Pension Fund Regulation and Pension Fund Sustainability in Nigeria

By

Benjamin Evbuomwan Oseghale (Ph.D)
Department of Business Administration
College of Social and Management Sciences
Achievers University Owo, Ondo State, Nigeria.
oseghale.be@achievers.edu.ng +2348027468040
&
Imade Iduozee
Department of Human Resource Management
Faculty of Management Sciences
University Benin, Benin City, Edo State, Nigeria.
imade.iduozee@uniben.edu. +2348056889277

Abstract

This study empirically examined pension fund regulation and pension fund sustainability using both active and retired staff of the University of Teaching Hospital in Benin City, Edo State, Nigeria. The objective of the study was to investigate whether there is a significant relationship between pension fund regulation and pension fund sustainability. The study used a cross-sectional design. The population of the study comprised the total active and retired employees of the hospital from 2010 to 2022 which are participants in the contributory pension scheme notwithstanding their cadre. 400 participants formed the sample size for the study. Data collection was through questionnaire. Data analysis was carried out using the descriptive statistics which include; frequency and mean while linear regression analysis was engaged to examine the hypothesis of the study at 5% significance level along with the Statistical Package for the Social Sciences (SPSS) version 23 software. The study established that pension fund sustainability is significant and positively related to pension fund regulation. The study recommends that pension fund regulation should be given much attention through consistent update of regulatory strategies and methods coupled with provision of materials, logistics and training for the regulatory officers.

KEY WORDS: Pension Reform Act, Pension Fund, Pension Regulation, Contributory Pension Scheme, Pension Sustainability.

Introduction

Pension reform has been a global phenomenon debated by scholars, policymakers, and professionals (Unachukwu, Adesola, & Grace, 2020). The need for the contributory pension scheme to meet the yearnings and desires of participants has been a key driver of the awakening. Pension largely perceived as a functional dimension in organisations has now been recognised as a determinant of stakeholder's commitment and deserving adequate regulatory attention. This accounted for the pension reform of 2004 and further amendment in year 2014 by the federal government of Nigeria. Section 1 (Pension Reform Act, 2014) of the Act highlights its objectives to include: the establishment of a uniform set of rules, regulations and standard for the administration and payment of retirement benefits for the public service of the federation, the public services of the federal capital territory, the public service of state governments, public services of the local government council and the private sector and general provision for the smooth operations of the contributory pension scheme.

A major off-shot of the reform Act was the establishment of strata in pension management Nigeria which birthed the National Pension Commission (PenCom), Pension Fund Custodians (PFC) and the Pension Fund Administrators (PFA). While the Pension Fund Custodians and the Pension Fund Administrators are charged with the duties of safe keeping and the administration of the pension fund, National Pension Commission which is an agency of the federal government of Nigeria is saddled with regulatory framework of pension management and the supervisory oversight of the activities of the fund custodians and the administrators in term of compliance and adherence to the stipulated regulatory requirements from time to time in a sustainable manner (Pension Reform Act, 2014). Obviously, the re-organisation in pension management in Nigeria is aimed at achieving a scheme that is self-sustaining which is largely dependent on adequate regulatory framework.

Statement of the Research Problem

A key challenge with the infamous Pay As You Go scheme was the absence of a well coordinated regulatory framework for pension administration in Nigeria. The subsequent introduction of the National Pension Commission through the contributory pension scheme armed with regulatory task has been perceived as an antidote to compliance deficits in pension management. Well crafted in the 2014 Pension Reform Act is Section 23 which empowers the National Pension Commission to control and oversee through the issuing of *"guidelines for the investment of pension funds, approve, license, regulate and supervise pension fund administrators, custodians and other institutions relating to pension matters as the commission may, from time to time determine; establish standards, rules and guidelines for the management of the pension funds under the act; ensure the maintenance of a national data bank on all pension matters; carry out public awareness and education on the establishment and management of the Scheme; promote capacity building and institutional strengthening of pension fund administrators and custodians; receive and investigate complaints of impropriety levelled against any pension fund administrator, custodian or employer or any of their staff or agent; and perform such other duties which, in the opinion of the Commission, are necessary or expedient for the discharge of its functions under this act."*

