ASSESSMENT OF THE EFFECT OF 2014 CONTRIBUTORY PENSION SCHEME ON PENSIONERS' WELFARE IN ABUJA MUNICIPAL AREA COUNCIL, FEDERAL CAPITAL TERRITORY – ABUJA, NIGERIA (2014 – 2019)

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Abstract
The Nigerian pension administration have from its inception been bedevilled with irregularities and untimely payment of retirement benefits coupled with poor retiree's welfare. In response to the myriad of problems and in line with its fundamental objective of ensuring the security and welfare of the people, the government took measures aimed at developing a system that would be more sustainable and have the capacity of providing a stable, predictable and adequate source of retirement income for all its participants in 2004 and later amended as the Pension Act of 2014. Despite these efforts, the living condition of pensioners has not improved due to untimely payment of retirement benefits. The study, therefore, examined the effect of 2014 Contributory Pension Scheme on pensioners' welfare in AMAC. Agency theory was used to underpin the work. The study employed the descriptive survey design and data was collected through a structured questionnaire administered to a sample of 50 respondents in AMAC, of which 48 were correctly filled and returned. Simple linear regression analysis was used to test the hypothesis. The results revealed that there is a significant positive relationship between timely payment of retirement benefits and pensioner's welfare in AMAC. Based on the findings, the study recommended that apart from adequate sensitization of retirees to keep them abreast with the modalities of the scheme, they should be encouraged to make additional voluntary contributions into their Retirement Savings Account (RSA).

Key Words: Social Security Scheme, Pensioners, Contributory Pension Scheme, Timely Payment, Welfare.

Introduction

The security and welfare of the people have been one of the Fundamental Objectives and Directive Principles underpinning the policy of the government of Nigeria towards her people which is declared boldly in Chapter II of the Constitution of the Federal Republic of Nigeria, 1999. This duty in governance is universal in nature and scope sponsoring diverse social security initiatives and is widely practised globally. This has led to the evolution of various forms of arrangements that aim to achieve the above objective.

Pensions as a social security maintenance programme for employees are a response both to the growing practice of retirement and to the desire to reward loyal service. Making sure that ageing employees and or retirees have their basic needs met in retirement until death has been a common social value and objective since the beginning of civilization (Merker, 2017). In many parts of the world, advances in technology and rising living standards have succeeded in producing longer life expectancies than experienced before (Segue, 2015). Maintaining a decent standard of living during such a long period without relying on earned income presents a formidable challenge for pensioners. Studies such as that of (Ahmed, et al, 2016; Olatomide, 2015) have shown that retirement benefit may be inadequate for many employees. Unless supplemented by personal savings, many employees are likely to find that their benefits plan cannot deliver sufficient retirement income to ensure a comfortable retirement at the age the employee might expect. Workers in both public and private sector organizations are expected to live a comfortable life devoid of any form of dependency after their successful retirement from active service (Nwachukwu, 2007).

The pension which guarantees an employee certain comfort in his or her inactive years is critical to the sustenance of the life of individual and society (Nkanga, 2005). The function of social security generally, is the provision of food, childcare, housing and medicare/health. When these necessities are not available or are in limited supply it leads to stress at retirement. Thus, making life difficult for retirees, as more energy is exerted in a bid to not only cope with the existent retirement stress but also meeting their welfare needs too. Survival at old age, therefore, becomes worrisome and this has led to the increased dread in life after retirement by many Nigerian employees who are expected to live for at least another 16 years after they retire at 60 years (HAI, 2013).

Nigeria has witnessed various social security schemes by various successive governments in the country which have not been implemented satisfactorily necessitating reforms of all sorts geared towards enhancing the living standards among the elderly in the society. The 1951 Pension Ordinance was the first legislative Act introduced in Nigeria, followed by the establishment of the National Provident Fund (NPF) in 1961 to cater for pension issues in the private sector. In 1979, the Pension Act No. 102 and Armed Forces Pension Act No. 103 were instituted. Subsequently in 1987, the police and government agencies pension scheme were established under Pension Act No. 75 of 1987 (Ahmad, 2006). Similarly, in 1987, the local government staff pension board was established to take care of pension matters among local government employees. The shortcomings of the previous scheme heralded the National Social Insurance Trust Fund (NSITF) in 1993 to address pension and retirement issues in the private sector (Ayegba, James & Odoh, 2013).

