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The Effect of Safety of Fund and the Pension Reforms of 2014 in Nigeria

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ABSTRACT

This study examined the new Pension scheme, the contributory Pension Scheme (CPS), introduced in an Act of 2014, in Nigeria into the Public and Private sectors. The aim is to ensure that the challenges of the old schemes are removed to the barest minimum with the adoption of the new scheme. However, the scheme is being attacked from numerous quarters. The issues of safety of the funds (contributions) seemed to have overshadowed the intended benefits of the scheme. The participants in the scheme are too small to sustain their livelihood. Some have said that the payments fall shorts of their expectations and hence, the need for the scheme to be reviewed, or scrapped. This study shows that safety and adequacy of the fund is important to the sustenance of the scheme.

KEYWORDS: *Pension Scheme, Over-Shadowed, Contributory Scheme*

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INTRODUCTION

The Nigerian Pension Industry suffers from two-prong challenges: One is the security of the funds in the scheme, two, the adequacy and sustainability of the pension benefits/system. It is taken for granted that risk is an integral part of all human activities, most especially business decisions. Suzzane (2018) opined that risk is an important business element however, what is bad is uncalculated and misunderstood risk. The banking reforms carried out in 2009 by the Central Bank of Nigeria (CBN) showed that most financial institutions (precisely, banks) miscalculated and misunderstood the risk they were exposed to in the course of their investment drive and loan processing. Most banks were caught in the web of sub-prime loans which were connected to the performance of the Capital Market. Therefore, as the Capital market came crashing in the wake of the global financial crisis and the incidence of profit-taking in the market, the banks investment values were greatly eroded. Consequently, their capital was negatively affected which led to the take-over of a number of banks by CBN.

One of the identified misconceptions of risk by most financial institutions is that of 'too big to fail'. After recapitalization exercise of 2005, most banks erroneously believed that big capital is a 'wall' against failure. In order to prevent this scenario from being witnessed in the Pension industry it is necessary that risks are understood, calculated and coordinated by the managers and the regulator, especially as pension assets continue to grow geometrically. Despite the key principle of 'ring fencing' of the pension assets, there is still large fear that the pension funds lies within the possibility of mismanagement. The key aspect of fund management in the Pension industry, is that of Fund Investment, as most of the risks are largely inherent in 'value erosion' through uncalculated risks; the investment decision being the sole prerogative of the PFAs. Although the Act, as well as PENCOM regulations, clearly specified the classes of assets in with h the Pension funds should be invested and the maximum investment limit of the total fund which can be put into each approved asset classes, the element of risk management in those investment portfolios remain a major source of concern to the industry. Although the risk management strategy seemed to have worked perfectly in shielding the pension industry and its assets from the devastating effects of the financial crisis witnessed in the major financial sectors which largely eroded the value of most of the investment instruments, the pension industry seems to be too delicate and new to be handled with so much openness.

PENCOM has so far licensed 25 PFAs, 7 CPFAs and 4 PFCs with membership of the scheme over (5) million. As a result of post-consolidation exercises in the industry mergers and acquisitions have reduced the numbers of the operators (PENCOM, 2019). This represents a large pool of funds. The Pension asset is well above three (3) trillion-naira 2018 (Pencom, March 2019). The financial costs of failure of the scheme and its social impacts on the contributors, in particular, and the society in general may be very devastating.

Hence, several concerns have been raised about setting practicable and stringent risk management system and internal corporate government/controls to ensure that the fund is not only secured but remain profitable for the Operators and the Contributors.

Although the new reform is guided by the principles of sustainability, accountability, equity, flexibility and practicability (PRA, 2014), there is also the fear that the funds could be mismanaged by the existing trustees. Also, risk of a given portfolio determines the return from it. Some PFAs do not have the required risk management structure and profile which are necessary to make informed judgments about the value of their investments.

