency theory explains the relationship between principals, such as shareholders and agents. In this relationship, the principal delegates or hires an agent to perform work. The theory attempts to deal with two specific problems; firstly, that the goals of the principal and agent are not in conflict (agency problem), and secondly, that the principal and agent reconcile different tolerances for risk. Agency theory suggests that the firm can be viewed as a nexus of contracts (loosely defined) between resource holders. An agency relationship arises whenever one or more individuals called principals, (in this sense the contributory employees) hire one or more other individuals called agents, (here also the pension fund administrators and the pension fund custodians) to perform some service and then delegate decision-making authority to the agents to keep custody of the fund and assets and to invest as he considers fit on behalf of the principal. The primary agency relationships in business are those between stockholders and managers; and between debt holders and stockholders. These relationships are not necessarily harmonious; indeed, agency theory is concerned with so-called agency conflicts, or conflicts of interest between agents and principals whereby the agents, taking advantage of their expertise, skill and knowledge of the act, pursue personal interest rather than that which will serve and protect the interest of the principals, with the belief that the principal will not understand the agents behaviour. The theory argues that this has implications for, among other things, corporate governance and business ethics. When agency occurs it also tends to give rise to agency costs, which are expenses incurred in order to sustain an effective agency relationship (e.g. offering management performance bonuses to encourage managers to act in the shareholders' interests). Accordingly, agency theory has emerged as a dominant model in the financial economics literature, and is widely discussed in business ethics texts. Research on agency theory has had several findings to support this argument. The most notable result holds that an agent is more likely to adopt the goals of the principal, and thus behave in the interest of the principal, when the contract is outcome-based. Also, when the agent is aware of a mechanism in place that allows the principal to verify the behaviour of the agent, he is more likely to comply with the goals of the principal to sustain and respect the letters of the contractual agreement. (http://www.enotes.com/biz-encyclopedia/agency-theory).

The agency theory framework analysis was applied to the study and it explained explicitly the relationship between the principal and the agent in a contractual venture. The application of operational guidelines and regulatory policies issued (from time to time) by the National Pension Commission to the licensed pension fund administrators and pension fund custodians translated to enhancement of pensioners benefits. The regulatory policies, guidelines, rules and regulations issued by PenCom predominantly serve to protect the interest of the principal. The application of this theory to the study also showed that the agent had been working to serve primarily the interest of the principal in terms of investment returns. Although accountability and transparency is in camera; and the level of weak protection of the principal's interest in investments and payment of accrued investment returns with undisclosed formula to legitimate recipients as the hallmark of pension fund administration as illustrated. This gave an insight of agent's capability to secure the consolidated funds bond through maintenance of "retirement savings account" to sustain higher borrowing capacity of investors as well as higher investment returns. Therefore, it is imperative to study and evaluate the administration of investment returns and enhancement of pensioners benefits in the new contributory pension scheme using the theory of principal-agent tools as the appropriate theoretical framework.

Investment of Pension Funds and Enhancement of Pension Benefits to Pensioners

The Pension Reform Act 2004 was promulgated to assist individuals by ensuring that they save to cater for their livelihood during old age, when the body would not be fit to work and thereby reducing old age poverty. Enhancement of pension benefits through pension fund investment returns is one of the ingredients of the new pension package which the old pension scheme does not possess. Unlike the old pension scheme, the new contributory pension fund investment returns ensures availability of funds, sustainability of the scheme and it increases credit balance of pensioners retirement savings account (RSA) and elongates the period pensioners receive pension benefits promptly and regularly.

Data Presentation on the Hypothesis

The hypothesis for this study is "the investment of the contributory pension funds has generated additional pension benefits to pensioners in federal universities in South-Eastern Nigeria". After administration and collation of the questionnaires, the researcher observed that out of 365 questionnaires administered to pensioners and employees under the new contributory pension scheme in federal universities in South-Eastern Nigeria, 345 questionnaires were duly completed and returned . Out of 103 questionnaires administered to employees of Pension Funds Administrators and Pension Funds Custodians, 81 questionnaires were duly completed and returned. The 10 questionnaires administered to employees of the National Pension Commission were duly completed and returned. The data generated on the hypothesis are illustrated hereunder to indicate the level of frequency of response and its significance percentage on each variable so as to establish the mean and standard deviation. The mean value enabled the researcher to take decision on whether the respondents agreed or disagreed on any particular item.

