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The Contributory Pension Scheme and the Fate of Retired and Retiring Nigerian Workers

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Abstract

This paper examines how the Nigerian workers have fared with the new contributory pension scheme. More than thirteen years after the contributory pension scheme came into being through pension reform act of 2004, the scheme is still enjoying low penetration as many public and private organizations are yet to key into it. There is also the pension reform act of 2014 signed into law by former president Dr Goodluck Jonathan to further strengthen pension administration in Nigeria. Laudable as the new contributory pension scheme is only the Federal Government and its agencies have fully keyed into it. There are also a few states such as Lagos, Anambra, Delta, Osun, Niger, Ogun, and Zamfara which have braced the odd to migrate workers into the new scheme from the old one that was full of encumbrances and government interference. While the Federal Government and some states are remitting their counterpart funding to add to that of workers regularly to the pension administrators, not many employers in the private sector can be said to be doing the same. During the first quarter of 2016, many states were yet to embrace the new pension scheme, while only a few private organizations keyed into the scheme. There is no doubt that a very uncertain future awaits many Nigerian workers at retirement as a result of non-compliance of some states and private organizations which are not likely to key into the scheme any time soon owing to the economic recession and revenue crisis in the country. Some retired workers have complained that up to the time they left their employment they never knew their contributions were not remitted to their Pension Fund Administrator (PFA). This paper therefore contends that the regulatory agency, the National Pension Commission has a lot to do in ensuring that employers do not continue to shortchange their workers. Genuine efforts need to be made in this direction so as to restore the confidence of workers that the new scheme is a lot better than what was in place previously.

Keywords: Contributory Pension, Workers, Economic Recession, Pension Administrators, Organizations, Private Sector.

Introduction

An employee who has worked for an organization for some years is entitled to some benefits which could be in form of gratuity and pension payable to such employee by the employer at the time of retirement. Pension as a scheme designed to cater for the welfare of pensionable retired workers had long gained global acceptance. Workers in both public and private sector organizations are expected to live a comfortable life devoid of any form of dependency after their successful retirement from active service (Nwachukwu, 2007). According to Ozor (2006), pension consists of lump sum payment to an employee upon his disengagement from active service; it is usually in monthly installments. He further opined that pension plans may be contributory or noncontributory; fixed or variable benefits; group or individual; insured or trustee; private or public; and single or multi-employer. Pension is a contract for a fixed sum to be paid regularly to a pensioner, typically following retirement from service. It is different from severance pay because the former is paid in regular installments while the latter is paid in one lump sum (Ayegba, James, Odoh, 2013).

The pension system was introduced in Nigeria by the colonial administration. The first legislative document on pension in Nigeria was the 1951 pension ordinance which had retroactive effect from January, 1946. It provided the public servants the rights both for pension and gratuity. Nigeria has operated various social protection schemes but they had only operated in the public sector (Ahmed, 2006). Until 2004, Nigeria had operated particularly in the public sector a Defined Benefit Pension Scheme (Pay-as-you-go) which was largely non-contributory. Final entitlement for a retiree was based on length of service and terminal emoluments. It was funded by the Federal Government through budgetary allocation. The scheme was marred by many problems; Government could no longer cope with payment of pension and gratuities of workers mainly because there was no plan put in place; there was non-availability of records; uncoordinated administration and inadequate funding; outright fraud and irregularities; diversion of allocated funds; and presence of ineligible pensioners on the pensions payroll (Ahmed, 2006).

These problems associated with payment of pension in Nigeria necessitated the reform of pension administration during Obasanjo's regime as a civilian president giving birth to the Pension Reform Act of 2004. The Pension Reform Act was also meant to address the manifested loopholes in the old Defined Benefit Pension Scheme and provide adequate resources to retirees (Odia and Okoye, 2012; Nwanne, 2015). It is also guided by the key principles of sustainability, accountability, equity, flexibility, and practicability. The new Pension Scheme is contributory and fully funded. Money is contributed into the individual employee's Retirement Savings Account (RSA). This is what distinguishes it from the old scheme. There is private third party custody of the funds and assets are based on individual accounts. It covers all employees in the public service of the federation, the Federal Capital Territory and the private sector of the economy (Olanrewaju, 2011). All pensioners after 2007 come under this scheme. Pension contributions are paid directly to the Pension Fund Custodians (PFC) to be held on the order of Pension Fund Administrators (PFA). The new pension scheme is mandatory for all categories of employers and employees covered under the Pension Reform Act. Movement from one employment to another does not affect the new scheme (Odia and Okoye, 2012).

