

Contributors' Monitoring of Pension Fund Investment and Prompt Payment of Pension Benefits in University of Ibadan, Nigeria

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Abstract: Globally, the central goal of pension scheme has been to ensure retirees live relatively comfortable lives on exit from service by the optimum management of their pension fund. However, lack of financial knowledge of the pension scheme in Nigeria, has been a great disadvantage for contributors and retirees in the monitoring of their pension fund investments and overall management of the pension scheme in Nigeria. This study examined the effect of Contributors monitoring of pension fund investment on prompt payment of pension benefits in University of Ibadan, Nigeria. Convergent parallel design was adopted for the study. The population of the study was 4267 while Taro Yamane's (1967) formula was adopted to calculate the sample size of 100. Out of the 100 questionnaires administered to the respondents from the University of Ibadan, 86 copies of questionnaires were completed and returned which implied a response rate of 86%. Descriptive and inferential statistics (linear regression) were employed in analysis of data. The study found an insignificant effect of contributors monitoring of pension fund investments on prompt payment of pension benefits ($F(1, 84) = 2.233$, Adj. $R^2 = .014$, $p > 0.05$). The study therefore recommended that contributors should not only monitor their investments but be involved in the decision making process on what options to which their funds are to be invested. This would guarantee adequate return on investments and good standard of living at retirement.

Keywords: Contributors' Monitoring, Pension Fund Investment, Prompt Payment of Pension Benefits

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I. INTRODUCTION

Retirement is compulsory for all workers and a period they all look forward to with an expectation for a happy and relatively comfortable retirement life. This is with the anticipation of a good retirement benefit/regular pension that will cater for them as retirees after spending the productive years of their life working in their own specialties for the development of the country. Before the introduction of the pension scheme in Nigeria, there were traditional ways of protecting and caring for the elderly. One of these was the extended family system, whereby people in the family made sure the elderly were adequately taken care of in terms of what they ate, clothing and their general health. However, as a result of modernization and so-called Western civilization, the extended family system has gradually eroded.

During retirement, a retiree usually receives certain benefits in form of gratuity and/or pension. Gratuity is the sum total lump paid to a worker on existing from the service either through withdrawal or retirement, while pension is the sum of annuity paid periodically, usually monthly to a public servant who disengages from service after attaining a specified age limit usually 60 years or 35 years of active service, (Ezeani, 2001; Ebosele, 2001). These benefits are designed to prevent a sudden sharp drop in the financial capacity and living standard of the worker as would happen with the stoppage of his monthly salary and allowances after disengagement. The lump sum or gratuity he is paid is meant to enable the retiree finance any post-retirement endeavour of his choice while the pension replaces the monthly salary the retiree gets while he was still in active serve, (Babasola, 2000). The lump sum is to take care of retiree's welfare.

A pension scheme is a transfer programme that serves as a channel for re-distributing income to the elderly or retirees, after a stipulated number of service years (Kareem & Kareem, 2010). They identified that this is different from gratuity which is a once and for all lump sum that is paid an employee on retirement, upon death or total incapacitation while on duty. Nwajiagu (2007) had observed that in some cases, some employees

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are only entitled to gratuity upon withdrawal from service while others may be entitled to both gratuity and pension.

Armstrong cited in Ngu (2004), stipulated that pension schemes are designed to provide employees with security by currently building on rights that will give a guaranteed income to the employees or his dependents on retirement or death. As such the central goal of Pension Scheme has been to ensure that retirees' lives after service are not jeopardized due to financial constraints (Yusuf, 2014). However, Grand and Visco (2011), observe that the lack of financial knowledge and awareness among contributors is a great disadvantage for retirees even when the risk of investment is placed entirely on the contributor (Pension Act, 2014).