Germane as the provision of the Act seems, it is not known whether the pension beneficiaries shares the opinion that the regulatory framework is adequate and robust for its sustainability. The National Pension Commission which is the regulatory agency of the federal of government of Nigeria has maintained its yearly annual reports with indications of robust and adequate regulatory oversight without the input of beneficiaries. As participants in the contributory pension scheme it is imperative that the perception of this group of beneficiaries in respect of the regulatory overview be solicited. A number of studies (Olanrewaju, 2011; Ezenwa & Obiagwu, 2020; Egunjobi, et al, 2020; Jimoh & Khadijah 2021 & Ughulu & Uwamusi, 2023) have revealed challenges associated with the pension fund in this regard. It is in this light that the study has been embarked upon to further unravel and contribute to the body of knowledge through empirical evidence the relationship between pension fund regulation and pension fund sustainability in Nigeria.

Research Objective

The objective of the study is to share light with the aid of empirical evidence on the relationship that exist between pension fund regulation and pension fund sustainability in Nigeria using a case study of the University of Benin Teaching Hospital and to understand the nature of relationship if any.

Research Hypothesis

The hypothesis for the study is stated in the null form below:

H_{O1}: There is no significant relationship between pension fund regulation and pension fund sustainability in Nigeria.

Literature Review

A sustainable pension has become a dominant subject matter in either developing or developed nations around the globe irrespective of the forms of government whether capitalist or welfare state (Agbaji & Ipigansi, 2018). Pension is the money set aside either by the employer or employee or both in an organisation to ensure that at retirement, the staff has something to fall back on (Ekwunife, et al, 2019). The pension contribution plan is designed for the public and private sector organisations in which an employer pays certain amount of money regularly into the contributory fund while the employee also pays certain amount of money into the same contributory fund which ultimately forms the aggregate of what the employee gets at the time of retirement (Egbe, 2013). Therefore, ensuring adequate pension fund sustainability measures is crucial.

Ezenwa and Obiagwu (2020) penned that a fundamental appraisal and modification of the Pension Reform Act (2014) be carried out with a view to finding appropriate solutions to some sensitive provisions of the Act. Their study called for institutional strengthening on the part of regulatory authorities as a way of reducing the increasing cases of mass fraud and inappropriate services in pension management practice in Nigeria. Bala, et al (2022) stressed the need for a pragmatic approach by government to moderate the inflation rate, monitor deposit rate and its relationship with pension fund as a way of maintaining its pecuniary sustainability. Jimoh and Khadijah (2021) advocated that pension fund administrators in Nigeria can achieve sustainability of pension fund by employing robust, effective, efficient internal control measures and risk management

practices that are geared towards the financial performance of the scheme. Shimawua (2020) submitted that sanctions should be meted out to individuals who misappropriate pension funds as a way of discouraging others with such intentions and erring pension practitioners, to prevent more pension fraud in the country. The study further advised the regulatory authority (PenCom) to improve on its service delivery and put an end to all unnecessary bureaucracies on the path of pensioners' entitlements. It recommended investment of pension assets into feasible portfolios that guarantees rapid and regular payments of pensioners as and when due. Chukwuemeka, et al (2019) drew the attention of government to the need to put in place capable financial control measures in the management of pension fund in order to ensure its sustainability. They also called for pension fund prudence and timely remittance of employees' and employer's contributions to the respective retirement savings account.

