The political economy of pensions

Adeoye Afolabi*

Department of Economic and Management Studies,
School of Social and Management Sciences,
Afe Babalola University,
PMB 5454 Ado-Ekiti, Nigeria
Email: adeoye.afolabi@yahoo.co.uk
*Corresponding author

Aida Sy

Critical Accounting Projects Inc.,
New York, USA
Email: Aida.sy1776@gmail.com

Abstract: The paper assesses the success and challenges of pension industry in Nigeria, as a result of various reform that taken place. We find that the Pension Reform Act (PRA) 2004 make it possible for the industry to grow. However, the activities of the regulators of the industry are making it difficult for the pension industry to achieve is mandate. The empirical evidence shows that there is a positive relationship between contributory pension scheme (CPS) and gross domestic product (GDP). This result suggests that contributory pension scheme (CPS) have positive impact on the economy of Nigeria. Thirdly, we find that the respondents from stakeholders of the pension industry indicate that there is transparency and accountability in the financial reporting of the pension industry, operational and market risk affect pension fund management and return on pension fund. We recommend that the risk assessment should be improved upon in the area of pre-investment risk appraisal. This will help to guide against economic and political risks that are prevalent in an emerging economy of ours in Nigeria.

Keywords: Pension Reform Act; PRA; contributory pension scheme; CPS; gross domestic product; GDP; risk; political economy of pensions.

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Biographical notes: Adeoye Afolabi obtained his BSc degree from Obafemi Awolowo University IIe-Ife, MSc in Accounting and Finance from Ahmadu Bello University Zaria, and MPhil and PhD in Accounting and Finance from Brunel University London, UK. He is a member of the Association of National Accountant of Nigeria (ANAN). Previously, he was an Assistant Chief Academic Standard Officer (ACSO) at the National Universities Commission Abuja Nigeria. Currently, he is a Senior Lecturer (Accounting program) at Afe Babalola University Ado-Ekiti, Nigeria and a Facilitator at the National Open University of Nigeria.

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Aida Sy holds a PhD (with first honours) from the University of Sorbonne, a Masters in Management-in-Chief and two Bachelor's degrees. She teaches Accounting and Taxation in the USA, edits and co-edits refereed journals was and is a Research Fellow at the Universities of St. Andrews University; Glasgow-Caledonian University; Paris-lX Dauphine; and Bordeaux-lV, Montesquieu. She has numerous publications, serves on the editorial board of several journals, and was plenary speaker in China, Europe, South America and the USA. She has participated to international conferences as presenter, chair and discussant.

1 Preamble

Even the New York Times (Internal Edition of July 2009) as Daniel Gross noted that the most recent financial crisis has sent even conservative observers rushing desperately to the 'great unwashed' (to paraphrase Edmund Burke). Even the nemesis of the Right; Karl Marx, has been resurrected from the trashcans of history in a frantic dance to make sense of market failures or 'economic dis-equilibriums'. The problem for the mainstream (Neo-Classical) literature is that, in its quest to preserve the status quo, it depicts an ideological picture of endless equilibriums. Dis-equilibriums or market failures do not figure in this lexicon.

Karl Marx is often quoted but rarely read. However, a careful study of volumes 1 and 2 of KAPITAL reveals a critical analysis of the market, and by implication, all attempts of privatisation of the public sector that inevitably invites further crises. The basic tension between the public interest and private market gain is a dilemma that is a thread running throughout Marx's writings. The IMF has been dishing out this market-based medicine throughout Europe, under the banner of austerity with catastrophic results.

Economic sectors such as pensions, retirements and other fringe benefits have been affected the markets. In the USA, for instance, public pensions got their start with various 'promises', informal and legislated, made to veterans of the Revolutionary War and, more extensively, the Civil War. They were expanded greatly, and began to be offered by a number of state and local governments during the early Progressive Era in the late 19th century.