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

It is" noteworthy to emphasize that financial value of retirement benefits of any contributor, upon retirement, is a function of the number of units his contributions have earned till date. This unit, however, is a function of the return on investment to each manager. Therefore, any bad investment strategy of a particular PFA could erode the financial worth of the participant and negatively affect the accrued benefits to the Participants upon retirement or at any point in accessing the funds. Following from above is the growing agitation to revert to the old scheme. An increasing number of stakeholders (especially the contributors and the employers) have continued to agitate for the cancellation of the scheme or withdrawal from the scheme. On the part of the employers, they have decried the high cost of the scheme due to declining economic and market conditions, lack of adequate and timely returns from the PFAs and demand for withdrawal from their employees are some of the reasons for the call for cancellation of the scheme. On the other hand, employees have complained that the pension remittances from the PFAs are extremely unsustainable and inadequate to maintain an average lifestyle after retirement. Also, they have complained that the returns on their funds are extremely low and cannot sustain their post-retirement needs or meet the actualization of the value creations. There have been calls to cancel the scheme and revert to the old system as a result of poor service delivery being experienced with some of the PFAs, especially in the areas of delivery of accounts statements. the introduction of the new pension scheme, many concerns of management and sharp practices have been expressed by various stakeholders. More so, the recently reported fraudulent practices in the management of the Federal Pension funds by its officials have further heightened the fears of the participants in the scheme and have discouraged the prospective participants in the scheme. This doubt has led to the call for partial or total withdraw of some agencies of government, for instance, Nigeria Police Force has already been given the authorization by the Federal government to withdraw from the scheme.

This study, therefore, is aimed at critically examining the real issue of risks and adequacy in the management of the Funds in order to ensure that adequate regulatory frameworks are put in place and the internal process of fund management of the PFA, as well as the PFC, are closely monitored. It is the belief of the researcher that once the issue of risk is appropriately managed the industry will witness growth and contribute significantly to the development of the Nigerian economy. This will further enhance the confidence of the participants in the scheme thereby encouraging sceptical employers and employees to build interest in it as well as commit their finances. More so, the study recognizes that information gap has led to the perceived bad faith about the scheme.

Hence, this study will bridge the gap as adequate as possible, to the extent that such acceptability can further help the Nigerian economy in generating the needed funds for its infrastructural needs as a result of the pension industry regulator, PENCOM, and the governments at different levels by encouraging and enforcing good corporate risk management practices in the pension administration and add to the existing theoretical knowledge about the risk management processes in the pension administration in Nigeria while also breaking new groups and suggesting new and better process for more effectiveness.

Therefore, the following specific problems will be examined by this study:

- To what extent does investment strategy of Pension Fund Administrator (PFA) affect the overall performance of funds and returns?
- To what extent does the risk prevalent in fund investment affect Pension Management in Nigeria?
- What can be done to improve the confidence of the contributors (employers and employees) in the scheme?
- Given the level of criticisms against the scheme, does the scheme have future in Nigeria?

Reform Era in Pension Administration

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

Legal Reforms of Pension Administration-Post 2004

The road to legal reform of the pension administration in Nigeria began with the government of President Olusegun Obasanjo setting up a committee to look into ways of reforming the entire pension systems for workers, whether in private or public institutions. The Committee headed by Mr. Fola Adeola, made consultations and eventually submitted a bill to deal with pension administration in Nigeria. The initial drafts, showed a tilt towards funding of past government pension liabilities. Funding was expected by way of levy on interest payments on current individual retirement savings. This was eventually resisted. The pension was proposed as a compulsory contribution scheme, which would run independently of employers. This means that compulsory deductions would have to be made from current salaries and employers are compelled to pass the deductions to an organization or a separate entity for savings and investments towards paying retirement benefits upon actual retirement at a determined age, and not just cessation of employment at any age. This was a winning model as the retirement benefits will not be affected by change of employment or other forms of improprieties and can finally be tailored and focused as a proper pension arrangement (Adetola, 2015). This model was taken from the Chilean Pension Model (BGL) Report, 2010).

The outcome of the committee's report resulted in an executive bill sent to the National Assembly (The legislative arm of the Nigerian Government). The bill was finally passed and assented to by the President and commenced operation in June 25th 2014. The Act known and referred to as "Pension Reform Act 2014" marked a watershed in the system of pension 'administration in Nigeria (Adetola, 2015). It is noted that the operation of the Act gave birth to the licensing of 26 Pension Administrators (PFAs), 7 Closed Pension Fund Administrators (CPFAs) and 5 Pension Fund. Custodians (PFCs). By the pre-Act research and analysis of government there were estimated 50 million potential contributors to the scheme. This would make the pension industry by far the most liquid investors in the country.

