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Review

Challenges of implementing the contributory pension scheme in public universities in Nigeria

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This study discussed the challenges of implementing the contributory pension scheme in public universities in Nigeria. The rationale, objectives, and features of the contributory pension reform act of 2014 (amended) were discussed. Secondary sources of data were used for the discussion and the views of other scholars as it concerns the implantation of the contributory pension scheme. The identified challenges includes: non-compliance by many state governments thus state owned universities; non remittance by government; inability of retired employees to access their pension benefits; unique engagement arrangements of Nigeria universities; inability of employees to open and own a retirement savings account (RSA); perception of employees to the scheme; contributing ratio by government and employees; different pension scheme and uncertainties of the old defined benefits scheme in some universities; inability of government to fund the guaranteed minimum pension (GMP); inadequate induction and orientation programme at the point of engagement. It was however recommended among others that state governments should appreciate the benefits of the contributing pension scheme and enact laws that will ensure its implementation in all state owned institutions including the universities.

Key words: Employees, public universities and contributory pension scheme.

INTRODUCTION

Public universities in Nigeria are government own institutions established for the purpose of producing high level manpower. According to the Federal Republic of Nigeria National policy on education (2013) revised editions, the goals of tertiary education (including the university) are:

1. To contribute to national development through high level relevant manpower training.
2. Develop and inculcate proper values for survival of the individual and society.
3. Develop the intellectual capability of individuals to understand and appreciate their local and external environment.
4. Acquire both physical and intellectual skills which will enable the individual to be self-reliant and useful members of the society;
5. Promote and encourage scholarship and community services, forge and cement national unity.
6. Promote international understanding and interaction.

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The university is a community that houses both the teaching and non-teaching staff from diverse background, referred to in this paper as employees. Ogonor (2016) opines that the universities are known to have their own internal mechanism in relation to the law establishing them (university autonomy).

The employees of the public university system are employees of the government who show commitment in the discharge of their duties through teaching, research and social activities that will ensure the availability of high level manpower in the society (Emunemu, 2017). They expect some immediate rewards in terms of salaries and other benefits while in active service and thereafter, a measurable reward at retirement known as pension.

According to Onogholo (2015), there should be connection between efforts expanded by an employee and the reward that he receives in the organization. He added that when an employee believes that equity may not prevail as regards his reward at retirement, he is bound to withhold a measure of his productivity. The idea behind pension payment to retired employees is that an individual having been used as regular payment in the form of salaries on a monthly basis will continue to get paid monthly so that the standard and mode of living is maintained (Chartered Institute of Personnel Management of Nigeria, 2007a). Before the enactment of the Federal Republic of Nigeria pension reform act of 2004 which was clearly contributory in practice, there were many pension practices in the country which included the pension act of 1979 with the armed forces pension act No. 103 of 1979, Nigeria social insurance trust fund (NSITF) act of 1993 that provided social security scheme for both government and private sector employees.

The public sector pension scheme was 100% government funded. The government achieved this through budgetary allocation for payment of pension by the three tiers of governments (federal, state and local government) in each fiscal year. The private sectors pensions were organized by individual cooperate organizations according to capacity without adequate monitoring from government.

The inability of the government to effectively fund the defined pension scheme (pension reform of 1979), monitor and implement the provisions as evidenced in the non-payment of retirement benefits to retired civil servants, difficulty in accessing benefits with the observed corrupt, sharp, and unhealthy practices in the pension industries led to the establishment of the contributory pension scheme.

The Federal Republic of Nigeria pension reform act (2004) was signed into law on Friday, 25th June 2004. The act repeals the pension act of 1979 and established a new contribution scheme for employees both in the public and private sectors in Nigeria. This was however amended by the national assembly in June 2014.

Hence, the Federal Republic of Nigeria pension reform acts of 2014. The contributory pension scheme involves the gradual retirement planning for every employee, it made provisions for the deduction of 8% of the employees' monthly emolument and the employer pays a minimum of 10% for the employee into the retirement savings account (RSA).

There have been observed hindrances in strict implementation to the contributory pension scheme which is a major concern among employees in the public university system. This paper therefore, discusses the challenges of implementing this contributory pension scheme in Nigeria universities by adopting secondary source of data, reviewing provisions of the Federal Republic of Nigeria pension reform act of 2014, visiting and discussions with pension desk officers of public universities in the southern Nigeria. The objectives, features, observed challenges of implementation in public universities and way forward are hereby discussed in this study.

LITERATURE REVIEW

The university is an establishment where a seat of higher learning is housed, including administration. It is the body of faculties and students, large and diverse institution of higher learning created to educate people, for profession and grant degrees (Omojola, 2017).

