

Strategic Management of Pension Scheme in Selected Private Manufacturing Organizations in South Eastern Nigeria

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Abstract

Management of pension schemes in Nigeria has been characterized by multiple and diverse problems despite several modifications of the pension schemes by the government. The study examined the extent strategies adopted for pension management can enhance employees' confidence in the scheme. The study adopted a survey design. The data were analyzed using tables, frequencies, and mean. Z- test was used to test the hypotheses at 0.05 significance. It was revealed that to a very large extent strategies adopted for pension and retirement management can enhance employees' confidence in the management of the schemes. The researchers recommended among others that an efficient structural framework should be put in place always to monitor the contribution and implementation of the Contributory Pension Scheme. Pension plays an increasingly important role in the economy of any country because the money earmarked for pension could be used for the establishment of small enterprises and infrastructural development.

Keywords: Management, Manufacturing Organizations, Pension, Strategic

1.1 Introduction

A retirement scheme is a way of providing an employee with either a lump sum of money when leaving the service of an employer or providing a pension to the employee. It provides benefits which can be regarded as compensation to an employee for the services rendered to the organization. Ebegbunam (2015) posits that pension scheme consist of plans, procedures,

legal and administrative process of acquiring and setting aside of funds to accumulate in order to meet the social obligation of care which employers owe their employees on retirement or their dependents should the employee dies before retirement.

Pension is one indispensable form of employees' solid benefits which has positive impact on employee discipline, loyalty and willingness to remain in the service of an employer, and commitment to the attainment of job goals and concern for the survival of the organization. Ugbaja (2013) opines that a well funded pension scheme helps to spread the cost of benefits evenly overtime and eliminate the difficulties of economic misfortune. This is achievable if the pension fund scheme is properly managed. However, funding of a pension scheme can be contributory or non contributory. In the former, both the employer and the employee provide the fund through joint contribution. In the latter, only the employer or the employee provides the fund.

Before 2004 the non-contributory pension scheme was in operation in Nigeria. Meribole (2010) remarks that with the dwindling fortune of the nation's economy, the increasing burden of pension payment in the public sector weighed heavy burden on the government. Ojo (2014) posits that due to the absence of pension fund prior to 2004, set aside to receive regular contributions, no investment could be made so as to yield returns that would boost the financial resources needed for prompt and regular payment of retirement benefits.

Consequently, the Federal Government, having realized these challenges, had taken various steps in order to ameliorate the situation. Agu (2014) observes that when government could no longer cope with financing of the pension scheme alone in the face of other challenging economic demands, the government introduced a contributory pension scheme to replace the non-contributory scheme. The need for this reform was to entrench an effective administration in the management of pension scheme in Nigeria public sector, and to ensure prompt payment of retirement benefits to retiring public/private servants.

1.2 Statement of the problem

The management of pension scheme in Nigeria has been characterized by multiple and diverse problems such as inadequate funding, accumulated arrears of pensioners, inability to determine the appropriate investment portfolio, lack of accountability, corruption and embezzlement of funds. Also, there is lack of confidence on the part of employees arising from failures of previous government policies to address pension issues.

1.3 Objectives of the Study

The broad objective of the study was to examine strategies for the management of pension scheme in selected private manufacturing organizations in south eastern states of Nigeria. The specific objectives of the study were:

- (i) To examine the extent strategies for the management of pension scheme can enhance employers/employees' commitment to contributing to the scheme in the private sector.
- (ii) To examine the extent strategies adopted for pension schemes management can enhance employees' confidence in the management of the schemes in private sector.
- (iii) To determine the positive effect of the new contributory pension scheme on employees retirement benefits.

1.4 Research Hypotheses

The following Hypotheses were formulated to guide the study:

- (i) H₁: To an extent strategies for the management of pension scheme can significantly enhance employers/employees' commitment to contributing to the scheme in the private sector.
- (ii) H₁: To an extent strategies adopted for pension scheme management can enhance employees' confidence in the management of the schemes in private sector.
- (iii) H₁: The new contributory pension scheme has positive effect on employees' retirement benefits.

