

Transparency and Accountability as Security Mechanism in the Management of the New Contributory Pension Scheme in Nigeria

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Abstract

The Pension Reform Act 2004 introduced contributory pension scheme with inbuilt security measures to guard against the vices associated with the old pension scheme. The guidelines and regulatory policy instruments issued to licensed independent pension operators by the supervisory agency is to ensure that the interests of the contributors are protected. This will guarantee payment of pension rights to retirees as and when due. This article highlights insecurity of funds, lack of regulatory and supervisory agency, weak administration, corruption, mismanagement of pension fund, insufficient budgetary allocations and untimely release of inadequate fund for payment of pension obligations, which culminated in huge unsettled pension bills as main characteristics of the old unfunded defined pension scheme in Nigeria. The study revealed that retirees under the old pension scheme suffered humiliation, denial of pension rights and starvation due to insincerity of purpose on the part of government agencies. The objective of this article, therefore, is to investigate whether transparency and accountability are being maintained in the management of the consolidated pension fund in the new scheme. The study revealed that there is an agreement among respondents that the pension fund administrators and custodians exhibit transparency and accountability in the management of the pension fund. It however recommended that the licensed operators should ensure that all pension funds are insured in case of economic crash. The transparency and accountability should be extended to declaration of investment returns and the sharing formula, through a forum like annual general meeting, to carry all the clients and other stakeholders along in managing their assets.

Key Words: Pension Scheme, Management, Transparency, Accountability, Financial Security.

Introduction

Insecurity of funds was one of the major challenges of the old unfunded defined pension scheme in Nigeria. The scheme was bedeviled by weak administration, corruption, mismanagement of pension funds, infiltration of ghost pensioners, lack of regulatory and supervisory agency, insufficient budgetary allocations and untimely release of inadequate fund for payment of outstanding pension obligations due to financial constraints, which culminated in arrears of pension bills. As a result, pensioners suffered avoidable humiliation and starvation as they were denied their pension rights. The introduction of the new contributory pension scheme and the independent management of the consolidated pension funds by licensed pension fund administrators and pension fund custodians, and the regulatory and supervisory roles of the National Pension Commission (PenCom) were structured to ensure stability in pension industry, sustainability of the scheme, effectiveness, transparency and accountability in the management of the scheme. In the new pension dispensation, there is need for clarity of roles and responsibilities within the pension industry. Clarity of roles, defined objectives and shared responsibilities are fundamental to transparency and accountability. According to Alababan (2011), the Pension Reform Act 2004 identifies integrity, transparency and accountability among core values or founding principles for pension fund administration hence the need for probity, impartiality, fairness, honesty and truthfulness. These features were lacking in the old pension scheme which resulted in its ineffectiveness and unsustainability. The main objective of this article is to investigate whether the new contributory pension scheme has ensured transparency and accountability on the part of pension fund administrators and pension fund custodians in the management of the consolidated pension funds and assets.

Methodology

The data for this research were primarily obtained from primary and secondary data sources, that is, questionnaire and interviews were used for primary source; while qualitative method was used for documentary evidence. Structured questionnaire was used to elicit information from the respondents. Fixed response questionnaire was used because it facilitates data analysis and the estimation of validity and reliability indices for the instrument. Descriptive survey design was adopted for the study. Survey methods through questionnaires and interviews; and documentary studies constituted the major data gathering techniques in this study. Purposive sampling was adopted to select the institutions studied, while simple random sampling technique was applied to elicit the data. Population for the study is 878 while the sample size is 478. The scope of the study is four federal universities in South-Eastern Nigeria.