The defined pension scheme was characterized by a series of problems ranging from lack of funds to the presence of ineligible pensioners on the pension payroll. To address these problems, the Federal government in 2004 introduced the contributory pension scheme (Umar, et al 2012). The National Assembly in 2014 amended the Act which was signed into law as Pension Act, 2014 by President Jonathan due to the obvious lapses in the Pension Act of 2004 which includes; non-remittance by government, inability of retired employees to access their pension benefits, inability of employees to open and own a retirement savings account, among others. Despite the visible efforts by the government to cater for the welfare of these pensioners', most of them still find it difficult to receive their pension at the end of every month; and this has left the pensioners to live a life of misery and penury (Anazodo, Ezenwile, Chidolue & Umetiti, 2014).

A review of the compliance reports forwarded by Pension Fund Administrators (PFAs) to the Commission during the first quarter of 2015 revealed that issues of non-compliance with investment limits by some PFAs; delay in the payment of retirement benefits; receipt of pension contributions without appropriate schedules; unresolved customer complaints; and non-implementation of disaster recovery plans are still weighing down the scheme (Ogah, 2016). The state of affair is raising questions as to whether the 2014 pension scheme can resolve the age-long problems faced by retiring and already retired employees in Nigeria. It is to this end that this paper seeks to answer the question to what extent has the timely payment of retirement benefits affected pensioners' welfare in Abuja Municipal Area Council, Federal Capital Territory – Abuja, Nigeria.

The objective of the study is to examine the extent at which timely payment on pensioners' benefits affects their welfare in Abuja Municipal Area Council, Federal Capital Territory – Abuja, Nigeria for the period of 2014–2019. The paper hypothesizes no significant relationship between timely payment and pensioners' welfare in Abuja Municipal Area Council, Federal Capital Territory – Abuja, Nigeria.

This study is unique as its specific focus, this is because it is different from other previous research works in the same area which was mainly on the repealed 2004 Contributory Pension Scheme. The period covered in this study spans from 2014 – 2019. The choice of this period was necessitated by numerous problems associated with the 2004 scheme leading to its reform in 2014 by an Act of the legislature. The study, therefore, is limited to the operations of the 2014 Contributory Pension Scheme within the Abuja Municipal Area Council, Federal Capital Territory – Abuja as it affects pensioners of the Local Government Public Service.

Literature Review

Concept of Welfare

Welfare is a multi-dimensional concept. It is generally referred to as the availability of basic minimum resources and presence of conditions required for a reasonably comfortable, healthy and secured living of an individual. Welfare for anybody can be achieved through proper planning and coordination as the welfare of an individual involves his well-being, good health, security and general comfort (Nwogwugwu & Nwawolo, 2019). It is the provision of a minimal level of well-being and social support for citizens and other eligible residents who lack sufficient current means to support their basic needs. Welfare many a time has been used interchangeably with wellbeing and is used to connote access to the basic needs required for long term sustenance of an individual or individuals in every society.

Basic welfare needs are necessities-ongoing, non-discretionary expenses like food, shelter, transportation, health care, and other essentials (Wells, 2019). To him, developing a retirement income plan requires a clear understanding of what your expenses in retirement will be and these expenses should be covered first through consistent sources of income such as social security, and pensions. Pensioners' must face what is essentially the last transition in their lives; a time when careers are accomplished and the rest of their lives is left for themselves. These basic needs are the minimum requirements for a decent standard of living. Government has to ensure that the welfare of pensioners' is constantly adequate. All hope therefore would be lost should the government fail in the discharge of this sensitive duty.