Data Elicited from Retirees and Contributory Workers (Group I)

In the table below, the remarks "agreed" and "disagreed" are based on the mean of the responses for each item. An item is deemed agreed if the mean value is 2.5 and above. However, an item is deemed disagreed if the mean value is less than 2.5. The following illustrate the data elicited from university retirees under the new contributory pension scheme and the contributory workers in federal universities in South-Eastern Nigeria:

Figure 1

Level of agreement indicated by pensioners and contributory workers on the statement that the investment of the contributory pension funds has generated additional pension benefits to pensioners in federal universities in South-Eastern Nigeria

S/N	Items	SA	A	D	SD	Mean	STD	Remarks
1.	Pensioners are paid interest accruing from their investments.	18 (5.9%)	75 (24.7%)	115 (37.8%)	96 (31.6%)	1.99	.930	Disagreed
2.	Interest accrued to pensioners is reflected in Pension Funds Administrator's monthly/quarterly statement of account on individual retirement savings account .	30 (9.1%)	111 (33.5%)	86 (26.0%)	104 (31.4%)	2.26	.946	Disagreed
3.	Pensioners receive bonus shares from investments.	12 (3.6%)	58 (17.2%)	153 (45.4%)	114 (33.8%)	1.79	.852	Disagreed
4.	The initial 25% bulk withdrawal from the Retirement Savings Account on attainment of 50 years after six months waiting period is an improved package to retirees.	40 (11.8%)	145 (42.8%)	68 (20.1%)	86 (25.4%)	2.46	.943	Disagreed
5.	The new contributory pension scheme forms part of tax deductible expenses and it is an additional pension benefit to pensioners.	20 (5.9%)	119 (35.2%)	101 (29.9%)	98 (29.0%)	2.17	.928	Disagreed
6.	The retirement benefits bond	27 (8.0%)	139 (41.0%)	98 (28.9%)	75 (22.1%)	2.28	.971	Disagreed

	redemption funds is an additional pension benefit to retirees.							
7.	The monthly pension benefit in the new contributory pension scheme is higher than what was obtainable in the old defined pension benefits scheme due to investment of retirement savings.	47 (13.7%)	87 (25.4%)	82 (24.0%)	126 (36.8%)	2.29	.981	Disagreed
8.	The programmed payment of monthly defined contributory pension scheme does not last for life in favour of those retirees who might outlive the estimated life span of pensioners.	135 (39.9%)	105 (31.1%)	37 (10.9%)	61 (18.0%)	3.00	1.010	Agreed
9.	Payment of 5% of employee's annual emolument as life insurance premium by the employer is a source of additional income to pensioners.	33 (9.9%)	152 (45.5%)	76 (22.8%)	73 (21.9%)	2.43	.949	Disagreed

Source: Generated by the researcher (2013).

As indicated in the above table, the respondents disagreed on items number 1 - 7 and 9, while they agreed on item number 8 in responding to the hypothesis that "the investment of the contributory pension funds has generated additional pension benefits to pensioners in federal universities in South-Eastern Nigeria". The response reflected the face-value of the monthly/quarterly statement of account of retirement savings account holders. The interview conducted revealed with abundant concrete evidence that the returns on investment is being credited to employees' and retirees' retirement savings account (RSA); but such credit entry does not reflect explicitly as "investment returns" on their monthly pension benefits nor quarterly statement of account, since such additional income is being credited to their RSA to increase their credit balance and equally elongate the period a pensioner would enjoy the pension benefits. For instance, during the interview it was disclosed with documentary evidence that UBA Pensions Custodians Limited declared N162.715 million pension fund investment returns in 2006; N233.650 million in 2007; N157.108 million in 2008 and N243.368 million in 2009. In the same vein, Stanbic IBTC declared N310.364 million pension fund investment returns in 2010 and N419.218 million in 2011 respectively. The contradiction between the pensioners/workers questionnaire responses and the interview responses arose due to lack of knowledge because the beneficiaries and potential retirees are not properly sensitized and/or adequately educated to possess sufficient knowledge on how the new pension scheme operates and what they stand to gain as benefits. The researcher observed from available evidence that there is a wide communication lacuna between the workforce, pensioners, the pension fund administrators and the National Pension Commission. However, the respondents agreed that the programmed payment of monthly defined contributory pension scheme does not last for life and payment of 5% of employee's annual emolument for three years as life insurance premium by the employer is payable at the death of the employee while in active service. Once the employee retires from active service the life insurance premium ceases to exist automatically. Therefore, the life insurance policy does not serve as additional pension benefit to this category of workers and pensioners.