2.0 Review of Related Literature

2.1 Conceptual Framework on Pension

The concept of pension benefits is predicated that after retirement, the retirees need to maintain their living standard and do not have to suffer due to old age or illness. Pension is simply the amount set aside either by an employer or an employee or both to ensure that at retirement, there is money/income for employees to fall back. The aim is to provide employees with security by making plans that are capable of providing guaranteed income to the employees when they retire or to their dependants when death occurs (Adeola, 2013).

The first private sector pension scheme in Nigeria was set up for the employees of the Nigerian Breweries in 1954. Consequently, in 1957 United African Company joined. UAC National Provident Fund (NPF) was the first formal social protection scheme in Nigeria established in 1961 for the non pensionable private sector employees. The Nigerian Social Insurance Trust Fund (NSITF) was established by Decree No. 73 of 1993 to provide enhanced social protection to private sector employees. The NSITF took

over the assets of the NPF and commenced operations in July, 1994. Nwatu (2013) notes that in the private sector, most pension schemes were insured scheme defined by contributions of employers and employees. It provided large sums of retirement benefits for retirees on retirement and after active service

2.2 Pension Schemes in Nigeria

Balogun (2014) affirms that Nigeria's first ever legislative policy on pension matters was the Pension Ordinance of 1951 which took effect retroactively from 1st January, 1946. Though pensions and gratuities were provided for in the legislation, they were not a right as they could be reduced or withheld altogether if it was established to the satisfaction of the Governor-General that an officer was found guilty of negligence, irregularity or misconduct.

In the private sector, the first pension scheme in Nigeria was set up for the employees of the Nigerian Breweries in 1954, followed by United African Company (UAC) scheme in 1957. In all there have been about eight (8) registered pension schemes in the country before 2004 which were largely unfunded, self-administered and uninsured (Fapohunda, 2013).

2.2.1 The Pay As You Go (PAYG) Pension Scheme

Prior to 2004 the pension scheme - the Defined Benefit or Pay as You Go (PAYG) was in operation. The government funded the public sector scheme hundred percent and it was a non-contributory pension scheme (Chilekezi, 2011). The private sector scheme was better organized than the public sector as it was a contributory scheme; while in few cases it was a non-contributory scheme 100% funded by the employers (Uzoma, 2013).

A major challenge of the defined benefit scheme (PAYG) was its dependency on budgetary provisions for funding. Gbitse (2014) observes that the scheme in the public sector became unsustainable and was compounded by increase in salaries and pension payments. The corruption and embezzlement within the economy affected the pension scheme and the funds meant for it. Also that the Pension Fund Administrators (PFA) was very weak, inefficient, and lacked transparency in their activities. There were poor supervision of pension fund administrators in the collection, management and disbursement of pension funds. Toye (2014) opines that poor record management and documentation processes by the pension board as well as the inability of pension fund administrators to effectively carryout their duties in providing for the expected pension allowances as at when due pose a great challenge.

The fund provided for the payment of pensioners and pensions was largely neglected and abused by successive governments in the country. The

pension burden on governments at various levels increased tremendously which made pension payment became difficult. The PAYG scheme lacked uniformity. It covered the public service and a few private organizations. There were disparities between public and private sector organizations and among various cadres within an organization (Adigun, 2010). The non-contributory pension scheme eventual collapsed because of these problems.

2.2.2 The Pension Reform Act 2004

The Pension Reform Act 2004 assigned the administration, management, and custody of pension funds to private companies - the Pension Fund Administrators (PFA) and the Pension Fund Custodians (PFC). The Act mandated the Nigeria Social Insurance Trust Fund (NSITF) to set up its own Pension Fund Administrator (PFA) to compete with other PFAs in the pensions industry, and to manage the accumulated pension funds of current NSITF contributors for a transitional period of five years. Prior to the Pension Reform Act 2004 (PRA), most public organizations operated a Defined Benefit (pay-as-you-go).

Objectives of the New Pension Scheme

Pension Act 2004 states that the major objectives of the new scheme were to:

- (i) Ensure that every person who has worked in either the public or private sector receives his retirement benefits as and when due;
- (ii) Assist improvident individuals by ensuring that they save to cater for their livelihood during old age;
- (iii) Establish a uniform set of rules and regulations for the administration and payment of retirement benefits in both the public and private sectors; and
- (iv) Stem the growth of outstanding pension liabilities.