2 Background of the study

The right of every employee who has worked or is currently working for an organisation (both public and private), for a number years is to be entitled to some benefits which could be in form of gratuity and pension payable to such employee by its employer at the time of retirement. Pension is viewed as a sum of money paid regularly to a person who no longer work because of old age, disability or retirement or to his widowed or dependent children by the state, former employers or from provident fund to which he and his employer both contributed. The pension system prior to 2004 was bedevilled with many problems and irregularity which make the payment of the retirement benefit in Nigeria a nightmare, and gross failure.

Against this background, Koripamo-Agari (2009) and Yunusa (2009) posited that the major weaknesses of pension scheme was lack of adequate and timely budgetary provision coupled with rising life expectancy, increasing number of employers, poor implementation of pension scheme in the private sector due to inadequate supervision and regulation of the system and too many private sector employees were not even covered by the form of pension scheme. These problems associated with payment of pension in Nigeria necessitated the need for sweeping reforms, which the government during Obasanjo regime took a bold step in line with popular demand. This gave birth to the Pension Reform Act (PRA) of 2004. Elumelu (2005) claimed that the 2004 PRA established a uniform contributory; private sector managed and fully funded pension system for both the public and private sector of the country. The PRA 2004 was also established to address the manifested loopholes in the old defined benefit pension scheme and provide adequate resources to retirees after retirement from the service. The large capital pool demands that there should be sound and uniform investment decision making to ensure that value is added to retirement saving account (RSA) contribution. Investment is normally done in the presence of numerous risk mostly political, markets and economic in nature. Investment and market analysis of these pension fund administrators (PFAs) are always propelled to ensure that there is safeguard and safety of these pension assets. The fund accounting organ of PFAs record every bit of inflow and outflow of pension assets in and out of the entity fund.

Consequently, this paper examines the various pension reform adopted in Nigeria it success and challenges, empirically analysed the impact of contributory pension scheme (CPS) on the economy [gross domestic product (GDP)] and examine how the risk prevalent in pension fund investment affects pension management. The pertinent research questions in this study is that with the various reform that occur in Pension Industry in Nigeria in pre and post independence period what are the success and challenges? In addition, does CPS have any impact on the economy? Also does the risk prevent in pension investment affect pension management.

Moreover, we find that Pension Reform Industry Act 2004 make it possible for the industry to grow. However, the challenges facing by the pension industry include dearth of investment instrument for pension fund asset, some activities of the regulator within the Nigerian economy such as Securities Exchange Commission (SEC), National Insurance Commission (NAICOM) etc make it difficult for the pension industry to achieve its mandate. In addition, the empirical evidence shows that there is positive relationship between CPS and the GDP. This result implies that the CPS have some positive impact on the economy of Nigeria in term of the GDP. Operational and market risk affect pension fund management and return on pension fund. The respondents who are the stakeholders believe that there are transparency and accountability in the financial reporting of the pension industry. The respondents show that PRA 2004 helps to reduce the problem of defined scheme.

Based on these findings, this study recommends that that the risk assessment should be improved upon in the area of pre-investment risk appraisal. This will help to guide against economic and political risks that are prevalent in an emerging economy of ours in Nigeria. Pension Commission should ensure effective monitoring, supervision and enforcement of the provision of the PRA 2004, which are the inevitable ingredients in the CPS towards GDP. More professionals should be employed by PFAs to bring competence and professionalism to the investment of funds and risks and return there on.

The next section of this paper is the literature review, Section 4 is the methodology of the study, Section 5 illustrates the results of the analysis of the study, and Sections 6 and 7 indicates conclusions and recommendation for the study, respectively.

3 Literature review on pension industry in Nigeria

The issue of pension administration in Nigeria has been a topical subject of discussion over the years prior to PRA 2004, which was the result of the agitations for a reform in this sector of our national life. Since it did bother on the welfare of retired workers, and out of service senior citizens of our collective community (The Nigerian State), there have been various contributions posited by various commentators over the years which brought to light the issues of poor record keeping, underfunding by government, delays in payment, corruption within the system (Pension Commission, 2006). Also, from 2005 to 2012, other works have been undertaken by other contributors on areas like: An assessment of the need for government supervision and control on investment areas by PFA's, An assessment of the 2004 PRA, the way out of pension nightmare, an assessment of Pensions Administration in Nigeria and an appraisal of the Pension 2004 Reform Act (Pension Commission, 2012).