The universities which are the highest educational institutions in Nigeria should ideally be characterized by hard work as the quality of workers determine to a greater extent the achievement and reputation of the university as an educational institution (Ifedili, 2017). It is also a known fact that the quality of employees who are attracted and work in the university determines the level of achievement of set objectives. An employee is attracted to work in institutions where his future is guaranteed. The future of every Nigerian worker is his pension as inflation had made savings very difficult.

According to Ogonor (1999) cited in Ogonor (2017), the regular payment of salary, organizational administration and policy were some of the factors that motivate staff in Nigeria Universities. Compensation and pension are like salary that has a large impact on employee's attitudes and behavior. Pension also influences the kind of employees who are attracted to the university system and remain in anticipation of good package after retirement. It can be a powerful tool for aligning current employee's interest with those of the broader organization. To some employees, policies having to do with wages, salaries, and pensions that guarantee their future are the most important aspects of their job.

Pension can be defined as a regular monthly payment which is received by a retired person called a pensioner for the duration of his life. The payment should ideally commence from the date of retirement. In a formal employment, retirement is defined as giving up or being caused to give up one's employment on reaching pensionable age (Chartered Institute of Personnel Management of Nigeria, 2007b).

Fajana (2002) opines that it is natural that after working for a long period of time, the law of diminishing return will set in and the employee's output will fall below expectation. He added that at this stage it becomes absolutely necessary for the employee to stop working. But the question being asked here is that, what becomes the fate of the retired employee who has spent most of his working life toiling for the university and the employer? Should retired employee be abandoned to die of hunger due to loss of income arising from his retirement? It is in the response to this question that the concept of pension emerges.

Pension scheme is broadly divided into the defined contribution plan and the defined benefits plan. In defined contribution plan, a contribution rate is fixed (Odia and Okoye, 2012). The new universities (miscellaneous provisions) (amendment) act, 2012, limits the tenure of principal officers of universities to a single term of five years, while increasing the compulsory retirement age of staff in the professorial(academics) cadre and non-academic staff in Nigerian universities to 70 and 65 years respectively (Federal Republic of Nigeria Universities Miscellaneous Provisions Amendment Act, 2012). The Nigeria labour law and the act establishing many public universities in Nigeria equally provides for voluntary retirement which could be prompted by various factors such as desire by a university staff to look for greener pasture, unhealthy condition of employee, desire to set up one's own business.

However, there are compulsory retirement induced by the employer for whatever reason, pension of the employee who is no longer receiving salaries is very vital to his survival. The Federal Republic of Nigeria pension reform act of 2004 which is contributory was signed into law on Friday 25th June 2004 by the then president, Chief Olusegun Obasanjo. It was subsequently amended in 2014. The rationale behind the contributing pension scheme includes:

1. The weak and inefficient administration of the old pension schemes which was solely funded by government.
2. Unsustainability outstanding pension liabilities in many government owned institutions including the universities.
3. Unregulated pension scheme with highly diversified arrangements in various states of the federation and private organizations.
4. Ensuring that employees in Nigeria receives regular income as pension after many years of service (Ahmad, 2010).

Objectives of the pension reform act of 2014 (Contributory)

The pension reform of 2004 was initiated as a result of the failure of the 1979 pension provisions. It was further amended in June 2014 by an act of Nigeria National Assembly known as the Federal Republic of Nigeria Pension Reform Act of 2014 for all employers and employees of both the government and private sector organizations. It has provisions for all organizations that have more than five persons as employees. The major objectives are highlighted below:

1. 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.
2. Make provision for the smooth operations of the contributing pension scheme.
3. Ensure that every person who worked either in public service of the Federation, Federal capital territory, the public service of state government, public service of the local government council or the private sector receives his retirement benefits as and when due.
4. Assist improvident individuals by ensuring that they save in order to cater for their livelihood during old age (National Pension Commission, 2017).

Features of the contributing pension scheme

The main features of the scheme are as follows:

1. It is contributive pension scheme which makes it mandatory for both the employer and the employee to contribute with a minimum of eight percent of total monthly remuneration from the employee and a minimum of ten percent from the employer.
2. The scheme applies to all employees, whether permanent, temporary, and casual or contract, in both the public and private sectors of the economy.
3. The scheme makes it compulsory for every person in employment in Nigeria to save towards catering for their livelihood during old age and after active years of service.
4. Provides for a uniform set of rules, regulations and standards for the administration and payment of retirement benefits for the public sector and private sectors. It also provides for the establishment of the

National Pension Commission (NPC), which is empowered to register and license corporate organizations that will act as pension Fund Administrators (PFA) and each PFA in turn, select a pension Fund Custodian (PFC) who manages the fund on its behalf.
5. The scheme stipulates 50 years as the age at which an employer is entitled to pension.
6. Mandates for a minimum of three time annual total emolument of the employee in terms of death benefit to next of kin as regards group life insurance for employees.
7. Allow for increase in the rate of monthly contributions, subject to agreement between the employer and the employee.
8. Ensures that every employee maintains Retirement Saving Account (RSA) in his name with any pension fund administrator (PFA) of his choice.
9. Make pension deductions transferable from one employer to another because accounts, once opened becomes personalized to the individual who can move it in and out of employment within the same sector or across other sectors of the economy (Federal Republic of Nigeria Pension Reform Act, 2014).