The Pension Reform Act 2004 is a Compulsory Pension Scheme (CPS) fully funded and based on individual Retirement Savings Accounts (RSAs) that are privately managed by Pension Fund Administrators (PFAs), while pension funds and assets are kept by Pension Fund Custodians (PFCs). The Pension Reform Act 2004 decentralized and privatized pension administration in the country. The Act also constituted the National Pension Commission (PENCOM) as a regulatory authority to oversee and check the activities of the registered Pension Fund Administrators (PFAs).

Features of the 2004 Pension Reform

The scheme is fully funded by the employers and employees thereby ensuring that overall retirement income are maintained from the onset of the scheme and also that retirement benefits are paid on sustainable basis

because funds are always available to defray any pension obligation that falls due. More specifically the following features of scheme were identified by Fapohunda, 2013:

(i) **Coverage and Exemption:** The scheme made provisions for workers in both public and private sector organizations with a minimum of five employees. Those who were already pensioners and those with 3 years to retirement as from 2004 were exempted from the scheme. The new scheme applies only to the workers from 2008. It is also not uniform to all categories of employees. For example Section 8 (2) of the 2004 Pension Reform Act exempts judiciary workers from participating in the new scheme.

(ii) **Retirement:** In the public sector, the statutory retirement age is either 60 years or 35 years of service, whichever comes first; while in the private sector, retirement age varies between 55 and 60 years and the factor of 35 years of service is excluded. The Pension Reform Act 2004 has no clear provisions on minimum retirement age but provides in [Section 3(1)] that no person shall be entitled to make any withdrawal from their retirement savings account before attaining the age of 50 years. Section 3(2) (c) permits withdrawal from the retirement savings account by an employee who retires before the age of 50 years thereby accepting that employees could retire before attaining the age of 50.

iii) **Gratuity:** The right to a gratuity has been abolished in the Pension Reform Act, 2004. Retirees were no longer receiving single lump sum payment as gratuity in addition to pension which is a periodic payment on monthly basis, for the remainder of the pensioner's life.

(iv) **Contributory:** The scheme provides for a compulsory contribution of 7.5% of workers basic salary and 7.5% of same from employers as pension for workers after retirement. However, while public sector workers contribute a minimum of 7.5% of their monthly emoluments, the Military contribute 2.5%. The public sector contributes 7.5% on behalf its workers and 12.5% in the case of the Military. Employers and employees in the private sector contribute a minimum of 7.5% each. An employer may elect to contribute on behalf of the employees such that the total contribution shall not be less than 15% of the monthly emolument of the employees. This implies that the level of contribution is not uniform.

(v) **Level and Remittance of Contributions:** An employer is obliged to deduct and remit contributions to a Custodian within 7 days from the day the employee is paid the salary while the custodian shall notify the PFA within 24 hours of the receipt of such contribution.

(iii) **Voluntary Contributions:** Section 9 (4) of the Pension Reform Act 2004 allows for voluntary contributions which gives opportunity for the self-employed and those working in informal sector organizations with less

than 5 employees to open retirement savings accounts (RSA) with pension funds administrators (PFA) of their choice and make contributions. However, for voluntary contributions, the tax relief is only applicable if the amount contributed or part thereof is not withdrawn before five years after the first voluntary contribution is made.

(iv) **Individual Accounts:** An employee is required by law to open a 'Retirement Savings Account' in the employee's name with a Pension Fund Administrator of the employee's choice. This individual account belongs to the employee and remains with the employee for life even if the employee changes employer or Pension Fund Administrator. The employee may only withdraw from this account at the age of 50 or upon retirement thereafter. An employee can withdraw a lump sum of 25% of the balance standing to the credit of the retirement savings account if the employee is less than 50 years at the time of retirement and the employee could not secure a new job after six months from leaving the last job. Similarly, a retiree can withdraw a lump sum if the employee is 50 years or above at the time of retirement and the amount remaining after the lump sum withdrawal shall be sufficient to fund programmed withdrawals (Fapohunda, 2013).