However, years after the establishment of the new scheme there are still speculations about the success of the scheme (Ikeji, Nwosu and Agaboh, 2011). Workers are skeptical of the success of the new scheme mainly because of the failure of all the previous schemes. Some Nigerian workers have retired from their various places of work without a reliable pension scheme due to the failure by their employer to key into the scheme or failure to remit deductions to the appropriate pension manager. This may have accounted for why the scheme now has only 6.74 million contributors and an asset of only 6 trillion naira, out of a labour force of 74 million people (Ogah, 2016).

A review of the compliance reports forwarded by Pension Fund Administrators (PFAs) to the Commission during the first quarter of 2015 revealed that issues of non-compliance with investment limits by some PFAs; delay in the payment of retirement benefits; receipt of pension contributions without appropriate schedules; unresolved customer complaints; and non-implementation of disaster recovery plans are still weighing down the scheme (Ogah, 2016). Subsequently, the Commission conveyed these issues to the concerned operators as well as monitored them in their efforts at resolving them. The Commission retained the services of consultants in order to follow-up and conclude work on the recovery of outstanding pension contributions and penalty from defaulting employers (Ogah, 2016). There has also been the Pension Reform Act of 2014 signed into law by former President Dr Goodluck Jonathan to further strengthen pension administration in Nigeria. The Act was designed to bring more certainty to the future by ensuring that Nigerian workers have more security in retirement. As such, the Pension Reform Act 2014 made provisions to further improve efficiency and accountability in pension administration in the polity by placing further emphasis on protecting pension contributions (Eme, Uche and Uche, 2014). This paper therefore sets out to examine the workings of the new pension scheme to really assess whether it has the capacity to resolve the age long problems faced by retiring and already retired Nigerian workers. This paper stands to provide a lot more information about the new Contributory Pension Scheme and its prospects of making things better for retired workers in Nigeria. At the moment many Nigerian workers especially in the States' public service and the private sector are not yet conversant with the new scheme because their employers are yet to key into the new scheme.

A Brief Review of the Old Pension Scheme in the Nigerian Public Service.

Nigeria being a former colony of Britain, it has been argued, received a pension tradition in her public sector that is entirely modeled after the British structure. The country's pension scheme had started in 1951 when the colonial British administration established a scheme through an instrument called Pension Ordinance. It however, had a retroactive effect from 1946 and applied only to United Kingdom officials posted to Nigeria (Sule and Ezugwu, 2009; Abdulazeez, 2015). The 1951 Pension Ordinance was the first legislative act on pension in Nigeria followed by the National Provident Fund (NPF) in 1961 to cater for pension issues in the private sector. In 1979, the Pension Act No. 102 was promulgated and the Armed Forces Pension Act No. 103. Subsequently, the Police and other government agencies pension scheme was established under Pension Act No. 75 of 1987. Similarly, in 1987, the Local Government Staff Pension Board was established to take care of pension matters among local government employees (Sule and Ezugwu, 2009). According to Ayegba, James and Odoh (2013), the shortcomings and associated impediments of the previous scheme heralded the National Social Insurance Trust Fund (NSITF)

in 1993 to address pension and retirement issues in the private sector. Pension schemes in Nigeria over the years have always come from budgetary allocations, non-contributory and not fully funded thereby creating all sorts of problems including series of deaths at retirement as a result of delay or lack of payments after retirement. These issues led to the 2004 pension reform known as the Contributory Pension Scheme (Ayegba, James and Odoh, 2013).

Prior to Pension Reform Act of 2004, civil servants bore no direct responsibility, by way of payroll tax, for the provision of pension; instead pension benefits were paid through budgetary allocation kept in the Consolidated Revenue Fund. More so, social security pensions provided on the basis of pay-as-you-go are usually subject to political risks (Abdulazeed, 2015). The risks contemplated take three forms; the first relates to the tendency of politicians eager to capture the votes of the electorates to offer fabulous pension increases that they are either not going to pay or which may fall on regimes other than theirs. The second aspect of the risk refers to the fact that the pension account in not being distanced from political control falls easy prey to politicians who dip hands into pension funds to cushion temporary fiscal shocks. The third relates to the socio-political indifference to the plight of pensioners by politicians (Abdulazeed, 2015; Odewole and Oladejo, 2017).

