
Assessing the Level of Awareness of Serving Staff of Federal Tertiary Educational Institutions in Ebonyi State on the Operations of the Contributory Pension Scheme.

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Abstract

The introduction of the Contributory Pension Scheme (CPS) by the Nigerian government was intended to alleviate the sufferings of retirees due to the irregular and/or non payment of their retirement benefits under the old scheme. Studies carried out indicate that there still exist bottlenecks in the prompt and regular payments of retirees' retirement benefits under the CPS. Part of the reasons for such lapses has to do with ignorance which ultimately manifests in improper documentation by retirees before retirement. The main focus of this study was to examine the level of awareness of the operations of the CPS by serving staff of federal tertiary educational institutions in Ebonyi state, Nigeria. Data was generated through the use of questionnaire. A total of 354 questionnaires were distributed out of which 300 were retrieved and analysed using descriptive statistics. Results indicate that majority of the staff were ignorant of their retirement savings account information as well as the percentage of salary being deducted for retirement. However, staff were well informed of their right to change their Pension Fund Administrators (PFAs) when the need arises. The problems encountered by the staff in the operations of the CPS border on inadequate information flow from workers' PFAs and employers and the lack of capacity and technology to access information on pensions via the internet. This study recommends that the government, PFAs and workers should rise up to this challenge through a more robust enlightenment program to forestall further cracks in the implementation of CPS in Nigeria.

Keywords: Contributory Pension scheme, retirees, Nigeria

Introduction

Aging and retirement is a natural phenomenon that cuts across cultural and racial boundaries. Retirement is generally seen as the final stage of life when one reaches the end of one's working life and withdraws from active customary activity in business, industry or service (Cole, 2002). Pension refers to a form of income that employees or their beneficiaries receive after their withdrawal from active service. Hence, it is not surprising that the issue of pension keeps receiving global attention as governments around the world are involved in fostering a form of social security for their ageing workforce.

The Nigerian government like other governments has been grappling with the issue of pension reforms in the face of pressure from ageing populations. It is pertinent to note that the initial schemes (also referred to as Defined Benefit Scheme) put in place by the Nigerian government to cater for the welfare of retirees was totally funded by the federal government. This scheme was characterized by series of problems ranging from lack of funds to the presence of ineligible pensioners on the pension payroll (Umar & Tsado, 2012). This led to a situation where thousands of retirees were owed up to 10 years of arrears of pensions and many of them died untimely due to starvation before receiving their entitlements (Bisiriyu, 2009). Since the government could not cope with the payment of pension and gratuities of workers (Ayegba, James and Odoh, 2013), the Contributory Pension Scheme was introduced by the Nigerian government in 2004 by an Act passed into law by both chambers of the National Assembly on the 23rd June, 2004 and was signed by the President on the 25th June 2004 (Oladipo and Fashagba, 2012).

The Pension Reform Act 2004 was meant to address the loopholes observed in the old Defined Benefit Pension Scheme by providing adequate resources to retirees and ensuring that every person who has worked in both the public or private sectors receives their retirement benefit as and when due (Odia and Okoye, 2012; Nwanne, 2015, Chizueze, Ikeji, Agba & Ogaboh, 2011 and Sule & Ezugwu, 2009). The Pension Scheme of 2004 entails the provision of retirement income whereby retirees are paid by savings secured before retirement through periodic contributions made jointly by both the worker and the employer.

In the bid to fine tune the existing Act and secure a better future for Nigerian workers, an amendment was made to the Contributory Pension Act 2004 in 2014 by the then President, Goodluck Jonathan leading to the emergence of the Pension Reform Act 2014. The contributory pension scheme was initially accepted with mixed feelings by Nigerians as many saw it as one of the government policies that would die with time. The scheme has been in operation for eighteen years now and it is not under contention that it seems to have gained public confidence and acceptability within this short period of its implementation. However, there seem to be issues arising in the operation of the pension scheme as the operators' complaint suggest that some of the difficulties encountered in the payment of the workers has to do with poor documentation by workers which may likely result from their ignorance on the operations of the scheme. According to Ehalaiye (2009), many workers are not aware about the activities of the National Pension Commission neither do they understood the provision of the Pension Reform Act of 2004, its implications and obligations. This was also buttressed by Omoni (2013). It is against this backdrop that this study seeks to ascertain the level of awareness of the serving staff of federal tertiary educational institutions in Ebonyi state on the operations of the contributory pension scheme.