Transparency and Accountability in the Management of the New Pension Scheme

Risk is inherent to the operation of a pension plan. Pension-related risks can fall into a variety of categories, from financial to fiduciary and from legal to reputational. Managing these risks by implementing and maintaining sound pension scheme governance practices should be a key priority for scheme sponsors. Instead of approaching pension scheme governance as merely a narrow issue of regulatory compliance or a stand-alone employee relations issue, pension scheme governance is most appropriately viewed as a vital component of human resources governance which, in turn, is a key pillar of overall corporate governance. The corporate administration of pension funds has come under heightened scrutiny. Pension beneficiaries are demanding greater accountability and transparency in relation to pension fund administration (Gallagher, Newton and Clark, 2006). These scholars advocate for the establishment of good pension plan governance rules to act as a shield that protects against allegations of breach of duty. Transparent administration of the pension scheme is really a major challenge but efforts are being made to eliminate the administrative vices. As noted by Obasanjo (2005:2):

the pension reform which is one of the key elements in the Public Service Reforms was given effect with the passage of the 2004 Pension Act by the National Assembly. The new contributory pension scheme is to ensure that persons who have worked in the public and private sectors receive their retirement benefits as and when due. It will ensure that delays and anxiety are eliminated. So will abuses and corruption normally associated with pension payments become eliminated.

He further observed that the general expectation is that transparent and efficient pension fund management with active stakeholder and private sector participation will soon engineer a revolution in the availability of funds for longer-term utilization.

The values of integrity, transparency and accountability in pension administration have enjoyed a resurgence in the recent past. Sound pension funds administration involves public trust, and employees expect pension funds administrators to serve the public interest with fairness and to manage public resources properly. Fair and reliable public services and predictable decision-making inspire public trust and create a level playing field for businesses, thus contributing to well-functioning markets and economic growth (Armstrong, 2005). To ensure accountability and transparency on the part of the Pension Fund Administrators, the Pension Reform Act 2004, Section 44 stipulates that “as from the commencement of this Act, pension funds shall only be managed by pension fund administrators licensed by the National Pension Commission under this Act.” The implication is that the pension fund administrators are accountable to a regulatory body, in this case, the National Pension Commission (PenCom). Section 45(a)-(h) provides that any pension fund administrator licensed under this Act shall carry out the following functions:

open retirement savings account for all employees with a Personal Identity Number (PIN) attached; invest and manage pension funds and assets in accordance with the provision of this Act; maintain books of account on all transactions relating to pension funds managed by it; provide regular information on investment strategy, market returns and other performance indicators to the Commission and employees or beneficiaries of the retirement savings accounts; provide customer service support to employees, including access to employees account balances and statements on demand; cause to be paid retirement benefits to employees in accordance with the provisions of this Act; be responsible for all calculations in relation to retirement benefits; and carry out other functions as may be directed from time to time by the Commission (National Assembly, FRN, 2004:46).

The Director General of the National Pension Commission emphasized that the pension funds is protected with stringent measures because under the new system, pension funds are not left with the employers but are credited ab initio directly to the individual Retirement Savings Accounts of the beneficiaries and neither the employer, the Commission nor even the Pension Fund Administrator has access to the money (<http://allafrica.com/stories/201104060557.html>).

As a strategy to guard against fraud in the pension industry, Zenith Pensions Custodian (ZPC-online, n.d) disclosed that one way to manage fraud in an organization is the implementation of a whistleblower policy. The whistleblower reporting system is designed to make it as simple as possible for employees to make a disclosure while maintaining the highest level of confidentiality. It is expected that an effective reporting framework will encourage employees to report suspected or known acts of fraud and improper conducts by making it easier, more confidential and less adversarial. The whistle blowing guidelines issued by Pensions

Commission protects employees against detrimental treatment or dismissal as a result of any disclosure by them to the Commission of information normally considered as confidential in the interest of all stakeholders of the pension scheme. According to ZPC-online (n.d), the policy is a framework of processes and procedures for reporting, assessing and investigating improper conducts. In simple terms, it describes how employees can report fraud or improper conduct and how this report will be dealt with. It essentially allows for the effective and efficient disclosure (reporting) of fraud and improper conducts. Zenith Pensions Custodian Policy on whistle blowing recognizes the values of transparency and accountability in its administrative and management practices and hence supports installation of structure or channels that encourages disclosures of improper conducts, fraudulent activities or mismanagement of pension funds and assets. It adds that all allegations of suspected improper activity will be dealt with at a level of severity consistent with ZPC's desire to eliminate fraud and improper conduct from the business. It is the policy of ZPC to take all steps possible to protect the identity of the employee making the disclosure. It understands that maintaining the confidentiality of the whistle blower is necessary to avoid reprisals or detrimental action towards the whistleblower (<http://www.zenithcustodian.com/downloads/zpcpolicy.pdf>).