On the other hand, Usman (2017) described pension fund regulation as a series of measures, guidelines and mechanisms that helps to ensure transparency and accountability in the utility of pension funds in addition to mitigating principal-agent problems and providing security and returns to principals. In this regard, Section 92 of the Act stipulates that the National Pension Commission *"shall yearly embark on an examination or inspection or investigation, depending on the circumstances, of pension fund administrators or custodians or the Pension Department for the purpose of determining whether or not the requirements of this pension act or regulation are complied with. It further provides that the commission may at any time direct one or more of the personnel of the commission or agent to scrutinize, inspect or examine any aspect of the undertakings of whichever pension fund administrator, custodian, board of trustee, Pension Department, employer or body relating to pension funds or assets."*

Despite the provisions of the Act, Ozokwere (2008) in a study which appraised some selected pension fund administrators regarding their level of compliance with the Pension Reform Act discovered that "pension fund administrators play their roles according to the dictates of 2004 Pension Reform Act except that factors such as finance, too many regulations and overlapping functions amongst others, affect them in playing their roles effectively". The study raised the issues of regulatory adequacy. Ezenwa and Obiagwu (2020) study acknowledged certain provisions of the 2014 Act as misleading and discouraging the actualization of the

objectives of the pension Act and suggested a major evaluation and supplementary adjustment of the Act with the goal of solving some argumentative requirements and consolidating the regulatory body in order to curtail the increasing drift of massive fraud and poor service delivery in pension administrative process in Nigeria. Arnolds and Njuguna (2012) investigated the determinants of the operational and financial efficiency of pension funds in Kenya and observed that "pension regulations influence the leadership and governance practices of the pension schemes." Akpusugh and Iyortsuun (2013) examined the effective management of life after retirement and its impact on retirees from the public service in Benue State, Nigeria. The research objective explored the notion of retiring from the workplace, the avenues which workers could use to make preparation towards an adequate retirement life and the post-retirement strategies. Their study discovered that the new contributory scheme in the country is confronted with numerous issues which consist of coverage, governance, adequacy, regulation, corruption, transparency and administrative efficiency. Adekunle, et al. (2019) analysed some selected factors influencing pension funds sustainability in Nigeria. This research was led by a "positivism paradigm." Measurable data were collected by distributing investigative questionnaires to contributory pension scheme contributors in Lagos State civil service. The study indicated that investment strategy and fund regulation neither have substantial positive nor negative influence on funds sustainability and suggested that immediate attention should be directed at removing bureaucratic bottlenecks and unprofessional practices that hinders pension fund efficiency.

Theoretical Framework

The study pension fund regulation and pension fund sustainability is designed along the Theory of Economic Regulation which was propounded by George J. Stigler and published in 1971. The theory emphasises the need for government intervention and regulation of economic and social activities in the society. The key components of Stigler's theory are broken down to regulatory space, regulatory actors, regulatory instruments and regulatory outcomes which are notable for promoting and protecting public interest as against a situation where few individuals or groups control economic and social resources at the detriment of the populace (Stigler, 1971). Although, scholars have criticized the theory on many grounds that it presents an oversimplified version of the complex

relationship existing between regulators and organizations, it ignored power dynamics among regulatory stakeholders and that it lacks empirical evidence to justify its claims.

However, the link between the theory of economic regulation and pension fund sustainability is hinged on the fact that the absence of adequate regulatory framework in pension administration potent the death of the contributory pension scheme in Nigeria. The evolution and enactment of the 2004 Pension Reform Act and its subsequent amendment in 2014 was largely due to the failure of regulatory oversight under the defined benefit scheme and the need to upscale regulatory activities in the contributory pension scheme which led to the creation of the National Pension Commission an agency of the federal government to oversee pension administration in the country. The theory when applied to pension administration in Nigeria advocates the need for regulatory policy adequacy, strict enforcement and continuous strengthening of the enabling Pension Reform Act so that public interest especially the beneficiaries of the pension scheme can be protected against individuals or groups which may want to misappropriate the pension fund.