Furthermore, the way records of pensioners in the public sector are kept and the procedure for payment of pension create avoidable problems. In some establishments no accurate record of actual pensioners exists. This kind of situation engenders corruption which breeds more in the absence of facts and figures (Nwanne, 2015; Abdulazeed, 2015).

Another weakness found in the public sector system concerns the less than dignifying manner in which retirees are treated. They are compulsorily required to travel long distances to the point of pension payment. Worse still, they are left under inclement conditions for long hours and sometimes for days before they can collect their pay. Some pensioners were claimed to have died while standing in a queue waiting to receive pension money (Ozor, 2006; Abdulazeed, 2015).

The New Contributory Pension Scheme in Nigeria.

The new pension scheme which was established in 2004 under the Nigeria Pension Reform Act No.2 is contributory in nature. The scheme seems very novel both in organization and administration to many employees and employers in Nigeria. The rationale behind the new scheme is to make both employers of labour and employees more committed in dealing with issues of pension in Nigeria. The main objective of the new pension scheme is to improve the post-retirement living conditions of the Nigerian workers (Federal Government of Nigeria (FGN)(2004) cited in Essien and Akuma, 2014). The new act is a radical departure from the previous pension schemes. Under this act, both employers of labour and their employees contribute certain percentage to the Pension Fund on monthly basis. The management of the fund is not lumped into one organization as was the case with previous pension schemes. Hence, many independent Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs) are licensed to manage retirement savings. The Nigerian Pension Commission (PenCom), established under the Nigeria Pension Reform Act No. 2 of 2004, has the responsibility to license, regulate and monitor the activities and operations of Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs). Every employee has the freedom to appoint his own independent Pension Fund Administrator (PFA). The PFAs and PFCs collectively invest deposits of the Retirement Savings Accounts (RSAs) so as to earn interest, part of which would be shared to

accounts holders (Ikeji, Nwosu, and Ogaboh, 2011; Essien and Akuma, 2014). The model adopted for the 2004 Pension Reforms in Nigeria is known as the Defined Contributory Pension Model. The Nigeria Social Insurance Trust Fund (NSITF) established by Pension Act of 1993, which before the Pension Reform Act of 2004 was the apex pension body has also been repealed (Ganu and Tsado, 2012; Essien and Akuma, 2014).

The new scheme provides that both employer and employee have to contribute specific percentage of the employee's emoluments to a special fund reserved for the final disengagement of the employee. Section 9, subsection 1 of the 2004 Pension Act defines the 'rate of contribution to the scheme' and specifies as follows:

1. In the case of the Public Service of the Federation and the Federal Capital Territory: (a) a minimum of seven and half percent (7.5%) by the employer. (b) a minimum of seven and half percent (7.5%) by the employee: or
2. in the case of the Military: (a) a minimum of twelve and half percent (12.5%) by the employer b. a minimum of two and half percent (2.5%) by the employee: or
3. in other cases: (a) a minimum of seven and half percent (7.5%) by the employer; b. a minimum of seven and half percent (7.5%) by the employee:

Ahmed (2005) cited in Essien and Akuma (2014) stated that by remitting this contribution in piece meals (monthly), the financial weight or burden of transferring very huge sums of money to a pension body at a time is alleviated. On the other hand business is created for many financial organizations that are licensed as PFAs and PFCs, which in turn create employment opportunities for many unemployed people while they also make their own profits from managing the RSAs. It is now mandatory for organizations employing up to 5 workers to participate in the new pension scheme and the act also provides room for enforcement on organizations that fail to comply with the provisions of the Reform Act on matters of eligibility for enlistment on the scheme (Nnanta, Okoli, and Ugwu, 2011; Essien and Akuma, 2014).

The employees' right to the retirement benefits before the inception of the CPS under the pay-as-you-go scheme is also guaranteed under the CPS by the issuance of a federal government retirement bond which is redeemable upon retirement of the employee. The Retirement Benefits Bond Redemption Fund Account is domiciled with the Central Bank of Nigeria and is fully funded by payment of a regular 5 percent of the monthly wage bill payable to all employees for the purpose of redemption of the bond upon retirement by the employee (Odia and Okoye, 2012; Odewole and Oladejo, 2017).