Conceptual Framework

Pension according to Folorunsho (2015), is an arrangement to provide people with an income when they are no longer earning a regular income from employment. Pension schemes are social security maintenance plan for workers after their disengagement as employees through retirement (Ilesanmi 2006). However, Ayegba, James and Odo (2013) gave a somewhat different perspective as they viewed pension as a contract for a fixed sum to be paid regularly to a pensioner; typically following retirement from service. Fapohunda, (2013) gave a more encompassing definition of pension as the amount set aside either by employer or employee or both to ensure that at retirement, there is something for employees to fall back on as income. In all, we can assert that pension is a special arrangement put in place by employers and employees to cater for the financial needs of workers who are no longer in active service.

Contributory Pension scheme

The 2004 pension reform provided that both employer and employee have to contribute specific percentage of the employee's emoluments to a special fund reserved for the final disengagement of the employee. The National Pension Commission (PenCom) was established by the Pension Reform Act to regulate and supervise all pension matters in Nigeria. With this new arrangement, both the employers and their employees contribute to fund the pension scheme, the Act also stipulated that employees are to open a Retirement Savings Account (RSA) with any Pension Fund Administrator (PFA) of their choice and the deductions from their salary alongside that of their employers and the federal governments are lodged therein.

With this Pensions Reform Act (2001), employees contributed 7.5 % of their monthly emoluments, employers contributed 7.5% and the government contributed 85% to the Retirement Savings Accounts (RSA) of employees. However, in the case of the military, the employees contribute 2.5% while the employer contributes 12.5% (Kotun, Adeoye and Alaka 2016). In all, The Pension Reform act (2004) outlined that the new scheme was introduced to:

- a) To ensure that every person who worked in either the public service of the federation, federal capital territory or private sector receives his retirement benefit as and when due.
- b) To assist improvident individuals by ensuring that they save in order to cater for their livelihood during old age.
- c) To 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.
- d) To establish a sustainable pension system that empowers employees to have control over their Retirement Saving Accounts (RSA), promotes labour mobility and minimizes incentives for early retirement;
- e) To ensure transparent and efficient management of pension funds; and
- f) To promote wider coverage of pension scheme in Nigeria.

The major organs involved in the implementation of the CPS are: The National Pension Commission, the Pension Fund Administrators, the Pension Fund Custodians and the Closed Pension Fund Administrators.

National Pension Commission: The National Pensions Commission (PenCom) was established to serve as the major entity to regulate, supervise and ensure all round effectiveness in the administration of pension matters in Nigeria. PenCom was therefore set up to establish standards, rules and regulations for the management of pension funds, to receive and investigate any complaint of non-performance or impropriety against any Pension Fund Administrator (PFA), Pension Fund Custodian (PFC) or employer or any of their staff or agents. The Commission is therefore seen as a watchdog that ensures that all pension matters are administered with minimum levels of risk and fraud.

Pension Fund Administrators (PFAs): Under the new pension reform, pension funds are to be privately managed by licensed organizations called Pension Fund Administrators. In all, the PFAs are licensed and empowered by PenCom to open Retirement Savings Accounts for employees. In addition, they are to invest, manage and maintain books of accounts on all transactions relating to the pension funds managed by it, provide regular information to employees or beneficiaries and pay retirement benefits to employees as and when due (Oparanma, 2011)

Pension Fund Custodians (PFCs): The Act stipulated that funds deducted by Pension Fund Administrators are to be held solely in custody for them by an independent Pension Fund custodian (PFC). Such funds are kept in safe custody on trust for the employee and beneficiaries of the RSA. In addition, the PFCs are involved in settling transactions and undertaking activities relating to the administration of pension fund investments including the collection of dividends.