Data Presentation on the Hypothesis

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

Data Elicited from Retirees and Contributory Workers (Group I)

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

The above table shows that the respondents disagreed on items number 1 – 3, 5,8 – 10 with low value in scale ranking; while they agreed on items number 4, 6 – 7 with high value in scale ranking. The apparent disagreement is registered because there is a wide gap in communication between the clients (the principals) and the pension funds administrators (the agents) in pension business. This created room for doubts on sincerity of purpose on the part of the pension funds administrators due to ignorance and/or inadequate creation of awareness amongst the clients. The test of the hypothesis reflected this observation. Pension Fund Administrators do not give annual financial report to their clients nor do they report on any fraud, forgery or theft taking place in the organization through national dailies, but they disclose true financial position of each employee under the scheme. Such reports on fraud are forwarded to National Pension Commission as events unfold. Private management of the funds independent of government control and retirement savings account guarantees security and availability of the funds on demand. Similarly, exemption of pension funds from liquidation process is a security mechanism. Pension Fund Administrators make returns on investment and it is reflected in the auditors' reports published annually. Although, it is difficult for the clients to know the exact returns generated on investment since the Pension Fund Administrators do not disclose their investments to the public. PenCom, as a supervisory and regulatory agency, guides against fraud, gross mismanagement of the funds and corrupt practices.

Figure 1

Level of agreement indicated by pensioners and contributory workers on the statement that the new contributory pension scheme ensures transparency and accountability on the part of the Pension Fund Administrators and Pension Fund Custodians.

S/N	Items	SA	A	D	SD	Mean	STD	Remarks
1.	Pension Fund Administrators give annual financial report to contributors through the national dailies and public notice boards in federal universities in the South-Eastern Nigeria.	40 (11.7%)	62 (18.2%)	102 (29.9%)	137 (40.2%)	2.12	.969	Disagreed
2.	Pension Funds Administrators or Custodians publicly render monthly reports of any fraud, forgery or theft occurring in its organization through national dailies.	22 (6.5%)	48 (14.1%)	107 (31.4%)	164 (48.1%)	1.96	.844	Disagreed
3.	Private management of the funds independent of government control ensures security of the funds contributed and its availability on demand.	50 (14.8%)	121 (35.8%)	78 (23.1%)	89 (26.3%)	2.42	1.002	Disagreed
4.	Maintenance of Retirement Savings Account guarantees fund security with the Pension Funds Administrator.	53 (15.7%)	173 (51.2%)	54 (16.0%)	58 (17.2%)	2.67	.920	Agreed
5	The interest accrued on investments is reflected in the annual audited account published in national dailies and notice boards.	23 (6.9%)	70 (21.0%)	120 (35.9%)	121 (36.2%)	1.99	.920	Disagreed
6.	Pension funds is exempted from liquidation process as security measure.	35 (11.0%)	161 (50.5%)	61 (19.1%)	62 (19.4%)	2.53	.924	Agreed
7.	The supervisory and regulatory role of the PenCom guides against fraud, gross mismanagement of the funds, and corruption.	62 (18.5%)	154 (46.0%)	49 (14.6%)	70 (20.9%)	2.68	.939	Agreed
8.	Retirement Saving Account Statement reflects the exact deduction of funds from the employee's monthly salary by the employer.	70 (21.0%)	110 (32.9%)	87 (26.0%)	67 (20.1%)	2.49	1.092	Disagreed
9.	The Pension Fund Administrator/Custodian declare accurately the total interest generated on investments.	36 (10.6%)	77 (22.6%)	130 (38.2%)	97 (28.5%)	2.06	1.016	Disagreed
10.	The quarterly Statement of Account from the Pension Fund Administrator to employee contributors shows the true financial position of each employee under the scheme.	53 (15.6%)	129 (38.1%)	83 (24.5%)	74 (21.8%)	2.45	1.026	Disagreed

Data Elicited from Pension Fund Administrators and Pension Fund Custodians (Group II)

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

Figure 2
 Level of agreement indicated by Pension Fund Administrators and Pension Fund Custodians on the statement that the new contributory pension scheme ensures transparency and accountability on the part of the Pension Fund Administrators and Pension Fund Custodians.