Positive Effects of the Contributory Pension Scheme

The Contributory Pension Scheme (CPS) facilitates prompt and regular payment of benefits since funding is made monthly and credited to individual RSAs immediately. It also ensures availability of fund for investment, particularly to the capital market. Contributions are put to long term investments in the economy. It involves workers participation since an employee contributes to the retirement fund and at liberty to decide who manages it. With the new scheme there is now a central regulator the Pensions Commission (PENCOM) who oversees all pension matters nationwide. There were three regulators in the pension industry before the enactment of the pension Reform Act 2004. There were the Securities and Exchange Commission (SEC), the National Insurance Commission (NAICOM) and the Joint Tax Board (JTB). SEC was the licensed pension manager while NAICOM was and is still the agency responsible for licensing and regulating insurance companies in Nigeria. The JTB was approved to monitor all private pension schemes backed up with enabling powers from schedule 3 of the Personal Income Tax Decrees 104 of 1993.

There is also private sector participation in the management of the scheme which has introduced profit making into pension administration and services as a check against the inflationary effects on the contributions. In addition, there is the portability of the scheme since it is now easier to change jobs. The employee provides the new employer with details of the employee's retirement savings account. The new scheme reduces

government spending and commitment to payment of retirement benefit as employees now contribute to it. There is less administrative cost to government because administrative costs are now largely borne by pension funds administrators and pension fund companies. More so the untimely payment of benefits which resulted in the accumulation of huge pension liabilities that are yet to be fully settled in the public sector is now a thing of the past for contributors under the new scheme (Dalang, 2013).

2.2.3 Pension Reform Act 2014

On 1st July 2014 the Nigeria federal government enacted and assigned into law the new Pension Reform Act 2014; which repealed the Pension Reform Act No. 2 of 2004. The new Pension Reform Act governs and regulates the administration of the contributory pension scheme for both the public and private sectors in Nigeria. Some of the key changes include increase in the minimum number of employees required to make contributions under the Act mandatory, increase in the minimum contribution into the Scheme and the imposition of fines and penalties on Pension Fund Administrators (PFA) for failure to meet their obligations to contributors and violation of the provisions of the Act. Employers may need to restructure their staff compensation to minimise the impact of likely increase in staff cost while maintaining staff take home pay at the current levels.

The Act also encourages participation by the employers and the employees in the Contributory Pension Scheme (Scheme). The Scheme includes all employees in the public sector and employees of private organisations in which there are 15 or more employees. In the case of private organisations with less than 3 employees participation in the Scheme is governed by guidelines by the National Pension Commission (PenCom).

Contribution to the Scheme

The Act provides that both employer and employee are required to make a minimum of 10% and 8% respectively of the employee's monthly emoluments. The Act also provides that an employer can take full responsibility of the contribution. In that case, the contribution shall not be less than 20% of the employee's monthly emolument. In addition, a group life insurance policy must be maintained in favour of the employee for a minimum of thrice the employee's annual total emoluments similar to the old Act (Pensions Commission, 2005).

Investments

The Act expands the scope in which the pension funds can be invested and this includes specialist investment funds and other financial instruments the Commission may approve.

Offences and Penalties

The Act includes a few novel provisions with respect to offences and penalties. The Act criminalises an attempt to commit an offence and imposes the same penalty as the offence itself. The penalties for misappropriation have also been increased. In addition to a prison term of 10 years and a fine of three times the amount misappropriated, a convicted person would refund the amount misappropriated as well as forfeit to the federal government any property, asset or fund with accrued interest or the proceeds of any unlawful activity under the Act in his/her possession, custody or control. In addition to the above and with particular reference to PFCs, the Act imposes a penalty of at least N10 million, upon conviction, where the PFC fails to hold the funds to the exclusive preserve of the PFA and PenCom or where it applies the funds to meet its own financial obligations (in the case of a Director, N5million or a term of 5 years imprisonment or both).

Pension Protection Fund

A pension protection fund is created under the Act to include an annual subvention of 1% of the total monthly wage bill payable to employees in the public sector, an annual pension protection levy (the percentage of which is to be determined by PenCom) and income from investments of the Pension Protection Fund. The objective of the Fund is to serve as a hedge or guarantee for the benefit of contributors. Money from the fund is paid to the contributors in the form of minimum guaranteed pension, as compensation for shortfalls in investment of pension funds and any other use PenCom may determine from time to time.

Withdrawal from the Retirement Savings Account

The Act creates another condition in which a contributor may be allowed to withdraw from his retirement account. An employee who disengages from employment or is disengaged before the age of 50 and is unable to secure employment within 4 months of disengagement is allowed to make withdrawals from the account although not exceeding 25% of the total amount credited to the retirement savings account.