Key Features of Pension Reform Act 2004

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

1. Independent Regulator: The Act under sections 14, 15 16 & 17 prescribed the establishment of the National Pension Commission (referred to as "the commission"). It stated the object, membership, tenure and other substantive issues concerning the administration and functions of the Commission.
2. Transitional Provisions`— Part Vi: Section 29 of the Act highlighted how the government intended to redeem its previous pension liabilities which were accumulated under the old scheme.
3. Publication of list of pension fund administrators: Sections 55 & 56 stipulated that the commission should publish the list of all PFAs and PFCs licensed under a particular year. It also stipulated

the requirements of the PFAs & PFCs to subject their book to the commission's enquires.

4. Part Viii: Section 44-47 described the establishment and functions of the Pension Fund Administrators and the Pension Fund Custodians under the new scheme.
5. Obligation of the PFAs and PFCs: Sections 59 specifically & other supporting sections stipulated that the PFAs and PFCs have obligations to manage the funds under its management in accordance with the provisions of the Act, any regulation or guidelines made hereunder and any direction given by the commission.
6. Risk Management and Investment Committees: Section 66 and its associated sections required that PFA shall establish certain standing committees including Risk Management and Investment Strategy committee with their functions outlined.
7. Appointment of Directors and Chief Executive Officer: Section 67 of the Act prohibits the appointment of a director or CEO by any PFA or PFC without the prior written approval of the commission.
8. Investment of Pension Fund-Part Ix: Sections 72-78 of the Act stated the investment objectives or all contributions under the Act. It outlined the investment classes the Fund may be invested. It also precludes certain investment classes while restricting the extent of investment in others.
9. Scheme Establishment: Section 1 stipulates the establishment for any employment in the Federal Republic of Nigeria, a contributory pension scheme (referred as 'The Scheme').
10. Objectives of the Scheme: Sections 2 & 3 describes the objectives of the scheme and requirement for the withdrawal of contributions from the scheme respectively.

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

Pension Portability

Under the old structure, an employee loses his pension rights upon his movement from one employer to another within his employable age bracket; this is because the employers under the old scheme manage and administer the fund discriminatorily. However, under the new scheme, the employee does not lose his accrued pension contributions in his RSA as the benefits are not managed or administered by the employer but a third-party organization.

Management

The old schemes were largely state-controlled benefit administration programmes in the public sector and controlled by the management in the private sector with Workers. Union having influence on the scheme administration. However, the new scheme is absolutely under the management of private sector organizations which are exclusively licensed under the PRA 2014 to transact the business of pension fund administration or custodianship. This ensures a reasonable level of transparency and accountability in the management of the fund.

Insurance Policy

Under the old scheme, the employers were not under legal obligations to take an insurance policy for their employees in the events of death during the course of employment. This left most employees without benefits in the event of death arising from his employment. This was adequately addressed under the new scheme. Every employer under the influence of PRA 2014, is obligated to, among other things; take an insurance policy for their employees which pay out its policy benefits in the event of death of the employee. Any benefit payable in this way is paid into the RSA account of the deceased employee for the benefit of his stated beneficiary (ies).

Dismissal from service:
Under the old scheme, the employee forfeits his pension and other accrued employment rights wherein he was dismissed from his employment. This was hitherto seen as part of the punitive measures against employee's misconduct. The part of reason, however, prevailed

on the drafter of PRA 2014 that what becomes of the years of service the employee had put into his job whereas he loses all pension benefits (sometimes, all accruable earned benefits) as a result of his dismissal? Therefore, the PRA 2014, by extension the new scheme, allowed the employee, the right and access to his pension benefits even where he is dismissed.

Minimum Service years;
Under the old scheme employee was not entitled to pension benefits except he had been in such employment for a minimum of 10 years and 5 years, for gratuity right. This was however, removed under the new scheme. Hence, an employee is entitled to pension from the month 1 of his employment of course subject to the balance in his Retirement Savings Account (RSA).