OECD (2013) has observed that institutional investors, in particular pension funds, mutual funds and insurance have enhanced their role as collectors of savings over the past few decades. It went on to conclude that this trend is likely to continue as retirement saving grows and the increased pension saving will augment the size of capital markets. The large pool of savings which constitutes pension funds must be channelled into portfolios for reasonable returns so that old-age liquidity of the retirees (former affiliates) and hence their old-age consumption (welfare) can be assured. This requires a high degree of financial intermediation in the financial sector. Such a come-together of the deficit and surplus spending units is likely to result in more deepening of the financial system (Goldsmith, 1969; Ghani, 1992; Greenwood and Jovanovic, 1990).

Against this background, this study examines the impact of CPS on the economic growth in term of GDP of Nigeria.

3.1 An overview of pension systems in Nigeria

The history of Nigeria's pension system dates back to the year 1951 when the first pension scheme was inaugurated in the country. Nigeria's first ever legislative instrument on pension matters was the Pension Ordinance of 1951 which had a retroactive effect from 1st January, 1946. The law provided public servants with both pension and gratuity. The National Provident Fund (NPF) which was established in 1961, was the first legislation enacted to address pension matters of private organisations. Pensions Decrees 102 and 103 (for the military) of 1979 were enacted with retroactive effect from April, 1974 (Ahmed, 2006). The police and other Government Agencies' Pension Scheme were enacted under Pension Act No. 75 of 1987. This was followed by the Local Government Pension Edict which culminated into the establishment of the Local Government Staff Pension Board of 1987 (Balogun, 2006).

In 1993, the National Social Insurance Trust Fund (NSITF) scheme was established by decree No. 73 of 1993 to replace the defunct NPF scheme with effect from 1st July, 1994 to cater for employees in the private sector of the economy against loss of

employment income in old, invalidity or death. Before 2004, most public organisations operated a defined benefit (pay-as-you-go) scheme and final entitlements were based on length of service and terminal emoluments. The defined benefit pension scheme in Nigeria was plagued by many problems among which were poor funding due to inadequate budgetary allocations [for instance shortage of budgetary release relative to benefits resulted into unprecedented and unsustainable outstanding pension deficit estimated at over N2 trillion before 2004 weak, inefficient and non-transparent administration (Balogun, 2006).

Moreover, there was no authenticated list or data base on pensioners and about 14 documents were required to file for pension claims. Restrictive and sharp practices in the investment and management of pension funds exacerbated the problems of pension liabilities and over 300 government ministries, agencies and parastatals schemes were bankrupt before the defined benefit scheme (DBS) was finally jettisoned and replaced with the funded contributory benefit scheme in July, 2004 (Balogun, 2006). The new pension scheme was established for all employees of the federal public service, federal capital territory and the private sectors (including informal sector employees) in Nigeria. The major operators under the scheme are the National Pension Commission (PenCom), PFAs, Closed Pension Fund Administrators (CPFAs) and Pension Fund Custodians (PFCs).

Moreover, being a contributory scheme, employees are to contribute minimum of 7.5% of basic salary, housing and transport allowances and employers are to also contribute a matching fund. So the total minimum monthly contribution of a typical employee contributor under the scheme is 15% of basic salary, housing and transport allowances. Pension Commission was established to regulate, supervise and ensure an effective administration of pension matters. In this regard, the commission is mandated under the Act to inter alia, establish standard rules for the management of pension funds, approve, license and regulate PFAs, PFCs and CPFAs, manage national data bank on pension, impose sanctions or fines on erring employers, PFAs, PFCs and CPFAs and ensure that payment and remittance of contributions are made and beneficiaries of retirement savings accounts (RSAs) are paid as and when due. In order to avoid the illiquidity and un-sustainability that plagued the erstwhile defined benefit (PAYG) system, the Act and subject to enforcement by Pension Commission specifically spelt out the investment of pension assets (Pension Commission, 2010).