In the Nigeria contributory pension scheme, future benefits fluctuate on the basis of investment earnings, thereby making it impossible for a contributor to estimate the totality of his pension on retirement. Particularly, when he was not informed or participated in the management of the investment of his fund. Grand and Visco (2011), observe the lack of financial knowledge and awareness among contributors is a great risk for retirees even when the risk of investment is placed entirely on the contributor (Pension Act, 2014). This is different from countries such as the United States of America where according to Drucker (2013), the employees in United States, through the pension funds, become the legal owners and suppliers of capital as well as the controlling force in the capital market. He refers to them as the true 'capitalists' because they direct the country's capital fund. This is because they are well informed of their fund investment portfolios and participate in the management of their pension fund. This study therefore examined the relationship between the contributors' monitoring of their Pension Fund Investment and prompt payment of benefit in University of Ibadan, Nigeria

II. LITERATURE REVIEW

Pension Fund Management

Management is a collective function that leads to the achievement of set goals or objectives. According to Henri Fayol, management is to forecast, plan, organize, command, coordinate and control (Edward, 2017), while Mary Parker Follet (1868-1933) sees management as the art of getting things done through people (Martins, 2017). These two definitions are pointers to the fact that to have an effective management and administration, structures must be put in place. At this point, it is usually necessary to put policy in place. This is because policy sometimes is necessitated by the need to address the crisis in management. As opined by Hallsworth, Parker and Rutter (2011), the aim of policy is to achieve certain objectives, while observing that the strength of policy making is integral to the strength of government. In Nigeria the National Pension Scheme is an integral policy that have strengthened government over the years, this is because the pension scheme helps to spread the cost of benefits evenly over time and eliminates the problems of economic misfortune (Ibekwe&Ekwoaba, 2018).

As a contributor, the responsibility for the contribution that is available in the Retirement Savings Account (RSA) upon retirement lies with the employee. This comes in form of the pension scheme that provides for a compulsory contribution of 8% of an employee's basic salary and 10% of same from the employer as pension for the employee after retirement. However, an employer may elect to contribute on behalf of the employees such that the total contribution will not be less than 20% of the total emoluments (*Pension Act*, 2014). This implies that the level of contribution is not uniform while the rationale behind the higher sole contribution by the employer is not made clear in the Act. Consequently, the effectiveness of pension funds affects workers' behaviour and financial market performance (Thomas & Spataro, 2016).

Similarly, Atere (2015) observes that the challenges arising from different areas of pension management include, but not limited to, transitional pension management, guaranteed minimum pension, additional voluntary contributions, pension protection fund, investment guidelines, public education and enlightenment. Apart from these, Anku-Tsede, Amertowo and Amankwaa (2015), also observe that over the years, governments in Africa have not demonstrated the astuteness of a good business person because of issues of mismanagement, inequitable returns and employee-employer conflict. This is supported by Bonoli and Shinkawa(2006), when they opined that pension debates differ from country to country. As observed by Disney and Johnson (2001), there had been remarkably little sharing of knowledge and experiences by countries. In other not to group all the countries as failures in pension system, Baily and Kirkegard (2008), advised that each country experience should be assessed before drawing conclusions. Also, policies on pension should not be based or focussed on only the element of efficiency (Barr & Diamond, 2009).

The effect of this is that contributors' trust is being eroded from the fund managers who have the mandate to invest the pension fund. From all these, there might just be some truth in the observation of Fapohunda (2013), that there was not much evidence to show the pension scheme was leading Nigeria in the desired direction. This was confirmed when ten years into the new pension scheme, low level of coverage and non-remittances of pension deductions came up as challenges (Eme, Uche&Uche, 2014).

Identifying dearth of investment as one of the challenges of the PFAs in investment decisions, Achimugu, Ocheni, & Akubo, (2015) recommended that, there should be more investment of pension fund in Domestic Ordinary Shares, Federal Government of Nigeria securities and Real estate property to boost Gross Domestic Product (GDP) of Nigeria. However, there should be a reduced investment of pension fund in Local Money Market Securities because of its negative impact on the Nigerian gross domestic product. Hill (2004) advocates a fixed percentage of average earnings for pension. This however may not be in the interest of the contributor as investment rates fluctuate. And considering the length of period for the investment, a fixed percentage may reduce his total pension package on retirement. On the other hand, this arrangement will favour the fund managers more as attempts will be made to turn the investment around for higher yields while the benefit to the contributors remains static on the initial prescribed percentage. This is where the contributors' monitoring of their pension fund investments becomes vital, to ensure that they gain the benefits of the higher return on investments, instead of the PFAs, paying them based on agreed percentages while keeping the profits from the investments to themselves.