Data Elicited from Pension Fund Administrator and Pension Fund Custodian (Group II)

In the table below, the remarks "agreed" and "disagreed" are based on the mean of the responses for each item. An item is deemed agreed if the mean value is 2.5 and above. However, an item is deemed disagreed if the mean value is less than 2.5. The following illustrate the data elicited from the pension fund administrators and pension fund custodians:

Figure 2

Level of agreement indicated by Pension Fund Administrators and Pension Fund Custodians on the statement that the investment of the contributory pension funds has generated additional pension benefits to pensioners in federal universities in South-Eastern Nigeria

S/N	Items	SA	A	D	SD	Mean	STD	Remarks
1.	Pensioners are paid interest accruing from their investments.	55 (72.4%)	16 (21.1%)	4 (5.3%)	1 (1.3%)	3.61	.767	Agreed
2.	Interest to pensioners' contribution reflects in Pension Fund Administrator's monthly or quarterly statement of account on retirement savings account .	54(69.2%)	19(24.4%)	4(5.1%)	1(1.3%)	3.58	.765	Agreed
3.	Pensioners receive bonus shares from investments.	17 (24.6%)	21 (30.4%)	19 (27.5%)	12 (17.4%)	2.52	1.145	Agreed
4.	The initial 25% bulk withdrawal from the RSA on attainment of 50 years after six months waiting period is an improved package to retirees.	25 (34.7%)	33 (45.8%)	8 (11.1%)	6 (8.3%)	3.04	.941	Agreed
5.	The contribution under the new pension scheme forms part of tax deductible expenses as additional pension benefits to retirees.	15(22.4%)	30(44.8%)	10(14.9%)	12(17.9%)	2.75	.975	Agreed
6.	The retirement benefits bond redemption	11 (17.5%)	27 (42.9%)	12 (19.0%)	13 (20.6%)	2.59	.994	Agreed

	funds is an additional pension benefit to retirees.							
7.	The monthly pension benefit in the new contributory pension scheme is higher than what was obtainable in the old defined pension benefits scheme due to the fund's investment.	22 (29.3%)	29 (38.7%	18 (24.0%)	6 (8.0%)	2.73	1.13 1	Agreed
8.	The programme d payment of monthly defined contributory pension benefits does not last for life in favour of those retirees who might outlive the estimated life span of pensioners.	25 (34.2%)	32 (43.8%)	10 (13.7%)	6 (8.2%)	2.99	.993	Agreed
9.	Payment of 5% of employee's annual emolument for three years as life insurance	15 (21.1%)	36 (50.7%)	8 (11.3%)	12 (16.9%)	2.82	.899	Agreed

	premium by the employer is a source of additional income to pensioners.							

Source: Generated by the researcher (2013).

The figure 2 above corroborates the analysis under figure 1 that the investment of the contributory pension funds has generated additional pension benefits to pensioners and the contributory workers in federal universities in South-Eastern Nigeria. This is also in agreement with the responses generated through the interview of key players in pension industry (Pension Fund Administrators and Pension Fund Custodians) which revealed that returns on investments is proportionately credited to the retirement savings account of every beneficiary based on the credit balance of the retirement savings account at the point of any investment. According to the respondents, the retirement benefits bond redemption funds serves as an additional pension benefit to retirees because it is tax free. Respondents agreed that the monthly pension benefit in the new scheme is higher than what was obtainable in the old pension scheme. Although the benefit in the new scheme does not last for life. Therefore, those pensioner who might outlive the estimated life span would be stripped of economic power and social relevance at weak-old-age and dumped into servitude state except where one opted to purchase insurance annuity for life. This analysis strengthens and validates the factual findings under figure 1.