The objectives of Government in embarking on reform in pension administration in Nigeria that led to the emergence of the new contributory pension scheme include the following;

1. To ensure that all workers in the public service and private sector receive retirement benefits as and when due.
2. To assist individuals to save in order to cater for livelihood during old age.
3. To establish a uniform method of administering payments retirement benefits in the public and private sector.
4. To empower employees to have control over their Retirement Savings account (RSA).
5. To minimize labour mobility and minimize incentives for early retirement.
6. To ensure transparent and effective management of pension funds.
7. To promote wider coverage of pension scheme in Nigeria.

The new contributory pension scheme has numerous prospects; first, the scheme entrenches the principle of transparency and accountability as reflected in the reporting requirements of the

PFA and PFC to both the contributor and the National Pension Fund. Second, it ensures that retiring workers receive their pension after retirement without any delay. Third, contributions to the new pension scheme are tax-free. Fourth, the fact that a worker can change his/her PFA once in a year encourages competition and efficiency among the administrators. Fifth, there is adequate representation of relevant stakeholders in the Board of the National Pension Commission (Olanrewaju, 2011; Odewole, 2017).

An amendment was made to the Contributory Pension Act 2004 in 2014 by the then President Goodluck Jonathan leading to the emergence of the Pension Reform Act 2014. It was a bold move to secure better future for Nigerian workers. The major objective of it is to further improve efficiency and accountability in pension administration with emphasis on protecting pension contributions (Eme, Uche, and Uche, 2014). The act stipulates stiffer penalties intended to serve as deterrent against mismanagement and diversion of pension funds asset under any guise. Under the new act, operators who mismanage pension funds will be liable, upon conviction; to not less than ten years imprisonment or fine of an amount equal to three times the amount so misappropriated or diverted, or both imprisonment and fine (Eme, Uche, and Uche, 2014; Odewole and Oladejo, 2017).

The New Pension Act expanded the coverage of the Defined Contributory Pension Scheme in the private sector entities with three employees and above, in line with the drive towards informal sector's participation. Furthermore, the Act increased the minimum rate of pension contribution from 15 percent to 18 percent of monthly emolument, 8 percent will be contributed by employees while employers will contribute 10 percent. This no doubt provides additional benefits to workers' retirement savings accounts thereby enhancing their pension benefits at retirement (Eme, Uche and Uche, 2014).

Moreover, the 2014 Act also empowers PenCom subject to the fiat of the Attorney-General of the Federation, to institute criminal proceedings against employers who persistently fail to deduct and/or remit pension contributions of their employees within the stipulated time. This was not provided for by the 2004 Act. With the new law in place, it is obvious that the National Pension Commission has not only been given enough room to improve its activities but also employers. This is to ensure that employers who fail to remit deductions are penalized and the amount owed duly paid. Prior to the new law, the Commission reported that it had recovered a total amount of 13.33 billion naira from employers who defaulted in remitting pension deductions from their employees under the new Contributory Pension Scheme. The amount includes interests calculated along with the principal sum (Goodluck, 2014 cited in Eme, Uche and Uche, 2014).

Implementation, Challenges, and Prospects of the Contributory Pension Scheme in Nigeria: A Theoretical Review

The contributory pension scheme has been adjudged to be robust, safe and poised to help retirees live well after their active life in service. This scheme to a large extent places in the hands of the workers and their employers the responsibility for the contributions that are available in the Retirement Savings Accounts on retirement. One of the major differences between the previous scheme and the contributory scheme introduced in Nigeria is that in the old scheme (Defined Benefit Scheme) pensioners used to queue up at government offices for verification and collection of their monthly pensions while under the contributory pension scheme pensioners do

not need to queue up to be verified. Their monthly pensions are paid into their bank accounts (Ayegba, James and Odoh, 2013).