Concept of Contributory Pension Scheme

Contributory pension scheme as a social protection package, approved by the Federal Government of Nigeria by a Pension Reform Act, allows employees and employers to make joint contributions of a worker's salary per month for the payment of pensions to employees towards their retirement era (Nweke, 2015). The contributions are invested in financial instruments and the level of contribution, which may be variable especially where voluntary contributions are allowed and, on the investment, income determines retirement benefits. There is therefore no certainty as to the level of retirement benefits (Gbitse, 2008).

Contributory Pension Scheme was established for payment of retirement benefits of employees whom the scheme applies under the PRA 2014. The scheme being a funded scheme, has accumulated a huge pool of long-term investable fund which is being invested, leading to national economic development. The essence of the 2014 Pension Reform Act is to ensure that employees have improved hope of fruitful and comfortable retirement life and retires receive their pension benefits as and when due. Contributory pension scheme guarantees consolidated funds to cater adequately for the welfare of pensioners in Nigeria. The question therefore is – with the consolidated pension funds, are pensioners being paid promptly and regularly in the new scheme?

Empirical Review

Uzoh & Anekwe (2018) conducted a research on the contributory pension scheme and the fate of the retired and retiring Nigerian workers. The study sought to examine how Nigerian workers have fared after more than thirteen years of the introduction of the new scheme. The findings indicate that, the scheme is still enjoying low penetration as many public and private organizations are yet to key into it and that the administration of pension funds in Nigeria has been enmeshed in all manner of challenges since the commencement of pension payments to retired workers in Nigeria. This study is criticized because the study was analyzed based on the perception of individuals, newspapers and magazines which not give might room for generalizations of the findings of the study.

Nwagwu (2013) focused on the new contributory pension scheme and prompt payment of pension benefits to pensioners in Nigeria. The objective of this study is to appraise the administration of the new contributory pension scheme in federal universities in South-Eastern Nigeria to determine whether the scheme has ensured prompt and regular payment of pension benefits to pensioners. Agency theory was adopted as the theoretical framework to examine the contractual relationship that exists between principal and agent. The research design applied was descriptive survey design, which involved the use of primary data source (questionnaire and interview) and qualitative method for documentary evidence. T-test was used in testing the hypothesis. The result revealed that the new pension scheme has ensured prompt and regular payment of pension benefits to pensioners in federal universities in South-Eastern Nigeria. Based on the findings, relevant recommendations were made.

Nwawolo & Nwogwugwu (2019) focused their study on examining contributor's involvement in pension fund investment decision making and retiree's standard of living. The main aim of the study is to examine retiree's access to their pension benefit and how it improves the retiree's living standard. The convergent parallel research design was adopted with the descriptive and inferential statistics (linear regression) employed in the analysis of data. From the findings of the study, it was discovered that contributor's decision making on pension fund investment exerted a positive significant effect on retiree's standard of living. The main weakness of this study was that it focused on just one aspect of the 2014 CPS being access to pension benefit by retirees while ignoring the rest.

Theoretical Framework

The theoretical framework adopted for this study is agency theory. The exponents of the theory are Jensen & Meckling (1976), Brown (1993), Chain & Rosenbloom (1994), Kay (1992) and Wood & Waterman (1994). Agency theory explains the relationship between principals, such as shareholders and agents. An agency relationship arises whenever one or more individuals called principals, hire one or more other individuals called agents, to perform some service and then delegate decision-making authority to the agents to keep custody of the fund and assets and to invest as he considers fit on behalf of the principal. The agency theory is applied to this study and it explained explicitly the relationship between the principal and the agent in a contractual venture. Agency theory provides insights into the contractual relationship between employees participating in the contributory pension scheme (the principal) and agents that is the PFA's. An agency relationship arises whenever one or more other individuals called principals, (in this sense the contributory employees) hire one or more other individuals called agents, (here also the pension fund custodians and pension fund administrators) to perform some service and then delegate decision-making authority to the agents to keep custody of the funds and assets and to invest as he considers fit on behalf of the principal.