Data Elicited from National Pension Commission Employees (Group III)

In the table below, the remarks "agreed" and "disagreed" are based on the mean of the responses for each item. An item is deemed agreed if the mean value is 2.5 and above. However, an item is deemed disagreed if the mean value is less than 2.5. The following illustrate the data elicited from employees of National Pension Commission in the new contributory pension scheme in federal universities in South-Eastern Nigeria:

Figure 3

Level of agreement indicated by employees of National Pension Commission on the statement that the investment of the contributory pension funds has generated additional pension benefits to pensioners in federal universities in South-Eastern Nigeria

S/N	Items	SA	A	D	SD	Mean	STD	Remarks
1.	Pensioners are paid interest accruing	7 (70.0%)	3 (30.0%)			3.70	.483	Agreed

	from their investments.							
2.	Interest to pensioners' contribution reflects in Pension Fund Administrator's monthly or quarterly statement of account on retirement savings account .	10 (100%)				4.00	.000	Agreed
3.	Pensioners receive bonus shares from investments.	3 (50.0%)	2 (33.3%)	1 (16.7%)		3.17	1.169	Agreed
4.	The initial 25% bulk withdrawal from the RSA on attainment of 50 years after six months waiting period is an improved package to retirees.	2 (50.0%)	1 (25.0%)	1 (25.0%)		3.00	1.414	Agreed
5.	The contribution under the new pension scheme forms part of tax deductible expenses as additional pension benefits to retirees.	3 (30.0%)	3 (30.0%)	2 (20.0%)	2 (20.0%)	2.70	1.160	Agreed
6.	The retirement benefits bond redemption funds is an additional pension benefit to retirees.	2 (28.6%)	2 (28.6%)	1 (14.3%)	2 (28.6%)	2.57	1.272	Agreed
7.	The monthly pension benefit in the new contributory pension scheme is higher than what was obtainable in		7 (77.8%)	1 (11.1%)	1 (11.1%)	2.67	.707	Agreed

	the old defined pension benefits scheme due to the fund's investment.							
8.	The programmed payment of monthly defined contributory pension benefits does not last for life in favour of those retirees who might outlive the estimated life span of pensioners.	2 (20.0%)	5 (50.0%)	2 (20.0%)	1 (10.0%)	2.70	1.059	Agreed
9.	Payment of 5% of employee's annual emolument for three years as life insurance premium by the employer is a source of additional income to pensioners.	3 (50.0%)		1 (16.7%)	2 (33.3%)	2.83	1.329	Agreed

Source: Generated by the researcher (2013).

The above table shows that the respondents agreed on all the items in responding to the hypothesis that "the investment of the contributory pension funds has generated additional pension benefits to pensioners in federal universities in South-Eastern Nigeria". Such returns on investment is additional pension benefits. All retirement savings account (RSA) holders are credited with the returns on investment based on the credit balance of the RSA at the point of any investment. Respondents agreed that the payment of 5% of employee's annual emolument for three years as life insurance premium by the employer is a source of additional income to survivors of workers who died in active service. The insurance premium ceases to exist as soon as one retires from active service. They also agreed that pensioners receive bonus shares from investments like any other share holder of other corporate organizations. The bonus shares are issued in the corporate name of the Pension Fund Administrator. The Administrator holds the shares on trust on behalf of its clients. Respondents agreed that returns on investments is being reflected in pension fund administrator's monthly or quarterly statement of account on retirement savings account of each client, even though it does not reflect explicitly as "returns on investments". Lack of knowledge of the new pension scheme on the part of the pension fund administrator's clients is the major challenge. The people need to be sufficiently educated on how the new scheme operates. This will persuade their clients to appreciate the scheme.

Analysis

This aspect analyzed the data generated through the test of the hypothesis. There are three categories of respondents in this study identified as groups 1 - 3. T-test was used to test the hypothesis. The probability-value of the t-test determined the result under remarks. The main objective of analyzing the data is to establish whether or not the hypothesis has been validated. The analysis illustrated the t-test of the hypothesis and the result of the hypothesis tested is summarized under the table.