In Nigeria, over the past years, the nation has been grappling with numerous challenges on multiple fronts, among which is pension and gratuity payment system of her ex-workers. Both the private and public sector workers have been confronted with this challenge. The public sector workers have suffered a lot under the DBS and their private sector counterparts have been pained owing to different pension plans by their respective employers. Retirement benefit paid to retired employees prior to 2004 Reform Act was gratuity and pension (Pension Commission, 2010).

In addition, Adegbayi (2005) explained that gratuity as the payment of a lump sum to an ex-employee at the period of retirement while pension is the payment of monthly stipend to a person who has retired from active employment or business engagement. The payment is sustained by way of deductions from past entitlements or past earnings, which are saved to provide retirement benefits. Thus as a tax saving devise, savings toward pensions is quite encouraging. Equally, since pension saving is long term, it is also useful as a macroeconomic tool for national development by enabling money to be in circulation for long-term investment. Amujiri (2009) revealed that there are four main classification

of pension in Nigeria. These are retiring pension, compensatory pension, superannuating pension and compassionate allowance. It should also be noted that gratuity is a one-and-for-all lump sum of money paid to an employee on retirement. A retiring worker can be entitled to gratuity only or both gratuity and pension. It then means that a worker who is entitled to pension is also entitled to gratuity.

Thus, Table 1 shows the key players of the pension industry in Nigeria.

Table 1 The key players of pension industry and their function

Type of activities	*Stakeholders*	*Key functions*
Inject fund	Contributors employee	Open RSA and select PFA
		Maintaining RSA (ensure contribution are remitted)
Inject fund	Contributors employers	Remitted contribution to PFC
Manage funds	Operators: PFA	Invest and managed pension fund asset.
		Maintaining book of accounts on all transaction relating to PFAs.
		Provide customers service support to contributors.
		Pay retirement benefit to employee when due.
		Report to Pension Commission.
Developed and sustain industry	Regulator: National Pension Commission	To regulate and support the pension industry.

Source: Price Water House Copper (PWC) analysis

3.2 Objectives of the new pension scheme in Nigeria

Prior to the new pension scheme, Nigeria operated a pay-as-you-go DBS burdened with a lot of problem. Ahmed (2008) attributed the non-performance of the define benefit system of pension to under fund; unsustainable outstanding pension liabilities; weak and inefficient pension administration; demographic shifts and aging of the scheme; non-courage of workers in the private sector by any form of compulsory retirement benefit arrangement; and poor regulation of the hitherto scheme.

Due to the above deficiencies, there was need for proper and adequate reformation in order to properly cater and provide for retiree benefit. These identified loopholes necessitated the ushering in of the modern CPS. The CPS in the words of Ahmed (2006) is premised on the following: To ensure that every worker receives his retirement benefits as and when due.

- to empower the worker and assist workers to save in order to cater for their livelihood during old age
- stem the growth of pension liabilities
- establish uniform rules, regulation and standards for the administration of pension matters
- secure compliance and promote wider coverage.

3.3 Results of the interview conducted by PWC

Price Water House Copper (PWC, 2012) conducted an interview engaged several key holders of Pension industry in Nigeria in order to obtained the view about the industry as well as how to move the industry forward. The approach adopted include holding structured interview, administration of questionnaires and giving access to a web-based portal where respondents gave feedback about their views. An intensive research of the Nigerian and Global Pension industry were undertaken to determine how the Nigerian Pension is faring vis-à-vis other countries pension industries. As a result, several key issues were identified such as challenges and success of the pension industry. In addition, the strength, weakness, opportunities and threats of the industry were identified. Below are the findings of Price Water House Copper which indicate the challenges and success of the pension industry in Nigeria.