S/N	Items	SA	A	D	SD	Mean	STD	Remarks
1.	Pension Fund Administrators give annual financial report to contributors	31 (43.7%)	22 (31.0%)	11 (15.5%)	7 (9.9%)	3.03	1.082	Agreed
2.	Pension Fund Administrators report to the PenCom any unusual occurrence with respect to the pension funds which in his view could adversely affect the rights of the owner of a retirement savings account under the scheme.	38 (50.0%)	32 (42.1%)	4 (5.3%)	2 (2.6%)	3.37	.780	Agreed
3.	Pension Fund Administrators report to PenCom if any employer is in default of remittance of employees' contributions.	27 (35.1%)	39 (50.6%)	9 (11.7%)	2 (2.6%)	3.09	.920	Agreed
4.	Pension Fund Administrator or Pension Fund Custodian does not utilize any pension funds or assets in its custody to meet its own financial obligation to any person whatsoever.	53 (67.9%)	16 (20.5%)	4 (5.1%)	5 (6.4%)	3.51	.833	Agreed
5.	Pension Fund Administrator/Custodian reports any fraud, forgery or theft occurring in its organization through national dailies.	12 (16.0%)	12 (16.0%)	24 (32.0%)	27 (36.0%)	2.16	1.053	Disagreed
6.	Pension Fund Administrator/custodian gives annual reports to contributors through the national dailies and public notice boards of organizations.	36 (47.4%)	24 (31.6%)	11 (14.5%)	5 (6.6%)	3.12	1.058	Agreed
7.	Pension fund administrator keeps proper books of accounts and records showing income, expenditure, and assets.	58 (74.4%)	20 (25.6%)			3.74	.439	Agreed
8.	The pension fund administrator/custodian, within four months from the end of each year, cause its accounts to be audited by qualified external auditors.	51 (69.9%)	19 (26.0%)	3 (4.1%)		3.62	.700	Agreed
9.	Private management of the funds independent of government control ensures security of the funds contributed and its availability on demand.	40 (51.9%)	29 (37.7%)	3 (3.9%)	5 (6.5%)	3.38	.779	Agreed
10.	Maintenance of Retirement Savings Account guarantees fund security with the Pension Fund Administrator.	39 (52.7%)	32 (43.2%)	3 (4.1%)		3.45	.705	Agreed
11.	Exemption of Pension funds from liquidation process is a security mechanism.	23 (35.9%)	38 (59.4%)	1 (1.6%)	2 (3.1%)	3.30	.609	Agreed
12.	Pension fund administrator/custodian is penalized for refusing to disclose relevant information to external auditors.	41 (52.6%)	33 (42.3%)	1 (3.8%)	3 (3.8%)	3.44	.713	Agreed
13.	Severe penalty is meted to pension fund administrator/custodian for non-compliance with guidelines in its operations.	61 (77.2%)	18 (22.8%)			3.77	.422	Agreed
14.	The supervisory and regulatory role of the PenCom guides against fraud, gross mismanagement of the funds, and corruption.	60 (77.9%)	15 (19.5%)	1 (1.3%)	1 (1.3%)	3.74	.548	Agreed
15.	The quarterly Statement of Account from the Pension Fund Administrator to employee contributors shows the true financial position of each employee under the scheme.	44 (56.4%)	28 (35.9%)	5 (6.4%)	1 (1.3%)	3.42	.814	Agreed
16.	The Pension Fund Administrator/Custodian declares the interest generated by investments.	29 (38.2%)	37 (48.7%)	4 (5.3%)	6 (7.9%)	3.20	.800	Agreed
17.	Contributors to consolidated pension fund are regularly informed through national dailies of all investments with their funds.	5 (6.8%)	15 (20.3%)	28 (37.8%)	26 (35.1%)	1.96	.928	Disagreed
18.	Security of the funds is not guaranteed due to government interference through the National Pension Commission in the administration of the funds.	1 (1.3%)	11 (14.3%)	14 (18.2%)	51 (66.2%)	1.99	.618	Disagreed
19.	Government does not interfere in the administration of the accumulated pension funds.	32 (42.1%)	24 (31.6%)	11 (14.5%)	9 (11.8%)	3.01	1.064	Agreed