Empirical Review

Okoye (2024) study investigated the challenges of contributory pension regime in Nigeria as well as the vision achievement rate of National Pension Commission (PenCom). Literature was reviewed and PenCom's annual published reports. It was revealed that 'reluctance and disbelief by workers accounts for reasons why potential participants fail to register with pension funds administrators. Other concerns were compliance issues, benefit inadequacy, low capital formation, non-inclusion of the informal sector, overlapping regulations, and coverage. Furthermore, the study discovered that the vision achievement index by PenCom is less than average having been in operation for over 14 years. Therefore, the study recommended a synergy between the National Pension Commission, Pension Fund Custodians and Pension Fund Administrators in order to mitigate challenges of non-compliance, adoption of best practices and technologies aimed at influencing employees positively in terms of willingness to participate in the contributory pension scheme.

Ibe and Nnonyelu (2024) examined 'pension management in Nigeria: challenges and solutions in view.' Adopting a qualitative research style, the study questioned issues of regulatory framework of pension management in Nigeria, identified gaps as well as areas that needs improvement. Challenges pointed out were 'low coverage, inadequate funding, poor management, lack of awareness, and weak regulatory framework'. The study observed that the introduction of the contributory Pension regime and the subsequent creation of the National Pension Commission, enhanced legislation, public enlightenment and adoption of relevant technology were perceived as solutions to challenges of pension management in Nigeria. In conclusion, the study suggested that the National Pension Commission which is the regulatory authority, be strengthened to fully discharge its responsibilities through effective monitoring and enforcement of compliance of pension stakeholders.

Ejim, Eze-Dike, Logan, Manasseh, Mgbobi, Okanya, and Ukwu (2023) noted that the difficulties of managing pension in Nigeria are not yet over. The grievances of pensioners with regard access to individual pension account shows dissatisfaction in spite of the several reforms and new regulations directed at enhancing the scheme. Their study examined the new pension scheme, its impact and causes of frustration of the system on the part of retirees. The results showed that the scheme still suffers early release of the contributions deducted from the employers and employees, pensioners lacks access to their fund and the absence of proper verification procedure and the occurrence of corrupt activities that results in fund misappropriations. The study recommends the need to put an end to corruption in the scheme, give the pensioners' skill acquisition training to make them ready for post-retirement life, and education on how to cope and utilise the retirement benefits as well as access to an amount or percentage of their deposit during their working years.

Methodology

This study empirically examined pension fund regulation and pension fund sustainability using both active and retired staff of the University of Teaching Hospital in Benin City, Edo State, Nigeria. The objective of the study was to investigate whether there is a significant relationship between pension fund regulations and the pension fund sustainability. A cross-sectional design was

adopted for the study. The researched population of the study was three thousand eight hundred and eighty-five (3,885) active staff and seven hundred and eighty-three (783) retired staff from 2010 to 2022 of the University of Benin Teaching Hospital totaling four thousand, six hundred and sixty-eight (4,668) as at July 2023 who were beneficiaries of the contributory pension scheme in the hospital irrespective of their cadre. The sample size of 400 was used for the study. Questionnaires were administered as the research instrument for data collection. Data analysis was carried out using the descriptive statistics which include; frequency and mean while linear regression analysis was engaged to examine the hypothesis of the study at 5% significance level with the aid of the Statistical Package for the Social Sciences (SPSS) Version 23 software. The independent variable and dependent variable used in the study were pension fund regulation and pension fund sustainability with reliability test scores of 0.724 and 0.846 respectively using Cronbach Alpha.