The relationship is such that the principal delegate or hire agents to perform a task or do a work of service for consideration of incentive. The amount being deducted is kept and invested by the PFA's (agent) on behalf of the principal (employee participating in the contributory pension scheme) according to the subsisting pension law. The application of the operational guidelines and the regulatory policy instruments issued (from time to time) by the National Pension Commission to the licensed PFA's and PFC's translates to prompt and regular payment of pension benefits to retirees. The application of the theory indicates that the activities of the agent are meant to serve the interest of the principal in terms of prompt and regular payment of pension benefits to retirees in Nigeria with particular reference to pensioners' in Abuja Municipal Area Council, Federal Capital Territory - Abuja, Nigeria which is the hallmark of pension fund administration in Nigeria.

Research Methodology

Research Design

The study employed census method. This is a method of statistical enumeration where all members of the population are studied. The choice of this design hinges on beneficiaries of the 2014 scheme as captured by AMAC. A structured questionnaire was administered to these beneficiaries (the pensioners') through their respective Pension Fund Administrators. The population of the study constitutes the fifty pensioners' in Abuja Municipal Area Council from 2014 – 2019.

Sample Size and Sampling Technique

The sample size of the study is fifty (50) as the entire population was taken for the study. This is because the study adopted census design. This means that a census was taken for the pensioners as represented in Table 1 below.

Table 1 Distribution of Pensioners' in their respective PFA's

S/N	Retiree's Pension Fund Administrators (PFA's)	Total Number of Retirees in a Pension Fund Administrator (PFA)
1.	Sigma Pension Ltd	20
2.	ARM Pension Managers Ltd	12
3.	Premium Pension Limited	6
4.	Trustfund Pensions Plc	1
5.	Stanbic IBTC Pension Managers Limited	1
6.	First Guarantee	10
	Total	**50**

Source: AMAC Report, (2019)

The Instrument of Data Collection

The main instrument used for collecting the primary data is the questionnaire. A structured questionnaire was designed and administered to respondents with necessary instructions on how it should be completed. The questionnaire was structured using the 5point Likert scale to elicit the responses from the respondents on how timely payment has affected pensioners' welfare in AMAC.

Validity and Reliability of the Instrument

The researchers solicited the assistance of other research experts (including a PFA and a pensioner) for the content validation of the questionnaire schedule. Through this process, necessary modifications were made to ensure the content validity of the instrument. The reliability of the instrument was carried out using a pilot test. To ensure internal consistency of the questionnaire, a pilot study was conducted among 10 respondents and the Cronbach's Alpha output result from the SPSS was 84% showing that the instrument is reliable to proceed with the analysis.

Table 2 Reliability Statistics

Cronbach's Alpha	N of Items
.838	15

Source: Output from SPSS 20.0

β0= Constant **Method of Data Analysis**

The inferential statistical tools employed to test the hypothesis is simple linear regression. The choice of this statistical tool is based on its suitability for the data as the preliminary test conducted shows that the data are normally distributed, no sign of heteroscedasticity and no sign of serial autocorrelation. This shows that the data complies with regression assumptions. The simple linear regression can be specified as below as:

$PW = \beta 0 + \beta 1TP + \mu$..1

Where:

W= Pensioners' welfare

TM= Timely Payment

$\beta 1$= Coefficient
μ= Error Term (Signifying variables not included in the model)

Discussion of the Findings
The hypothesis of the study is stated in a null form as:
Ho[1]: There is no significant relationship between timely payment and pensioners' welfare in the Abuja Municipal Area Council.
The variables for the study are Timely Payment and Pensioners' welfare. Regression was used to test the hypothesis at 5% level of probability.
Decision Rule: Accept null hypothesis if the P-value is greater than 5% level of probability and if otherwise, reject the null hypothesis.

