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RETIREMENT AND LIVELIHOOD: WHAT ARE THE PROSPECTS OF AGED RETIREES IN NIGERIA'S CONTRIBUTORY PENSION SCHEME

BY
Professor Ya'u Haruna Usman: Department of Adult Education and Community Services, Bayero University,Kano;E-mail: yauusman@yahoo.com/08065729945
&
Garba Abdullahi Barume: Department of Adult Education and Community Services, Bayero University, Kano; E-mail: gabarume2014@gmail.com/ 07033344847

Abstract
The focal point of the paper is mainly directed toward the wellbeing of retirees during their retirement period. The concepts of retirement and pension are discussed in relation to the aged Retirees' livelihood as well as introduction of contributory pension scheme in Nigeria. The major organs of the scheme and their functions, as well as the implementation of the scheme were discussed. Merits and demerits of the scheme were examined. Finally, conclusion and recommendations such as the Pension Commission (Pen Com) and Pension Fund Administrators (PFAs) should address the plight of retirees by ensuring prompt payment within three months of quitting the job, to alleviate retirees' sufferings from long waiting period before payment was offered among others.
Keywords: Retirement, Livelihood, Prospect, Aged, Retirees, Contributory Pension Scheme

Introduction

Retirement is primarily regarded as transition to old age. Pension is designed to serve as a means for those that have spent greater part of their life in services as employees in various governmental and non-governmental organizations. It is (pension) given to them in form of retirement benefits as at when due; in order to cater for their (retirees) livelihood during old age. The benefit can only be meaningful when it serves the purpose for which it was meant, otherwise it may be considered as a token that cannot provide means of adequate livelihood satisfaction, and may remain a poor payment that undermines retirees wellbeing during retirement days. For more clear understanding, concepts of livelihood, retirement and pension are illustrated below.

Livelihood

The term livelihood has different definitions, in literal expression it refers to sources of income or earnings for a living. A livelihood comprises the capabilities, assets (including both material and social resources) and all activities required for a means of living. Livelihood cannot be attained without financial self sufficiency even at the retirement position. The retirees at the point of retirement depend largely on their retirement benefits as they no longer enjoy payment of salary or wage. Financial self-sufficiency is the ability to meet one's financial obligations (e.g., mortgages, credit card, debit card, and daily living expenses) from one's retirement benefit without the need for monetary assistance from others. This can be a precarious balancing act for individuals who may have a spillover effect for others in one's kinnet work.

According to Department for International Development (DFID), (2014) adopting the sustainable livelihoods approach provides a way to improve the identification, appraisal, implementation and evaluation of development programmes so that they better address the priorities of poor people, both directly and at a policy level. In this way it represents one means of pursuing DFID's poverty elimination aim. DFID's Theme Group on the Reduction of Poverty and Social Exclusion provides the overarching focus point for DFID's poverty reducing activities. The Theme Group's aim is to enhance DFID's potential for fostering pro-poor growth, undertaking poverty analyses and designing, implementing and assessing the impact of poverty reducing interventions (DFID, 2014).

Retirement

Leaving or quitting the job is the literal definition of retirement. Retirement is a virtually new idea before the emergence of industrial revolution. Although even without mandatory retirement, most adults who can retire do retire; and with increasing longevity, they spend more time in retirement than in the past (Kinsella & Gist, 1995). Retirement was embraced in many industrialized countries during the nineteenth and twentieth century; but in less developed countries, most people (especially those in non-formal sectors of the economy) still work until they are no longer physically able (Papalia, Sterns, Feldman & Camp, 2002). In most of the developing world, large numbers of

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older adults continue to work for income (Ferraro & Lu, 1999; Kaiser, 1993). More than 40 percent in Sri-Lanka, Thailand, and Chile and 57 percent in Dominican Republic, according to a United Nations study (Kaiser, 1993).