Test of Hypothesis

Figure 4 Hypothesis Tested

Group	Hypothesis	Agree	Disagree	T	P-Value	Remarks
1	H.2	2.61±.351	1.77±.235	23.702	0.000	Accepted
2	H.2	3.16±.376	2.19±.228	9.285	0.000	Accepted
3	H.2	Agree 3 | 3 | 4	Agree 2 | 3 | 3	Agree 3 | 3	Agree 3 | 3	Accepted

Result

H_1: The hypothesis of this study is stated as "the investment of the contributory pension funds has generated additional pension benefits to pensioners in federal universities in South-Eastern Nigeria".

(a) Group 1: This hypothesis is accepted since the p-value of the t-test is 0.000, which is less than 0.05.

(b) Group 2: This hypothesis is accepted because the p-value of the t-test is .000, which is less than 0.05.

(c) Group 3: The outcome of the responses indicates that there is a unanimous agreement amongst the respondents on all the variables. There is nothing to compare in this case. Therefore, t-test was not conducted and no p-value (probability value) result for the hypothesis in Group 3. The hypothesis is accepted.

Discussion on Research Findings

The issues raised in the questionnaires and interviews conducted on the subject are the thesis of this sub-heading. The objective of this discussion is to highlight those indicators that validated the hypothesis and align them with the provisions of the Act as it relates to the activities of Pension Fund Administrators and Pension Fund Custodians in the new contributory pension scheme. The discussion also focused on the role of the National Pension Commission in its statutory duty of supervising and regulating the functions of these operators to conform with the provisions of the Act. The questionnaires underscored most disturbing issues pensioners and contributory workers have been complaining about. The discussions centred mostly on the findings based on the main indicators as contained in the hypothesis that guided the work, as well as the findings during the interviews conducted.

The interactive sessions and the result derived from the analysis of the data generated on the hypothesis revealed that retirees, contributory workers, pension fund administrators, pension fund custodians, and the National Pension Commission agreed that pensioners in federal universities in South-Eastern Nigeria are being paid returns on investments; and such returns is reflected in Pension Funds Administrator's monthly or quarterly statement of account on individual retirement savings account. Some respondents disagreed that pensioners are being paid returns on investment as there is no clear indication of such entries in the RSA statement of account. Investment of pension fund was not practicable in the old scheme because it was unfunded and no accumulated pension fund for investment. The ARM Pension Managers (PFA) Limited confirmed that returns is earned from investments and the Pension Fund Administrators credit to each contributor's retirement savings account a percentage of the returns based on the RSA credit balance at the point of investment. The returns increase the credit balance of retirement savings account of each contributory worker or retiree but no explicit entries tagged "returns on investments" in the RSA. The beneficiaries of investment returns do not receive increased monthly or quarterly pension. Rather, such returns is used to elongate the number of years the retiree will receive monthly or quarterly pension benefits. For example, a pensioner who has been scheduled to receive monthly or quarterly pension benefits for twenty years, due to investment returns credited to his or her RSA, may be rescheduled to receive his/her monthly/quarterly pension benefits for twenty-five years or more. Workers are encouraged to embark on additional voluntary contribution (AVC) to further increase their retirement savings account credit balance and earn improved and elongated pension benefit, instead of hoping on investment returns alone for improved pension benefits.

The Diamond Pension Fund Custodian Limited identified two kinds of pension contributions to include inactive contribution and active contribution. The inactive contribution is the retiree's credit balance that diminishes every month or quarterly through payment of pension benefits. No further contribution is made into the account except the meagre investment returns. The active contribution is the worker's and employer's monthly contributions that increase the credit balance of RSA of every contributory worker on monthly basis. The former generates less investment returns, while the later generates increased investment returns. It was also revealed that contributors receive bonus shares from investment just like any other share holder of corporate organizations. The funds is pooled together under one corporate body as an entity. The difference is that bonus shares is allocated to the Pension Fund Administrator through the Pension Fund Custodian (the investor) on behalf of the contributors. Such shares are also being held on trust on behalf of the Pension Fund Contributors by Pension Fund Administrators; while investment returns on shares is being credited to retirement savings account of every contributory employee and retiree on receipt of such additional income. This is a great difference between the old unfunded defined pension scheme and the new reformed contributory scheme because pay-as-you-go scheme had no provision for consolidated funds and investment rather pension liabilities are being addressed through insufficient annual budget allocations.