Regression Analysis: Effect of Pension Fund Regulation on Pension Fund Sustainability

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.894[a]	.800	.733	7.156
a. Predictors: (Constant), Pension Fund Regulation				

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	614.901	1	614.901	12.008	.040[a]
	Residual	153.627	399	51.209		
	Total	768.528	400			
a. Predictors: (Constant), Pension Fund Regulation						
b. Dependent Variable: Pension Fund Sustainability						

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.894[a]	.800	.733	7.156

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	-15.712	10.813		-1.453	.242
	Pension Fund Regulation	1.590	.516	.894	3.081	.040
a. Dependent Variable: Pension Fund Sustainability						

Interpretation of Regression Analysis Results

The table above shows a summary of the linear regression model on the impact of pension fund regulation and pension fund sustainability. The results obtained from the model data show that the R value is 0.894, which indicate that the independent variable - pension fund regulation has strong correlation with the dependent variable - pension sustainability at 89.4%. Also, the R^2 is 0.800 which indicate that 80% of the pension fund sustainability was explained by the independent variable.

Test of Hypothesis:

H_0: There is no significant relationship between pension fund regulations and pension fund sustainability.

Decision Rule: The null hypothesis (H_0) will be rejected if the significant value (p-value) of the independent variable – pension fund regulations is less than 0.05; otherwise, the null hypothesis will be accepted.

Thus, from the table above, it shows that the significant value (p-value) of the independent variable – pension fund regulations is 0.040, which is less than 0.05.

This indicates that there is a significant relationship between pension fund regulation and pension fund sustainability.

Discussion of Findings

The objective of the study was to find out the relationship between pension fund regulation and pension fund sustainability. The model data shows that the R value is 0.894, which indicates that pension fund sustainability has a strong correlation with the pension fund regulation at 89.4%. Also, the R^2 is 0.800 which indicates that 80% of the participants are in harmony that the contributory pension scheme regulatory measures are capable and adequate for its sustenance. This represents a positive and substantial influence on pension fund sustainability and aligns with the findings of Onyeche (2019) and Ozokwere (2008) which supported the assertion that pension fund regulation is imperative for pension sustainability. Ozokwere (2008) reinforced the claim that pension regulations and overlapping functions amongst others things influence pension practitioners. Onyeche (2019) findings shows that establishing a uniform set of rules, regulations and standards for the administration and payments of retirement benefits and improving the living standard of the elderly people through prompt payment of their retirement benefits is critical to pension sustainability. The empirical findings demonstrated that pension fund regulation is one of the factors influencing the adoption of pension plans. In contrast to this study, which demonstrates that pension fund regulation has a positive and statistically significant impact on pension fund sustainability, Adekunle et al., (2019) found that although fund regulation appeared to positively influence pension fund sustainability with a marginal increase, the relationship was not statistically significant.

Conclusion

The study empirically investigated the relationship between pension fund regulation and pension fund sustainability in the University of Benin Teaching Hospital, Benin City, Edo State, Nigeria. The study determined the degree to which pension fund regulation impact pension fund sustainability. Pension fund sustainability has been described as the capability to meet the needs of the present without compromising that of future generations. The regression result is evident that pension fund sustainability is significant and positively associated with pension fund regulation. The results of this study suggest that beneficiaries of the

University of Benin Teaching Hospital (both active and retired staff) sufficiently perceive the regulatory framework of the contributory pension scheme as adequate and satisfactory enough to exert much influence on their perception about the sustainability of the pension scheme.

Recommendations

The study recommends:

1. Pension fund regulation should be given much attention by concerned authorities because it is fundamental to pension fund sustainability.
2. There should be consistent review and update of regulatory strategies and methods.
3. Regulatory officers should be provided with adequate materials, logistics, trainings and incentive that will enhance their performance and deter inducement from saboteurs.

References

Adekunle, O.W., Abiola, M.O., & Ayodele, A.O. (2019). Analysis of some selected factors.*Management and Labor Studies, 7* (1), 11-19.

Agbaji, B.C., & Ipigansi, M.P. (2018).The impact of new pension reform on the lives of Nigeria retirees. *International Journal of New Technology and Research (IJNTR), 4* (5), 43-53.

Akpusugh, K.T., & Iyortsuun, A.S. (2013). Effective management of life after retirement and its impact on retirees from the public service: A case study of Benue State, Nigeria. *Global Journal of Management and Business Research, 13*(5), 1-9.