The Closed Pension Fund Administrators: There are situations where big companies with a strong financial base may wish to manage their pension funds by themselves. This is provided for under the 2014 Reform Act. The Closed Pension Administrator is expected to manage such pension fund either directly or through a wholly owned subsidiary of such employer dedicated exclusively for the management of such pension fund, provided that all its pension funds and assets are transferred to a custodian of its choice (Pension Fund Reform Act 2004). There are about seven CPFAs owned mostly by multinational companies to enable them administer their pension funds as directed by PenCom.

The 2014 Pension Reform Act 2014

The 2004 pension scheme rekindled the hopes of both serving staff and retirees as they looked forward to a better deal as compared with the old scheme. The 2004 contributory scheme was however plagued by challenges ranging from lack of awareness of workings of the reform (Omoni 2013), outright mismanagement of contributed funds (Kajushola 2015), the low level of compliance by the states and the private sector (Ayegba James and Odoh, 2013) and non-payment of the complete retirement package of some retirees (Kajusola, 2015). In a bid to tackle the weaknesses of the 2004 Pension Reform Act, the then President of Nigerian (Dr Goodluck Johnathan) signed the 2014 Pension Reform act in July 1 2014.

Major features of the 2014 reforms

The major objective of the reform is to further improve efficiency and accountability in pension administration with emphasis on protecting pension contributions (Eme, Uche, and Uche, 2014). The major features of the new Pension Reform act 2014 may be summarized as follows:

- a. An upward review of contributions by employers and employees from 15 percent to 18 percent of monthly emolument (8 percent to be contributed by employees and 10 percent by the employers). This implies that retirees are expected to have enhanced retirement benefits as a result of the increased contribution from 15 percent to 18 percent.
- b. Prescription of stiffer penalties to operators who mismanage pension funds. Operators who mismanage pension under the 2014 pension Act are liable, upon conviction; to not less than ten years' imprisonment or a fine of an amount equal to three times the amount so misappropriated or diverted, or both imprisonment and fine. In addition, criminal proceedings can be instituted against employers who persistently fail to deduct and/or remit pension contributions of their employees within the stipulated time.
- c. The Act clearly states that any interests, profits, dividends, investments and other income accruable to pension funds or assets are not taxable. Similarly, unlike in the 2004 reforms, the withdrawal of voluntary contribution is no longer subject to tax if withdrawn within 5 years. However, tax is limited only to the returns on such contributions if withdrawn within 5 years.
- d. Expansion of the coverage of the contributory pension. In a bid to attract private business operators into the contributory pension scheme, the 2014 Pension Reform Act reduced the number of employees that qualifies them to participate in the scheme from fifteen to three.
- e. Pension Protection Fund was created under the 2014 pension reform Act to include an annual subvention of 1% of the total monthly wage bill payable to employees in the public sector; referred to as an annual pension protection levy (the percentage of which is to be determined by PenCom) and income from investments of the Pension Protection Fund. The objective of the Fund is to guarantee a minimum benefit to contributors in the event of any shortfalls in the investment of pension funds and any other use PenCom may determine from time to time.
- f. The 2014 Pension makes it possible for any worker who resigns from employment or is disengaged before the age of 50 and has been unable to secure another job within 4 months to be allowed to make a maximum withdrawal of 25% of the RSA balance (as against 6 months in the 2004 reforms).

Challenges of the Contributory Pension Scheme

The contributory pension scheme has greatly reduced the centralized old pension scheme that required retirees to travel from the different parts of the country to Lagos or Abuja for periodic verifications. However, the CPS is being confronted by some challenges. The most significant is the lack of confidence in the scheme by potential contributors arising from failures of previous policies on pension management (Uzo and Anekwe 2018). There is also the fear that the CPS may be truncated in future going by the common practice of successive governments in Nigeria dumping the programmes and policies of previous regimes all in a bid to introduce their own (Nwanne, 2015).

However, one of the biggest obstacles the new scheme faces is limited array of potential investments in local capital markets as Pension fund investments are generally limited to

investment-grade instruments which are in short supply in emerging capital markets in Nigeria (Abdulazeez, 2015).