Challenges in the Administration of Pension Reform Act 2014

Olagunju and Bashir (2014) opine that the delay associated with redeeming pension benefits marooned in a PFA's office following the death

of a contributor caused by delay in procuring Letter of Administration still remains.

The Board of enquiry to be set up by PENCOM having to meet after an employee has been declared missing for 12 months to approve settlement of a claim will unavoidably lead to delay in Group Life claim settlement of the individual concerned. Perhaps a time frame within when such meeting shall hold should have been given. Nwatu (2013) observes that NSITF was characterized by poor administration, inadequate service delivery and poor records of movement from one employment to another.

Fapohunda (2013) on a study of the challenges of management of pension fund in Nigeria found out that the problem of pension scheme management in the Nigerian public sector is that it had all sorts of rookies, people who have no idea about managing funds not to talk of very huge pension fund. On penalties for offences, the bill meted out stiffer penalties for offences adding that offenders will be sentenced, or fined, but shall be made to refund money misappropriated, and forfeiture of any asset obtained from the proceeds of any unlawful activity under the bill.

World Bank (2013) emphasizes the need for change as most pension schemes in the world do not deliver on their social objectives. They create distortions, impose marginalization, old-age poverty, post retirement sufferings and ultimately lead to untimely retirement death. Above all, distort market economies and are financially unsustainable because they are expensive to run and the process fraudulent even by those mandated to administer the pensions.

2.2.4 Challenges in the Private Sector

Jorg (2015) asserts that the private sector schemes were characterized by very low compliance ratio due to lack of effective regulation and supervision of the system. Most of the schemes did not provide for periodic benefits. More so, many private sector employees were not covered by any form of pension scheme. Most employees in the formal and informal enterprises were not catered for by any form of retirement benefit arrangements.

2.2.5 Prospects of the New Pension Contributory Scheme

With the new scheme, there will be new fiscal and administrative responsibilities on the part of employers in terms of proper documentation, payroll deductions, remittances, etc., as well as new costs tied to employment. Employees participating in the scheme will also see their disposable incomes affected once their contributions; effected through payroll deductions.

Armstrong (2010) affirms that pension helps employees to readjust themselves properly into the society after leaving employment. It constitutes an important tool in the hands of management for boosting employee morale which may lead to efficiency and increased productivity of employees in particular and the organization as a whole.

Besides pension is a device which employers use to meet their social responsibilities and thereby attract goodwill. Pension now plays an increasingly significant role in the economy of any country because the money earmarked for pension could be used for the establishment of small enterprises. It can also relieve pressure on the company for individual assistance by instilling in employees a sense of confidence at challenging responsibilities for their future.

Sterns (2012) observes that pensions could discourage labour turnover. If both the employees and employers contribute to the scheme, then it serves as a general area of joint interest and cooperation and therefore helps to foster better employment relations.

3. Methodology

The survey design was utilized for the study. The population of the study was obtained from four selected private manufacturing companies in south eastern states of Nigeria. A sample size of three hundred and fifty eight (358) was derived from a population of three thousand, four hundred and fifty-one (3,451). Structure questionnaire were used to collect data for the study. The data were analyzed using tables, frequencies, and mean. Z- test was used to test the hypotheses at 0.05 level of significance. Responses in respect of some of the questions in the questionnaire were rated in five point Likert.

4. Data Analysis

Table 1: Years of Service in the Organization

| Years of Service | Frequency | Percentage |
|-------------------------|------------------|-------------------|
| Below 5 yrs | 75 | 24 |
| 5-15 yrs | 82 | 26 |
| 16 - 25 yrs | 87 | 28 |
| 26 – 35 yrs | 46 | 16 |
| 36 yrs/above | 20 | 6 |
| Total | 310 | 100 |

Source: Field Survey, 2016

Table 2 showed the number of years respondents have worked in the organizations. Out of three hundred and ten respondents, 87 (28%) respondents have stayed between 16 - 25 years, 82 (26%) respondents work between 5 -15 years, 75 respondents making about 24% have worked below 5 years, 46 (16%) respondents indicated they have worked

between 26 – 35 years; while only 6 have worked for 36 years and above.

