MANAGEMENT OF PENSION FUND IN NIGERIA: CHALLENGES AND PROSPECTS

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DECLARATION

I, Ogbo Chidozie, student in the Department of Management with Registration No. PG/MBA/10/55012 state that the work embodied in the project is original and has not been submitted in any other University.

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Date
CERTIFICATION
We, hereby certify that this project "Management of Pension Fund in Nigeria: Challenges and Prospects" by Ogbu Chidozie with Registration Number PG/MBA/10/55012 under my supervision the project is adequate in scope and quality, in partial fulfilment of the requirements for the award of Master in Business Administration (MBA) in Management, Faculty of Business Administration, University of Nigeria, Enugu Campus.

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External Examiner

Date
DEDICATION

This project work is dedicated to God Almighty for given me wisdom and enthusiasm to develop my writing skills that led to the production of this work.
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ABSTRACT

This project work is focused on management of Pension Fund in Nigeria: challenges and Prospects. The project is aimed at examining the challenges faced by management of pension fund in Nigeria and achievement or prospects recorded so far. The writer in reviewing literature of this work employed a historical method. In chapter three the researcher made use of survey research plan in which questionnaires were split into section, stratified random sampling were equally applied and statistical data were extracted and used. Furthermore, the writer formulated hypothesis in line with the problems and objectives of the study. However, product moment coefficient of correlation were used to test the hypothesis in which the following result emerged. The amount of pension fund contribution has a high positive relationship with asset investment portfolio and prospect on amount of contribution were recorded. The FGN bond capital market has a high positive relation with asset investment of pension fund which created prospect to pension fund investment system in Nigeria. Biometric system assists to dictate fraud and encourage proper investment of pension fund in Nigeria. Data collected were analysed and presented with tables and percentages. In view of the findings made, the following recommendation accrued from the result of the research work: Ethics and moral standard should be built. Prompt and regular payment of pension should be adopted, proper investment and expansion of asset investment portfolio should be encouraged. Adequate training should be given to management on how to make effective and efficient use of biometric system.
CHAPTER ONE
INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The management of Pension Fund in Nigeria is as old as Nigeria itself. Pension fund was introduced by the colonial masters to provide income and security for old age British citizens working in Nigeria upon retirement as a post-retirement benefit to employees. In the view of Adesina (2006:7), Nigeria Legislative instrument on pension matters was the pension ordinance of 1951 which had retrospective effect from 1st January, 1946. In 1961 National provident from (NPF) scheme was established with the legislation to address pension matters in private organizations. Eighteen years later Pension Fund Act No. 102 with Armed Forces Pension Act No. 103 came up the same year in 1979. In 1987 police and other Government Agencies Pension was enacted under Pension Act No. 75. The Local Government Pension edict followed suit in 1987. By 1993 the National Social Insurance Trust Fund (NSITF) was established by degree No. 73 to replace the defunct NPF. In 1994 employees in private sector were equally accommodated by the scheme for lost of
employment income at old age, invalidity or death.

Due to poor funding, inadequate budget allocation huge arrears of outstanding pensions, improper regulation and supervision, management of pension fund in Nigeria decided to put a new Pension Reform Act in 2004. Though prior to the reform according to Balogun (2006:18), public organization operated a defined benefit (pay-as-you-go) scheme final entitlement were based on length of service and terminal emoluments. The defined benefit (DB) scheme were funded by Pension Department of the office of the Head of Service of the Federation.

The Pension Reform Act 2004 is the most recent legislation of the Federal Government at reforming the pension fund system for both private and public sectors. Atedo N.A. (2006:9) sees, "The Act" as a compulsory Contributory Pension Scheme (CPS); has been established for all categories of workers in the Federal Capital Territory Federal Public Service and in the private sector. The Pension Fund Scheme became a challenge to the government as it could no longer cope with payments of pensions and gratuities to retiring work force. This is apparently due to the fact that there was no
plan put in place to forestall the challenges of poor funding caused by inadequate budgetary allocation. The administration and management of pension fund was also generally characterized by weak regulatory framework inefficient and non transparent (Nkanga, 2005:16). Meanwhile, according to Ahmed M. (2006:2), Board of trustees of parastatal were free to decide on whether to maintain an insured scheme or self administered arrangement.

Moreover, prospect has been achieved in the area of amount contributed, investment of the fund and use of biometric to gather accurate data and reduce fraud.

Based on the foregoing the researcher intend to study management of pension fund in Nigeria, challenges prospects.

1.2 STATEMENT OF THE PROBLEM

The idea of management of pension fund in Nigeria was designed to carter for the welfare of the pensionable retired workers. This had for long gained global recognition and acceptance. Workers whether in public or private sectors are expected to leave comfortable life devoid of any form of dependency after retirement from active services.
The management of pension fund in Nigeria have continued to pose a serious challenge to both government and private sector organizations in Nigeria, among these problems and challenges one.

- Non availability or improper records/data storage in the system.
- Improper investment of pension fund and inadequate funding of the scheme.
- In competent and inexperienced with lack of trained pension staff which has resulted in uncoordinated administration.
- Weak regulatory framework, inefficient and non transparent system.
- Perpetual frauds/irregularities without appropriate sanction on the perpetrators,
- Inability of the regulatory and supervisory agencies to monitor pension fund schemes.
- Inability to determine appropriate investment portfolio especially in this period of economic melt down.

It is against this challenges and problem that the researcher wishes to carry out a research work on
management of pension fund in Nigeria, challenges and prospects.

1.3 OBJECTIVE OF THE STUDY

The study will examine management of pension fund in Nigeria; challenges and prospects. Thus the study is set out to achieve the following objective.

- To identify the challenges and prospects of management of pension fund in Nigeria.
- To ascertain if management of pension fund have enlarged the amount contributed through contributory scheme in Nigeria.
- To evaluate and see if there are any prospect in management of pension fund assets investment portfolio in Nigeria.
- To know whether the new biometric system has contributed to check fraud and enhance management of pension fund in Nigeria.
- To find out whether investment of pension fund has an input in FGN bond capital market in Nigeria.
- To advice management of pension fund in Nigeria on the strategies to improve pension fund management.

1.4 RESEARCH QUESTION

The research is set out to answer the following questions.

1. What are the challenges and prospects of Management of Pension Fund in Nigeria?
2. Does the amount contributed in pension fund through contributory scheme witness growth as a result of increase compliance by employers and employees from management of pension fund in Nigeria?
3. What value of assessment can be accorded to pension fund investment portfolio on pension assets management in Nigeria?
4. Does the new biometric programme system assist to check fraud and enhance management of pension fund in Nigeria?
5. Does the investment of pension fund has any input in FGN bon capital market in Nigeria?
What are the strategies to improve pension fund management in Nigeria?

1.5 RESEARCH HYPOTHESIS

As a guide in the collection of data for the study certain hypothesis have been formulated which include:

**Hi:** The amount of pension fund contribution has a significant effect on assets investment portfolio of pension fund management in Nigeria.

**Ho:** The amount of pension fund contribution has no significant effect on assets investment portfolio of pension fund management in Nigeria.

**H2:** FGN bond capital market has a significant effect on assets investment of pension fund management in Nigeria.

**Ho:** FGN bond capital market has no significant effect on assets investment of pension fund management in Nigeria.

**H3:** Biometric system encourage staff training dictate fraud and has significant effect on investment of pension fund management in Nigeria.
**Ho:** Biometric system encourages staff training, dictate fraud and has no significant effect on assets investment of pension fund management in Nigeria.

**1.6 SIGNIFICANCE OF THE STUDY**

The research is systematically meant to be practical and educative in the sense that it is going to assist in exposing some of the challenges and prospect in management of pension fund in Nigeria. Essentially, this work is a step in a right direction to assist and enlightened the general public and the stakeholders in the pension scheme.

Furthermore, employers of labours and the employees (which include those still in the service and those who have retired from service) the pros and cons of investment in pension fund and the benefits of contributing to the scheme. This research work will equally serve as a guide for those in academic institutions, the regulatory authorities, the government and the banking industry, other areas that needed adjustment in the scheme that will benefit the workers at the old age, so as to actualize the motives of establishing the
board, this will add more knowledge to those in the field of research and improve more literature in the field.

Finally the study is aimed at being beneficial to policy makers, corporate and non corporate and non corporate organizations in Nigeria on how many invested in the possession fund scheme are been utilized and invested.

1.7 SCOPE AND LIMITATION OF THE STUDY

The scope of the study is centre on management of pension fund in Nigeria; challenges and prospects. Due to the nature of the study the scope of the study will cover National Pension Commission of Nigeria in Enugu. The choice of limiting the scope to National Pension Commission in Enugu is for easy assessment of data and information required for the research work.

It is necessary to mention that the research was beset with many problems such as: dearth of data, in complete response and some misleading information from respondents. The researcher was objective in analyzing the data generated from the respondents.
Other limitation of the study, were lack of finance coupled with very short period which the research used in combining the academic programme and other personal obligations. However, these limitations are considered so serious as to affect its validity.

Meanwhile the scope of time coverage for the research will be a period of six years since the new pension act was in 2004.

1.7 DEFINITION OF TERMS

Joint Tax Board
This is an approved body that monitor the activities of private sector pension schemes.

Nigeria Social Insurance Trust Fund (NSITF)
Provide and enhance social protection to private sector employees.

National Pension Commission (PENCON)
Is an apex body of pension industry in Nigeria that regulate and supervise the business of pension companies.
National Insurance Commission (NALCOM)
It is an independent body responsible for licensing and regulating insurance companies in Nigeria.

Pension Reform ACT 2004 (PRA)
This is the body under the Pension Reform Act 2004 that regulate the activities of all pension matters.

Pension Fund Administrators (PFAs)
They are Private Limited Liability Companies licensed to manage pension funds under the Pension Act 2004.

Pension Fund Custodian (PFCs)
They are banks license to hold the pension fund assets on behalf of the PFA.

Retirement Savings Account (RSA)
This is where the monthly contributions of employees are kept for safe custody.

Security and Exchange Commission (SEC)
These are manages under pension scheme license to manage pension funds.
CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 CONCEPTS AND MEANING OF PENSION FUND

The pension fund scheme exist to provide post retirement benefits to employees. Pension scheme was introduced into Nigeria during colonial era to provide old age. British citizens income and security upon retirement from active service. Nigeria first ever legislative instrument on pension matter was the pension ordinance of 1951, which had retrospective effect from 1st Jan. 1946. The National Provident Fund (NPF) scheme established in 1961 to address pension matters for private organization followed by Act No. 102 and Armed forces pension Act 103 in 1979. The police and other government agencies pension scheme was enacted under pension Act No. 75 of 1987, followed by Local Pension edict which culminated into establishment of Local Government Staff Pension Board, of 1987.

In the view of Adesina (2006:7), the primary goals of pension system should be to provide adequate, affordable, sustainable and robust retirement income, while seeking to implement welfare improving scheme in manner appropriate to
individual country. Adequate system of pension fund scheme provide benefits that are sufficient to prevent old age poverty on a country specific absolute level in addition to providing a reliable means to smooth life time consumption for vast majority of the population, while according to Robalino, D. (2005:120) pension fund scheme should be affordable system in any country, with the financing capacity of individuals and society does not unduly displace other social or economic imperatives or have untenable fiscal consequences. He argued that affordable and sustainable system of pension is one that is financially sound and can be maintained over a foreseeable horizon under a broad set of reasonable assumptions.