Structure of Pension Management — PRA 2014 Model
The greatest innovation of the Pension Reform Act 2014 was the dichotomy it created on the three levels of the Pension Fund flows in Nigeria - the regulatory: the administration; and the Custody of the funds in the scheme. The Act established the National Pension Commission (The Commission) as the Regulator/Supervisor of the industry with varying functions and powers over the operations in the industry. Secondly, the Act created and granted the Commission the Power to license any person or organization as a Pension Fund Administrator (PFA). Third, the Act created and granted Pencom the power to license any pension or organization to transact a business of and as a Pension Fund Custodian (PFC). This structural arrangement was referred to as key principle of "ring fencing". (Ahmad, 2018).

Structure And Functions/Institutional Framework for Management & Custody of Pension Assets

➢ Pension Fund Administrators (PFA) –
- PFA opens and administers Retirement Savings Account (RSA) for every employee in liaison with PenCom & appoints Pension Fund Custodian
- PFA invest/manages pension fund assets and administers retirement benefits

➢ Pension Fund Custodians (PFC) –
- PFC receives the total contributions & holds pension fund assets in safe custody on trust for the employees and beneficiaries of the benefits
- PFC executes transactions and undertakes other related activities on behalf of PFA
- Guarantee of Pension Assets by Shareholders of a PFC

➢ Closed Pension Fund Administrators
- Manages existing scheme for employees of a particular organization

➢ Collecting Banks

➢ National Pension Commission
- Apex body to regulate and supervise pension schemes
- Formulate, direct & oversee the overall policy on pension matters in Nigeria
- Approve, license and supervise PFA, PFC and other institutions relating to pension matters.
- Maintain National Data Bank on pension matters.
- Receive and investigate complaints against any PFC, PFA and Employer.

Source: Ahmad, (2018).

This structure is 'aimed at ensuring' the safety and accountability of the Fund, as well as, maintain check and balance among the industry participants given that no one of these institutions has an absolute/dominant control over the fund, any activity over the fund is being monitored and guided from different quarters. This is a clear-cut departure from other similar financial sector where the custodian of the Fund/Financial institution has- absolute/dominant control over the funds of their clients. This streamlined the authority of the agents over the fund thereby, creating a "ring" around the fund.

Developments and Challenges in the Nigerian Pension Industry.
Growth in the Industry
Nigeria's N3.7 trillion ($23.2 billion) pension fund is growing faster.... Pension assets in Africa's second largest economy have surged twelve-fold from N265 billion or about 1.4 percent of Gross Domestic Product (GDP) Business Day Newspaper. The pension contributions in Nigeria despite the current uncertainty have continued to witness growth as more employers and contributors are coming into the scheme as a form of social safety net and sustainability. While the registered contributors have also increased from 932,435 in 2016 to over 5.3

million in 2019, it is regarded that the growth possibility in the industry remains great.

The Nigerian pension industry has become a major source of investible funds for both the government and the corporate organizations. The industry's fund has pulled a lot of weights in the Nigerian Capital and money markets in recent years. Given the stringent regulation of the assets allocations in the industry, investment strategies of the Pension Fund Administrators have revolved round the domestic bond market and the Capital market instruments. This has, on one hand, constrained the growth- of the fund in terms of aggressive investment opportunities and returns. On the other, hand, it has ensured the safety of the funds as well as, ensures reasonable risk management approach to the use of the fund by the PFAs.

Challenges in the Nigerian Pension Industry Assets Allocation

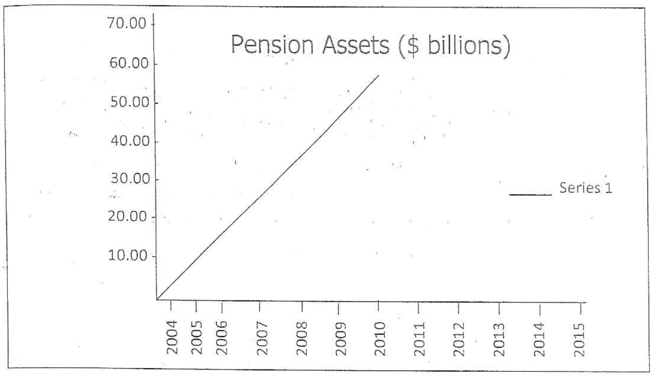
One of the greatest challenges threatening the sustainability of the pension industry is the investment outlets available to the Fund managers. The fund under management has continued to grow while investment securities in which to keep the fund to ensure adequate returns and safety have continued to remain static or in most instances shrink further as the monetary and capital markets authority continued to review the assets classes. Given that the PRA 2014 and PENCOM investment guidelines closely stipulated that the highest proportion … of the fund should be invested in government securities, while the maximum that can invested in the …. 25% at a given time, this has made the available stocks and government securities to be over-priced as larger number of PFAs with higher fund have had to compete against other financial institutions such as Banks and Finance houses for the available fewer stocks. This has encouraged insider-trading, even among the top PFAs. In addition, and more disturbing is the 'lock-out techniques' adopted by some major PFAs. This is a situation where a particular investor had pre-market information on the release of a particular security (stocks or bonds), thereby locking out its competitors from the trading of the instruments when they eventually get to the market. This technique has been adopted by a particular PFA which was believed to have had contacts with the issuing authority in respect of the Bonds market many times in the industry to the detriment of other fund managers.