Table 2: Existence of Pension and Retirement Scheme in the Organization

| Responses | Frequency | Percentage |
|-------------------|------------|------------|
| Strongly agree | 231 | 75 |
| Agree | 60 | 19 |
| Undecided | 19 | 6 |
| Strongly disagree | 0 | 0 |
| Disagree | 0 | 0 |
| Total | 310 | |

Source: Field Survey, 2016

Table 2 showed that out of 310 respondents, 231 respondents marking about 75% strongly agree that there is existence of pension and retirement scheme, 60 respondents marking about 19% agreed, 19 respondents (6%) was undecided, while there was no responses recorded on strongly disagree and disagree.

Table 3: Funding of the Scheme

| Options | Frequency | Percentage |
|----------------------|------------|------------|
| Funded by employees | 19 | 6 |
| Funded by employers | 60 | 19 |
| Funded by Both | 231 | 75 |
| Funded by Government | 0 | 0 |
| Total | 310 | 100 |

Source: Field Survey, 2016

From table 3 it was discovered that out of 310 respondents, 231 of them making about 75% respondents opined that the scheme was funded by both employer and employees, 60 respondents (19%) indicated that it was funded by employers, 19 respondents said that it was funded by employees, while none of the respondents agreed that it was funded by the government.

Table 4: Private Sector Organizations adopt Government Policies on Pension and Retirement Management

| Options | Frequency | Percentage |
|-------------------|------------|------------|
| Strongly agree | 138 | 45 |
| Agree | 69 | 22 |
| Undecided | 0 | 0 |
| Strongly disagree | 96 | 31 |
| Disagree | 7 | 2 |
| Total | 310 | 100 |

Source: Field Survey 2016

Table 4 showed that out of 310 respondents, 138 of them making about 45% strongly agree that private sector organizations adopt government policies on pension and retirement management, 96 respondents (31%) strongly disagree, 69 respondents (22%) agree, while 7 respondents making about 7% disagree.

Table 5: Employer Makes Regular Contribution to the Scheme

| Options | Frequency | Percentage |
|-------------------|------------|------------|
| Strongly agree | 177 | 57 |
| Agree | 101 | 32.58 |
| Undecided | 0 | 0 |
| Strongly disagree | 30 | 9.7 |
| Disagree | 2 | 0.065 |
| Total | 310 | 100 |

Source: Field Survey, 2016

In table 5 it was shown that 177 respondents making about 57% strongly agree that the employer makes regular contribution to the scheme, 101 respondents (32.58%) agree, 3 respondents making about 9.68% strongly disagree; while 3 respondents (0.98%) disagree.

Table 6: Positive Effects of the New Contributory Scheme

| Options | SA (5) | A (4) | UD (3) | SD (2) | D (1) | n | \bar{X} | Remarks |
|---|-----------|----------|-----------|-----------|----------|-----|-----------|----------|
| Employee decides who manages the contributions | 269 | 21 | 0 | 0 | 20 | 310 | 4.6 | Accepted |
| Involves workers participation | 289 | 21 | 0 | 0 | 0 | 310 | 5 | Accepted |
| It is easier for employees to change jobs | 142 | 110 | 5 | 32 | 21 | 310 | 4 | Accepted |
| Facilitates prompt and regular payment of benefits | 94 | 116 | 0 | 100 | 0 | 310 | 3.6 | Accepted |
| It also ensures availability of fund for investment | 156 | 89 | 0 | 65 | 0 | 310 | 4 | Accepted |
| It reduces government spending and commitment | 269 | 21 | 0 | 0 | 20 | 310 | 4.6 | Accepted |
| Accumulation of huge pension liabilities is now a thing of the past | 5 | 75 | 0 | 190 | 40 | 310 | 2.4 | Rejected |
| Lack of embezzlement | 20 | 18 | 13 | 211 | 48 | 310 | 2.2 | Rejected |
| There is central regulator the PENCOR) | 139 | 110 | 5 | 35 | 21 | 310 | 4 | Accepted |

Source: Field Survey 2016

In the table 6, mean responses from 3.00 and above were accepted as positive effects of the new contributory scheme; while mean response below 3.00 were rejected.