Furthermore, while pensioners in the old system travel long distances to be verified, the local offices of the Pension Fund Administrators (PFAs) manage that level of interface without challenges, thereby removing the need for continuous verification of pensioners. The new scheme also avails the contributors or pensioners a lot of information, ranging from monthly balances and contributions and the lump sum available on retirement to monthly pension. In the old scheme pensioners depended on pension authorities to inform them what they are entitled to. Information guarantees knowledge and with this comes power which has been placed in the hands of contributors and pensioners (Ayegba, James, and Odoh, 2013).

The Contributory Pension Scheme (CPS) had witnessed sustained rising growth in 11 years until 2016 when the growth was a bit stunted due largely to Nigeria's economy sliding into recession it is yet to recover from. As a result of the recession, Nigeria's economic growth slowed down, some businesses closed shop, some reduced salaries of their workers while some others sacked large numbers of workers (Agabi, 2017). These had proportional effect on the level of pension contributions and even the accrued assets as sacked workers besieged Pension Funds Administrators (PFAs) to access their 25 percent lump sum in unprecedented numbers. This no doubt sent shock waves down the CPS scheme. The pension assets that peaked to some 5.9 trillion Naira in August 2016 dropped down to about 5.85 trillion naira in October, 2016 as a result of access of lump sum by sacked workers (Agabi, 2017; Odewole, 2017).

The Pension Act 2004 allows a contributor to apply for a maximum of 25 percent of his or her total contributions in Retirement Savings Account (RSA) after at least four months of being out of employment. Data from PenCom also showed that about 177,000 employers, who had lost their jobs as at September, 2016 have accessed 25 percent of their contributions in the pension scheme estimated at 49.55 billion naira. However, this reduced pace in the CPS growth is not anticipated to continue in 2017 as economic forecast predicts that Nigeria's economy will recover in 2017. Forecasts from the International Monetary Fund (IMF), the Central Bank of Nigeria (CBN) and the Ministry of Finance and the Ministry of Finance said Nigeria's economy is expected to recover sometime in 2017 (Agabi, 2017).

Beyond the issues around pension, the slow pace of economic growth and the impact on the administration of the Contributory Pension Scheme, other pension themes will define the CPS in future. The transfer window for instance, when implemented by the National Pension Commission will give RSA account holders the opportunity to switch PFAs if they are not satisfied with service delivery from their current PFA. PenCom has already developed a guide of how that would happen, but it is currently cleaning up the RSA data for seamless operations. PenCom had said that some RSA accounts are duplication and unless those accounts are thrown up and deleted, they could compromise the integrity of the transfer window (Odewole, 2017; Agabi, 2017). Whilst the PFAs are already gearing up to take advantage of the transfer window to shore up their client base when it begins, PenCom is fine-tuning the process and industry watchers are hopeful the window will open soon.

Moreover, micro pension was expected to kick start in 2017. Micro pension is a scheme targeted at self-employed people, especially those with irregular income, usually in the informal sector and are largely uninformed with limited or no access to financial services especially pension plan. This segment largely exists in Nigeria as artisans and self-employed persons (Odewole, 2017;

Agabi, 2017). Statistics from Nigeria's National Bureau of statistics show that the informal sector is largely untapped by any structured pension scheme and represents over 70 percent of Nigeria's total working population. Worried by this deficit and the economic consequences, PenCom recently moved to include these informal sector players into the Contributory Pension Scheme, First to protect their financial future and second, to attract additional pool of long term funds for investments and national development (Odewole and Oladejo, 2017; Agabi, 2017).

The Head of Micro Pensions Department of Pencom, Polycarp Anyanwu recently said that the micro pension scheme is expected to help boost the pension contributions to 20 million Nigerians by 2019 and 30million by the year 2024. The current pension coverage in Nigeria under the formal contributing pension scheme was put at 7.24 million as at September, 2016 and this represents about 7.7 percent of the total labour force in Nigeria (private and public sector contributors). The Micro Pension Scheme is expected to have simplified registration process through physical presence, internet, or through mobile phone (Odewole, 2017; Agabi, 2017). It is also conceived to have flexible frequency of contribution, easy method of contribution, remittance and contributions to be split into two, a smaller percentage shall be savings and accessible to the contributor while the greater percentage shall be strictly set aside for pension. For a start, PenCom said the trade unions/associations will assist introduce members to the scheme for the pilot phase (Odewole and Oladejo, 2017; Agabi, 2017).