In the modern world the single most important transition that is seen to mark entry into old age is retirement. It is a historically recent phenomenon, and is the characteristic of the urban, industrial societies of Western Europe and North America. Thane (2000) argues that before the early nineteenth century, individuals retired from their occupations at whatever age, they felt unable to carry them out their work. The conventional definition of old age as starting at 60 or 65 stems from bureaucratic organization of the life course around the administration of retirement pensions. Finally, there are pressures from variety of public agencies, for governments to rise the retirement age and extend working life (Vincent, Phillipson & Downs, 2006).

Contributory Pension Scheme

Pension all over the world presently is well-known to mean retirement benefit. According to Adam (2005) it is the amount paid by Government or company to an employee after working for some specific period of time, and when considered too old or ill to work or have reached the statutory age of retirement. In another development Iwu(2007) defined pension scheme as a periodic payment granted to an employee for services rendered, based on contractual legal enforceable agreement, paid by an employer at the agree time of termination of appointment.Public pension schemes were first institutionalized in what are today considered the developed countries. Later, such schemes became widespread throughout most parts of the world including many currently referred to as developing countries.

During the colonial era, the pension law made the granting of pension at a pleasure of the Governor-General. As such by then not all public service were pensionable. Nigeria's pension policy came with pension ordinance of 1951 which had demonstrative effect from 1st January, 1946 (nine years before the country became a sovereign nation with its independence on the 1st October, 1960). The ordinance provided public servants with both pension and gratuity (Ahmed, 2006). The National Provident Fund (NPF) scheme was established in 1961; being the first legislation enacted to deal with pension issues of private organizations in Nigeria (Ayegba, Isaiah & Odoh, 2013). The scheme was the first social protection for the non-pensionable private sector employees in Nigeria. Ahmed (2006) indicated that, it was a kind of contributory scheme where both employee and employer contributed the sum of four naira (N 4) each on monthly basis. The scheme provided for only one-off lump sum benefit.

Ajiboye (2011) indicated that pension became rights to which a qualifying public servant was entitled to claim from the government effective from 1974. He further explained that, in contrast, government parastatals tended to operate separate funded schemes which required setting aside on an annual basis, a percentage of the total basic salaries of their staff in a special fund under the management of a board of trustees. Unlike the public sector, most in-house pension schemes in the Nigerian private sector were funded by both the employers and employees, otherwise, it is a contributory scheme. The employees were made to contribute a percentage of their monthly salaries, subject to a maximum pay while the employers also contributed a percentage of employees" salary to the scheme.

The Pension Act no. 102 for the public servants and Pension Act No, 103 for the Armed Forces were established in 1979. According to Ahmad (2006) in 1987, Pension Act No. 75 was enacted for the Police and other Government Agencies' Pension Scheme were enacted, and then followed by the Local Government Pension Edict which led to the establishment of the Local Government Staff Pension Board in 1987. In 1993, the then Federal Military Government enacted Decree, No. 73 that led to the establishment of National Social Insurance Trust Fund (NSITF) scheme. It was made to replace the National Provident Fund; it took over all assets of the NPF, and commenced operation with effect from 1st July, 1994 in order to cater for employees in the Private Sector of the economy against loss of employment income in old age invalidity or death.

Prior to the introduction of the contributory pension scheme, all public and most of private organizations in Nigeria operate Pay As You Go-Defined Benefit as the pension scheme. The Defined Benefit (DB) scheme was funded by the Federal Government through budgetary allocation and administered by Pension Department of the Office of Head of Service of the Federation (Balogun, 2006). The scheme witnessed various amendments with aim of improving the welfare package in its emoluments in order to provide essentials needs of living (livelihood) in the retirement period.The National Pension Commission popularly known as PenCom. According to Edogbanya (2013) is to serve as the major regulatory organ to all the pension system in the country. The scheme provides that National

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Pension Commission (PenCom) shall control, standardize, supervise and ensure the effective administration of contributory pension matters in Nigeria.