The design of a pension fund system or its reforms must explicitly recognize that pension benefits are claims against future economic output (Robert, 2005:112). He further suggested that to fulfil their primary goals, pension systems must contribute to future economic output. Reforms should, therefore be designed and implemented in a manner that supports growth and development and diminishes possible distortions in capital and labour markets. Mean while the corporative vision and mission statement of National Pension
Commission according to the Annual Report (2010:1) corporate vision is "To be a world-class organization that ensures the prompt payment of retirement benefits and promotes sustainable pension industry that positively impact on the economic development of Nigeria". The mission statement is "To be an effective regulator and supervisor that ensures the safety of pension assets and fair return on investment utilizing appropriate technology with highly skilled and motivated staff?"

Pension fund therefore is a fund saved while on active service or working which will yield or mahire at old age on retirement from active service for adequate and sustainable health.

2.2 TYPES OF PENSION FUND SCHEME

According to Adesina, (2006:8) pension fund options are broadly divided into two types as follows:

a) Parametric pension reform
b) Systematic pension reform


**Parametric Pension Reform**

It involves adjustment to parameters of pension systems such as retirement age, contribution rate, vesting period etc. As for Robotino (2005:125) majority of pension reforms have involved adjustment to the parameters of defined benefit pension system. He noted that between 1995 - 2005 eighteen countries increased retirement age, 57 increased contribution rate, 28 modified benefit formulas, 10 changed vesting periods and 14 changed the contributory base or indexation mechanisms.

He observed that adjustments, however, term to be adhoc, discretionary which create uncertainty regarding the future evolution of the system and that most often financial problem is motivation.

**Systematic Pension Reform**

This is a complete shift in the pension system by a country. Example a movement from a defined benefit system to a defined contributory scheme of social pension and voluntary pension scheme depending on the level of mix or
combination of the various systems, the reform may be a single pillar or multi pillar.

Holzmann (2005:16) in a world bank study recommended pension reforms with multi-pillar designs that certain funded elements as a means of achieving effective old age protection in a fiscally responsible manner.

The suggested multi-pillar pension system/fund is composed of some combination of five basic elements as follows:

a) **A Non-Contributory or Zero Pillar**
This is a pension fund system that is in the form of a demogrant or social pension that provides a minimal level of protection.

b) **First Pillar Contributory System**
This is linked to varying degree to earnings and seeks to replace some portion of income such as "defined benefit".

c) **A Mandatory Secondary Pillar**
It is essentially an individual savings account but can be constructed in a variety of ways such as the new
contributory system introduced by President Olusegun Obasanjo in 2004.

d) Voluntary Third Pillar
Under this pension system arrangement can take many forms (individual employer sponsored "defined benefits" and defined contributory", but are essentially flexible in nature.

2.3 INSTITUTIONAL FRAMEWORK
The New Pension Fund Act (PRA) 2004 states the major operators of pension which include National Pension Commission, (PENCOM) Pension Fund Administrator (PFA), Closed Pension Fund Administrator (CPFA), Pension Fund Custodians (PFC).

a) The National Pension Commission (Pencom)
They receive and investigate any impropriety level against any PFA, PFC, employer, staff or agents. They are commissioned to regulate, supervise and ensure effective management and administration of pension fund in Nigeria.
b) **Pension Fund Administrators (PFA)**  
They are licensed by Pencom to carry out pension business. The open retirement saving account (RSA) and manage it for employees. Their functions are as follows:  
i) Open Retirement Savings Account (RSA) for each employee with a personnel identity number pin.  
ii) Invest and manage pension funds and assets in accordance with the provision of the 2004 Pension Act.  
iii) Maintain books of account on all transaction relating to pension fund managed by them.  
iv) Provide regular information on investment strategy, market returns and other performance indicators to the pencom and employees of beneficiary of the RSA.  

c) **Closed Pension Administrator (CPFA)**  
Pension Fund Act (2004) any private organization or public agency with existing self funded and well managed pension scheme, that wishes to manage its own fund is allowed by section 39 of PRA 2004 and
items 4 - 15 of Pencom guideline to be licensed as CPFA. The CDFA shall have the same responsibilities/function as PFA and report to pencom.

d) **Pension Fund Custodian (PFC)**

Due to wrong management and non maximization of previous pension fund schemes the Pension Act of 2004 separates the administration of the pension funds and assets from the actual custody and safe keeping of the funds and assets. Their primary functions include; receive the total contributions remitted by an employer on behalf of the receipt of the contribution, hold pension funds and assets in safe custody on trust for employee and beneficiaries of RSA on behalf of PFA settle transactions and undertakes activities relating to the administration of pension fund investment.

### 2.4 OBJECTIVES OF PENSION REFORM ACT 2004

The Pension Reform Act (PRA) 2004 was enacted and came into effect on 1st July 2004. The Act established a define contribution (DC) pension scheme as against the erstwhile defined benefits (DB) pension system for all
employees of Federal Public Service, Federal Capital Territory (FCT) and private sector of Nigeria.

According to Adesina (2006:9) the objective of pension fund act 2004 include:

i) Ensure that every retired worker receives his/her retirement benefits as and when due.

ii) Assist improvident individuals by ensuring that they save in order to cater for their livelihood during old age.

iii) Establish a uniform set of rules, regulation and standards for administration and payments of retirement benefits for the public service of the federation, federal capital territory and the private sector.

iv) Establish a sustainable pension system that empowers employees to have control over their Retirement Savings Accounts (RSA), promotes labour mobility and minimizes incentives or early retirements.

v) Ensure transparent and efficient management of pension funds and

vi) Promote worker coverage of pension fund scheme in Nigeria.
2.5 THE PROBLEMS AND CHALLENGES OF PENSION FUND IN NIGERIA

In the last two decades, most pension fund scheme in the public sector had been

a) Poorly Funded

Owing to inadequate budget allocation (Adesina, 2006:7), budget releases which seldom came on schedule were far short of due benefits. Abromovitz (2003:14) sees it as the situation has resulted into unprecedented and unsustainable outstanding pension deficits estimated at over ₦2 trillion naira before the commencement of the PRA 2004. The proportion of pension to salaries increased from 16.7% to 30% between 1995 and 1999.

b) Weak Administration

The administrators of pension fund was weak and characterized with inefficient and non transparent. Abang M. (2006:53) added that there was no authenticated records/data for the pensioners, while fourteen documents were required to file pension claims.
Inexperienced and staff training has equally posed as a challenge to this weak administration.

c) **Inadequate Framework**

Generally pension fund scheme in Nigeria were largely unregulated and if when regulated no properly supervision and monitoring are given to it, until advent of the PRA 2004. In view of Komolafe (2004:124). The Nigeria pension system is generally very much fragmented and lack overall policy. This has continued to serve as a challenge to the pension fund manager hence most individual employed and assigned for supervision still lack ethics and moral stand in them.

d) **Political Challenge**

According to Adebiyi (2004:124), The Nigerian Pension system is generally very much fragmented and must avoid minor pension reforms that are repeated periodically because of political challenges associated with such adjustments. Once "defined benefit schemes" are frequently redefined, the only create uncertainty of retirement benefit.
As for http://www.nigerdelta congress.com. Other problem and challenges that attend the current non contributory scheme are similar. They include the following:

i) The employees, Federal and State Government have failed to make specific provisions in their budgets for the payment of gratuities and pension.

ii) Government does not pay its premium to the National Insurance Corporation (NICON) regularly. Therefore, NICON is unable to remit funds for pension and gratuities regularly.

e) Poor Contribution

The National pension fund scheme on the contributory aspect of the scheme still witness low contribution from the workers. In view of Adesina (2006:15) need for increase in pension payment following salary increases. These is to assist in the contribution and increase the assets and portfolio of pension fund in Nigeria.
According to Sholu A. (2009:15) Challenge confronting the implementation of the new scheme by some states in Nigeria, confirmed that only 10 of the 36 states of the Federation have fully aligned with the pension reform in the country. Meaning that the amount realized from retirement savings accounting and invested in assets portfolio is low and need to be expanded so as to attract more contribution in the scheme.

2.6 CONTRIBUTION OF THE PENSION FUND SCHEME

The monthly contributions for an employee covered by the new scheme are made in the following circumstances relating to his/her monthly emoluments. The contribution of fund will be discussed in the public and private sectors including informal enterprises as noted by (Adesina, 2006:11).

a) Employees are to contribute minimum of 7.5% of basic salary, housing and transport allowance.

b) In the Case of the Military

i) Employees are to contribute minimum of 2.5% of basic salary, housing and transport allowances, into the scheme.
ii) Employers are to contribute minimum of 12.5% on basic salary, housing and transport allowances.

c) **Voluntary Contribution**

Employees may make additional voluntary contribution if desired, into their retirement savings accounts. The act provides that any voluntary contribution that is not withdrawn within five years is tax free. Employees exempted from the scheme are also entitled to make voluntary contributions. Section 9(a) of the PRA 2004 provides that an employer may elect to bear the full burden of the scheme provided that such a case, the employers contribution shall not be less than 15% of the monthly emoluments of the employees.

**d) Employees Life Insurance Policy**

In addition to the specified rate of contributing, every employer is required to maintain life insurance policy in favour of each employee for a minimum of three times the annual total emolument of the employee section 9(3).
e) The Act Section 9(b)

Provides that the rate of contribution may be reviewed upwards upon agreement between any employer and employee from time to time and the National Pension Commission should be notified of such revision. Monthly contributions and retirement benefits in the PRA 2004 are tax exempted.

2.7 BENEFITS OF PENSION FUND SCHEMES

According to the Pension Fund Act 2004. Anyone declared missing for a year shall be placed under the beneficiaries request of missing or deceased employee which means he/she is presumed dead upon confirmation by board of enquiry set up be pencom where an employee dies his entitlement under life insurance policy shall be paid into his RSA and the PFA shall apply or disburse the balance in the account of beneficiaries.

The inview of Aledo (2006:26). The following categories of people or body benefit from the pension fund schemes as follows:
- The employees
- The employees
- The stakeholders
- The social/economic benefits

a) Individual Worker and the Employer

There are several ways in which the scheme is of benefit to the stakeholders according to (Dalang, 2006:4). It allows the maintenance of a retirement saving account by each employee, which gives the worker responsibility over their retirement savings. Pencom shall no longer be at the mercy of employer and participants are assured of regular payments, employees choose how to allocate their retirement savings and diversify their investment over arranged investment.