"Nigeria's N3.7 trillion ($23.2 billion) pension fund is growing faster than available asset classes to invest the funds in, stocking fears about the emergence of an asset bubble in the near future. Pension assets in Africa's second largest economy have surged twelve-fold from N265 billion or about 1.4percent of Gross Domestic Product (GDP) in 2016 to today's level, equivalent to 8.5percent of GDP. Assets are currently growing at $2.5 billion a year or roughly 1 percent of GDP per annum. The explosive growth in pension assets means that fund managers are increasingly chasing the same few stocks, bonds and treasury bills that are currently available as investment options. Dangote Cement and the banks make up 50 percent of Stock Market Capitalization, with no listed telecoms name or utility equity, commodities and real-estate investments trusts are limited to non-existent," (Business day Newspaper, 2019).

It is becoming increasingly evident that much of the available pension funds are sitting idle in the custody of the Custodians earning just overnight interest that are less than, efficient to sustain the cost of acquiring and administering the funds. The overnight interests are barely 5%.

Another major factor responsible. for poor assets allocation in the Nigerian Pension industry is the safety guard built into the Act. The regulation (by virtue of the Act) restricts pension fund exposures to 25% equities but 100% government securities. It is a known fact, however; that yields from the capital. markets carry risk-premium which made the returns a• lot higher than the government securities that are risk-free assets. The funds have continued to grow at increasing rate without commensurate growth in the available investment assets.

Fig 2.3: Growth in Pension Assets



Source: BGL research Estimates

*2009-2015 figures are estimated values.

From the above estimates, the expected for the 2013 was around $30 billion, the realized for the period was $23.2 billion. This made the research much true. As contributions increase, the assets classes tend to either shrink or remain stagnated. This remains a bubble for the sustainability of the scheme and the welfare of the intended beneficiaries who expected growth in the value of their contributions toward retirement. This remains a mirage where the PFAs are unable to invest the funds maximally. As regard the allocation of funds amongst the available assets, it was noted that RSA funds only invested a total of 15.59% in equities in 2007 while industry total was 29.5% equities (due to the impacts of the already existing scheme). By 2008 the figure is estimated at below 10%. This is in contrast with top five countries which has over 50% of their assets in equities: USA (52%), UK (56%), Japan (51%), Netherlands (52%),'and Australia (52%). Belgium, Czech Republic and Italy has equities portfolio of less than 10% BGL Research (2010).

Theoretical Framework

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

EMPIRICAL REVIEW

Nwanna I, and Ogbonna, K.S., (2019) The Nigerian economy is facing significant challenges inhibiting the attainment of its full potentials. Retirement Planning as an exercise the world over is fraught with many challenges prompting many developing nations to amend and sometimes restructure their national old-age programmes. As they do so, these countries seek guidance on how to design market and regulatory structures to enhance their chances of success. This paper investigates the types of risks facing retirement saving holders in the Nigerian Reform Pension Act 2004 and examines which financial, regulatory, and labor market institutions that appear most supportive of retirement reforms, and most urgently needed, in Nigeria. The Pension Reform Act 2014 provided for a funded contributory pension scheme that covers both the public and private sectors. Using a regression analysis on the performance results of Pension Fund Administrators proxy by Pension Fund Assets and total pension registration and economic growth proxy by gross domestic product at basic price; we try to establish a relationship in the investment performance of pension funds in Nigeria. The study observed the low level of compliance by employers of labour, especially those in the private sector, to the provisions of the Pension Reform Act 2004, which impedes the successful implementation of the scheme. Notwithstanding that, the New Pension Reform Act 2014 has created an environment in which the administration of promised old-age benefits will be made more affordable, efficient, and equitable in the future. The pension reforms act 2014 contributes significantly to the economic growth of Nigeria.