Prompt Payment of Benefits

One of the reasons the old pension scheme was jettisoned was because of lack of fund and late payment of pensioners' benefits. These and other palpable reasons pauperized and reduced the retirees to live in misery to the extent that some people referred to them as "dead woods". However, the introduction of the new pension scheme rekindled their hopes and the hopes of would-be-retirees. Significantly, the turn of events in recent days as regards late payment or non-payment of pension is beginning to dampen the hopes of these people. Recently, the pensioners in Ogun State protested over non-payment of their retirement benefits for more than 10 months. They decried the disparity between the old pension and the new pension. According to them, those in the old pension received about 80 percent of their money while those in the new pension received less than 30 percent (*FRCN News*, 2015). More importantly, the Pension Reform Act of 2004, section 4c stipulates that: "Retirees will have not less than 50% of their last pay as monthly pension as at the date of retirement". Unfortunately, none of the retirees enjoyed this amount since the inception of the Act (Kajusola, 2015).

Furthermore, the old pension scheme was characterized with late payment, and the new scheme was meant to ensure that retirees received their pension as at when due. However, most retirees do not get their entitlements as at when due. Some are owed for up to 10 months due to some administrative bottle necks either from the Pension Commission or the Pension Fund Administrators. Derowaju, (2012) noted however that many retirees' benefits are delayed because some of them do not inform their Pension Fund Managers before retirement. However, it is this writer's view that the PFAs can surmount this challenge of employees not informing them of their pending retirement by updating their retirement data regularly to find those who are about to retire within a specific period. Just as the banks send birthday and seasonal greetings to their customers, PFAs can send retirement reminders to their enrollees,

Again, the investment of Retirees' contributions take some time to produce returns and this often causes some delays in paying the pensioners their benefits. According to Adedeji (2013) cited in Anazodo, Ezenwile, Chidolue, & Chidinma (2014), returns can be inversely correlated so when one is up the other is down, some assets are long term in nature and may take time to generate returns, thus the delay in these returns, delay the payment of pension to retirees. Again this writer is of the opinion that the PFAs can minimise delay in payment if they electronically monitor the retirement date of contributors and reduce length of investment period accordingly.

The study adopted the stakeholder theory, propounded by Richard Freeman. It is basically concerned with how managers and stakeholders view their actions and roles. According to Freeman (1984), all stakeholders are "customers" and have the right to decide whether the utility a firm provides them is greater than what they give up from other opportunities. His principle was that stakeholders may bring an action against the directors for failure to perform the required duty of care. Ideally, based on this tenet of the theory, contributors as stakeholders should be able to carry out this responsibility as they monitor their pension fund investment. The study however revealed that even when they monitor their pension fund investments, it does not necessarily mean they will receive prompt payment of their benefit on retirement, in this view, Hills and Jones (1992) argue that managers as central to the theory, hold a unique position of deciding the outcome of a stakeholder's interest. In the context of the study, the managers are the PFAs to whom the contributors have entrusted the management of their pension fund investment.

III. METHODOLOGY

The study adopted convergent parallel research design. The population for the study is made up of employees of University of Ibadan (UI) with the total staff strength as reported by the Registrar, at 4267. The Taro Yamane (1967) formula was adopted to calculate the sample size. Taro Yamane is presented as follows:

$$n = \frac{N}{1 + Ne^2}$$

Where n is the sample size

N is the population size

e is the sampling error.