Government are able to meet their obligations to their workers. Prior to the Act, the Federal Public Service operated unfunded non contributory pension scheme (defined benefits) PAY-AS-YOU-GO. Some institution in the private sector operated similar schemes while a few operated funded contributory schemes. A
great majority of the private sector however did not operate any pension. The funded contributory pension scheme do not suffer the payment risk associated with the illiquidity or ill-health of the employer.

b) Choice and Portability
Employees will determine which licensed PFA is responsible for managing their RSA's and the RSA belongs to the employee, and can be moved from one job to another.

c) Technology Driven and Users Friendly System
The system that has been developed by Pencom and the licensed operators is information technology driven and would allow contributions have assess to their account balances through the internet and other technology driven platforms. Efficient customer service and good investment returns are at the heart of the scheme.

d) Reduce Long Queues
The scheme has reduced long awaited queues which the retirees suffered before, waiting to collect their pension benefit, and equally has reduced the risk of travelling far
distances to get their pension payments or known to present themselves for periodic pay parades.

e) **Social and Economic Prospect/Benefits**

The scheme empower Nigeria workers by giving the choice as to how their pension fund are managed and assurance of their retirement benefit. It enhance labour mobility, as workers can move freely from one employer to another without having any encumbrances on their retirement benefit.

f) **Life Annuity and Gratuity Lumpsum**

This type of pension fund is funded through two major sources via contribution from the employer and contribution from employees. A well funded scheme helps to spread the cost of benefits evenly overtime and so eliminate the vagaries in economic fortunes.

Okotoni (2005:84) noted the following advantages which include:

- Reward for loyal service
- Promotion of efficiency and productivity
- Attracting and returning suitable experienced and qualified staff.
- Healthy management relations.

He further observed that pension fund scheme are basically designed for the following categories in the public service in Nigeria.

- Civil servants in the ministries and extra ministerial departments.
- Public servants in public organizations such as corporations, boards, commissions, educational and health institutions.
- Military services (the Army the Navy and the Airforce).
- Quasi or Para: military service e.g. policies immigration, prison and customs.
- The judiciary
- Private establishment

2.8 FACTORS AFFECTING PENSION FUND IN NIGERIA

Despite its laudable objectives and overwhelming benefits, the new pension fund scheme still inhibited by so many factors according to Barrow (2006:28). These factors are:-
a) **Inability of the Operators and the Regulators to Handle the Demands of the System**

There are lag in the information between the operators and the regulators which makes the dissemination of information to RSA very difficult in view of Dalang (2006:39); The pension industry is highly technology driven, which implies that data management and the whole business process is expected to be on information technology platforms. These days technology changes fast with consequences that IT package become obsolete so soon. Take example of the case of an organizations that spend huge sum of money to acquire a technology to drive their business, before the package could be come operational, the vendor companies were liquidated and the engineers join other organizations. The implementation programme got stalked.

b) **Singled Investment Fund Creates One Size-Fits all Approach**

This factors create what is called one size fits-all approach to fund management which could make the
pension reform programme appear unattractive by either increasing the risk exposure of hitherto risk adverse people or by reducing the exposure of risk seeking contributors.

c) **No Investment Guarantee for Invested Fund**
Some contributors particularly older contributors not too sophisticated investors may simply want a guarantee for their invested funds. Such guarantee will not be available under a single fund arrangement. Also the single fund approach does not cater for ethical considerations in investments, which are gaining increasing importance in our society today.

d) **Investment Portfolio Guidelines are Skewed to Heavily Towards Income**
Fixed income securities thus undermine the potential that equity investments is more risker than debt instrument and are more likely to offer superior long term returns required to grow a pension fund over a long term period. The younger contributors to the scheme who by virtue of their age may have a long appetite for
risk having only 25 - 30% of their assets in equities may not be very palatable.

2.9 THE ROLE OF FINANCIAL INSTITUTION IN PENSION MANAGEMENT

Banks and non bank financial institutions undertake the financial intermediation function with banks specially marked out by their payments functions. Banks, insurance companies and fund managers have been assigned function by PFA of the financial institutions are expected to be the promoters of pension funds custodians, banks in particular, provide the numerous interest yielding deposit facilities in which pension funds can be invested. Banks also provide the payments mechanism for transaction on pension funds. Additionally banks that succeeds as promoters of PFCs are also expected to provide guarantees for the funds under the custody of the PFC subsidiaries existing funds/assets management companies that interest pension fund and other assets of customers on their behalf need to transform and seek pencoms license to be able to perform the functions of PFA’s under PRAs fund
management is a free based transaction and this is the model for PFAs under PRA' 04. Insurance companies provide the mandatory life insurance policies that employers are to purchase for their employees (a minimum of three time their annual emolument) and supply the annuities that workers may elect to purchase on retirement, if the do not want programmed monthly or quarterly withdrawn from the RSA. PRA 04 also provides for insurance companies to act as PFA's if the company undertake only life insurance business (section 50(4).

According to section 45 of the PFA' 04, the functions of a PFA shall be to:

- Open retirement saving accounting for all employee with a personal identity number (PIN) attached.
- Invest and manage pension funds and assets.
- Maintain books of account on all transactions relating to pension funds managed by it.
- Provision of regular information on investment strategies, market returns and other performance indicators to the pencom and employee or beneficiaries of the retirement saving accounts.
- Provide customer services including access to employee account balances and statement on demise.
- Cause to be paid retirement benefits to employees and
- Be responsible for all other calculations in relation to retirement benefits.

A provision is made in the Act for a closed PFA which would enable an employer to manage its pension funds either directly or through a wholly owned subsidiaries dedicated exclusively to the management of such pension fund.

The function of a PFC, according to section 47 of the Act include the following:
- Receiving the total contribution remitted by the employer for the employees.
- Holding Pension funds and assets in safe custody on trust for the employees and beneficiaries of the retirement saving account and notifying the PFA within 24 hours of the receipts of contributions from any employers.
2.10 OPPORTUNITIES AND CHALLENGES FOR FINANCIAL INSTITUTIONS ON PENSION INDUSTRY

All pension fund custodian requires banks for their business as a financial institution which is an advantage to banks as funds are invested through them. First Bank Plc, Diamond Bank Plc, United Bank for Africa Plc, Zenith Bank Plc, IBTC Bank have each successfully promoted PFCs. Bank can through this process witness enormous deposit growth from placement of pension fund in fixed deposit and from more regular payment of pensioners. Also the range of investment on which pension funds can be invested means that the PFA’ 04 would boost the demand for saving products developed by banks. The corporate banking department of bankers could further boost the revenues of their organizations by designing appropriate corporate finance products that their clients (fund seekers) can market to PFAs seeking good returns.

According to Ibe (2008:11) Nigeria economy has remained public sector driven mainly because of the paucity of private sector investment in capital intensive industries like
telecommunications, power supply aviations, shipping, railways, urban water supply oil and gas etc with increase national savings from the mandatory employers and employees pension contribution, corporate finance/investment banking experts would come under pressure to structure appropriate financing mechanism for new/existing projects. If much of life insurance policy is taken by worker in the contributory pension scheme, it would be of increase benefit and prospect of the employees. The purchase of insurance will increase funds for the insurance company and boost business and capacity.

Stock broking firms stand for projects from the higher business volume which the increase transactions on retirement bonds, corporate bonds and equities consequent upon the higher capital market operations that increase pension funds would experience greater profits in long run term business opportunities of their real estate and commercial property development schemes as an increased building up pension fund forces and pension fund.
Ibe (2008:12) further observed that the new pension scheme is expected to generate N60 billion naira in contribution every year/annually. This is expected that the growing and stable long term liquidity that results would lead top crashing of lending rates and bring yields on treasury instruments down. It is expected to be realized through demand and supply aspect.

However, some of the challenges and prospects faced and made by the financial institution in managing the pension funds in Nigeria as discussed by Ahmed (2006:56) are as follows:

i) **Technological Challenges**

The information technologies (IT), infrastructure requirements of pension fund administration would be enormous and a PFA needs to start operation fully automated as indicated in Pencom guidelines for licensing of PFA's and PFCs. Since there are a host of available software for pension fund management, the challenges relates to software license fees and maintenance cost requisite skills and the support
infrastructure. Staff are adequately trained for the work hence the National Pension Commission (2010) annual report shows that one hundred local courses were attended and forty foreign courses by 207 staff, 25 from DG office, 24 from finance and investment office, 51 technical, 66 inspectorate and 41 administration. On the staff performance appraisal exercise, 19 staff were promoted indicating a prospect on staff capacity building.

b) Challenge of Safety of Pension Funds
There are also the issue of safety of pension funds which is as important as the safety of deposits so PRA’ 04 has specified elaborate arrangements for supervision and examination of PFAs and PFCs. The pencom now join the CBN, NDIC, NAICOM and NDELA as regulators of financial institutions. This requires the strengthening of the compliance function in the financial institution especially the financial conglomerated. Recently Daily Sun Newspaper (2012:18) revealed that a permanent secretary in police pension office arrested over N18
billion naira fraud by Economic Financial Crime Commission (EFCC). Pension Reform Task Term (PRTT) has recovered over N151.6 billion naira and other after conducting a biometric verification exercise on pension since 2010. More sordid tales have emerged from senate on joint committee on investigation to administration of pension scheme, issue of fabrication of data to siphon pensioners money by government officials.

c) **Challenge on Corporate Governance Issue**

With the issue of public sector funds now under private funds managers coupled with increased coverage of the pension system in Nigeria Institution that take over and responsibilities of pension equally increases PFAs will be strongly represented on the Boards of publicly quoted companies. This would most likely increase corporate governance pressure with enormous implications for corporate governance managers. This will help to increase the level of corporate governance in the invested companies but leaves the tear of poor corporate governance in the PFAs and PFC annulled.
It is appropriate to ask whether the three years to retirements used as the yardstick to exempt people from the new scheme is adequate. This concern is informed by fragility of the financial institution/systems and the expected enormous administrative costs of the new system. The new scheme could be restricted to new entrants into the labour market or those who have not worked for ten year (the present qualifying years for pension) while the rest continued with the old system.

2.11 CHALLENGES AND PROSPECTS IN MANAGEMENT OF PENSION FUND IN NIGERIA

The pension fund scheme, now known as contributory pension fund scheme has envisaged lot of challenges and changes in the management of the scheme especially on the capacity on the solve of the operators as well as the regulators to handle the demand of the system in the area of information dissemination as noted by (Atedo, 2006:19). There are challenges on the issue of investment risk for fund contributed by employers and employees. He viewed the
following challenges and prospects for the pension fund manager in Nigeria.

a) Implementation of Policies

This is one of the major obstacle/challenge faced by the pension fund managers which arise in form of conflict of interest. This conflict of interest arise as a result of investment decisions made in a compromised situation. Though there are some prospects now since a department known as "investment monitoring department were created to carry out daily and monthly reviews of valuation reports submitted by pension operators on pension fund investments to ensure compliance with the regulation on pension fund investment. According Ahmed (2006:13), the guideline on investment limits stipulated by Pencom are as follows:

- Federal Government Securities up to 100%
- State Bonds/securities 20% maximum
- Corporate Bond/debt (Real Estate Unit Trust) 30% maximum.
Money market investment 25% maximum.
- Ordinary share of quoted companies 25% maximum.
The PFA are also allowed to invest offshore, subject to subsisting CBN foreign exchange rules, recommendations of Pencom and President approval (political). The investment monitoring department can further diversify and optimize returns on pension fund investment the department facilitate the review of the regulation on pension fund investment which introduced new classes and adjusted the portfolio limit in some cases.

b) Delay in the Implementation of the Reforms in Some States of the Federation

The National Pension Commission (PENCOM) has confirmed that only 10 of the pension reforms in the country. This made the commission to order for the persecution of the those state that did not comply. These was in the year 2010 when pencom is six years period most state have not complied creating a delay in
the development of the scheme. With help of this fear for persecution almost all the state in the federation have complied.

c) **Issue of Ghost Pensioner have not been Adequately Addressed by the Management of Pension**

In 2009, the National Pension Commission (PenCom) carried out pensioners verification exercise of 256 parastatals during the second phase of its pensioners verification exercise. The exercise was made with the collaboration of six federal government agencies, the commission commenced verification and biometric capturing of pensioners of Federal Government parastatals under the unified pension scheme with a view to determine their accurate number and quantum of liabilities.