Challenges of implementation in public universities

The Nigeria public universities are quite unique institutions considering the vital role they play in the country's development (Aina, 2010). Its employees are also employees of the government that established them. According to Komolafe and Ahiuma-Young (2010), the contributory pension scheme was initiated to put an end to abject poverty to which many pensioners experienced as a result of the failure of government to honour its pension obligations regularly as provided in the 1979 pension reform act.

According to Olayinka (2016) in Guardian newspaper of 19th January 2016 before the advent of the contributory pension scheme in 2004, it was a common sight seeing public officials shedding tears at public functions decrying the plights of pensioners of which the retirees of Nigeria universities were not left out. With the implementation of the pension reforms act 2004 by the federal government more than a decade ago, the road may have not been smooth even though it is indeed a radical departure from the past defined benefit system.

The vanguard newspaper of Thursday 23rd February, 2017 reported that the Nigeria Labour Congress (NLC) warned in Abuja that the sustainability of contributory pension scheme (CPS) (2017) was under threat, claiming the federal government's liability to the scheme was no less than N183billion (Victor, 2017). This came as pensioners under the Association of Contributory Pension Retirees (ACPR) lamented on some of the challenges associated with the scheme. Speaking at the congress of the ACPR, NLC president, Mr. Ayuba Wabba, said the contributory pension scheme was being threatened by non-compliance by major stakeholders, especially employers. According to him, pensioners on the scheme have gone through a lot of problems to access their funds. He contended that if the issues and challenges were not addressed, the scheme might soon hit the rocks, adding that "issues of payment of benefit in Nigeria have become a nightmare. This, he said need to be addressed. NLC Logo President of the Nigerian Union of Pensioners (NUP), Dr Abel Afolayan, as reported in the same newspaper, insisted that the inability of the federal government to release funds as at when due had caused pensioners on CPS to suffer, as no retiree had been paid since October 2015. According to him, a large number of beneficiaries of deceased pensioners have not been able to access the entitlements of their relations, making life unbearable for them. He said, "non-release of accrued right by the federal government to national pension commission to pay the retirees who retired since October 2015 to date has created a lot of problems for pensioners.''

Many organizations of government and other employers of labour have been defaulting on the regular remittances of contributions of workers to their pension fund administrators, which is affecting the philosophy of the scheme". He said the pension scheme had numerous challenges that must be addressed and tackled immediately to avoid the mistakes of the past. According to Afolayan (2017), the 2014 pension act had abolished the right of the pensioners under this scheme to earn gratuity, thus denying the employees the chance of getting the usual lump gratuity by the employer to his employee at the time of retirement.

The implementation of the contributory pension in public universities in Nigeria has not been without challenges highlighted earlier especially as it affects the university employees both academic and non-academic. Some of the issues as it concerns public universities are outlined below.

1. Non-remittance by government: The default in pension remittances by government is impacting negatively on the implementation of the scheme in public universities in Nigeria. The federal government and many state governments have been defaulting and had not kept to its own obligation of ensuring regular remittance to the employees' retirement savings account (RSA). This contradicts the provisions of the Federal Republic of Nigeria pension reform act of 2014 which state in section 11 subsection 3(b) that "the employer shall not later than 7 working days from the day the employee is paid his salary remit an amount comprising the employee's contribution and the employers contribution to the RSA.

2. Non-compliance by many state universities: Over 13 years of existence of the contributing pension scheme (CPS), not all state governments had enacted their pension laws to establish CPS to ensure that state owned university employees are covered by the scheme.

3. Inability of university retired employees to access retirement benefits: This is a major issue with implementation of the contributory pension scheme in Nigeria public universities. Many staff who had retired in the universities where this scheme had been implemented cannot access their retirement benefits. The chairman of academic staff union of universities (ASUU) in Federal University Otuoke, Dr. Joseph Omoro had informed members of the union in an emergency congress held on 11th April 2017 at the chapter in Federal University Otuoke that one of the decisions of ASUU at its national congress was to push for the establishment of ASUU's own pension fund administrator. He said that this decision is in reaction to the fact that many retired professors and staff of the university system cannot access their pension. He made reference to the Nigeria police force and the Nigeria military who have their own pension fund arrangements. The inability of retired employees to access their pension benefits have been a major challenge of implantation of the contributory pension scheme in Nigeria universities.