Arnolds, C., & Njuguna, A. G. (2012).Determinants of pension fund efficiency in Kenya: An exploratory study. *African and Asian Studies*, *11*(1),182-218.

Bala, S.A., Idris, S., & Hassan, A. (2022).Modelling the effect of macro-economic variables on pension contribution in Nigeria.*Archives of Current Research International 22*(2), 23-33.

Chukwuemeka, E.E.O., Okechukwue, R. O.,& Onwuchekwa, F. (2019). The Floating Bridge: Praxis and Prospects of the Contributory Pension Scheme in Nigeria .*International Journal of Academic Multidisciplinary Research (IJAMR),3* (2), 49-65.

Egbe, G.A. (2013). Portfolio optimization of pension fund contribution in Nigeria. *Mathematical Theory Modelling, 3* (8), 42-52.

Ejim, E.P., Eze-Dike,F.U., Logan,C.S., Manasseh, C.O., Mgbobi,I.C., Okanya O.C., & Ukwu, F.E.(2023).The contributory pension scheme and pensioners satisfaction in Nigeria.*International Journal of Managerial Studies and Research, 11* (6), 17-23.

Ezenwa, C.A., & Obiagwu, O. V. (2020).Pension reform act 2014 and challenges of pension administration in Nigeria.*Global Journal of Arts, Humanities and Social Sciences*, *8* (8), 18-29.

Federal Government of Nigeria. The Pension Reform Act (2004).Retrieved from http://www.pencom.gov.ng/download/faq/Nigeria_PensionReformAct2004.pdf

Federal Government of Nigeria. The Pension Reform Act(2014).Retrieved fromhttp://www.pencom.gov.ng/download/Pension%20Laws/Pension%20Reform%20Act%202014.pdf.

Ibe, R. C., & Nnonyelu, N. A. (2024). Pension management in Nigeria: challenges and solutions in view. *International Journal of Management, Social Sciences, Peace and Conflict Studies (IJMSSPCS), 7*(2), 201 – 209.

Jimoh, I., & Khadijah, A.I., (2021). Effect of Risk Management and Internal Controls on Pension Management in Nigeria.*Gusau International Journal of Management and Social Sciences*, *4* (3), 1-11.

Okoye, M. (2024). Contribution Pension Regime in Nigeria: Obstacles and way forward. *NG Journal of Social Development*, *14* (1) 206 -219.

Olanrewaju, E. A. (2011). The Pension Reform Act 2004 and wellbeing of Nigerian retirees: A sociological evaluation of its provisions.*International Journal of Humanities and Social Sciences, 1* (21), 315-325.

Ozokwere, H. N. (2008). An appraisal of pension fund administrators in the management of the new contributory pension scheme: A thesis undertaken for the award of Masters Degree in the Department of Public Administration, NnamdiAzikiwe University, Awka. P. 101.

Usman, S., & Kida, M.I. (2017). An Assessment of the Challenges of Pension System in Nigeria. *Lafia Journal of Economics and Management Sciences*, 3(1), 299-316.

Stigler G.J. (1971). The Theory of Economic Regulation. *2 Bell Journal of Economics and Management Science,* 3-21.

Shimawua, D. (2020). Assessment of pension administration policy and its impact on public servants and retirees in Nigeria. *International Journal of Public Policy and Administrative Studies, 11*(4),9-31.

Unachukwu, J.C., Oladeji, A.,& Egunjobi, O.G. (2020). Public workers' perception towards contributory pension scheme: Evidence from Lagos State, Nigeria. *Asian Journal of Education and Social Studies, 8*(4), 8-15.

Ughulu, E.S. & Uwamusi, C.B. (2023).Pension reform act 2014 and the future of public service prospective seniors: a prognostic analysis. *Global Journal of Social Sciences, 22* (1), 1-7 DOI: 10.4314/gjss.v22i1.1