A total number of 400 parastatals were identified under the scheme, out of which 144 have been rejected under phase one of the exercise. The remaining 256 parastatals will be on phase two which has now been verified. Government record and expectation was
average of 250,000 pensioners but over 400,000 have gone for the excise at two centres in Lagos at Ikoyi showing that 15,000 were not on the list, this is out of the 200,000 pensioner government expected from Ikoyi in Lagos. The issue of ghost pensioners has not been nipped to bud, arrears of pensioners cannot by accurately determined and paid for these are major challenge to management of pension fund. Though this biometric programme have drastically on a high levelly dealt with issue of ghost pensioner and arrears of pensioner and very soon will expose all fraud in pension industry.

d) **Challenge on Issue of Arrears of Pension**

Most of the arrear of Pensioner have been cleared, some and still in the net. In view of Osigbeson (2010:24) "Conoil branch are currently lock in arbitration over N7.8 billion naira pension claim dating back to January over 11,952". Workers requested that pension policy of 2004 Act should be applied and prompt and regular payment of their pensions should be complied with, all their arrears of pension owned to them should be paid.
Biometric and information technology system in management of pension fund have aided these prospect.

e) **Challenge for Establishing Pension Fund Training School**

Issue of establishing a training institute where staff are to be train properly on how to handle pension matters and pensioner themselves which are dimensional in nature.

Pencom has a propose aim of establishing a training institute which would be called the Pension Institution Training Centre (PITC), to carry out training for industry operative and also accredit other bodies for the purpose of providing educational research and training services in pension matters. The establishment of this training institute is in line with Pension Reform Act 2004 section 15 and 21. This institution in question has commenced training since 2011.
2.12 SHORTCOMING IN THE IMPLEMENTATION OF THE NEW PENSION REFORM ACT

Nigeria Pension Reform 2004 Act as quoted by a financial expert Jong (2004:1). The new pension system of privately managed fund in pension accounts covered around four million Nigeria in a country, with a workforce of about 50 million people. He observed further the shortcoming of the new pension scheme system as follows.

The reform has failed to contribute to basic social security in old age for the majority of Nigerians employed in the informal sector. Majority of the covered workers also likely to experience problem and this factor is responsible for pension fund administrator (PFAs) have so far produced negative real net return for pension savers.

The appropriateness of the institutional design of the reformed pension system is highly questionable. Among the countries with funded pension systems, Nigeria has by far the lowest GDP per capita income in the world. High degree of financial instability and lack of appropriate investment outlets for pension savings cast doubt on the basic utility of the system.
Nigeria Pension Commission (PENCOM) which is the current body that manages pension funds system has been weak in enforcing regulatory compliance, for instance, PenCom failed to enforce regulations stating that PFAs must report in a timely manner about the value of their Retirement Savings Accounts (RSA).

2.13 FUNDED PENSIONS IN NIGERIAN POLITICAL ECONOMY

Shortcoming of the pre-2004 Nigeria Pension Systems, such as the existence of large-scale unfunded entitlement under the define benefit pension scheme for civil servants, matched by large-scale arrears of pension payments in all sectors of the scheme, were one reason the Nigeria reform was undertaken. However, the more prominent time of reasoning was that pension reform should allow Nigeria to use pension savings to provide long term capital inorder to develop financial markets and improve economic growth. Nigeria National Planning Commission 2009, 43 - 44 has so far failed to produce new insight to enable future action and the problem of lack of suitable investment outlets remains the crucial policy making dilemma (Stewart and Yano, 2009:25).
The role of the pension fund administrators (PFAs) at the core of the funded pension system. The ability to manage contribution ovetimes in a manner that produces real returns to savers after inflation and deduction of management fees determines future pensioner’s economic prospects. In Nigeria regulatory system, Pencom issues guidelines on the maximum share of investment that PFAs are allowed to take out in various assets classes, government bonds, money market instrument issued by domestic banks.

According to Casey (2008:236) judging from the proliferation of PFAs, the competence of pension fund and its management is in doubt/questioned. Management of Nigeria Pension Investment appears to be good business proposition at least as far as the PFAs themselves are concerned. Casey (2008:254) further noted that the number of PFAs has proliferated from 13 to 26 and the number of PFCs has increased from four to five (data from Pencom web sit June 15, 2010).

Inspite of the proliferation of PFAs their compliance must be questioned, they appear to fail to provide their customers with clear information about their investment strategies.
However, PFA website conducted in September 2009, disclosed that many data/information concerning their customers personal data have not been updated for at least two years.

Lack of regulatory control of financial markets might hurt the interest of the savers in a number of ways and leaves Nigeria Federal Government bonds as the only safe investment class for Pension savings. If government bond produce return that are higher than the rate of inflation and management fees combined, the interest of savers might be protected. Macroeconomic and expansionary monetary policies in Nigeria cast doubt on the strategic. Infact, it is still the state public debt policy that the determine returns on the private pension systems.

2.14 OVERVIEW OF PENSION FUND ACT INVESTMENT AND RISK MANAGEMENT

The Act that deals with investment of pension fund assets and risk management are grouped under the following headings according to (Dalang, 2006:35). The Act stipulate that pension fund must be invested according to objective in
which it was established. Section 73 of the Act specifies the categories of investments which pension fund can be invested in subject to guideline issued from time to time by Pencom as follows:-

Bonds, debenture bills and other securities issued or granted by the Federal Government or the Central Bank of Nigeria. Bond, debentures, redeemable preference shares and other debt instruments issued by corporate entities and listed on stock exchange registered under the instrument and securities Act 1999 (ISA).

Ordinary shares of public limited companies listed at a stock exchange registered under the ISA with good track records having declared and paid dividends. The real estate investment has instrument of investment as prescribe from section 74 of the Act, Pension assets may also be invested outside Nigeria with the approval of the president as recommended by Pencom.

The above Act shows that best practices of Pension Fund Management aimed at ensuring the growth of assets without compromising. The focus on exchange traded securities and government guaranteed debt instrument will
assure the quality of instruments that pension fund can be deployed in transparency in the acquisition of such assets thereby providing safety of the pension fund.

2.15 PROVISION RELATING TO RISK MANAGEMENT

As regard the Act relating to risk management, some are directly involved, while others are some what more indirectly managed. Some of the informations ranges from choice of PFA by employees, separation of the role of custody from investment management operation of utilized investment scheme, opportunities, appointment of executives and management will address some of risk management issues relevant to the scheme. Under section 75 and 76 of the Act limitations of permissable investment was set to avoid reducing the investment risks.

PFA should not invest fund assets in shares or any other securities issued by PFA or PFC. PFA shall not sell pension assets to itself, any shareholder, director or affiliate of PFAs, any employee of the PFA, the spouse of its shareholders, director, affiliate or employees affiliates of an shareholder of a PFA and the PFC holding assets on behalf of the PFAs.
PFAs are also not allowed to apply for any pension assets under its management by way of loans and creditor or as collateral for any loan taken by any pension section 77 of the Act further provides that Pencom may impose further restrictions on investments to protect the interest of RSA holders. The investment guidelines issued by PenCom provides further restriction to protect RSA holding. Section 66(2) of the Act provides for the establishment of a risk management committee at the board level, responsible for.

Determining the risk profile of the investment portfolios of the PFAs. However they draw programme of adjustment incase of deviation. Determining the level of reserves to cover the risk of the investment portfolio and advising the PFA in maintaining adequate internal control systems/procedures.

The above mentioned provision set therefore, risk management framework for the operators under the scheme. The actual ability to address these risks under this framework will also be dependent on the skill and experience they develop and employ in this regard.
2.16 PENSION RISK MANAGEMENT OPERATION PROCESS

The approach to managing of risk in pension business is purely integrated risk management. This covers all activities, decision and events, internal and external to the business that impact on the operating profit of the organization.

The process of risk management process in any risk management architecture which starts with risk evaluation, classification and treatment. The treatment consists of either or both risk financing and audited to ensure that mitigating actions are implemented according to plan and staff complies with the set standards and regulations. With time as the operators mature, compliance with 1509000 standard should be considered which will need 180 audits eventually.

Risk management in pension industry are grouped into the following heading in view of (Dalang, 2006:39).

- Board of directors
- Risk management committee
- Heads of Department/Business units
- Risk management task team
- The risk managers
- Chief compliance officers
However, their roles and responsibilities are basically to achieve risk management purpose of ensuring a balance between risk rewarding and growth by designing risk management policy and philosophy, risk management strategies and architecture for smooth risk identification, evaluation assessment, treatment monitoring and audit.

Pension risks identified in pension business/industry as further stressed by (Dalang, 2006:38) include the following:

a) **Liquidity Risk**
This is the most important and least understand risk liquidity risk, relates to the ability (or inability to buy or sell something at notice at fair or good rate. Liquidity risk is usually the result of buyers not being found fast enough, financial risk is the inability of the organization to meet its financial obligations or commitments which may lead to confidence crises with subsequent withdrawal of business by customers.

b) **Political and Regulatory Risk**
Political risk may mean inconsistency in policy decisions and unstable political environment creates likelihood of involuntary shut down of the industry the regulatory
framework for pension industry may also play a major role for instance, if the industry is free of p-all, a lot of sharp practices will be on and this may portend high tendency for business failure.

c) Demographic Funding Risk
The demographic risk would certainly have been a serious risk to consider but the new system has down-played the possible burden. The age strain and other factors have been limited to individual possible experience. The extend of strain is to the limit of fund available in an employees account at retirement.

d) Business and Financial Risk
Financial risk is the change or probability that some unfavourable events will occur that will adversely affect the position of the organization. This may be systematic and unsystematic. The financial risk in pension management is concentrated around the investment of funds, the capital structure and capital adequacy. The investment risk include: interest rate, liquidity risk, safety risk, marketable risks, credit risk, exchange risk,
assets concentration risk and risk of loss as well as continuous preservation of capital against inflation erosion.

e) **Management and People's Risks**

Risk may arise from managerial practice in an organization. The risk exists due to carelessness, incompetence of management (that is, top management lack of technical expertise and proven investment capabilities in PFA/PEC). The crop of employees may be another sources of risk, skill availability for the industry determines the concentration of the quality of the employees.

f) **Structural Risk**

This arises from wrong structure in the conduct from the business. A structure for pension industry should be the type that places premium on the core aspect of the business. Unidentified line of authority may be as deadly as time bomb, wrong structuring may be harmful to the corporate aspiration as it has the potential of crippling the flexibility and the ultimate affectiveness of the organization.
g) **Marketing and Intermediation Risks**

Faulty business development/marketing strategy may pose a risk. This can certainly be deadly as it is shown decision on advertising, promotion logistics, distributions, management, sales management and marketing research.