This implies that N=4267, e= 0.10 (i.e. 90% confidence level). Therefore the sample size can be computed mathematically below:

$$n = \frac{4267}{1 + 4267(0.10^2)}$$

n = 97.71

n = 100 (1 significant figure)

Respondents were selected using stratified sampling technique. Thus, 100 hundred employees of University of Ibadan (UI) comprised the respondents for the study. Validated questionnaire relating to contributors' monitoring of pension fund investment and prompt payment of pension funds was the instrument for data collection. The response rate of the questionnaire was 86%. Descriptive statistics (mean and standard deviation) were employed in analysis of data, while hypothesis was tested using Pearson Product Movement Correlation

IV. RESULTS AND DISCUSSION

Table 1: Contributors' Monitoring

S/N	Variables	Mean	Std. Deviation
1.	I know that I can report my PFA to PENCOR if I am not satisfied with their management of my pension funds	4.1512	1.53022
2.	I am conversant with the current investments made by PFA with my pension funds	3.8721	1.73406
3.	I am informed on monthly basis of the interests that accrue from my pension fund investment by the PFA which enables me to monitor my investments	3.5814	1.25993
4.	I am informed on quarterly basis of interests that accrue from my pension fund investments by the PFA	3.7674	1.51599
5.	I am aware of the status of my pension fund investments at all times	4.1047	1.29278
6.	PFA's should be more transparent in dealing with contributors	4.9884	1.44299
7.	I have confidence in my PFA	4.1860	1.43496

Source: Research Survey, 2018

Table 1 shows that most of the respondents agreed that they monitor and are aware of the status of their pension fund investment with the PFA with an average mean score (\bar{X} =4.0930). Perhaps the fact that they monitor their investment made them to want to know more of the management of their pension fund investment, making their suggestion that the PFAs be more transparent receive the highest score of \bar{X} =4.9884). This call for more transparency is confirmed with the low scores of information on monthly and quarterly interests that accrue on the pension fund investments. These had mean scores of \bar{X} =3.5814 and \bar{X} =3.7674, respectively. Furthermore, the respondents that claimed to be conversant with the current investments made by PFA with my pension funds had the mean score of \bar{X} =3.8721. In view of the call for transparency which got the highest mean score, these responses are indications that many of the respondents do not understand entirely the information they get from the PFAs. Therefore, the respondents had put their confidence on the PFAs with a high mean score of \bar{X} =4.1860. This is an indication that though contributors may crave to know more about their pension fund investments, they still believe the PFAs have better financial understanding and can give them good returns for their pension fund investments.

Table 2: Prompt Payment of Benefit

S/N	Variables	Mean	Std. Deviation
1.	The payment of pension fund into bank accounts instead of the endless queues is an added source of happiness to contributors.	4.9651	1.38435
2.	I expect to receive 25% of my savings at retirement which will enable me to settle down into retirement life, without depending on my children.	3.7326	1.55997
3.	The remaining 75% will be used to buy annuity for me by my PFA	3.0349	1.40961
4.	The remaining 75% will be programmed for quarterly/six monthly withdrawals.	3.6047	1.37438

5.	I have never had a meeting with the PFA on choice of portfolio for investment of my pension funds	4.1163	1.66216
6.	It is possible to get first initial pension payment within six months of retirement	4.5000	1.39537
7	The contributory pension scheme has improved social welfare	3.0698	1.34419

Source: Research Survey, 2018

Table 2 shows an average mean score of $\bar{X}=3.8604$ from respondents. Since the stipulated benchmark for accepting the statements is '4' and for rejecting is '3', it therefore indicates that most of the respondents were between agreeing and not agreeing that it is possible to have prompt payment of pension benefit from the PFAs. Notwithstanding, most of the respondents welcomed the elimination of stress of the defined pension scheme in the aspects of endless queues in the name of verifications and cash payments of benefits, brought about by the introduction of the contributory pension scheme. This is indicated with the highest mean score of $\bar{X}= 5.9651$. The claim of the respondents with a mean score of $\bar{X}=4.1163$ that they have never had a meeting with the PFA on choice of portfolio for investment of their pension funds is an indication of the non-involvement of the contributors on the financial management of their pension fund. The implication of this is the dependence on the information handed to them by the PFA in respect of their pension fund investment. This is indicated in their response with a means score of $\bar{X}=4.5000$, that it is possible to get first initial pension payment within six months of retirement. This however is contrary to observation in the course of this study that most retirees do not get their lump sum until after one to two years of exiting service. The expectation that the 25% of their retirement savings will enable them settle down into retirement life without depending on their children attracted only a mean score of $\bar{X}=3.7326$ from the respondents. This is an indication that though it may be the ideal expectation, many contributors are wary of the quality of life awaiting them on retirement. This is also an indication that even when the contributors monitor their pension fund investment, they seem to lack the financial know-how of the investment strategies, thereby having no other option than to place their trust on the PFA. In same view, Grand and Visco (2011) had observed that the lack of financial knowledge and awareness among contributors is a great disadvantage for retirees.