No doubt the pension reform has gained public confidence and acceptability within the short period of its implementation. The private sector which hitherto was apprehensive of Contributory Pension Scheme as a ploy by the public sector to raise funds to address its huge pension liabilities has come to accept it and is religiously implementing the reform. To date about two hundred thousand (200,000) private sector employers of labour are implementing the CPS and have contributed about 60 percent of the total pension fund assets (Agabi, 2017). Attracted by the enormous benefits of the scheme, 26 states of the Federation have already adopted the pension scheme and are at different stages of implementation while the remaining 10 states are at bill stage.

PenCom noted that the number of registered contributors grew to 7.4 million as at March, 2017. This represents about 7.5 percent of the total labour force in Nigeria and 3.95 percent of the total population. Also, the total pension fund assets had grown to 6.42 trillion naira as at March, 2017 with an average monthly contribution of about 30 billion naira. The total pension assets were equivalent to about 6 percent of the Nigerian rebased Gross Domestic Product (GDP). The pool of pension fund generated by the Contributory Pension Scheme has aided in deepening Nigeria's financial sector and provided the platform for attaining strategic programmes of Government in the areas of infrastructure, housing and the development of the real sector of the economy (Agabi, 2017). Data from PenCom showed that over 184,979 workers had retired under the scheme as at March, 2017 and are currently receiving pensions as and when due with an average monthly pension payment of 6.7 billion Naira as at the same period.

It is clear from the one day public hearing on the multiple bills to amend the Pension Reform Act 2014 at the House of Representatives in Abuja on Thursday 28 September, 2017 that important stakeholders in the pension sector, namely, the Nigeria Police, Nigeria Labour Congress, Trade Union Congress, Central Bank of Nigeria, Nigeria Employees Consultative Association, Securities and Exchange Commission, National Pension Commission, Nigerian Union of Pensioners and Pension Funds Operators Association of Nigeria, among others, have decided to pass a vote of

confidence on the Contributory Pension Scheme instead of exiting it as was hitherto planned (Premium Times, 2017). Effectively the tables have turned against multiple amendment bills being sponsored by Oluwole Oke, a member of House of Representatives and Senator Aluyi Wammako to alter the Pension Reform Act of 2014, to exempt a large chunk of the paramilitary organizations from the Contributory Pension Scheme. This latest twist certainly signifies the readiness of these stakeholders to support the consolidation of the gains of the CPS and avoid policy reversals that could undermine public confidence and negatively impact the Nigerian economy and the Federal Government's change agenda and economic recovery plans.

Prior to this public hearing, officers and men of the Nigeria Police, Security and Civil Defence Corps, Nigeria Immigration Service, Economic and Financial Crimes, Independent Corrupt Practices and other related Offences Commission, National Drug Law Enforcement Agency, and other related paramilitary agencies had sought to exit from CPS. This substantial change of direction was led by the top Police notches who said the Nigeria Police Force was no longer interested in pulling out of the scheme (Premium Times, 2017).

In spite of the fact that the CPS has achieved a lot in terms of ensuring better pension administration in Nigeria, the scheme is still faced by numerous challenges. The CPS is 14 years old but millions of Nigerians are yet to key into it. Thus, PenCom and the PFAs will need to step up awareness about the scheme to enable more Nigerians appreciate the benefits so they can also sign on. Though, PenCom and PFAs have done a lot to publicize the CPS thus far, stakeholders in the pension industry have consistently called for increased awareness and publicity on the relatively new pension scheme (Premium Times, 2017; Agabi, 2017).

Furthermore, there are growing number of cases where employers deduct pension contributions of employees but fail to remit them to the PFAs, The default in pension remittances by some employers is impacting negatively on the growth of the employees' RSA accounts and contravenes the provisions of the Pension Reform Act 2014 which states 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 under paragraph (a) of this subsection and the employer's contribution to the PFC specified by the PFA of the employee (Abdulazeez, 2015; Agabi, 2017).

There is also the challenge of limited investment opportunities. Under the Contributory Pension Scheme, individual accounts were expected to supply new investment capital that would spur the development of domestic capital markets. However, one of the biggest obstacles the new scheme faces is limited array of potential investments in local capital markets. Pension fund investments are generally limited to investment-grade instruments which are in short supply in emerging capital markets in Nigeria (Abdulazeez, 2015).