**2.17 IMPLICATIONS OF THE NEW FUNDED PENSIONS SCHEME IN NIGERIA**

With the commencement of the PRA 2004, on 1st of July and operation of the Nigeria National Pension Commission on December 2004, the problems of sprawling and unprecedented growth in public sector pension liabilities has been put under check. The system has some implications on various categories of stakeholders including employees, employers, operators and the entire Nigerian economy as noted (Adensina, 2006:14).

a) **Implications on the Employees**

Since individuals own the contributions in the RSA, the account holder/employer on retirement from service is
no longer at the mercy of government or employer and is assured of regular payment of retirement benefits Adesina (2006:14) further observed other implication on the employees as follows:-

- Old age income is guaranteed as the scheme is fully funded through monthly contributions.
- Employees has up to date information on his retirement savings accounts RSA and prerogative to decide who should be his PFA.
- Employees may consult benefit consultants to advise them on the best PFA to engage.
- Employees should seek more knowledge on investment and pension matters in order to take informed decision on the management of RSA.
- The value of the balance in the RSA and the programmed withdrawals at exit from service are subject to total amount of accrued rights in any monthly contribution accruals on investment and the rate of inflation.
b) **Implications on Employers**

The new pension system may have the following effects on the employers.

- Most one man businesses may collapse or shrink to home-consult as it is mandatory for employers with five employees and above to contribute into the scheme.
- Employer may incur extra cost in education and logistic support for pension administration.
- Total staff cost may increase by about 20% for those without existing pension scheme and death benefits.
- Probation period is no longer a condition for vesting.
- Granting of loans to employees under the scheme would shift to credit companies or institutions such as car dealers or mortgage banks.
- Directors and officers will become liable for delay and or non compliance with the PRA or Pencom guidelines.
-Private sector organizations with no existing scheme will not be liable for actuarial deficit or past service liability but may be penalized for not starting by 1st January, 2005.

-Staff with employer specific knowledge will be difficult to retain, while staff turn-over may be on the increase as the RSA is portable and employee can change employment and still maintain same account.

c) Effects/Implication on the Operators of the Scheme

The effect on the new pension scheme on the operators (PFA, PFC, CPFA and Pencom) may include the following:

- Owning to the fact that the scheme is relatively new to Nigeria, the operators will have to invest in capacity building in order to acquire requisite knowledge and skill to drive the scheme.

- Investment in information technology (IT) may be high as the scheme is fully IT driven.

- PFA should ensure a good mix of investment opportunities in order to mitigate possible
investment and mortality risk.
- Staff competition among PFAs to sign on or register employees will increase as the scheme matures.
- PFA with products live relatively lower management fee (less than 20%) on RSA waiver of administrative cost, guaranteed minimum pension especially for low income employees, gratuity for account holders and guaranteed minimum investment returns will have good share of market.

d) Implications on the Economy
The Nigerian economy is ultimate beneficiary of the new contributory schemes.
- The pension industry under the new PRA is expected to generate. Over N900 billion naira long term loanable funds annually when it becomes fully operational.
- The macro-economic impact of the scheme will be felt in the following areas:
- A good proportion of the fund to be generated in the industry will be available for trading in the capital market. Therefore the Nigeria Stock Exchange should be well developed and deep enough to accommodate such fund.

- The fund will be available also to finance long term infrastructural project (oil and gas, electricity, road, water, railway and tourism.

- Interest rate and cost of fund will drastically fall and lead to development of real sector.

- It create job in low-tech and informal sector.

- The contribution of the insurance industry to GDP will be enhanced.

- It enhanced mobilization of savings under the scheme will lead to increase in the percentage of savings to GDP.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

This chapter will be concerned on the methodology used by the researcher in planning her research work. Research design is the procedures used by researcher in collecting data for the research study (Okeke, 2005:65). As for Nwana 1981:51) is a term used to describe a number of decision which need be taken regarding the collection of data before ever the data are collected.

The researcher employ the survey method, macro economic variables and historical research design were adopted for this study. The choice of these two methods of research design was informed by the fact that extensive use was made of recorded data, while survey research approach was employed to get information from different categories of respondents.

The research design and methodology in this chapter will cover the following areas: area of the study, population of the study, the sample techniques, instrument of data collection
and method of data analysis, validation and reliability of the instrument.

### 3.2 SOURCES OF DATA

Data used in this study came mainly from two sources; primary and secondary sources. Primary data are those first hand information sourced purposely for the work at hand. According to Tittus C. (2010:184) primary data are those collected by the researcher himself for the specific work at hand. Secondary data are those that are already in existence either recorded or published manner and comprehensive review of related literature to the subject.

### 3.3 AREA OF THE STUDY

The area of the study will cover National Pension Commission (PenCom) and some selected Pension Fund Administration (PFA), with the role of financial institutions in managing the assets of the contributed fund by the employees/workers in Enugu State.
3.4 POPULATION OF THE STUDY

The population of the study was from contributions of pension fund, cross domestic product, total amount of assets investment portfolio, trained staff and retirement saving account registration from National Pension Commission Annual Report for various years. The population drawn from the aggregate employees in pension industry is put to 105 (one hundred and five).

3.5 SAMPLE SIZE DETERMINATION

The sample size will cover a period of six (6) years, that is the period from 2005 to 2011. The study adopted a stratified design sampling techniques. The stratification took cognizance of the fact that the nature of the study and to ensure that each management personnel in the industry were adequate represented.

In order to ascertain the sample size for the study, the researcher used Yamane’s formula, which is calculated mathematically thus:

\[ n = \frac{N}{1 + N(e)^2} \]
Where

\[ n = \text{Sample size} \]

\[ N = \text{Population size of the study} \]

\[ e = \text{Errors of limits at 5\% (0.05)} \]

\[ N = 105, \; e = 5\% (0.05) \]

\[ n = \frac{105}{1 + 105(0.05)^2} \]

\[ = \frac{105}{1.2625} \]

\[ = 83 \]

n sample size = 83

Therefore, 83 was purposively sampled for the study. Both nominal and ordinal scale were used to measure the variables.

3.6 METHOD OF DATA COLLECTION

The researcher adopted structured questionnaire and quantitative research which was derived from macro-economic variables. Quantitative research method was generated from National Pension Commission PenCom) Annual report for
various years. Other secondary data collection came from the official documentations, CBN bullion, CBN statistical bulletin, textbooks, internet and annual reports. Questionnaire were constructed and administered to the respondents so that it will be easy and simple for them to understand and respond to their opinion.

3.7 METHOD OF DATA ANALYSIS

The presentation of data was done using tabular form and percentages featured in the analysis. The nature of data generated and hypothesis formulated for the study easily lent themselves to the use of product moment coefficient of correlation (r) at 5% level of significant.

Thus computed mathematically as:

\[
\begin{align*}
  r &= \frac{n\sum xy - \sum x \sum y}{(n\sum x^2 - (\sum x)^2) (n\sum y^2 - (\sum y)^2)} \\
  r &= \text{Co-efficient of correlation} \\
  x &= \text{Amount of assets investment portfolio} \\
  y_1 &= \text{Amount of pension fund contributed by retirees} \\
  y_2 &= \text{FGN bond capital market}
\end{align*}
\]
\[ y_3 = \text{Number of fraud or money embezzled} \]
\[ \Sigma = \text{Summation} \]
\[ n = \text{Number of period/years} \]

Where

\[ x = \text{Dependent variable} \]
\[ y^s = \text{Independent variable} \]

The test for significant \( r = t \)

Where

\[
t = \frac{r\sqrt{n-2}}{\sqrt{1-(r^2)}}
\]

\[ n = \text{Number of observation or period} \]
\[ r^2 = \text{Coefficient of determination} \]

### 3.8 VALIDATION AND RELIABILITY OF THE INSTRUMENT

The researcher constructed the questionnaire himself. They were give to experts in data analysis whose advice informed the researcher to make sure it measured what it intended, finally the supervisor approved of them before they were given to the respondents in splits halves. This is to test their responses whether they tally over time, any variation is discarded.
CHAPTER FOUR
PRESENTATION AND ANALYSIS OF DATA

4.1 PRESENTATION OF DATA

In order to ensure thorough comprehension of this work, the various data collected for this study were analysed sequentially to the stated hypothesis. The questionnaire shown in appendix B are designed for employees and management staff in National Pension Commission (PenCom) and Pension Fund Administrators office in Enugu State of Nigeria.

Moreover, this section present the tables and results based on questionnaire and hypothesis to guide answers to this chapter.
Question 1: What are your educational qualification?

Table 4.1

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WAEC/SSCE/GCE/NECO</td>
<td>24</td>
<td>29</td>
</tr>
<tr>
<td>OND/NCE</td>
<td>27</td>
<td>32</td>
</tr>
<tr>
<td>HND/B.Sc</td>
<td>23</td>
<td>28</td>
</tr>
<tr>
<td>MBA and above</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>83</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>


From the above table 4.1, it shows that 24 respondent which is 29% of the total respondent posses WAEC/SSCE/NECO while, 32 percent has OND/NCE, 28 percent has HND and B.Sc and 11 percent have MBA and above in the industry.
Question 2: How long have you served with the pension fund industry?

Table 4.2

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 5 years</td>
<td>42</td>
<td>51</td>
</tr>
<tr>
<td>6 - 10 years</td>
<td>36</td>
<td>43</td>
</tr>
<tr>
<td>11 and above</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>83</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>


Table 4.2 above disclosed that 51 percent of 42 respondents have served with pension fund in Nigeria for a period of 0 - 5 years, and 36 respondents representing 43% have served for 6 - 10 years while 5 respondent representing 6% percent have served with the industry for over eleven (11) years and above.
Question 3: What is the level of contribution made in the contributory pension fund scheme in Nigeria?

Table 4.3

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>High</td>
<td>47</td>
<td>56</td>
</tr>
<tr>
<td>Low</td>
<td>28</td>
<td>34</td>
</tr>
<tr>
<td>Very low</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>83</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>


From the above table, it is revealed that 3 or 4% of the respondent were of the very high view that the level of contribution made in the contributory pension fund scheme in Nigeria are high. Meanwhile, 47 or 56% of the respondents agreed that contribution is high 28 or 34% of respondent accepted that it is low while 5 or 6% of the respondent were of the opinion that it is very low.
Question 4: Has there been prospect over the challenge on contributory pension fund scheme by management of pension fund scheme by management of pension fund in Nigeria?