The above table shows that the respondents agreed on all the items except items number 5, 17 and 18 with low value in scale ranking. The research revealed that any fraud, forgery or theft occurring in any pension fund organization is being reported to the National Pension Commission, and PenCom receive up-to-date information on all investments with the pension funds. PenCom also receive regular report on security of the funds as Pension Fund Administrators keep proper books of accounts and records showing income, expenditure, and assets. Respondents agreed that private management of the funds independent of government control, maintenance of retirement savings account and exemption of pension funds from liquidation process are security mechanisms which guarantee security of the funds as government does not interfere in the administration of the accumulated pension funds. Pension Fund Administrators disclose returns on investments through auditors' report at the end of each financial year. Severe sanction awaits any Pension Fund Administrator or Pension Fund Custodian who violates the rules and guidelines given by the National Pension Commission.

Data Elicited from National Pension Commission Employees (Group III)

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

The above table shows that the respondents agreed on all the items except items number 5, 17 and 18 with low value in scale ranking. The research revealed that any fraud, forgery or theft occurring in any pension fund organization is not reported to contributors through the national dailies or organizational notice boards. Such incidents of fraud are being reported to the National Pension Commission as provided in the Act, and PenCom receive up-to-date information on all investments with the pension funds. It also receive regular report on security of the funds, including the report of the external auditors. Pension Fund Administrators report to the PenCom any unusual occurrence with respect to the pension funds which in his view could adversely affect the rights of the owner of a retirement savings account under the scheme. Pension Fund Administrators also report to PenCom if any employer is in default of remittance of employees' contributions. Respondents agreed that the supervisory and regulatory role of the PenCom guides against fraud, gross mismanagement of the funds, and corruption. The Act provides for severe penalty to be meted against any Pension Fund Administrator or Pension Fund Custodian for non-compliance with subsisting rules and guidelines in its operations or sas may be provided from time to time by the National Pension Commission.

Figure 3

Level of agreement indicated by employees of National Pension Commission on the statement that the new contributory pension scheme ensures transparency and accountability on the part of the Pension Fund Administrators and Pension Fund Custodians.