Furthermore, the new pension scheme suffers from inadequate coverage. A large proportion of the population remains inadequately covered by the contributory system. The seemingly laudable benefit of the system notwithstanding, it has been characterized by several challenges. In as much as the initial reluctance and skepticism of workers to register with PFAs has reduced, there is still a large proportion of the working population, especially in the informal market of the private sector outside of the scheme (Abdulazeez, 2015; Nwanne, 2015). Several years after the take-off, the scheme is still bedeviled by general misconceptions and knowledge gap. The most significant challenge is the lack of confidence in the scheme by potential contributors arising from failures of previous policies on pension management. In addition, there is the fear of continuity

and sustainability of the scheme by successive governments, since change in governments tends to lead to jettisoning of previous programmes (Abdulazeez, 2015; Nwanne, 2015).

Another major challenge of CPS is mismanagement and misappropriation of funds earmarked for employees' pensions, especially in the public sector. Lately, there have been revelations of multi-billion Naira pension fund scandals at the Pensions Unit of the Office of the Head of Service of the Federation and the Nigeria Police pensions (Abdulazeez, 2015). The scheme also entails the transfer of investment risks of retirement funds to the employees, whereby the employee determines who manages his/her retirement savings account and therefore assumes full responsibilities for the risks involved (Olanrewaju, 2011; Abdulazeez, 2015).

Compliance with the provisions of the Pension Reform Act, 2004 is more in the public sector as participation is compulsory for all public sector employees. In the private sector, organizations with at least five employees are required to implement the Contributory Pension Scheme. However, compliance by the private sector has remained a challenge due to lack of comprehensive database of employers of labour in the country which limits the extent of enforcement by the regulator (Nwanne, 2015; Abdulazeez, 2015). Similarly, employers themselves are not willing to comply with the provisions of the Act because it is regarded as additional cost to their organization.

The Contributory Pension Scheme provides for an all encompassing system that involves not only the public and the private sectors, but also the informal sector. However, since the informal sector in Nigeria lacks a coherent structure and has an unwieldy composition, its integration into the new scheme is very herculean and difficult. The informal sector participation requires addressing issues bordering on contribution rate, mode of collection and enforcement (Odewole, 2017).

There is equally the challenge posed by general low income in Nigeria that translates into low balance in Retirement Savings Account at retirement. This low income earners may not be able to take up to a minimum of 25 percent lump sum from their RSA and still have RSA balance that would give them guarantee for periodic payments. This is a challenge that needs to be properly addressed because all retirees should be entitled to dignified retirement life.

Under the Pension Reform Act 2004, the employees contribute a minimum of 7.5 percent of their monthly emoluments to the individual Retirement Savings Account opened with the Pension Fund Administrator of their choice while the employer contributed the equivalent counterpart contribution of the same rate (Odewole and Oladejo, 2017). The Act provides for the employees' contribution of 2.5 percent for the Military while Government contributes 12.5 percent of the monthly emoluments of the employees, making a total of 15 percent of an employee's monthly emolument on both sides. The reviewed Pension Act 2014 however adjusted these rates for both employers and employees. In accordance with this Act, employers now contribute 10 percent of the employees' monthly emolument while the employees contribute 8 percent on monthly basis bringing the total to 18 percent of the employees' emolument instead of a total of 15 percent under Pension Act 2004. The provision of this Act has however not been implemented by both the Federal and State Governments (Odewole and Oladejo, 2017).

In spite of the numerous challenges still facing the implementation of the Contributory Pension Scheme, the future of the Scheme no doubt looks very bright. Even with the challenges the Scheme still operates far better than what was in place before. In fact the challenges being

experienced today with regards to pension administration in Nigeria could be regarded as a hangover from the past. As, the Scheme continues to run for sure it will continue to get better. The theoretical thrust of this paper is the Marxian class theory. This theory asserts that an individual's position within a class hierarchy is determined by his or her role in the production process and argues that political and ideological consciousness is determined by class position. A class is those who share common economic interests, are conscious of those interests, and engage in collective action which advances those interests (Marx, 1844/1964). Within the Marxian class theory, the structure of the production process forms the basis of class construction. To Marx, a class is a group with intrinsic tendencies and interests that differ from those of other groups within society, the basis of a fundamental antagonism between such groups. For instance, it is in the labourers' best interest to maximize wages and benefits and in the capitalists' best interest to maximize profit at the expense of the labourers, leading to a contradiction within the capitalist system, even if the labourers and capitalists are unaware of the clash of interests (Marx, 1844/1964).