Table 4.4

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>61</td>
<td>73</td>
</tr>
<tr>
<td>No</td>
<td>22</td>
<td>27</td>
</tr>
<tr>
<td>Total</td>
<td>83</td>
<td>100</td>
</tr>
</tbody>
</table>


Information from the above table disclosed that 61 or 73% of the respondents pointed out that there is prospect over the challenges on contributory of pension fund scheme by management of pension fund in Nigeria, most records proved prospects and improved number of contributory and membership of pension fund due to the new act and scheme by management. Meanwhile 22 or 27% of the respondent were of the negative view that there has never been any
improvement and prospect on the contribution by the management of pension found in Nigeria.

**Table 4.5:** Shows both public and private sector pension contributions from 2004 - 2011 (Amount N billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Public</th>
<th>Private</th>
<th>Total Contribution</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>15.6</td>
<td>-</td>
<td>15.6</td>
<td>1.23</td>
</tr>
<tr>
<td>2005</td>
<td>34.68</td>
<td>-</td>
<td>34.68</td>
<td>2.73</td>
</tr>
<tr>
<td>2006</td>
<td>37.38</td>
<td>23.03</td>
<td>60.41</td>
<td>4.75</td>
</tr>
<tr>
<td>2007</td>
<td>80.63</td>
<td>68.34</td>
<td>148.97</td>
<td>11.74</td>
</tr>
<tr>
<td>2008</td>
<td>99.25</td>
<td>80.81</td>
<td>180.09</td>
<td>14.19</td>
</tr>
<tr>
<td>2009</td>
<td>137.1</td>
<td>91.21</td>
<td>228.31</td>
<td>17.99</td>
</tr>
<tr>
<td>2010</td>
<td>162.56</td>
<td>127.35</td>
<td>289.91</td>
<td>22.84</td>
</tr>
<tr>
<td>2011</td>
<td>172.31</td>
<td>139.13</td>
<td>311.44</td>
<td>24.53</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>739.54</strong></td>
<td><strong>529.87</strong></td>
<td><strong>1,269.41</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The total on pension contribution into the retirement saving accounts of employees in the private and public sectors amounted to N311.44 billion, as shown in table 4.5. The public sector N139.13 billion given the above total amount of contribution for 2011 year. The table above also show a progressive improvement on the contribution indicating prospect over the challenge faced by management on contributory aspect of fund in the administration of pension fund in Nigeria.

**Question 5:** Does the contributory pension fund assist in assets investment by the management of pension fund in Nigeria?

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agreed</td>
<td>48</td>
<td>58</td>
</tr>
<tr>
<td>Agreed</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>Disagreed</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Strongly disagreed</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>83</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

From the above table it shows that 58% or 48 respondents were of the view that contribution of pension fund assist in assets investment by the management of pension fund in Nigeria. This may be for the fact that amount realized from the contributions are equally invested and properly managed with intention of huge and adequate profit from it. Meanwhile, 25 or 30% of the respondent were of the opinion that they agree on the above matter. 9 or 11% of the respondent disagreed over the issue to them it does not assist in asset's investment rather it improve the pocket of fraudulent workers in the organization. Only 1 respondent totally and strongly disagreed with the above idea.
Question 6: What assessment rate can you give to pension assets investment portfolio in management of pension fund in Nigeria?

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceptional</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Outstanding</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Good</td>
<td>34</td>
<td>41</td>
</tr>
<tr>
<td>Above average</td>
<td>17</td>
<td>20</td>
</tr>
<tr>
<td>Average</td>
<td>24</td>
<td>29</td>
</tr>
<tr>
<td>Below average</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>83</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>


Information from the above table disclosed that for the assessment rate accorded to pension fund assets investment portfolio in management of pension fund in Nigeria non of the respondent accepted or rated them to be exceptional and outstanding good for their investment portfolio management.
34 or 41 percent of the respondent grade them on good grade, while 17 or 20% of respondents were the opinion that they perform above average. 24 or 29% of the respondent accepted average for them, while 8 or 10% scored them below average. Can one attribute these to the huge amount of arrears and irregular payments of pension and consistent report of inadequate fund by the managements of pension funds.

**Table 4.8: Shows seven years summary of pension fund assets investment portfolio under management from 2005 - 2011 (Amount in billion naira).**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Contribution</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>420.13</td>
<td>4.71</td>
</tr>
<tr>
<td>2006</td>
<td>432.14</td>
<td>4.84</td>
</tr>
<tr>
<td>2007</td>
<td>678.39</td>
<td>7.60</td>
</tr>
<tr>
<td>2008</td>
<td>1,099.01</td>
<td>12.32</td>
</tr>
<tr>
<td>2009</td>
<td>1,529.63</td>
<td>17.14</td>
</tr>
<tr>
<td>2010</td>
<td>2,029.77</td>
<td>22.74</td>
</tr>
<tr>
<td>2011</td>
<td>2,734.91</td>
<td>30.65</td>
</tr>
<tr>
<td>Total</td>
<td>8,923.98</td>
<td>100</td>
</tr>
</tbody>
</table>

The information in the above table shows a progressive growth of pension fund asset investment over the years. This growth as mainly accounted for by additional contributions from members, funds injected by fund sponsors and investment income. The yearly average growth of the pension assets over the seven years period was 30.65 percent, which could be attributed to increased compliance by employers. The trend also highlights the increasing significance of pension funds as major institutional investors in the Nigeria assets to national development is not in doubt given the provision of long-term fund which had hitherto been scarce in Nigeria.

Question 7: Does biometric, an information technology system encourage staff training, and aid proper management of pension fund?

Table 4.9

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>72</td>
<td>87</td>
</tr>
<tr>
<td>No</td>
<td>11</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>83</td>
<td>100</td>
</tr>
</tbody>
</table>

From the above table 4.9, it is observed that 72 or 87% of the respondents were of the positive opinion and acceptance that biometric an information technology system encourages staff training and aid proper management of pension fund in Nigeria. While, 11 or 13% of the respondent disagreed with the idea may be due to consistence fraud, inexperience and incompetence in information technology by workers, whom primary motive is on how to defraud organization and steal public funds.

**Question 8:** Does the use of biometric system assist management of pension fund in Nigeria by detecting fraud?

**Table 4.10**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agreed</td>
<td>16</td>
<td>19</td>
</tr>
<tr>
<td>Agreed</td>
<td>52</td>
<td>63</td>
</tr>
<tr>
<td>Disagreed</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td>Strongly disagreed</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>83</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Field Survey, 2012.*
Table 4.10 above disclosed that 16 or 19% of the respondent were of the opinion and strongly accepted that biometric system assists management of pension fund in Nigeria in detecting fraud, 52 of 63% of the respondents agreed on the same information above, while 15 or 18% of respondent disagreed over the matter, meanwhile there was none that strongly disagreed over the matter in question. Through process of conducting a biometric verification exercise on pensioners since 2010 by Pension Reform Task Term (PRTT) a sum of N15.6 billion were recovered and an arrest was made to a permanent secretary in police pension office over N18 billion, 73,000 ghost pensioners were uncovered as a list of dead people that money are been paid to and pension fraud probe latest on N30 billion by a clerk in the office.
Table 4.11: Depict statistic of staff training 2010 and 2011

<table>
<thead>
<tr>
<th>S/N</th>
<th>Division</th>
<th>No of courses Attended</th>
<th>No. of staff trained</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Local</td>
<td>Foreign</td>
</tr>
<tr>
<td>1.</td>
<td>DG's office</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td>2.</td>
<td>Finance &amp; Investment</td>
<td>18</td>
<td>5</td>
</tr>
<tr>
<td>3.</td>
<td>Technical</td>
<td>20</td>
<td>8</td>
</tr>
<tr>
<td>4.</td>
<td>Inspectorate</td>
<td>32</td>
<td>12</td>
</tr>
<tr>
<td>5.</td>
<td>Administration</td>
<td>18</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100</td>
<td>40</td>
</tr>
</tbody>
</table>


From the above table 4.11 a larger number of the training programmes attended by staff within the year were locally organized 162 staff in attendance. In addition, in-house programmes were organized such as the specialized CBN Bank Examiner's course with 45 staff attending the programme.
which was organized in two batches. Beside building the capacity of staff of PenCom for enhanced operational efficiency, the department organized several capacity building programme for the pension industry. Among these were the two runs of the conference for the Director of licensed pension fund operators held in June and December, 2010.

The Annual staff performance appraisal exercise, 91 staff of PenCom were promoted to various grades with effect from January, 2010.

**Question 9:** Does the assets investment portfolio of pension fund by management of pension fund in Nigeria bring prospect and growth to federal government of Nigeria (FGN) bond market?

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agreed</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Agreed</td>
<td>68</td>
<td>82</td>
</tr>
<tr>
<td>Disagreed</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Strongly disagreed</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>83</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Field Survey, 2012.*
The information from table 4.12 above indicate that 5 or 6% of the respondent were of the strong view that the assets investment portfolio of pension fund by management of pension fund in Nigeria which serve as a challenge to management brings prospects and growth to federal government of Nigeria (FGN) bond market. 68 or 82% of the respondent agreed on the same view but 7 or 8% of the respondents disagreed with the view, while, 3 or 4% were of strong disagreement over the issue, that the above matter does not contribute to the growth and prospect of FGN bond market.

<table>
<thead>
<tr>
<th>Years</th>
<th>FGN Securities/Bonds Amount (₦ billion)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>109.36</td>
<td>3.33</td>
</tr>
<tr>
<td>2006</td>
<td>261.01</td>
<td>7.96</td>
</tr>
<tr>
<td>2007</td>
<td>328.21</td>
<td>10.00</td>
</tr>
<tr>
<td>2008</td>
<td>350.67</td>
<td>10.69</td>
</tr>
<tr>
<td>2009</td>
<td>498.88</td>
<td>15.22</td>
</tr>
<tr>
<td>2010</td>
<td>829.20</td>
<td>25.28</td>
</tr>
<tr>
<td>2011</td>
<td>902.86</td>
<td>27.52</td>
</tr>
<tr>
<td>Total</td>
<td>3,280.19</td>
<td>100</td>
</tr>
</tbody>
</table>


The above table shows that Federal Government Securities/bond improve on a creeping format, indicating that the challenge faced on the bond market in Nigeria wears a new look as their are prospect but on a little and creeping.
system. The interest rate regime in the money market which prevailed for better part of 2010 resulted in pension fund manager re-allocating money market investment in favour of FGN and State Government Bonds, which offered higher yield.

**Question 10:** Do you think there are strategies that may assist to improve and prosper the management of pension fund in Nigeria?

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>78</td>
<td>94</td>
</tr>
<tr>
<td>No</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>83</td>
<td>100</td>
</tr>
</tbody>
</table>

**Source: Field Survey, 2012.**

From the above table, it is observed that 78 or 94% of the respondent were of the view that there are other strategies that may assist to improve and prosper the management of pension fund in Nigeria, while 5 or 6% of the respondent disagreed and say No for their belief is that we
have a projects that is well defined but lack proper implementation.

**Question 15:** What are the strategies to improve management of pension fund in Nigeria?

! To ensure that pension is added and properly taught in schools from primary - University level because almost everyone at old age is effected with pension.

! Establishment of pension training school/institution should be done with urgency were both pensioners and workers are to be given adequate knowledge on pension matter.

! More seminars and workshop should be organized for both staff and pensioners in Nigeria.