S/N	Items	SA	A	D	SD	Mean	STD	Remarks
1.	Pension Fund Administrators give annual financial report to contributors	6 (66.7%)	2 (22.2%)	1 (11.1%)		3.44	1.014	Agreed
2.	Pension Fund Administrators report to the PenCom any unusual occurrence with respect to the pension funds which in his view could adversely affect the rights of the owner of a retirement savings account under the scheme.	7 (77.8%)	2 (22.2%)			3.78	.441	Agreed
3.	Pension Fund Administrators report to PenCom if any employer is in default of remittance of employees' contributions.	6 (60.0%)	2 (20.0%)	2 (20.0%)		3.20	1.229	Agreed
4.	Pension Fund Administrator or Pension Fund Custodian does not utilize any pension funds or assets in its custody to meet its own financial obligation to any person whatsoever.	10 (100%)				4.00	.000	Agreed
5.	Pension Fund Administrator/Custodian reports any fraud, forgery or theft occurring in its organization through national dailies.	2 (28.6%)		3 (42.9%)	2 (28.6%)	2.14	1.345	Disagreed
6.	Pension Fund Administrator/custodian gives annual reports to contributors through the national dailies and public notice boards of organizations.	3 (37.5%)	3 (37.5%)	2 (25.0%)		2.88	1.246	Agreed
7.	Pension fund administrator keeps proper books of accounts and records showing income, expenditure, and assets.	9 (90.0%)	1 (10.0%)			3.90	.316	Agreed
8.	The pension fund administrator/custodian, within four months from the end of each year, cause its accounts to be audited by qualified external auditors.	8 (80.0%)	2 (20.0%)			3.80	.422	Agreed
9.	Private management of the funds independent of government control ensures security of the funds contributed and its availability on demand.	8 (80.0%)	2 (20.0%)			3.80	.422	Agreed
10.	Maintenance of Retirement Savings Account guarantees fund security with the Pension Fund Administrator.	8 (80.0%)	2 (20.0%)			3.80	.422	Agreed
11.	Exemption of Pension funds from liquidation process is a security mechanism.	7 (70.0%)	2 (20.0%)	1 (10.0%)		3.50	.972	Agreed
12.	Pension fund administrator/custodian is penalized for refusing to disclose relevant information to external auditors.	4 (57.1%)	2 (28.6%)	1 (14.3%)		3.29	1.113	Agreed
13.	Severe penalty is meted to pension fund administrator/custodian for non-compliance with guidelines in its operations.	10 (100%)				4.00	.000	Agreed
14.	The supervisory and regulatory role of the PenCom guides against fraud, gross mismanagement of the funds, and corruption.	9 (90.0%)	1 (10.0%)			3.90	.316	Agreed
15.	The quarterly Statement of Account from the Pension Fund Administrator to employee contributors shows the true financial position of each employee under the scheme.	6 (60.0%)	4 (40.0%)			3.60	.516	Agreed
16.	The Pension Fund Administrator/Custodian declares the interest generated by investments.	6 (60.0%)	4 (40.0%)			3.60	.516	Agreed
17.	Contributors to consolidated pension fund are regularly informed through national dailies of all investments with their funds.	1 (14.3%)		5 (71.4%)	1 (14.3%)	1.57	1.134	Disagreed
18.	Security of the funds is not guaranteed due to government interference through the National Pension Commission in the administration of the funds.			2 (20.0%)	8 (80.0%)	1.80	.422	Disagreed
19.	Government does not interfere in the administration of the accumulated pension funds.	8 (80.0%)	2 (20.0%)			3.80	.422	Agreed

Data Analysis of the Hypothesis

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

Test of Hypothesis

Figure 4

Group	Hypothesis	Hypothesis Tested								Remarks	
		Agree			Disagree		T		P-Value		
1	H ₁	2.66±.411			1.75±.268		21.422		0.000		Accepted
2	H ₁	3.20±.341			2.39±.037		3.315		.001		Accepted
3	H ₁	Agree			Agree		Agree		Agree		Accepted
		3	4	4	3	4	4	3	3	3	

Result

H₁: The hypothesis of this study is stated as “the new contributory pension scheme ensures transparency and accountability on the part of pension fund administrators and pension fund custodians”.

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

(b) Group II: This hypothesis is accepted because the p-value of the t-test conducted is .001, which is less than 0.05.

(c) Group III: The outcome of the responses indicates that there is a unanimous agreement amongst the respondents on all the items, except items number 5, 17 and 18 which is negligible. There is nothing to compare in this case because the negligibility of these three variables in the overall mean makes the value of “disagreed” response minute. Therefore, t-test was not conducted and no p-value result. The hypothesis is accepted.

The result illustrates, with the level of agreement among respondents, that the new pension scheme ensures transparency and accountability on the part of the pension funds operators.

Discussion of Research Findings

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

The interactive sessions and the result derived from the analysis of the data generated revealed that retirees, contributory workers, pension fund administrators, pension fund custodians, and the National Pension Commission (PenCom) agreed that the new contributory pension scheme has ensured transparency and accountability on the part of pension fund administrators and pension fund custodians. The result of the hypothesis revealed that pension fund administrators give financial report to the National Pension Commission, but not to contributory workers nor to pensioners; report to PenCom any unusual occurrence with respect to the pension funds which, in his view, could adversely affect the rights of the owner of a retirement savings account under the scheme; report to PenCom if any employer is in default of remittance of employees contributions; report any fraud, forgery or theft occurring in its organization direct to the National Pension Commission, not through the national dailies; give annual reports to contributory workers and pensioners through PenCom and

internet services (organization's website); and pension fund administrator keeps proper books of accounts and records showing income, expenditure, and assets.