(a) **The Pension Fund Administrators**:Adegbayi (2005) has identified that the roles of PFAs are to open RSA for all employees registered by it with a Personal Identification Number (PIN); invest and manage the Fund and assets; Calculate annuities; and pay Retirement Benefits. It is glaring that the PFAs are the veritable operators that add value to the contributors' fund.

(b) **Closed Pension Fund Administrators:**In the private sector, some companies were granted licence by the PenCom to operate as closed pension fund administrators. The companies are: Chevron Closed PFA Limited; Nestle Nigeria Trust Limited; Nigerian Agip CPFA Limited; Progress Trust CPFA Limited; Shell Nigeria CPFA Limited; Total (E&P) Nigeria CPFA Limited; UNICO CCPFA Limited (Ikotun, 2019).

(c) **Pension Fund Custodians (PFCs) :** pension fund custodians are responsible for the warehousing of the pension fund assets. The PFAs shall not be allowed to hold the pension fund assets. The employer sends the contributions directly to the Custodian, who notifies the PFA of the receipt of the contribution and the PFA subsequently credits the retirement savings account of the employee and the PFAs have the right to access the money for investments. pension administrator or custodian or any person or institution on matters relating to retirement benefit; charge and collect such fees, levies or penalties, as may be specified by the Commission; establish and acquire offices and other premises for the use of the Commission in such locations as it may deem necessary for the proper performance of its functions, under this Act; Specifically, the primary functions of PFCs are: Receive and Hold the Fund upon trust for Contributors and Beneficiaries; Settle investment transactions on behalf of the PFA; provide independent reports to the Pension Commission on Fund assets and Undertake statistical analysis on the investment and returns on behalf of the Pension Commission and the PFA. As a matter of fact, the functions of the PFAs and the PFCs interlock and act as a grid against financial impropriety. Thus, even though the PFA opens the account, it does not have access to the money except for purposes of investment, which asset representation must still be kept with the custodian, who settles payment and other transactions made on particular investment undertaking. The money is also not controlled by the PFC, who must act upon the instructions of the PFA and cannot treat funds with it as mere cash savings. Since both parties assume joint trust positions, an incidence of financial imprudence is reduced but cannot be totally ruled out. The PFCs are Financial Institutions that must have a minimum balance sheet of not less than ₦125billion. As at November, 2019 the current list of PFCs is:

1. Diamond Pension Fund Custodian Limited
2. First Pension Fund Custodian Limited
3. U.B.A. Pension Fund Custodian Limited
4. Zenith Pension Fund Custodian Limited

Merit and Demerit of Contributory Pension Scheme

Contributory pension scheme has enriched itself with many advantages for the retirees. A careful study of the two schemes (Pay As You Go-Defined Benefit and Notional Defined Contributory) from the several pension reform act of PAYG-DB (old scheme) and the pension reform acts (PRA) 2004 and 2014 of NDC (new scheme) reveals that: in terms of funding, the Contributory is fully funded through employee-employer monthly contribution, indicating basic financial security for potential retirees, whereas the PAYG-DB supposed to be funded by employer was mostly unfunded which indicates financial insecurity of the scheme. The contributory scheme provides the employees with right to choose the PFA that where to manage their retirement fund, unlike in the PAYG scheme where the fund management was largely done by the governments of federation, states and local, in which fraudulence cases used to appear.(PRAs,2004&2014).

The contributory scheme mandated all employees in the public and private sectors to participate in the scheme and it emphasis uniform treatment in terms of disbursement of retirement benefits. Significantly, Pencom serves as a strict regulator of the scheme, in order to avoid mismanagement, other forms of irregularities, and liquidation. In addition, the scheme portrays transparency and open through the use of retirement saving account for all enrollees, and participants were usually alerted on how far their contribution balance stands (PRAs, 2004 & 2014).Edogbanya (2013) pointed out that, since individuals own the contributions, thePensioner is no longer at the mercy of government or employer and is assured of regular payment of retirement benefits. The employee has up to date information on his retirement savings account. The scheme imposes fiscal discipline on the nation and a solid

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foundation for economic development. There is an expansion of convertible funds, creation of a huge pools of long term funds and enhances accountability. Amujiri, (2009) indicated that the new pension scheme has laid to rest Ghost Pension Syndrome. Also, Agbese (2008) in Amujiri (2009) opined that the introduction of the new pension scheme in Nigeria marked a turning point in Nigeria economy because transparency is assured Ghost Pensioners disappear completely from payroll of pensioners nationwide and the scheme emphasises regular publishing of statement of contributions and earnings and prompt auditing of the account.