Chibueze M, and Ogwemoh K. M., (2020) The Nigerian Pension Scheme has passed through several legislative reforms since 1951, the extant pension scheme being the Uniform Contributory Pension Scheme, which is regulated by the Pension Reform Act, 2014 (“PRA, 2014”), which repealed the Pension Reform Act, 2004 (“PRA, 2004”). The PRA, 2014makes it mandatory for employers and employees in both the public and private sectors to contribute towards the retirement benefits of employee, and also makes provision for voluntary contribution by the employee to augment the employee’s savings for retirement. The PRA, 2014 also addressed the sundry issues bedeviling the Nigerian pension system under the previous pension regimes, one of which, was the tax regime under the Nigerian pension scheme. The thesis examines the various reforms that have taken place in the Nigerian pension system, especially in the area of taxation, the taxability of pensions (including cross-border taxation) under the PRA, 2014, and the extent to which the measures provided under the PRA, 2014 towards achieving the objectives of the Nigerian contributory pension scheme, especially in relation to taxation, has impacted in the Nigerian pension scheme, as well as the Nigerian economy. This thesis finds that ordinarily, pension contributions, including the incomes earned thereon, are tax exempt. Under the penultimate regime (PRA, 2004 era), voluntary contributions of employees were taxed when withdrawn within 5 years from the date the voluntary contribution was made; however, it is only the ‘income earned’ from the voluntary contributions that is taxed under the PRA, 2014. Furthermore, the provision for tax under the PRA, 2014 is essentially aimed at discouraging employees from making withdrawals from the pension funds at short intervals of lodgment, given the objective of the scheme - which is to provide employees with a means of securing a good standard of living upon retirement; and to curb the use of the pension to avoid tax payment in Nigeria. Although the PRA, 2014 has reasonably impacted on the Nigerian pension system by ensuring that the major objectives of the pension scheme in Nigeria are achieved, there is still need for improvement in the area of tax administration.

Francis E, Ochuko E, and Ardi G (2018) in a study titled, Tax Revenue and Economic Growth: A Study of Nigeria and Ghana, This research attempted to investigate the effect of new pension reform on the lives of Nigeria retirees. The purpose of this is to explore the need for better retirement welfare and ensure prompt payment of retirement benefits. A structured questionnaire was used to obtain data. Data were analyzed using the information obtained from the questionnaires. Result from data analyses suggest that pension business should not be run like government business. Stocks at the floor of the stock exchange should be allowed to compete for pension funds but with some form of 'Circuit Breaker' that stops the bidding process when the market begins to go chaotic. The new pension reform act should be fully implemented as stated in section 4(1)(c) of the Act which stipulate that after the withdrawal of a lump sum of money to be paid to a pensioner as gratuity, the amount standing to his RSA credit should be sufficient to pay him an annuity of 50% of the last salary he received before retirement. In the case of a shortfall, section 12 (1) (b) also that the 'shortfall shall immediately become a debt of the relevant employer' who shall 'issue a written acknowledgment of the debt to the relevant employee (retiree) and take steps to meet the shortfall' (Nigeria 2004). This provision should be fully implemented, so that all retirees under the CPS can, at least, receive 50% of the last salary they received before retirement.

Eme, O. I., Okala U. A. and Uche, I. B. (2020) The attention of the global economy has been drawn to Nigeria since the last 10 years following the coming on board of the Pension Reform Act 2004, with the vigour and commitment it has brought towards improving social security in Africa's most populous black nation. This development has continued in some other countries in Africa, which have either understudied the success story of Nigeria's Contributory Pension Scheme (CPS) or adopted similar programs to boost their citizens' social security welfare. In the 10-year period, the pension industry in Nigeria has experienced phenomenal growth from a deficit of N2trn in the form of pension liabilities in 2004 to an accumulation of pension fund assets of up to N4.1trn by the end of 2013. The huge pool of funds that the CPS has put together is a firm backing to the economy; this is a testimony to the hard-work and diligent service of the regulator, The National Pension Commission (Pen-Com). In realization of the fact that there is no perfect law anywhere in the world, few months after both the Senate and House of Representatives passed the Pension Reform Bill 2014, President Goodluck Jonathan signed the bill into law recently. This piece highlights the salient issues in the new Pension Reform Act 2014 which repealed the Pension Reform Act 2004 and future of pension administration in Nigeria.