Marx sought to define class as embedded in productive relations rather than social status. His political and economic thought developed towards an interest in production as opposed to distribution, and this henceforth became a central theme in his concept of class. Class is determined by property relations not by income or status.

Marx established conflict as the driving force of history and the main determinant of social trajectories. However, in order to understand the nature of class conflict, we must understand that such conflict arises from a unified class interest, also known as class consciousness. Class consciousness is an aspect of Marxist theory referring to the self-awareness of social classes, the capacity to act in its own rational interest, or measuring the extent to which individuals are conscious of the historical tasks their class sets for them (1847/1955).

Moreover, by definition, the objective interests of classes are fundamentally in opposition; consequently, these opposing interests and consciousness eventually lead to conflict. Since the distribution of political power is determined by power over production, or power over capital, it is no surprise that the bourgeois class uses the wealth to legitimize and protect their property and consequent social relations. Thus, the ruling class is those who hold the economic power and make the decisions.

The Marxian class theory provides very deep insights into the situation in Nigeria with regards to the administration of pension funds. Pension funds in Nigeria have been consistently stolen by people who have been entrusted with the responsibility of managing the funds. The most recent case in point is what has been regarded as 'Mainagate' which is a scandal of monumental proportion associated with the Chairman of the Presidential Pension Reform Task Force Team (PRTT) Mr Abdurashheed Maina.

Maina allegedly used his position to defraud Nigerian pensioners and corruptly enriched himself. Investigation revealed that Abdurashheed Maina was deeply involved in stealing the same pension funds he was tasked with protecting by using staff under him and their associated persons and 'Office of the Head of Civil Service of the Federation (OHCSF), and Contractors, to receive payment for non-existing biometric enrolment contracts, inflated contracts and 'collective allowances' among other questionable payments worth hundreds of millions of Naira which were remitted in cash to him (Agbede, 2017). It was also discovered that Maina was

involved in a complex web of money laundering involving him, his family members, corporate entities and his accounts' Officers.

The 'Mainagate' is just one of the instances of how people who find themselves in positions of authority shortchange retired Nigerian workers, making it extremely difficult for them to access their pension funds. This is just an instance of the level of exploitation that the working class people suffer in the hands of the ruling elite in Nigeria. This once again portrays the repressive character of the Nigerian state with her very rigid class structure that is reinforced at every point in time. The ruling elite in Nigeria has made it a point of duty to continue to maintain a stranglehold on the jugular of the ordinary people most of who belong to the working class. This explains why the pensions funds meant for retired and retiring workers has become a major attraction to the elite who continue to plunder the funds thereby ensuring that majority of Nigerian workers do not have peace at retirement. It is the same people that have appropriated the material resources of the nation that belong to everybody to themselves that are also dipping their dirty hands into pension funds. This is obviously a class issue and the elite that is also the ruling class will continue to lord it over the ordinary people because it is also a way of preserving its class interests. All said and done, the ordinary Nigerians have their fate in their own hands.

Conclusion

This study found that the administration of pension funds in Nigeria has been enmeshed in all manner of challenges since the commencement of pension payments to retired workers in Nigeria. The old Defined Benefit Pension Scheme was associated with a lot of problems and made pension administration an uphill task, but with the 2004 and 2014 pension reforms most of those problems have been taken care of. The Contributory Pension Scheme that replaced the old system appears to have given retiring and retired Nigerians workers a new hope that it can no longer be business as usual and we are beginning to see some light at the end of the tunnel. However, it is not yet 'uhuru', in as much as we all agree that the CPS is the way forward in pension administration in Nigeria, a lot of work still needs to be done to further strengthen the scheme and make it more efficient. There is obvious need to ensure that pension funds are kept out of the reach of light-fingered people in positions of authority so that retired workers can conveniently access their money. 'Mainagate' scandal should not be allowed to repeat itself because such scandals can only spell doom to retired and retiring Nigerian workers. There is need for the Government to continue to strengthen the CPS by continuously tackling the problems associated with through its policies because there are obvious signs that its operation is getting better with the passage of time.

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