The Contributory Pension Scheme Benefited the nation economy by injecting more funds in the capital market. Edogbanya (2013) opined that a lot of opportunities are created in the modern CPS. The scheme has boasted the capital and money markets and this has brought a tremendous growth to the economy. As it stands, all PFAs have their funds invested in the capital market through equities and bonds. Also the banks and other money market operators have had their own share through fixed deposits. The PFAs and PFCs that were the offshoot of the new scheme have created employment opportunities and savings for employees among others.In a case of dismissal from the service, instead of losing pension benefits as it used to be in PAYG-DB scheme, the contributory pension scheme provides a dismissed employee with full benefit rights. The Nigeria's reviewed defined benefit regulated 5 years and 10 years as a minimum service years for an ex-worker to gratuity only and pension plus gratuity respectively. The contributory scheme, which was more at the mercy of retirees, allows retirees that spend few months in the employment to enjoy benefits.

According to Ohai and Awoyinfa (2013) the new (contributory) pension scheme introduced in 2004 received tribute and applause especially from the potential retirees and current pensioners who until then saw the old scheme as unproductive occasioned by weak administration and corruption, as well as unreliable records keepings. Shortly after coming on board, many Nigerians became jagged with the activities of Pension Fund Administrators and Pension Fund Custodians. Significantly however, many pensioners and potential retirees are not knowledgeable about the operations of the new contributory pension scheme.Omani (2013) pointed out that the potential retirees and current retirees' low level of awareness on the new pension scheme has generated off worry and uncertainty about their retirement.

Kojusola (2015) critically observed that contributory pensioners received only between 20 to 25 % of their last pay as monthly pension, while pensioners in the old scheme received 80% of their last pay as monthly pension. This fact stands as a serious irritating issue with regards to the retirees benefit from the scheme.According to Ibe (2005) selling and marketing challenges will constitute a problem to the contributory pension scheme more efforts are needed in this area. Pension Fund Administrators needs to be chosen by individuals employees while Pension Fund Administrator in turn, choose their Pension Fund Custodian. This becomes a battle ground, as there is more to do in conversing for clients. More so, as the Pension Fund Administrator (PFA) and Pension Fund Custodian (PFC) business require substantial selling/ marketing effort, the high selling and marketing for pension funds business would escalate their operating costs beyond the stipulated 3.5% of assets under management.

Dalang (2006) opined that there is going to be conflict of interest which will arise when investment decisions are made in situation of compromise, where emotions take priority over taking wise investment decisions. This will affect the integrity of investment process, and may lead to less favorable investment decisions or worse still investment decisions that favour the Pension Fund Administrator, its Directors, Management and Staff to the detriment of the contributors.Furthermore, Ahmad (2006) pointed out that more funds have to be spent on software, license fees, maintenance costs, requisite skills and support infrastructure because the scheme will be subjected to technological challenge with respect to funds management by the Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs) due to millions of individuals Retirement Savings Account (RSA) that PFAs and PFCs have to manage. This means they have to suffer with high cost of infrastructure on Information and Communication Technology (ICT). The gigantic expenditure must be accomplished for any Pension Fund Administrator to start operation fully, automated as indicated in the PenCom guidelines for the licensing of Pension Fund Administrators and Pension Fund Custodians.