The research also revealed that the pension fund administrators and custodians, within four months from the end of each year, cause their accounts to be audited by qualified and licensed external auditors. The auditors' reports are formally forwarded to the National Pension Commission as prescribed by the Act. It is also accessible at the organization's website and conspicuously displayed on its notice board. This revelation is in sharp contrast to what is happening in the administration of the old pension scheme. The old defined pension scheme is bedeviled with corrupt practices outlined earlier in this study.

ARM Pension Managers (PFA) Limited stated that it creates adequate awareness through the employer-employee-pension-fund-administrator interactive sessions. The open door administration adopted by the organization strengthens transparency and accountability in the system. Internal Auditor of the Zenith Pensions Custodians stated that the major success in the new contributory pension scheme in Zenith Pensions Custodian is security and safety of pension funds and assets. The organization practices triple access control over the vault, whereby a single person cannot enter the vault except the three recognized signatories to the vault. Generation of returns on pension fund investment is another success of the scheme. As contributions are made by the clients, the money is being invested for income or returns. The ease in remittance of contributions is facilitated by the branch net-work through e-payment. Accurate record keeping, data bank for the remittance of money to retirement savings account, and the alerts services being made on notice is another success story. Prompt and regular payment of pension benefits; prompt access to whatever credit balance on the retirement savings account of a deceased pensioner or a deceased contributory worker (who died in active service) by the survivor; strict regulatory monitoring of the operators by the National Pension Commission; streamlining of rules and guidelines, and availability of such policy instruments to operators to standardize the administration and other logistics in running the pension scheme, are some of the successes achieved by the Zenith Pensions Custodians in particular, and pension industry in general.

On the spate of overwhelming revelations of fraud in pension industry, Onuoha (2012) reported that Pension Fund Operators Association Of Nigeria (PENOP) has explained that the massive corruption being unearthed in the administration of pensions in the public sector, under the defunct deferred pension system, in the ongoing probe by Senate Committee cannot happen in the new dispensation, and the incidents are not connected to the new contributory pension scheme. The Chairman of PENOP, Dave Uduanu has assured contributors in the new contributory pension scheme that "the scheme is robust, safe and poised to help retirees live well after their active life in employment". The Pension Fund Operators Association of Nigeria is an independent, non-governmental, non-political and non-profit making body whose membership include four Pension Fund Custodians, twenty-four Pension Fund Administrators, and seven Closed Pension Fund Administrators with the objective of promoting the operations and growth of the industry and ensuring that international best practices relating to the industry are observed by the operators registered in Nigeria.

Respondents agreed that Pension Fund Administrators report to the National Pension Commission any employer in default of remittance of employees' contributions. They are also in agreement that Pension Fund Administrators and Custodians do not utilize any pension funds or assets in their custody to meet their own financial obligation to any person whatsoever. The Head of Research and Corporate Strategy Department, National Pension Commission (PenCom) explained that PenCom was very stringent initially on pension fund administrators and custodians on rules and guidelines compliance to ensure operational stability in the industry. Although investment regulation is multi-purpose and this has guaranteed little flexibility in the Commission's supervisory and regulatory roles, as such the operators are being given the opportunity to invest in other areas like real estate investment, foreign investment, etc subject to the Commission's approval. He affirmed that the National Pension Commission always change with time and development in the industry, and confirmed that the Commission does not interfere in the business of investing pension funds provided the operators adhere strictly to subsisting guidelines and obtains the Commission's approval before embarking on any investment venture whatsoever. He pointed out that pension funds is being regulated by another Agency - Security and Exchange Commission (SEC), to understudy the viability of any investment venture with pension funds on behalf of the Commission, its effects on the principals and agents interests in the business before approval is given on such investment. He maintained that the supervisory and regulatory role of PenCom guards against fraud, gross mismanagement, and corruption. He assured that there is an inbuilt mechanism in the Act for defaulters to be penalized, and further disclosed that Trustfund Pension Fund Administrator Management Board was dissolved and a new Management Board was reconstituted because the former's activities run counter to pension fund administration subsisting rules and guidelines approved by the National Pension Commission. There are checks

and balances in the system, and the various regulations passed by PenCom over the years have been geared towards more openness, transparency, accountability and empowering contributors and beneficiaries of the scheme to be the major players in the pension industry, unlike in the previous era of closed system that was burdened with corrupt practices.