In addition, there are delays in the payment of pension to retirees in the CPS. This delay may be attributable to the condition that the retirees are expected to process their clearance to show that they are not indebted to their employer. This leads to delay in the payment of gratuity. This procedure is informed by the fact that the employer in the CPS, through the clearance system, ensures that the retiree is not indebted to the employer before he is given a clearance which enables him to proceed to his PFA for his pension benefits (Kotun *et al*, 2016). More importantly, Anazodo, Ezenwilo, Chidolue and Chidinma (2014) reported that pensioners across the country still witness irregularities and nonpayment of their pension as and when due under the CPS.

Finally, the 2014 pension reforms removed the right of the retiree to gratuity. This abolition of the gratuity significantly reduces the chance of retirees benefiting from their pension savings since the life expectancy rate in Nigeria is low. By implication, the balance of the pension that could not be assessed before their death eventually comes back to the government if the retiree dies before the calculated life expectancy.

Objectives

- i. To determine the extent to which serving staff of federal tertiary educational institutions in Ebonyi state are aware of their RSA account information.
- ii. To determine the extent to which serving staff of federal tertiary educational institutions are aware of their right to change their PFA anytime they wish.
- iii. To determine the challenges that serving staff encounter in the operations of the contributory pensions scheme.

Methodology

This research aimed at assessing the level of awareness of the contributory pension scheme by serving staff of federal educational tertiary institutions in Ebonyi state. There are four tertiary educational institutions of learning in Ebonyi state; Alex Ekwueme Federal University, Ndufu Alike, Akanu Ibiam Federal Polytechnic Unwana, Federal College of Agriculture, Ishiagu and David Nwaeze Umahi Federal University of Medical Sciences, Uburu. At the time of carrying out this research, the medical university at Uburu was still in the process of recruiting its pioneer staff; hence its deliberate exclusion from the study. The researcher randomly selected two (Federal College of Agriculture Ishiagu and Akanu Ibiam Federal Polytechnic Unwana) from the remaining three institutions

The population of the study consists of 1038 serving staff of staff of Federal College of Agriculture Ishiagu, Ebonyi state and 2000 from Federal Polytechnic Unwana (source: records from the Registry unit of both institutions). Taro Yamane formula was used to derive a sample size of 354. A total of 354 questionnaires were randomly distributed to staff of both institutions out of which 3000 questionnaires were retrieved for analysis. Descriptive statistics was used to analyze the data.

Results:

Demographic information on respondents

Category	Options	Frequency	Percentage
Gender	Male	164	55
	Female	134	45
	Total	300	100
Age (years)	Below 30	35	12
	31-40	101	34
	41-50	110	37
	51-60	35	12
	Above 60	19	5
	Total	300	100
	1-5yrs	31.	10
	6-10yrs	128	43
	11-15yrs	43	14
Length of service (years)	16-20yrs	63	21
	Above 20yrs	35	12
	Total	300	100

Source: Field survey 2022

The table above gives an overview of the biographic information of the respondents. In terms of gender; 55% were males and 45% were females. Most of the respondents (37%) fall within the age range of 41 to 50 years, 34% are aged 31 to 40 years, 12% are 51 to 60 years, 11 % are below 30 years while 6% are above 60 years. As regards the years of experience in service; most of the staff (43%) have been in service from 6-10 years followed by those that have served for 16 to 20 years (21%), 14% have served for 11 to 15 years, 12% are above 20years in the service while the least experienced who have served for less than 5 years are 10%.

Table 2: Respondents' awareness of how much they have saved with their Pension Fund Administrators

Responses	Frequency	Percentage (%)
Yes	125	42
Not sure	175	58
Total	300	100

Source: Field survey 2022

Table above indicates that 58% of the staff were not sure of their pension savings account balance while 42% were conversant with their RSA balance. This shows that most of the staff are not sure of the funds contributed so far in their retirement savings account.