Edogbanya (2013) observed that the problems of contributory pension scheme include the followings:

a. Remittance of the benefits to the Retirement Savings Account (RSA) by firms, employers and employees may be difficult.
b. How genuine are our pension fund administrators and custodians that have licenses; were the licenses given to those competent and qualified ones?

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c. What are the legal frameworks put in place by government such that in spite of political changes, the scheme is sustained by subsequent government?
d. How do we ensure effective implementation of penalties in the act of non-compliers regardless of their status and origin?
e. How will government and national pension commission monitor, supervise and enforce the provisions of the Pension Reform Act 2004?
f. What happen if PFAs and PFCs default or went into liquidation?

Retirement and Livelihood of Aged Retirees

Palme, (2006) opined that well designed pension programmes should contain the potential that will reduce poverty amongst older population. Similarly, Wilkinson, (1992) pointed out that there are many findings suggesting that lower income differences are associated with better health and lower mortality. In view of the above, the better pension scheme should reduce income differences in the society and enhances higher income to the aged retirees. In this way, such pension scheme would provide adequate resources to cater for medication and other essential activities that enhances livelihood for the aged retirees. Thus at the point of retirement, a retiree should be able to attain financial security that guarantees his or her basic means of survival; affords sponsorship of children's education and enables support to the dependent (extended) family.

Livelihood cannot be attained without financial self sufficiency even at the retirement position. The retirees at the point of retirement depend largely on their retirement benefits as they no longer enjoy payment of salary or wage. Financial self-sufficiency is the ability to meet one's financial obligations (e.g., mortgages, creditcard, debts, and daily living expenses) from retirement earnings without the need for monetary assistance from others. This can be a precarious balancing act for individuals who may have a spillover effect for others in one's kin network. In contrast to the above, the prospects of Retirees under contributory pension scheme are in question. The contributory pension scheme at present probes ineffective in handling retirees livelihood needs. For example, Kojusola (2015) critically observed that contributory pensioners received only between 20 to 25 % of their last pay as monthly pension, while pensioners in the old scheme received 80% of their last pay as monthly pension. The long delay (as a result of obtaining accrued value) before collection of the benefits which usually takes more than one year is another problem associated to the scheme. Similarly, Retirees non-contentment on what is paid as lump sum and monthly or periodic pension pose great obstacle with regards to the retirees benefit from the scheme. This facts stand as a serious irritating issue which clearly indicated that the contributory pension scheme may not adequately provide essential livelihood to the aged Retirees.

Conclusion

The contributory pension scheme introduced in 2004 and amended in 2014, with the objective in section 1, sub-sections c & d: 'to ensure that every person who worked in either the public service of the Federation, Federal Capital Territory, States and Local Governments or the private sector receives his retirement benefit as and when due; and assist improvident individuals by ensuring that they save in order to cater for their livelihood during old age'. However, the new scheme as it starts operating is discovered to be associated with number of problems that stand as obstacles to Retirees' livelihood. The pronounce complications include long delay of one or more year before collecting the benefits and low level of amount pay as monthly pension that may not handle basic livelihood of Retirees.

Suggestions

Based on above, the following Suggestions are made:

1. The Pension Commission (Pen Com) and Pension Fund Administrators (PFAs) should address the plight of retirees by ensuring prompt payment within three months of quitting the job, to alleviate retirees' sufferings from long waiting period before payment.
2. The Pen Com and PFAs should ensure that monthly pension package is improved so that a retiree shall enjoy more that 70 percent of former salary as monthly pension for the betterment of retirees' livelihood.
3. The Federal Government should established legislation that shall compel Pension Fund Administrators to make upward-review on monthly pension payment of retirees whenever there is increment of workers' wages.
4. The Federal Government should extend National Health Insurance Scheme policy to fully cover the retirees, noting that old age period is characterize with various forms of sickness

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5. Workers should start preparing for retirement (with voluntary pension contribution, savings & investment) right from the day they assume duty. Early preparation of retirement will enable ample time and adequate ground for financial security as an effective means for sustainable livelihood.

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