3.3.1 Public sector challenges

Dependence on budgetary provisions from various tiers of governments for funding;

- poor staffing and equipping of pension administration offices
- poor record keeping at pension offices resulting in delays in payment of pensioners entitlements
- tedious payment procedures
- the reimbursement process for the split of pension and gratuity payments between the federal and state services and other agencies were cumbersome and fraught with corruption
- a national pension deficit of NGN 2.3 trillion.

3.3.2 Private sector challenges

Most private sector employees were not covered by any form of pension of pension scheme;

- most of the private sector pension schemes were like provident fund schemes which did not provide for periodic benefits
- diversion and mismanagement of existing pension funds by board of trustees and fund managers
- very low compliance ratio due to the lack of effective regulation and supervision of the system
- an aged population with little or no means of sustenance/livelihood.

The 2004 enactment of the PRA establishing the National Pension Commission introduced key safeguards to address some of these challenges such as;

a separation of the functions of the PFA and the PFC

b guarantee by the PFC to the full sum and value of the pension assets held by it

c development of investment regulations/guidelines and limits

d capital requirement limits for all PFAs set at NGN 150 million, currently reviewed to NGN 1 billion.

3.4 The new pension scheme have many success recorded to date

a Since the introduction of new pension scheme in 2004, the industry has grown from zero position to having a subscriber base of over N 5.28 billion.

b Inspire of Nigeria the Nigerian socio-cultural environment the industry has been able to create an atmosphere of transparency, and trust in dealing with stakeholders which was due to management style of the pioneer executive management of Pension Commission.

c Due to Pension Commission consultancy approach in interaction with industry players and collaboration with other regulators. It has been able to come up with a robust regulatory framework which has successful guide the affairs of the industry to date.

d Separation of the function of the PFA from those of the PFC which enhanced the security of the pension fund asset. Unlike the previous pension scheme retirees received their benefit within six months.

3.5 The key challenges faces the pension industry in Nigeria

a Cessation of the tenure of the incumbent commissioners creating concerns within the industry as to whether the achievement made so far will be sustainable or eroded when new executive management is appointed.

b Dearth of investment instrument for pension fund asset.

c Showing ability of the pension industry to increase its contributor base at pace. In 2007, the contributory-based increase by 69.1% from 2001 base of appropriate 1.5 million to 2.5 million subscribers. This is against 2012 where the contributors-based increase by only 7.2% over the 2011 figure of 4.9 million to 5.2 million subscribers.

d Some activities of the regulator within the Nigerian economy such as SEC, NAICOM etc make it difficult for the pension industry to achieve its mandate.

e Lack of skill manpower within the industry to enable it effectively carries out its mandate.

4 Methodology of the study

This section provide the method of collection of data and other material show in the analysis of the study in order to give a robust evidence to support the findings for the study.

4.1 Sources of data

The source of data is through primary source which is questionnaire where a pilot study was carried out before the final collection of the data. The questionnaires were administered to the stakeholders of pension industry in Nigeria such as the regulators (Pension Commission), contributors (employee and employers), PFAs, and PFCs.

The secondary method of data collection was through information from Pension Commission, World Bank Report, Price Water Consultancy, and Federal Bureau for Statistics.

4.2 The sample of the study

The study uses a stratified random sampling method to collect the data from categories of respondents who are stakeholders of pension industry in Nigeria. The survey questionnaire administered were 400 returned out of 480 to the respondents, this give a response rate of 83.33%. Table 2 shows the percentage of respondents from the survey questionnaire.

Table 2 The stakeholders of pension industry, numbers and percentage of respondents for the survey questionnaire

Stakeholders of pension industry	*Number*	*Percentage*
Regulators	50	12.5
Pension fund administrators and custodians	60	15
Contributors: employees	190	47.5
Contributors: employers	100	25

5 Results of the data analysis

To assesses the pension industry in Nigeria this section provide the results of the analysis of the questionnaires administered to the stakeholders of pension industry in Nigeria and also show some evidence from the secondary data through the World Bank, OECD, Pension Commission and United Nation.