Table 7: Major Challenges Confronting the Pension and Retirement Management Scheme

| Options | SA (5) | A (4) | UD (3) | SD (2) | D (1) | n | \bar{X} | Remarks |
|--|-----------|----------|-----------|-----------|----------|-----|-----------|----------|
| Lack of prompt payment by employer | 156 | 89 | 0 | 65 | 0 | 310 | 4 | Accepted |
| Government's inability to stem the growth of pension liabilities in the sector | 142 | 110 | 5 | 32 | 21 | 310 | 4 | Accepted |

| | | | | | | | | |
|--|-----|-----|---|-----|----|-----|-----|----------|
| Inconclusive prosecution of indicted pension fund misappropriations | 94 | 116 | 0 | 100 | 0 | 310 | 3.6 | Accepted |
| Lack of proper monitoring of pension fund investment | 269 | 21 | 0 | 0 | 20 | 310 | 4.6 | Accepted |
| Use of inexperienced staff | 139 | 110 | 5 | 35 | 21 | 310 | 4 | Accepted |
| Lack of dedication and commitment by staff entrusted with pension fund | 269 | 21 | 0 | 0 | 20 | 310 | 4.6 | Accepted |
| None compliance of employees | 5 | 95 | 0 | 190 | 20 | 310 | 2.5 | Rejected |

Source: Field Survey 2016

In the table 7, mean responses from 3.00 and above were accepted as major challenges confronting the pension and retirement management scheme, while mean response below 3.00 were rejected.

4.1 Test of Hypotheses

The statistical technique that was used to test the formulated hypotheses was Z-test mathematically stated as follow:

$$Z = \frac{P_o - P}{\sqrt{\frac{P_o(1 - P_o)}{n}}}$$

H₀ P = P_o

H_i P ≠ P_o

where: n = (sample size) 310

x = no of successes

P_o = sample proportion

Decision criterion

Accept the null hypothesis if the critical value is greater than the calculated value, otherwise reject the null hypothesis. Level of significance = 5% or 0.05. Critical value Z (α /2) and - Z (α /2) = ± 1.96.

Hypothesis One

H₁: To an extent strategies for the management of pension scheme can significantly enhance employers/employees’ commitment to contributing to the scheme in the private sector.

Table 8: Strategies for the Management of Pension and Retirement Schemes can significantly Enhance Employers/Employees’ Commitment to Contributing to the Scheme

| Options | Frequency | Percentage |
|-------------------|------------|------------|
| Strongly agree | 207 | 67 |
| Strongly disagree | 103 | 33 |
| Total | 310 | 100 |

Source: Field Survey: 2016

Table 8 indicates that 207 (67%) respondents out of 310 respondents strongly agreed that strategies for the management of pension and retirement schemes can significantly enhance employers/employees’ commitment to contributing to the scheme, while 103 respondents making about (33%) strongly disagree. P_o represents the probability that respondents strongly agreed that strategies for the management of pension and retirement schemes can significantly enhance employers/employees’ commitment to contributing to the scheme.

$$\begin{aligned}
 n &= 310 \text{ (sample size)} \\
 x &= \text{no of successes} = 207 \\
 P_o &= \text{sample proportion} \\
 \therefore P_o &= \frac{X}{n} = \frac{207}{310} \\
 &= 0.667
 \end{aligned}$$

$$\begin{aligned}
 P &= 50\% = 0.5 \\
 \text{Calculate Z-test statistic:}
 \end{aligned}$$

$$\begin{aligned}
 z &= \frac{0.667 - 0.5}{\sqrt{\frac{0.5(1 - 0.5)}{310}}} \\
 z &= \frac{0.167}{0.028} \\
 z &= \mathbf{5.96}
 \end{aligned}$$

Since $z = 5.96 > z (\alpha/2) = 1.96$, we reject the null hypothesis and accept the alternative hypothesis that strategies for the management of pension and retirement schemes can significantly enhance employers/employees’ commitment to contributing to the scheme.

Hypothesis two

H_1 : To an extent strategies adopted for pension and retirement management schemes can enhance employees’ confidence in the management of the schemes in private sector.