4. Perception of staff to the scheme: Many employees of the public universities in Nigeria have the negative perception that the contributing pension scheme may not be sustainable. Many even ascribed the implantation as double deductions from their salaries. To many, it is not clear where the deductions are made. The government secular indicated that deductions would be made at source and that federal ministries, departments and agencies (MDAs) should not deduct further from employees. The various universities still reflects the deductions in the pay details to staff. This is a major discouragement to staff on the scheme especially those in the universities that just commenced implementation.

5. Inability of Many employees to open and own a retirement savings account (RSA): Many employees of the university system do not have retirement savings account with any licensed pension fund administrator in Nigeria. Many at the point of entry do not have any account and have not been able to open one. The pension units in many universities do not have RSA details of staff and could not send to the national pension commission for remittance as expected or the state pension office.

6. The unique engagement policies of Nigerian universities: There is this healthy practice of transfer of labour, services and knowledge in many universities in Nigeria today through sabbatical arrangements, adjunct services, secondment and contract service arrangement that ensures availability of required human resources in the institutions. This practice in my view affects the effective implementation of the contributing pension scheme. Many academic staff who takes up these appointments many at times do not have their RSA numbers readily available for remittance. The National Pension Commission requires government owned institution to submit their nominal roll quarterly. This will give opportunity for accumulation of the remittances to RSA of all employees in the university. Furthermore, deductions are not usually made on the salaries of employees on sabbatical, adjunct and contract services in Nigeria universities. This practice creates inconsistencies in reconciliation of the payroll with the National Pension Commission for remittance of pensions in accordance with the pension reform act. On the other hand, even when an academic staff picks up a secondment appointment in a state university where the contributing scheme is not yet in practice, such employee losses some part of his pension remittance for that period of engagement since he would not be entitled to full salary from his parent university.

7. Pension contributing ratio: The issue of pension contributing ratio between the Government and its employees (the university staff) is a major challenge hindering effective implementation of the contributory scheme. The Federal Republic of Nigeria pension reform act of 2014 stipulated that a minimum of 8% of total monthly remuneration from the employee and a minimum of 10% from the employer. It is however not encouraging to the employees of the Nigeria universities system that after three years of the contributing pension reform act was amended that government had not complied with the provisions of the act to contribute its own 10%. The old practice of deducting 7.5% from the employee and the government pays 7.5% as the employer is still been observed in the government own universities.

8. Different pension scheme and uncertainties of the old defined benefits in the university system: For instance the university decree No 11 of 1993 stipulates that a person who retires as professor of 15 years in Nigeria university or has been continuously in the service of a university in Nigeria up to the retiring age shall be entitled to 100% of his terminal annual emolument as pension. The different pension regimes operating in Nigeria Universities today as many state universities have not subscribed to the contributing scheme. Hence there is no link between the defined benefit (DB) and contributory pension (CPS) schemes. This pave way to the varying set of problems that limit the capacity of key stakeholders within the Nigerian university to determine actual retirement benefits and ensure effective implementation.

9. Inability of government to fund the guaranteed minimum pension (GMP): The inability of government to determine and fund the provision of the act for guaranteed minimum pension to employees in public institutions. The GMP which will be specified from time to time by the national pension commission (PENCOM) is a provision for protecting all retirees who have not accumulated enough to have a decent standard of living in retirement (section 84(1) of PRA 2014). Thus, it is an income support from the government, which can be a safety net for pensioners. The government has not been able to fund this as expected.

10. Inadequate induction and orientation programmes at the point of engagement: Many employees of the public universities still have this orientation that all the universities are still operating the old defined benefit pension scheme. The universities too do not adequately inform these categories of employees to ensure registration with any pension fund administrator of their choice at the point of assumption of duty. This creates room for accumulated unremitted pension funds.

Conclusion

The implantation of the contributory pension scheme in Nigeria federal and state owned universities had encountered many challenges; thereby hindering the objectives of the scheme which was a positive shift from the old unfunded scheme in many public institutions in Nigeria. The national pension commission should as a matter of urgency seek enabling laws that will ensure compliance by both the federal and state universities to ensure that the pension benefit of the university retired employees are paid as at when due.

RECOMMENDATIONS

In light of the aforementioned, the following recommendations are made:

1. State governments should appreciate the benefits of the contributing pension scheme and enact laws that will ensure its implementation in all owned institutions, including the universities.
2. The federal government should see pension payment as part of the salaries of employees and ensure adequate remittance in line with the act as when due.
3. Government and university authorities who had implemented the contributory pension scheme should ensure proper orientation of all employees of the university system to enable them appreciate the benefits of the scheme and key into it.
4. The federal and state government should as a matter of urgency start the implementation of the minimum 8% deduction from the employees and minimum of 10% from the employers to guarantee good future for the university staff.

CONFLICT OF INTERESTS

The author has not declared any conflict of interests.

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