One of the reasons the old pension scheme was jettisoned was because of lack of fund to pay retirees' their pension benefits regularly. In spite of the transition to the contributory pension scheme, most retirees do not get their benefit as at when due. Some are owed for between one to two years due to some administrative bottle necks either from the pension commission of the PFAs. Deworoju (2012) noted that many retirees' benefits are delayed because some of them do not inform their PFAs before retirement. However, it is possible to surmount this challenge if the PFAs inform their contributors of their pending retirement by updating their retirement data regularly to find out those about to retire within a specific periods. In other words, just as most of them send birthday greeting to their contributors on monthly basis, they can begin to send retirement reminder to them. This will further make the contributors to understand the inevitability of retirement and start early plan for a quality retirement life devoid of absolute dependence on the lump sum from their pension fund investment.

Test of Hypothesis

H₀: Contributors' monitoring in pension fund investment has no significant effect on prompt payment

Table 3: Regression Result for Contributors Monitoring vs. Prompt Payment

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.161 ^a	.026	.014	.59262		
a. Predictors: (Constant), Monitoring						
ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.784	1	.784	2.233	.139 ^b
	Residual	29.500	84	.351		
	Total	30.285	85			
a. Dependent Variable: Prompt Payment						
b. Predictors: (Constant), Monitoring						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		

1	(Constant)	3.349	.348		9.624	.000
	Monitoring	.125	.084	.161	1.494	.139
a. Dependent Variable: Prompt Payment						

Table 3 presents the results of the regression analysis for contributor's monitoring as predictor of prompt payment. The results in Table 3 show that the correlation coefficient (0.161) indicates a weak relationship between the predictor (contributor's monitoring) and the response variable (prompt payment). The R-squared statistic as explained by the fitted model implies that about 2.6% of the total variation in measure of prompt payment is explained by the variations in contributor's monitoring. The ANOVA result is statistically insignificant with F -value of 2.233 and $p > 0.05$. The regression coefficient, t statistic and p value for the model shows that contributor's monitoring ($\beta = .125$, $t = 1.494$, $p > 0.05$) exerts a positive but statistically insignificant effect on prompt payment. Therefore, the null hypothesis cannot be rejected, and hence it can be concluded that contributors' monitoring in pension fund investment has no significant effect on prompt payment to retiree.

V. CONCLUSION AND RECOMMENDATION

The study has revealed that the contributors' monitoring of their pension fund investments alone will not guarantee prompt payment of pension benefits upon retirement. This however, does not mean that contributors should not monitor their investments. There are several other factors such as the involvement of the contributors in the decision making as to what investment options their funds are to be applied, as that would guarantee greater return on investment. The federal government needs to release the accrued pension benefits of contributors who were in the defined benefit scheme before the transition, so that this can be added to their current savings. This would shore up the quantum of their investments and ensure that they have adequate outlay of funds at the time of retirement.

Pension fund contributors should continue to monitor their pension fund investments as a way of making the PFAs responsive, efficient and effective in the management of the pension funds. Pension fund contributors should have alternative sources of income for their retirement life to guarantee that their quality of life is sustained even if there is delay in the payment of their pension fund. PFAs should monitor the retirement dates of their contributors and inform them of early clearance for prompt payment of their pension fund.

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