Table 9: Strategies Adopted for Pension and Retirement Management Schemes to an Extent can Enhance Employees’ Confidence in the Management of the Schemes in Private Sector

| Options | Frequency | Percentage |
|-------------------|------------|------------|
| Very large extent | 256 | 83 |
| Very low extent | 54 | 17 |
| Total | 310 | 100 |

Source: Field Survey: 2016

From table 9, about 256 (83%) respondents indicated to very large extent, while 54 respondents making about (17%) affirmed to very low

extent. P_o represents the probability strategies adopted for pension and retirement management schemes to a very large extent can enhance employees’ confidence in the management of the schemes in private sector.

$$\begin{aligned}
 n &= 310 \text{ (sample size)} \\
 x &= \text{no of successes} = 256 \\
 P_o &= \text{sample proportion} \\
 \therefore P_o &= \frac{X}{n} = \frac{256}{310} \\
 &= 0.826
 \end{aligned}$$

$P = 50\% = 0.5$
 Calculate Z-test statistic:

$$z = \frac{0.826 - 0.5}{\sqrt{\frac{0.5(1 - 0.5)}{310}}}$$

$$z = \frac{0.326}{0.028}$$

$$z = 11.64$$

Since $Z = 11.64 > Z(\alpha/2) = 1.96$, we reject the null hypothesis and accept the alternative hypothesis that strategies adopted for pension and retirement management schemes to a very large extent can enhance employees’ confidence in the management of the schemes in private sector.

Hypothesis Three

H_1 : The new contributory pension scheme has positive effect on employees’ retirement benefits.

Table10: The New Contributory Pension Scheme has Positive Effect on Employees’ Retirement Benefits

| Options | Frequency | Percentage |
|-------------------|------------|------------|
| Strongly agree | 305 | 98 |
| Strongly disagree | 5 | 2 |
| Total | 310 | 100 |

Source: Field Survey: 2016

Table 10 indicated that about 305 respondents making about (98%) strongly agreed that the new contributory pension scheme has positive effect on employees’ retirement benefits; while 5 respondents making about (2%) strongly disagree. P_o represents the probability that respondents strongly agreed that pension and retirement issues are efficiently managed in the private sector.

$$\begin{aligned}
 n &= 310 \text{ (sample size)} \\
 x &= \text{no of successes} = 305
 \end{aligned}$$

P_o = sample proportion

$$\therefore P_o = \frac{X}{n} = \frac{305}{310}$$

$$= 0.983$$

$P = 50\% = 0.5$

Calculate Z-test statistic:

$$z = \frac{0.983 - 0.5}{\sqrt{\frac{0.5(1 - 0.5)}{310}}}$$

$$= \frac{0.483}{0.028}$$

$$z = 17.25$$

Since $Z = 17.25 > Z(\alpha/2) = 1.96$, we reject the null hypothesis and accept the alternative hypothesis that the new contributory pension scheme has positive effect on employees' retirement benefits.

5.1 Summary of Findings

(i) The study revealed that strategies for the management of pension scheme can significantly enhance employers/employees' commitment to contributing to the scheme in the private sector. This was $evZ \text{ cal.} = 5.96 > z(\alpha/2) = 1.96$.

(ii) It was found out that strategies adopted for pension and retirement management schemes to a very large extent can enhance employees' confidence in the management of the schemes in private sector. Since $z \text{ cal.} = 11.64 > Z(\alpha/2) = 1.96$. The central regulator, PENCOM monitoring the remittance and implementation to a great extent enhances employees' confidence.

(iii) The study also revealed that the new contributory pension scheme has positive effect on employees' retirement benefits. The calculated $z(17.25) > z(\alpha/2) = 1.96$. The positive effect of pension scheme management in private sector can be seen in employee deciding who manages the contributions, involves workers participation and easier for employees to change jobs.

5.2 Conclusion

Pension plays an increasingly important role in the economy of any country because the money earmarked for pension could be used for the establishment of small enterprises and infrastructural development; which invariably provides employment and reduces poverty.

5.3 Recommendations

1. The researchers recommended that an efficient and effective structural framework should be put in place always to monitor the contribution and implementation of the Contributory Pension Scheme to ensure proper management of the pension scheme.
2. The employers should implement the decision of the federal government on Pension and retirement with regards to 2004 and 2014 pension acts to enhance employees' confidence and commitment to contributing to the scheme.
3. To ensure return on investment, government should create conducive and enabling environment for investment of the fund.
4. The Regulatory agencies must ensure effective implementation of the penalties provided by the Act on non- compliance.

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