Table 3 The CPS, GDP and percentage of CPS in GDP

Years	*CPS (N trillion)*	*GDP (N trillion)*	*Percentage of CPS in GDP*
2005	0.164	11.674	1.4
2006	0.189	14.735	1.3
2007	0.243	18.710	1.3
2008	0.284	20.874	1.4
2009	0.384	25.425	1.5
2010	0.412	25.490	1.6
2011	0.514	25.650	1.7
2012	0.580	25.840	1.8
2013	0.750	26.550	2.1

Source: Pension Commission and Bureau of Federal Statistics

5.1 Results of the correlation analysis of CPS and GDP

In Table 4, there is evidence that there is positive relationship between CPS and the GDP. This result suggests that the CPS have some impact on the economy of Nigeria in term of the GDP.

Table 4 The correlations between CPS and GDP

		CPS	*GDP*
CPS	Pearson correlation	1	.844**
	Sig. (two-tailed)		.004
	N	9	9
GDP	Pearson correlation	.844**	1
	Sig. (two-tailed)	.004	
	N	9	9

Note: **Correlation is significant at the 0.01 level (two-tailed).

5.2 Results of the comparison with other selected countries

In Table 5, there are evidences that Nigeria and Ghana represent the largest room for growth of contributors in the current pension scheme with less than 10% of the recorded employed population contributing to the current pension scheme. The key question is that how did Canada and Australia achieve 100% population contributors?

Table 5 Pension industry compared with other countries

Indices	*Nigeria*	*Argentina*	*Mexico*	*Chile*	*Canada*	*Australia*	*Ghana*	*South Africa*
Population (M)	160	42	115	18	34	23	25	51
Active population %	56	64	66	69	72	61	69	35
Unemployment rate %	24	7	5	7	8	6	4	25
Employed population (M)	69	25	72	11	30	13	17	23
No. of contributors (M)	5	10	47	5	30	13	1	11
Period of pension scheme (Yr)	10	20	17	33	140	106	6	56
Pension assets as % of GDP	7	4	13	59	78	96	7	62
Pension fund assets ($b)	18	149	134	159	1,303	1,301	1	227
Assets per contributors ($)	3,434	15,204	2,933	33,726	44,039	100,231	1,244	20,178

Source: BMI, Pension Commission, UN, World Bank, OECD and PWC

5.3 Result of the analysis between pension variable and GDP

According to Table 6, there is an indication that the respondent strong agree and agree that GDP is an overall index to measure economic development of a nation, pension fund management has contribute to the current rebased of GDP and the future of GDP index of Nigeria will be dependent on how well the pension Fund management manage it. However, the respondent disagree that the PFA are not doing well. This suggests that some PFAs are facing some challenges.

Table 6 The statements, mean, standard deviation, and % frequency of the pension variable and the GDP

Statements		*Variables*	*Mean*	*Standard deviation*	*Frequency %*
1	GDP is the overall index to measure economic development of a nation?	Economic development	4.0	0.9	60 = A 29 = SA
2	GDP index is an indicator that the PFA's are all operationally healthy and doing well?	Pension fund	2.0	1.3	44 = D 19 = SD
3	Pensions fund management has contributed immensely to current rebase GDP?	Fund mgt.	4.1	0.8	55 = A 32 = SA
4	The future GDP index of Nigeria will be dependent on how well the pensions fund management does?	GDP index	4.0	1.1	46 = A 22 = SA

Notes: SA = strongly agree, A = agree, SD = strongly disagree and D = disagree.

5.4 Results of the analysis of the pension fund, investment, income tax, CPS, capital market and job opportunity

In Table 7, the respondents are strongly agree and agree that operational risk affect pension fund management, the market risk reduce return on pension investment, the establishment of PFA and PFC lead to job creation. In addition, the respondents also agree that the financial statements of every contributor are promptly reported. This indicates that there is accountability and transparency in the activities of the pension industry management. Moreover, the respondents believe that investments risk is well managed.