! Compliance issue should be addressed.

! Verification exercise should be conducted on regular bases to fish out ghost pensioners and should be properly conducted.

! Prompt and regular payment of pensionaries should be addressed and complied with.
4.2 HYPOTHESIS TESTING

In this section, the hypothesis that were formulated as stated in chapter one will be tested using product moment coefficient of correlation \((r)\) at 5% (0.05) level of significant.

\[
r = \frac{n\Sigma xy - \Sigma x\Sigma y}{(n\Sigma x^2 - (\Sigma x)^2)(n\Sigma y^2 - (\Sigma y)^2)}
\]

Where
- \(r\) = Co-efficient of correlation
- \(x\) = Amount of assets investment portfolio
- \(y_1\) = Amount of pension fund contributed by retairess
- \(y_2\) = FGN bond capital market
- \(y_3\) = Number of fraud or money embezzled
- \(\Sigma\) = Summation
- \(n\) = Number of period/years

Where \(x\) = Dependent variable
\(y^s\) = Independent variable

The test for significant \(r = t\)

Where
\[
t = \frac{r\sqrt{n-2}}{\sqrt{1-(r)^2}}
\]

\(n\) = Number of observation or period
\(r^2\) = Coefficient of determination
Decision Rule

Reject the null hypothesis when the calculated $(t)$ is greater than the critical or tabulated $(t)$. Otherwise reject the alternative and accept the null hypothesis $(H_0)$.

Test of Hypothesis One

Statement of Hypothesis

$H_i$: The amount of pension fund contribution has a significant relationship on assets investment portfolio of pension fund management in Nigeria?

$H_0$: The amount of pension fund contribution has no significant relationship on assets investment portfolio of pension fund management in Nigeria.

Computation of Test Statistic

The test for the validity of this hypothesis is from table 4.5 and 4.8; 2011 annual report and statement of account; National Pension Commission (PenCom) Nigeria.
<table>
<thead>
<tr>
<th>S/N</th>
<th>Years</th>
<th>X</th>
<th>Y&lt;sub&gt;1&lt;/sub&gt;</th>
<th>X&lt;sup&gt;2&lt;/sup&gt;</th>
<th>Y&lt;sup&gt;2&lt;/sup&gt;</th>
<th>XY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2005</td>
<td>420.13</td>
<td>34.68</td>
<td>176,509.22</td>
<td>1,202.70</td>
<td>14,570.11</td>
</tr>
<tr>
<td>2</td>
<td>2006</td>
<td>432.14</td>
<td>60.41</td>
<td>186,744.98</td>
<td>3,649.47</td>
<td>26,105.58</td>
</tr>
<tr>
<td>3</td>
<td>2007</td>
<td>678.39</td>
<td>148.97</td>
<td>406,212.99</td>
<td>22,192.06</td>
<td>101,059.76</td>
</tr>
<tr>
<td>4</td>
<td>2008</td>
<td>1,099.01</td>
<td>180.09</td>
<td>1,207,822.98</td>
<td>32,432.41</td>
<td>197,920.71</td>
</tr>
<tr>
<td>5</td>
<td>2009</td>
<td>1,529.63</td>
<td>228.31</td>
<td>2,338,942.01</td>
<td>52,135.46</td>
<td>349,229.83</td>
</tr>
<tr>
<td>6</td>
<td>2010</td>
<td>2,029.77</td>
<td>289.91</td>
<td>4,119,966.25</td>
<td>84,047.81</td>
<td>588,450.62</td>
</tr>
<tr>
<td>7</td>
<td>2011</td>
<td>2,734.91</td>
<td>311.44</td>
<td>7,479,733.70</td>
<td>96,994.87</td>
<td>851,760.37</td>
</tr>
<tr>
<td>Σ</td>
<td></td>
<td>8,923.98</td>
<td>1,253.81</td>
<td>15,915,931.14</td>
<td>292,644.68</td>
<td>2,129,096.98</td>
</tr>
</tbody>
</table>

Using the formula

\[
r = \frac{(7 \times 2129096.98) - (8,923.98 \times 1253.81)}{\sqrt{(7 \times 15,915,931.14 - (8923.98)^2) \times (7 \times 292644.68 - 1,252^2)}}
\]

\[
r = \frac{(7 \times 2129096.98) - (8,923.98 \times 1253.81)}{(7 \times 15,915,931.14 - 8923.98^2) \times (7 \times 292644.68 - 1,252^2)}
\]

\[
= \frac{14,903,678.86 - 11,188,975.36}{(31,774,098.94) \times (476,473.24)}
\]

\[
= \frac{3,714,703.50}{(5,636.85 \times 690.27)}
\]

\[
= \frac{3,714,703.50}{3,890,950.76}
\]

\[
= 0.9547
\]

\[
. \quad 0.95 \quad r \quad = \quad 0.95
\]
Interpretation of Result

The PPMCC for the test on contributing and assets investment portfolio in management of pension fund in Nigeria indicates a strong positively high correlation. These implies that a positive relationship exist between them thus the items are reliable.

Testing for the Significance of r

**Ho:** There is no linear correlation between X and Y$_1$.

**H1:** There is a linear correlation between X and Y$_1$.

The test significance for r is a `t' test.

\[ t = \frac{r\sqrt{n-2}}{1-(r)^2} \]

Therefore \[ t = \frac{0.95\sqrt{7-2}}{1-(0.95)^2} = \frac{0.95(2.236)}{1-0.9025} = \frac{2.1242}{0.0975} = 21.787 \]

\[ t \text{ calculated} = 21.8 \]

Critical or tabulated = (n-2) at 0.05 level of significance 6 (7.2) = 5 @ 0.05

Critical or tabulated = 2.015
Decision
Hence the calculated (21.8) is higher than the tabulated (2.015) we reject the null hypothesis and conclude that pension fund contribution has a significant relationship or effect on assets investment portfolio of pension fund management in Nigeria and has shown prospect in pension fund scheme.

Hypothesis Two
**Ho:** Federal Government of Nigeria bond capital market has a significant relationship/effect on assets investment of pension fund management in Nigeria.

**Hi:** Federal Government of Nigeria bond capital market has no significant relationship/effect on assets investment of pension fund management in Nigeria.

**Computation of Test Statistic**
The test for the validity of this hypothesis is from table 4.8; Annual report and statement of account; National Pension Commission (PenCom) Nigeria 2011.
Table 4.1.16

Federal Government of Nigeria Bonds

<table>
<thead>
<tr>
<th>S/N</th>
<th>Years</th>
<th>X</th>
<th>Y_1</th>
<th>X^2</th>
<th>Y^2</th>
<th>XY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2005</td>
<td>420.13</td>
<td>34.68</td>
<td>176,509.22</td>
<td>1,202.70</td>
<td>14,570.11</td>
</tr>
<tr>
<td>2</td>
<td>2006</td>
<td>432.14</td>
<td>60.41</td>
<td>186,744.98</td>
<td>3,649.47</td>
<td>26,105.58</td>
</tr>
<tr>
<td>3</td>
<td>2007</td>
<td>678.39</td>
<td>148.97</td>
<td>406,212.99</td>
<td>22,192.06</td>
<td>101,059.76</td>
</tr>
<tr>
<td>4</td>
<td>2008</td>
<td>1,099.01</td>
<td>180.09</td>
<td>1,207,822.98</td>
<td>32,432.41</td>
<td>197,920.71</td>
</tr>
<tr>
<td>5</td>
<td>2009</td>
<td>1,529.63</td>
<td>228.31</td>
<td>2,338,942.01</td>
<td>52,135.46</td>
<td>349,229.83</td>
</tr>
<tr>
<td>6</td>
<td>2010</td>
<td>2,029.77</td>
<td>289.91</td>
<td>4,119,966.25</td>
<td>84,047.81</td>
<td>588,450.62</td>
</tr>
<tr>
<td>7</td>
<td>2011</td>
<td>2,734.91</td>
<td>311.44</td>
<td>7,479,733.70</td>
<td>96,994.87</td>
<td>851,760.37</td>
</tr>
<tr>
<td>Σ</td>
<td></td>
<td>8,923.98</td>
<td>1,253.81</td>
<td>15,915,931.14</td>
<td>292,644.68</td>
<td>2,129,096.98</td>
</tr>
</tbody>
</table>

\[ r = \frac{(7x5,682,210.48)-(8,923.98 \times 3280.19)}{\sqrt{\frac{7x15,915,931.14-(8923.98)^2}{31,774,098.94}} - 10,503,123.40} \]

\[ = \frac{10,503,123.40}{\sqrt{10,798,739.20}} \]

\[ = 0.9726 \]

\[ \approx 0.97 \]
Interpretation of Result

The PPMC for the test on Federal Government of Nigeria bond on capital market and assets investment portfolio in management of pension fund in Nigeria shows a strong positive relationship and high correlation. Those implies that a positive relationship exist between them, thus the items are reliable.

Testing for Significance of r

**Ho:** There is no linear relationship or correlation between X and Y.

**Hi:** There is linear correlation between X and Y.

The test of significance for r is a "t" test.

Where

\[ t = \frac{r\%n-2}{1-(r)^2} \]

\( r = 0.97, n = 7 \)

Therefore

\[ t = \frac{0.97(7-2)}{1 - (0.97)^2} \]

\[ = \frac{0.97(2.236)}{1-0.9409} \]

\[ = \frac{2.16892}{0.0591} = 36.70 \]
t calculated = 26.70  
t critical = 2.015 (from table)

**Decision**

The calculated 36.70 is higher than the critical 2.015, we reject the null hypothesis and conclude that the Federal Government of Nigeria bond has a significant relationship/effect on challenge and prospect of assets investment portfolio management in pension fund industry in Nigeria.

**Hypothesis Three**

**Ho:** Biometric system encourage staff training, dictate fraud and has significant effect on investment of pension fund management in Nigeria.

**Hi:** Biometric system encourage staff training, dictate fraud and has significant effect on investment of pension fund management in Nigeria.