On the initial 25% bulk withdrawal from the retirement savings account on attainment of fifty years after six months waiting period, pensioners, contributory workers, pension fund administrators and custodians, and National Pension Commission agreed that it is an improved pension benefit but the researcher observed that it is less than the 300% terminal emolument being paid as gratuity if the retiree is keyed into the old scheme. The six months waiting period applies to an employee who temporarily lost his job and who might within the waiting period secure another job. If he fails to secure another job within the period, he would be enlisted for pension benefits unlike the old pension scheme where one is enlisted for pension benefits in the month preceding his or her retirement. ARM Pension Managers (PFA) Limited explained that it schedules a zero percent bulk withdrawal, whereby the retiree would opt not to make any withdrawal whatsoever from his retirement savings account on retirement. The pensioner will enjoy elongated retirement savings account (RSA) schedule and improved monthly pension benefits more than a retiree who opted for initial 25% bulk withdrawal from his or her RSA on retirement, and subsequently receives less monthly pension benefit. The Sigma Pensions Limited gave credence to this point as it stated that its organization schedules pensioners for zero percent bulk withdrawal if the client concerned so opted. This was also confirmed by Premium Pension Limited as it stated that the organization schedules its clients for zero bulk withdrawal at the instance of the pensioner/s.

Respondents also agreed that tax deductible expenses and bond redemption funds are additional pension benefits since they are tax-free. It was pointed out that payment of 5% of employee’s annual emolument for three years as life insurance premium by the employer is a source of income to the next of kin (not the pensioner) at the death of any employee in active service, since it is payable upon the death of the retirement savings account holder whilst in active service. Once the employee retires, there is no such benefit in his favour. Respondents agreed that the programmed payment of monthly pension benefits does not last for life in favour of those who might outlive the estimated life span unlike the old scheme where pension benefits last for a retiree’s lifetime. This is an area where the old pension system favoured retired workers because every retiree under the old dispensation is being paid pension benefits for life. The major lapse in this arrangement is that payment of pension benefits is irregular due to untimely release of insufficient budget allocations for pension deficit. In contrast, the new contributory pension scheme ensures prompt and regular payment of pension benefits to beneficiaries and contributory nature of the scheme makes funds available to settle pensioners' bills as at when due. Besides, investment of the accumulated pension fund yields returns and increases credit balance of pensioners' benefits.

From the foregoing, it has been established that the investment of the contributory pension funds has generated additional pension benefits to pensioners in federal universities in South-Eastern Nigeria.

Conclusion

The investment of the consolidated pension fund in the new contributory pension scheme has ensured enhancement of pensioners benefits in federal universities in South-Eastern Nigeria through investment returns. The independent management of the scheme with the creation of the regulatory and supervisory agency to monitor the activities of these licensed pension fund administrators and custodians guarantees that the consolidated pension fund is safe and capable of generating additional pension benefits to enhance pensioners rights. The National Pension Commission's operational rules and guidelines and other regulatory policy instruments provided in the Act serve as inbuilt security mechanism to guard against corruption and mismanagement of investment returns which is a novel in the history of pension industry in Nigeria. The investment ventures in the pension industry, as at the time of this study, is a success story. Efforts should be made to sustain the tempo and move the industry to higher pedestals.

Recommendation

The pension fund administrators and custodians are carrying out their activities in a closed system away from the public. Most of their clients do not know what they (pension fund administrators) are doing and what is expected of them (the clients) to do. The Agents should maintain open-door policy and liaise with employers of labour and National Pension Commission to create adequate awareness programmes through organization of conferences, workshops and seminars about their activities and what the new contributory pension scheme is all about for the benefit of their numerous clients. The licensed pension fund operators should be accessible and tolerant to their numerous clients if the scheme is meant to succeed. This may bridge the wide gap between them and their clients and explain most of the questions being raised by some stakeholders. In all modesty, there should be a public declaration of investment returns and a standard and acceptable formula on how the targeted beneficiaries should know the ratio being adopted in the redistribution of the returns. The idea of pension fund administrators and pension fund custodians to invest, harness returns, and decide who gets what and how is unacceptable in business ventures of contemporary world. There should be a forum in the nature of annual general meeting where stakeholders would meet to decide on such sensitive issues like investment returns and sharing formula. Periodic review of the Act to reflect the socio-economic realities of the nation is recommended to make the scheme functionally meaningful to its beneficiaries.

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