Table 7 Statements on investments CPS, risk and income tax with mean, standard deviation and % frequency

Statements		*Variables*	*Mean*	*Std. deviation*	*Frequency %*
5	The operational risks affects pension fund management?	Operational risk	4.0	1.2	42 = SA 37 = A
6	Is there inefficient management of investment risk?	Investment risk	2.0	1.1	40 = D 60 = SD
7	The market risk reduces the return on pensions fund investment?	Market risk	4.0	1.3	38 = SA 37 = A

Notes: SA = strongly agree, A = agree, SD = strongly disagree and D = disagree.

Table 7 Statements on investments CPS, risk and income tax with mean, standard deviation and % frequency (continued)

Statements		*Variables*	*Mean*	*Std. deviation*	*Frequency %*
8	The establishments of PFAs' and PFCs' lead to job opportunity creation?	Job opportunity	4.5	0.6	50 = A 49 = SA
9	There was prompt access to financial statement and status report?	Financial statement	4.0	1.2	39 = SA 37 = A
10	The CPS provides resources for investment in the money and capital markets?	Capital market	4.7	0.5	67 = SA 33 = A
11	The payment of tax to government through personal income tax of the employees of various PFAs' and PFCs'?	Income tax	4.5	0.5	55 = SA 44 = A
12	The PRA of 2004 helps in reducing problem of defined scheme?	Pension reform	4.3	1.0	50 = SA 39 = A
13	The CPS enhances adequate and prompt payment to retirees?	Payment retirees	4.5	0.9	63 = SA 31 = A

Notes: SA = strongly agree, A = agree, SD = strongly disagree and D = disagree.

6 Conclusions

This paper assesses the success and challenges of pension industry as a result of various reformed that taken place in the industry, impact of CPS on the economy (GDP) and to examine the risk prevent in pension investment affect pension management. We find that Pension Reform Industry Act 2004 make it possible for the industry to grow from zero position to having a subscriber based of over N 5.28 billion. Due to Pension Commission, consultancy approach in interaction believe that the CPS provides resources for investment in capital market, payment of tax promptly, the PRA 2004 reduced the defined scheme problem and CPS enhanced the payment of retirees. However, the respondents strongly disagree on the issues that with industry players and collaboration with other regulators. It has been able to come up with a robust regulatory framework which has successful guide the affairs of the industry to date.

In addition, there are evidence that separation of the function of the PFA from those of the PFC which enhanced the security of the pension fund asset. Unlike the previous pension scheme retirees received their benefit within six months.

However, the challenges facing by the pension industry include dearth of investment instrument for pension fund asset, some activities of the regulator within the Nigerian economy such as SEC, NAICOM etc make it difficult for the Pension industry to achieve its mandate.

Moreover, we find that in Table 4 there is positive relationship between CPS and the GDP. This result implies that the CPS have some positive impact on the economy of Nigeria in term of the GDP.

Beside this, in Table 5 when comparing the pension industry with other developed countries there are evidences that Nigeria and Ghana represent the largest room for growth of contributors in the current pension scheme with less than 10% of the recorded employed population contributing to the current pension scheme.

Furthermore, from Tables 6 to 7, we find that respondents of the stakeholders of pension industry in Nigeria expressed their opinion through the survey questionnaire by revealing that GDP is the overall index to measure economic development of a nation, pension fund management contribute to current rebase of GDP in Nigeria. Operational and market risk affect pension fund management and return on pension fund. In addition the respondents believe that there are transparency and accountability in the financial reporting of the pension industry. The CPS provides resources for investments, money and capital markets, finally the respondents show that PRA 2004 help to reduce the problem of defined scheme.

7 Recommendation

We make the following recommendation based on the findings from this study that the risk assessment should be improved upon in the area of pre-investment risk appraisal. This will help to guide against economic and political risks that are prevalent in an emerging economy of ours in Nigeria. Pension Commission should ensure effective monitoring, supervision and enforcement of the provision of the PRA 2004, which are the inevitable ingredients in the CPS towards GDP. Professionals should be employed by PFAs to bring competence and professionalism to the investment of funds and risks and return there on.

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