METHODOLOGY

This study adopts the cross-sectional field survey of quasi-experimental research design. The survey design was adopted because of the need to gather enough discriminative data across a wide range of the study subjects that further enhanced the generation of our finding. Data used in this study will be mainly collected from primary and secondary sources. The statistical and mathematical tools to be used include percentages, frequencies, tabulation, and descriptive statistics while multiple regression analysis will be used to test the question generated in this work in the introduction section. The multiple regression model will be guided by a linear model.

$$Y = f(X1, X2, X3, X4, X5) \text{ ------------------------ } (1)$$

$$A\&S = \beta_0 + \beta_1 SPS_1 + \beta_2 RIPF_2 + \beta_3 PFCM_3 + \varepsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \; (2)$$

$$PFR = \beta_0 + \beta_1 RFW + \varepsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \; (3)$$

That is $B_1\text{-}\beta_3>0$

Where: A&S = Adequacy and Sustainability; SPS = Safety of Pension Scheme; RIPF = Re-investment of Pension Fund; PFCM = Penson Fund in the Capital Market; PFR =Pension Fund Reform; and RFW = Risk Frame Work; β_0, β1, β2, β3, are the coefficients of the regression, while ε is the error term capturing other explanatory variables not explicitly included in the model. However, the model was tested using the diagnostic tests of heteroskedasitcity, serial correlation, normality and misspecification (Gujarati and Porter, 2009;). Econometric view (Eview) was applied in the analysis of data. Eviews reports p values which can be used as an alternative approach in assessing the significance of regression coefficients. The p value shows what is the smallest level at which we would be able to accept the null hypotheses of a test. We use a 5% level of significance; hence we conclude that the coefficient is significantly different from zero at the 5% level if the p-values is less than or equal to 0.05. If it is greater than 0.05 then we cannot reject the null hypothesis that the coefficient is actually zero at our 5% significance level.

DATA PRESENTATION

The result as it relates to the research objectives and questions. A total number of three hundred and fifteen (315) copies of the questionnaire were distributed while three hundred and ten (310) were eventually' retrieved but three, hundred and five (305) were usable for the analysis, making it a response rate of 98.4% Respondents' opinions were, presented in tabular form with their corresponding frequency and percentage distribution based on the copies of questionnaire used.

Hypothesis

H0: There is no relationship between risk framework and the safety of the Pension funds in the Nigerian Pension Industry.

H1: The regulatory risk framework will impact positively on the corporate risk management practice in the Pension industry in Nigeria.

For the purpose of testing research objectives and questions, 'regression analysis was adopted. This that it's to be tested and is appropriate in view of the facts in determining the relationships between the variables However, regression analysis and correlation is used to analyse the table below.

Table 1.

Model	R	R Square	Adjust R Square	Std. Error of the Estimate
1	.315[a]	.099	.096	1.45792

a. Predictors: (Constant), Risk

Table 1 shows the result from the analysis that relationship exists between risk variable and the safety variable. The model was significant by establishing a relationship between risk variable and the safety variable. The coefficient of determination (R2) is 0.099, which indicate that 9.9 percent of the variations in safety were explained by the independent variable which is risk frameworks. Therefore, it is concluded that for the objectives used, there is a significant positive relationship between risk and safety.

Table 2: Coefficient[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig	Correlations		
	B	Std. Error	Beta			Zero order	Partial	part
1 (Constant) Risk	2.244' .507	.189 .088	.315	11.87 5.772	.000 .000	.315	.315	.315

Table 3: Coefficienta

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig	Correlations		
	B	Std. Error	Beta			Zero order	Partial	part
1 (Constant) Risk	2.244' .507	.189 .088	.315	11.87 5.772	.000 .000	.315	.315	.315

N	305	30
Risk Pearson Correlation Sig. (2-tailed) , N	.315** 000 305	305

*** Correlation is significant at the 0.01 level (2-tailed).

The test statistic table above shows that there is a positive correlation between the degree of risk and safety which was statistically significant at r = .315 and P = .000. as the p-value is less than .05, we reject the null hypothesis and accept the alternative hypothesis that, there is a relationship between risk framework and the safety of the Pension funds in the Nigerian Pension Industry.