Respondents also agreed that maintenance of retirement savings account guarantees fund security with the Pension Fund Administrators, and the exemption of pension funds from liquidation process is a security mechanism. This is guaranteed as severe penalty is meted to Pension Fund Administrators and Custodians for refusing to disclose relevant information to external auditors, and for non-compliance with guidelines in their operations. Emphasis was laid on the inbuilt security mechanism in the Act, whereby the private management of the funds independent of government control, and separation of power between the Pension Fund Administrators and Custodians which makes it impossible for the Administrators to have physical access to accumulated pension funds. On the other hand, the Act strips the Custodians the power to invest without obtaining express permission from the Administrators and final approval from PenCom before any investment is embarked upon. These mechanisms were designed to ensure security of the funds contributed. It was established that government does not interfere in the administration of the accumulated pension funds. Robust measures have been placed on ground to checkmate corrupt practices.

In corroboration of the security mechanisms on ground, Head of Corporate Communication, Premium Pension Ltd confirmed that PenCom takes follow-up action to monitor all pension fund investments and it works through professional bodies to ensure compliance in all investment ventures. ARM Pension Managers also confirmed that stringent safeguard measures are being applied by PenCom through regulatory and supervisory roles it plays in the pension industry. Zenith Pensions Custodian Limited said that National Pension Commission does not interfere in the business of investing pension funds. Rather, the Commission, from time to time, issues stringent rules and guidelines for efficient management of the pension funds. UBA Pension Custodian also agreed that PenCom regulates well and guides according to provisions of the Act. It emphasized that stringent measures are applied to ensure strict compliance to rules and regulations governing the administration of the scheme.

On the issue of ghost pensioners that existed in the defined pension benefit scheme, PenCom has introduced metric-card system of verification which is being used to validate beneficiaries of pension benefits in the new scheme. No pensioner can front any impersonator nor can any ghost pensioner be accredited in the exercise since the Commission is using thumb-prints or eye-contacts to capture and validate all retirees on the new scheme. The new contributory pension scheme is a very simple antidote to the complexities of the past scheme as the new scheme will ease the problem of retired workers going through hell to get their retirement benefits; the metric-card device has removed the need for continuous verification of pensioners and excessive travelling of long distance for verification exercise, unlike the old defined pension scheme where pensioners travelled long distances to be verified and in most cases the exercise would be in futility as that would not ensure prompt and regular payment of pension benefits to pensioners.

Conclusion

Although plausible explanations have been advanced by stakeholders on security mechanisms to safeguard the pension funds under the new scheme, there is no guarantee in the new scheme to secure investments of pension contributions. The inbuilt security mechanisms were centred on mismanagement of funds, theft, misappropriation of pension funds, and devices against all sorts of corrupt practices. The new scheme failed completely to make provisions against domestic or global economic recession or total crash of pension funds investments in the stock exchange market or other investment ventures. Under such difficult and unpredictable situation, who bears the brunt when there is an economic crash? The key players in pension industry have to exigently formulate risks bearing policy instruments to ensure that the consolidated funds meant for investments are adequately secured through application of insurance policies and coverage in all pension businesses so as to have where to fall back on in cases of economic crash. This is a vital security policy gap in the Act and the regulatory and supervisory agency is capable of initiating security policy instrument to guard against this flaw.

The licensed independent pension fund operators should be more transparent about how much investment returns has been made and for purposes of further clarity, be accurately accountable to their respective clients through organization of annual general meeting to decide with the principals the formula and ratio for sharing the annual investment returns. Investors are the major stakeholders and should be carried along in corporate decision-making processes to sustain and improve upon the existing transparency and accountability

in the pension industry to avoid the obvious mistakes of the old defined pension scheme and strengthen the protection of the interest of stakeholders.

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