**Computation of Test Statistics**

The test for the validity of this hypothesis is from table 4.8 and total fraud so far in pension industry 2011 year. (N306 clark + N186 permsee + N151.6 billion by PRTT).
### Table 4.1.15

<table>
<thead>
<tr>
<th>S/N</th>
<th>Years</th>
<th>X</th>
<th>Y₃</th>
<th>X²</th>
<th>Y₃²</th>
<th>XY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2005</td>
<td>420.13</td>
<td>-</td>
<td>176,509.22</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2.</td>
<td>2006</td>
<td>432.14</td>
<td>-</td>
<td>186,744.98</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3.</td>
<td>2007</td>
<td>678.39</td>
<td>-</td>
<td>406,212.99</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4.</td>
<td>2008</td>
<td>1,099.01</td>
<td>-</td>
<td>1,207,822.98</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5.</td>
<td>2009</td>
<td>1,529.63</td>
<td>-</td>
<td>2,338,942.01</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6.</td>
<td>2010</td>
<td>2,029.77</td>
<td>-</td>
<td>4,119,966.25</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7.</td>
<td>2011</td>
<td>2,734.91</td>
<td>199.6</td>
<td>7,479,733.70</td>
<td>39,840.16</td>
<td>545,888.04</td>
</tr>
<tr>
<td>Σ</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SX</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>SY₃</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>SX²</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SY₃²</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SXY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\[
r = \frac{(7 \times 545,888.04) - (8,923.98 \times 199.6)}{\left((\sum x \times 15,915,931.14 - (8923.98)^2)\right) \left((\sum y \times 39,840.16 - (199.6)^2)\right)}
\]

\[
= \frac{(3821,216.28) - (1,781,226.41)}{(5,636.85 \times 488.92)}
\]

\[
= \frac{2,039,989.87}{2,755,968.70}
\]

\[
= 0.740
\]

\[
= 0.74
\]

#### Interpretation of Result

The PPMC for the test on biometric system assist in dictating fraud shows a strong positive correlation. It imply that biometric is a good system for detecting fraud in pension fund industry in Nigeria. It reduce the fear of fraud, ghost pensionaries and others.
Testing for Significance of $r$

**Ho:** There is no linear relationship or correlation between $X$ and $Y_3$.

**Hi:** There is a linear correlation between $X$ and $Y_3$.

The test of significance for $r$ is a "t" test

Where

$$t = \frac{r \sqrt{n-2}}{\sqrt{1-(r)^2}}$$

$r = 0.74$, $n = 7$

Therefore

$$t = \frac{0.74 \sqrt{7-2}}{\sqrt{1-(0.74)^2}}$$

$$= \frac{0.74 \sqrt{5}}{\sqrt{1-(0.5476)}}$$

$$= \frac{0.74(2.236)}{0.4524}$$

$$= \frac{1.6547}{0.4525}$$

$t$ calculated $= 3.657$

$t$ critical $= 2.015$

**Decision**

Hence the calculated is higher than the critical, we reject the null hypothesis and conclude that biometric system encourage staff training, to detect fraud and has a relationship
with management investment of pension fund assets in pension fund management in Nigeria.

4.3 DATA ANALYSIS

This section deal with the analysis of data collected as presented above. The inference in table 4.3 as presented in the data revealed that the contribution made by employers and employees to contributory pension fund scheme were high. This may be due to advert and regular supervision by management of pension fund in Nigeria pension industry.

Table 4.4 disclosed the prospect that have taken place over the contribution for pension which has been a serious challenge to management in the industry. The act which encouraged both public and private participation made it open and wider for employees to save for future days in their life. Table 4.5 pictured over seven years how contributions took place between private and public with a progressive prospects that have been made over the years.

Moreover, table 4.6 depict how contributory scheme assist in assets investment portfolio by management of pension fund, in Nigeria, Respondent were of a strong view
and opinion that contribution is the major source of the fund and enable management to display their duty in a proper and efficient manner. As a challenge to management different policies were implemented to achieve the overwhelming goal and prospect that is realized so far.

Assessing management performance on investment of assets on portfolios in table 4.7, management has move of good result than any other one. Many attribute these to the economic melt down or recession. So say nothing to show for the investment hence the primary objective of PenCom is to make sure pension are paid regularly.

In table 4.8 a seven years summary of pension fund assets investment portfolio by management were shown. It depict prospect on investment since their are progressive change in the investment amount. These money are invested in Federal Government of Nigeria bond, capital market and other securities. It may be because it has a long-term fund which are high scarce in Nigeria.

Furthermore, table 4.9 exposed how biometric system aid in detecting fraud and ghost workers. It encourages staff training, reduce incompetence, and inexperience which are
challenges faced by management. These variables are challenges to management but test for hypothesis has shown a high significant relationship between the amount invested and biometric system. These are for proper and prospect in management of pension fund. Some of the fraud uncovered by pension reform task team (PRTT) a sum of N51.6 billion an arrest was made to permanent secretary in police pension office over N18 billion, 73,000 ghost pensioners were uncovered as a list of dead people.

Table 4.11 shows the number of staff and training programme organized ranging from local to foreign and numbers of people that attend it. The data shows that almost everyone of the worker have attended either the local or foreign courses which gave room for performance appraisal exercise in which some staff were give promotion to various grades.

In table 4.12 there are strong view that assets investment portfolio of pension fund by management of pension fund in Nigeria encouraged growth and prospect to federal government of Nigeria bond market. The annual report and statement of account of National Pension Commission
(PENCOM) in 2011 even show a progressive prospect over the investment. These was attributed to interest rate attached to the market and long term investment of fund. In hypothesis test over the relationship or effect of FGN bond capital market on assets investment portfolio of pension fund a high positive correlation was shown and were significant to the investment.

Moreover, on issue of strategy to improve on challenges and prospect of management of pension fund in Nigeria the following were established.

1. Establishment of pension training school institution, should be done with urgency were both pensionaries and workers are to be educated on pension matter.
2. To ensure that pension is taught in all schools primary - university level hence almost everyone at old age is affected or connected with pension.
3. More seminars and workshops are to be organized for both staff and pensioners in Nigeria.
4. Compliance issue should be addressed.
5. Verification exercise should be conducted regularly as bases to fish out ghost pensioners.
6. Promptly and regular payment of pensioners should be maintained.
CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

In these chapter, the findings arising from the data obtained from both primary and secondary sources in the course of this research work are summarized as follows:

The challenges and prospect in management of pension fund in Nigeria are

! Policy implementation; though has been one of the major challenge there has been prospect and improvement on supervision and regulation of the policy.

! Arrears of pension; there are prospect hence most of the arrears has been settled.

! Contribution of pension fund; the new act of 2004 allowed both private and public employees to participate and this brought improvement, growth and prospect in the management of pension fund industry.

! In assessing management performance on assets investment they were rated good.
Use of biometric system has encouraged staff training, fraud detecting, and accurate debt of arrears to pension fund encourage, growth and prospects to the capital market.

The strategy to be adopted so as to improve management of pension fund in Nigeria.

a) School/institution for pension should be established.
b) Pension should be taught in various school in Nigeria.
c) More seminars and workshop should be organized.
d) Proper verification exercise should be conducted.
e) Prompt and regular payment system of pensioner should be adopted.
f) Compliance issue should be addressed.

5.2 CONCLUSION

The study is directed at examining the challenges and prospect of management of pension fund in Nigeria. These challenges which has been identify as contribution, non availability of records/data, inadequate funding, use of biometric system, incompetent and inexperience of pension
staff, uncoordinated administration, perpetual fraudulent activities/irregularities, improper investment of asset fund in a good portfolio, and unimproved bond capital market has witness some improvement and prospect in them. These were presented in the research.

The research show that most of this challenges has been from time immeorial but drastic improvement and prospect are witnessed. Management has to speedy up in some areas were they are lacking behind especially on prompt and regular payment of pension. Education as we know is a bedrock of every society but experience are highly needed with good ethics and moral mind to handle issue concerning old people and there funds. No organization in the world can do without finance and fund.

Therefore management should adopt the strategy that will move the organization forward and bring life to it.

5.3 RECOMMENDATION

Base on the finding and conclusion, the following recommendation are hereby made:
Ethnics and moral standard should be built.
Training and retaining of staff and management of pension fund in Nigeria should be adopted.
More local and foreign seminars, and workshop should be conducted regularly to sensitize both workers, staff, management and pensioners.
An institute/school of pension fund school be established to carry out most of the enlightenment function these to reduce cost of running training programmes.
Prompt and regular payment of pension should be adopted and practised.
Ghost pensioners should be identified and wiped out.
Adequate investment of asset fund portfolio of pension fund should be maintained.

5.4 SUGGESTION FOR FURTHER STUDIES
From the findings of these study, conclusion drawn from it and the recommendation proposed so far, the following suggestion are made for area of further studies.
The scope of this study was limited to the challenges and prospect of pension fund management in Nigeria. It would be a greater interest to extend the research to discover the Biometric system of data a means of safeguarding management of pension fund in Nigeria. Lack of implementation of policies causes an effect on pension fund management.

The impact of inadequate record/data keeping on management of pension fund.

Finally, greater work is equally needed to introduced and established the benefits of pension fund institute in the management of pension fund in Nigeria.
Textbooks


**Journals**


Ibe, A.C. (2008), The Opportunities and Challenges of the New Pension Scheme for financial Institutions in Nigeria. *Business Intelligence and Research Unit Union Bank of Nigeria Plc.*

Magazine


Newspapers


Unpublished


Internet

Http://www.nigerdelta congress.com
Dear Respondents,

I am a Postgraduate MBA student of the above mentioned institution. Presently, I am carrying out a research work title "Management of Pension Fund in Nigeria: Challenges and Prospect.

Please you are requested to fill the questionnaire attached to this letter to the best of your personal assessment. All information disclosed by you will be treated with utmost confidence and entirely used for the purpose of this research work.

Thank you in anticipation for your cooperation.

Yours faithfully,

Ogbru Chidozie
APPENDIX B

QUESTIONNAIRE ON MANAGEMENTS AND STAFF CONCERNING MANAGEMENT OF PENSION FUND IN NIGERIA: CHALLENGES AND PROSPECTS.

Please tick (%) where appropriate

1. What are your educational qualifications?
   a) WASC/SSCE/NECO/GCE  [ ]
   b) OND/NCE  [ ]
   c) HND/B.Sc  [ ]
   d) MBA and above  [ ]

2. How long have you served with your industry?
   a) 0 - 5 years  [ ]
   b) 6 - 10 years  [ ]
   c) 11 and above  [ ]

3. What is the level of contribution made in the contributory pension fund scheme in Nigeria?
   a) Very high  [ ]
   b) High  [ ]
   c) Low  [ ]
   d) Very low  [ ]

4. Has there been prospect over the challenges on contributory pension fund scheme by management of pension fund in Nigeria?
   a) Yes  [ ]
   b) No  [ ]
5. Does the contributory pension fund scheme assist in assets investment by the management of pension fund in Nigeria?
   a) Strongly agreed [ ]
   b) Agreed [ ]
   c) Disagreed [ ]
   d) Strongly disagreed [ ]

6. What assessment rate can you give to pension fund asset investment portfolio in the management of pension fund in Nigeria?
   a) Exceptional [ ]
   b) Outstanding [ ]
   c) Good [ ]
   d) Above average [ ]
   e) Average [ ]
   f) Below average [ ]

7. Does biometric, an information technology system encourage staff training and aid in proper pension fund assets investment portfolio and management?
   a) Yes [ ]
   b) No [ ]

8. Does the use of biometric system assist management of pension fund in Nigeria indicating fraud?
   a) Strongly agreed [ ]
   b) Agreed [ ]
   c) Disagreed [ ]
   d) Strongly disagreed [ ]
9. Does the assets investment portfolio of pension fund by management of pension fund in Nigeria bring prospect and growth to Federal Government of Nigeria (FGN) bond market?

a) Strongly agreed [ ]
b) Agreed [ ]
c) Disagreed [ ]
d) Strongly disagreed [ ]

10. Do you think there are strategies that may assist to improve and prosper the management of pension fund in Nigeria?

a) Yes [ ]
b) No [ ]

11. If yes, to the above question can you list the types of strategies that you think can improve management of pension fund in Nigeria?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________