Table 3 **Model Summary**

Model	R	R Square	Adjusted R Square	Std. The Error of the Estimate	Durbin-Watson
1	.747[a]	.558	.538	1.36346	1.655

a. Predictors: (Constant), Timely Payment
b. Dependent Variable: Pensioners Welfare
Source: Research Survey, (2019)

Table 3 presents the model summary of the analysis. The R2 of 0.558 calculated points to the fact that about 55.8 per cent variation in pensioners' welfare is explained by the regressor (timely payment). That is, 56% variation in pensioners' welfare can be explained by changes in the timely payment, while the other 44% variation can be explained by other factors outside this model.

The assumption of no autocorrelation of the error terms is also a requirement of linear regression. Durbin-Watson can be used to test the independence of error terms. The general rule of thumb is that if the Durbin-Watson value is between 1.5 and 2.5, the assumption of independence of the terms is not violated. The Durbin Watson coefficient stood at 1.765 as shown in Table 3 which falls within the benchmark. This indicates the absence of harmful serial correlation. This also fulfils one of the assumptions of linear regression.

Table 4 **Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.480	1.737		.758	.051
	Timely Payment	.235	.080	.367	2.871	.005

a. Dependent Variable: Retirees' Welfare
Source: Research Survey, (2019)

Table 4 above shows the outcome of timely payment on pensioners' welfare. Upon fulfillment of the assumptions of regression analysis, simple linear regression analysis was considered suitable in testing the research hypothesis. From Table 4 the model is presented as follows:

$PW = 3.480 + 0.235TP + \varepsilon$
PW = Pensioner Welfare
TP = Timely Payment
ε = Error term (Signifying factors not included in the model)

Ho[1]: There is no significant relationship between timely payment of retirement benefits and pensioners' welfare in Abuja Municipal Area Council (AMAC) FCT, Abuja. The coefficient of "Timely Payment" stood at 0.235 which is positive. This implies that an increase in timely payment would lead to an increase in pensioners' welfare in AMAC. However, the significance of this can be judged from the P-value represented as "sig".

The t statistics of "Timely payment" stood at 2.927 with a p-value of 0.005. The p-value is less than 0.05, indicating that the relationship depicted in the model is significant at 95% confidence level. This implies that the study does not have enough statistical evidence to accept the null hypothesis. Based on the above analysis, the study failed to accept the null hypothesis H01, which states that there is no significant relationship between Timely payment and Pensioners' welfare in AMAC in favour of the alternative hypothesis.

The study found that there is a significant relationship between timely payment and pensioner's welfare in AMAC. As depicted in table 4 that timely payment has significant relationship on pensioner's welfare in AMAC. In view of the above, timely payment, therefore, translates to pensioners' empowerment to access their basic needs–welfare. The findings of the study are line with the position of the theoretical framework that explains the relationship between the pension fund administrators and the pensioners as regards timely payment of pensioners' welfare into their retirement savings account. The findings also correlate with the discovery of Kotun, Adeoye & Alaka (2016) which revealed that 2014 contributory pension scheme has a positive impact on retiree's welfare which has a positive impact on the organization efficiency.

Conclusion and Recommendation

The study in line with the theoretical framework and the tests conducted on the data and analyses of results, found that 2014 Contributory Pension Scheme has a significant effect on pensioner's welfare in AMAC during the period covered by the study. The study, therefore, concludes that timely payment has a significant effect on pensioner's welfare in AMAC. This means that prompt and timely payment of retirement benefits to the pensioners by the Pension Fund Administrators will positively enhance the retiree's welfare. The study therefore recommended that the federal government ensure the sustainability of the 2014 contributory pension scheme and also ensure timely release of these funds to the various PFAs who will in turn adequate remit these funds into the RSA of pensioners to ensure the sustainability of the scheme. This can be done by ensuring that adequate attention is being paid to the settlement of the 1year back log in the dispensing of retirement benefits for retirees who are yet to start receiving their retirement benefit owing to this delay. Also, early verification for the calculation of benefits and reconciliation of the retiree's account should be done by the pension operators to ensure that the retiree starts receiving his or her retirement benefit immediately after retirement.

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