Interpretation of the tested hypotheses

One of the major challenges of pension administrations in Nigeria is the safety of the-funds. The old pension schemes have come under intense mismanagement. In fact, most of the pension backlogs in the public sector could be traced to the inabilities of the pension departments to account for the funds under its management. What have been grossly lacking in these circumstances are the risk management frameworks.

The hypothesis' tests the 'relationship between the risk frameworks adopted by the pension industry and the safety of the fund. The coefficient of determinations (R2) is 0.099, which indicates that 9.9 percent of the variations in safety were explained by the independent variable which is risk framework. It is evident from the test of hypothesis that the safety of the funds is largely accounted for by the type of risks the funds are subjected to by the managers.

In Nigeria, various risk frameworks have been adopted and implemented by the industry. One of the risk frameworks is the principle of 'ring fencing', whereby the pension managers (PFAs) are separated from the Pension Custodian (PFCs). Also, the pension managers have a list of approved assets class in which the funds under management can be invested at any given point. These frameworks ensure that the fund managers' roles are divorced from that of the custodians. This ensures check and balances over the management of the fund; given the fact that the PFAs and the PFCs are required by the law to submit independent reports to Pen-com at regular intervals.

Empirical evidence of these frameworks is in the recent global financial meltdown in which the pension funds were adequately protected from the negative impacts of the crises. The impacts of the crises were limited on the Pension Funds in the Capital, markets and other equity markets as well as the international markets. Pen-com has attributed this to the regulatory risk framework adopted. The banking sector which failed to adopt similar conservative risk management approach was largely affected with a number of banks liquidated, sold or taken over by the Central Bank of Nigeria.

More so, the PFAs have been, able to meet their-financial obligations towards their retirees and other participants who have maturing obligations on the PFAs. This is attributed to stricter adherence to risk management principles by the PFAs and the PFCs. In fact, the enabling Act (PRA, 2004) specifically mandated standing risk management committee on the Board of all the licenced PFAs. This 'committee has been very effective in its task. In addition to this, a number of PFAs have established management's independent department to manage risk. For instances, in 2013, Lead way Pen sure PFA created a full-fledged department of risk management risk as a functional management duty rather than as a Board function alone (Myhmad, 2018)

CONLCUSION

1. The investment classes of the pension assets are too restricted. A number of respondents and interviewers would rather prefer alternative investment class than the ones approved by the Act and the Regulator. The study shows that there is increasing need for flexibility in the approved assets classes in order to take advantage of the market opportunities in the local and international investment markets. This is further emphasized by the investment managers that were interviewed who stressed that they would prefer to invest more in some assets with higher risk-return propensity. Also, a percentage of the respondents are satisfied on the Return-on-Investment on their respective RSA/RF accounts, it could have been better if the investment classes have been expanded.
2. Although the PFAs have improved the information exchange with their participants, the study shows that the quality of the information should be improved. Most especially in the areas of the account details are regularity. The study shows that the knowledge of the participants about the operations of the new pension scheme requires further improvements. The study shows that only about 55.8% of the respondents have good knowledge of the scheme. This has brought a number of disputes and misconceptions between the participants and the pension administrators. Many participants have attempted to access their funds through wrong procedures. Most recently, the pension scams in the federal civil service and police pension departments have further dipped the interest in the scheme. Most participants could not differentiate between the challenges in the old scheme and the new scheme.
3. Proactive regulations. This regulator should not be known for imposition of fines on contraventions of regulations by the operators, but should adopt proactive regulatory approaches that will pre-empt the activities of the operators. Pencom has been found to be ill-prepared for the challenges posed by the developments in the industry.
4. Expansion of the scheme base. There is need to expand the scheme to accommodate the informal, sector in the scheme. Since they account for the highest employment in Nigeria, there is to design the scheme to capture their profiles and interest.

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