Table 3: Awareness of the percentage of salary contributed for retirement

Options	Frequency	Percentage
7%	41	14
7.5%	133	44
8%	93	31
8.5%	33	11
Total	300	100

Source: Field survey 2022

From the table above; most (44%) of the respondents reported that 7.5% of their salary is being deducted monthly for their retirement savings, 31% reported that they contribute 8.5%, 14% reported that their monthly pension contribution is 7% while 11% reported that they contribute 8.5%. This shows that most of the staff are not conversant with the revised Pension Reformed Act 2014.

Table 4: Awareness of the provision of the PRA on the right of contributors to change their PFA when the need arises.

Options	Frequency	Percentage
Yes	217	72
No	83	44
Total	300	100

Source: Field survey 2022

Table above indicates that most (72%) of the respondents were aware of the provision of the PRA that they can change their PFA anytime they are dissatisfied with their services without incurring any loss in their savings while 44% were ignorant of that.

Table 5: Information Challenges encountered by staff under the contributory pension scheme

Options	Frequency	Percentage
Lack of guidance and counselling for staff before retirement	93	31
No regular briefings by PFAs	153	51
Lack of basic knowledge and technology to access info on pensions	54	18
Total	900	100

Source: Field survey 2022

Table above indicates that majority of the staff (51%) are of the viewpoint that the their PFAs do not update them on their pension activities on a regular basis, 31% complained on the lack of adequate guidance and counselling on retirement while still in service while 18% complained of the lack of basic ICT knowledge and technology to access information on the internet.

Discussion and Conclusion:

This study which assessed the level of awareness of the serving staff of Federal College of Agriculture Ishiagu, Ebonyi state in the operations of the Contributory Pension Scheme. The findings of this study may be summarized as follows:

- Most of the staff reported that 7.5% is being deducted from their salary. Under the 2001 Act, employees contributed 7.5% of their salary for their RSA. This rate was however upgraded to 8% under the revised 2014 Act. This shows that majority of the staff were ignorant of the current rate being deducted and domiciled in their RSA just as they were ignorant of the total amount domiciled in their RSA. This finding is in line with Omoni (2013) who reported similar findings among teachers in Ukwuani Local government area of Delta state. The implication of this finding is that most serving staff are not conversant with the vital details of their contributions for retirement.
- Majority of the staff were well informed on the provision of the 2014 Pension Act that empowered serving staff with the right to choose their PFA and to change them if they were dissatisfied with the services rendered by the latter. This finding does not agree with Ehalaiye (2009) and Omoni (2013). This level of knowledge by the staff of workers in the study area could be traced to the activities of PFAs who frequent the institutions to canvas for new clients (with mouthwatering offers aimed at convincing workers to switch their service providers).
- The challenges encountered by the staff in the operations of the CPS border on information dissemination as most of them complained that PFAS are quick to scout for new accounts from prospective staff but do not follow up on those accounts with regular visits/updates on their activities after they have retained them. Secondly, the staff complained that their institution is not doing enough in the area of counselling staff while in service on the need to prepare themselves before retirement. Added to the above challenges is the issue of the inability of staff to cope with the technological demands of this age (android phones, ICT, data, network, etc.). The fact remains that there is ample information on the contributory pension scheme and the National

Pension Commission on the internet. However, these challenges outlined above are a factor that has contributed to the level of ignorance exhibited by people on the CPS.

Recommendations

Based on the findings, it is recommended that PFAs should engage serving staff in periodic and regular physical meetings to educate them on their activities as well as give updates on their investments with the pension funds (bearing in mind the observed challenges to effective information dissemination via the internet which includes network, data and knowledge of ICT). This can be achieved through a closer supervision by PenCom to ensure compliance. In addition to that, there is need for participating organizations to pursue a vigorous retirement enlightenment program to adequately prepare their staff before retirement.

Conclusion

The CPS introduced by the Nigerian government has relatively reduced the demonstrations and outcry by retirees overtime. However, this study is a pointer to the fact that there exist grey areas in the implementation of the program which borders among other factors on the level of information on pension matters available to and assimilated by staff who are still in service. The success of any venture is determined by the level and quality of information disseminated by the sender and assimilated by the intended public (among other factors). To this extent, the CPS which is expected to better the lot of Nigerian retirees may not achieve its purpose if the factor of adequate education of the serving staff and retirees is neglected.

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