Administration of Retirement Benefits in Nigeria: Periscoping the Effect on Retirees

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ABSTRACT

The main objective of this paper is to investigate the impact of financial performance on the value of Jordanian industrial firms, which are registered in Amman Financial Market (AFM). The sample of the study consists of (40) firms available on the AFM’s website. They represent 71.4% of the Jordanian industrial firms, during the period (2006-2015). Regression is used to test the study’s hypotheses. Tobin’s Q and operational efficiency indicators are used to measure financial performance (Gross profit and the operating expenses). The study reveals that there is a statistically significant impact of financial performance on the firms’ values.

The study recommends that the firms’ management, stakeholders and investors should concern with using appropriate indicators to analyze financial performance that are developed by the researchers such as the operating efficiency indicators, in addition to TQ index. This is because measuring performance is important for forecasting firm’s value, and helps stakeholders in making appropriate decisions.

Keywords: Financial Performance, Firm value, Tobin’s Q index, Gross profit, and the Operating costs.

1. INTRODUCTION

Retirement is a phase of life that every employee must reach whether prepared for or not. It is the point in time when an employee chooses to leave his or her employment permanently (which could be voluntary or involuntary), and generally coincides with the employee’s eligibility to collect retirement resources ranging from social security to company pensions, etc. It is an inevitable stage in someone’s life be it in the private or public service, it is a period in time whereby one’s effort in an organization and role as a paid worker ceases, (Agoro, 2009; Ahmed, 2007; Bassey & Asinya, 2008).
This can be as a result of ill health, age or statutorily completing the number of years. With the reform of the civil service decree No. 43 of 1988, retirement age has been put at 60 years or 35 years in service. Whichever comes first, there arises the need to carefully and adequately manage these categories of workers who had given most of their life, time and efforts to the actualisation of organizational growth and its development. Thus, it presents a worse situation when the retiree is not adequately prepared to face this ultimate phase of life. This among others have necessitated the need for a pension administration in order to cater for future responsibilities of these categories of workers and to enable them have a similar and reasonable standard of living prior to what obtains while they were in active service.

In most developing countries with Nigeria particularly, government restrict working age of public civil servants to prevent an ageing labour force and allowing entrants of young able-bodied labour for increasing efficiency and productivity, (Federal Republic of Nigeria Official Gazette, 2004). This is important because as an employee becomes older, his Marginal Physical Productivity of Labour (MPPL) will decline, thus retaining such an employee in the service of the organization will lead to running an organization at a loss. Hence, why the statutory working age in the public service is fixed at sixty (60) years or thirty-five (35) years of unbroken active working service before retirement, but the Retirement Age Harmonization Act of 2012 stamps the retirement age of judicial officers and academic staff of tertiary institutions at 70 and 65 years respectively because of the belief that “the older, the wiser” (Maji, 2014).

During retirement, a retiree public officer usually receives certain benefits in the form of gratuity and pension. Gratuities is the sum total lump paid to a worker on existing from the service either through withdrawal or retirement, while pension is the sum of annuity paid periodically, usually monthly to a public servant who disengages from service after attaining a specified age limit usually 60 years or 35 years of active service, (Ezeani, 2001; Ebosile, 2001). In other words, gratuity and pension are post-employment benefits. These benefits are designed to prevent a sudden sharp drop in the financial capacity and living standard of the worker as would happen with the stoppage of his monthly salary and allowances after disengagement. The lump sum or gratuity he is paid is meant to enable the retiree finance any post-retirement endeavour of his choice while the pension replaces the monthly salary the retiree gets while he was still in active service, (Babasola, 2000).

In this way, the retiree having spent a substantial part of his productive life working to earn a living, can in his old age (that is, at retirement) sustain and maintain a standard of living comparable to what he was used to while in active service. It is based on this that most progressive government enact laws to back up their policies on employment, retirement and pension in both the public and private sectors of the economy. To Casey (2011) and Taiwo (2014), pensions as a form of social security against old-age poverty and other uncertainties have attracted great interest virtually everywhere in the world, both in developed, developing and under-developed countries. Pension programmes, especially those that are publicly financed and administered, have become an issue of concern to economists, policymakers and the general public. This is not only because such programmes are central to the well-being of pensioners and the elderly, but also because the majority of pension programmes are not actuarially balanced (that is they are not financially stable) and as such, they are run at deficits, thus making the present values of their future liabilities to be enormous. In some countries, especially those that are economically advanced, pensions are usually extended to other categories of people apart from retirees, such as widows, orphans, disabled people (in the form of disability pensions), and the elderly or the aged.
To this end, an overview of what the administration of pension programme entails in Nigeria is needed for a general understanding of this form of social security service, the effects on retirees and how challenges of these pension schemes can be minimized, hence this study.

2. REVIEW OF LITERATURE

History of Pension Administration in Nigeria

Nigeria being a former colony of Britain received a Pension tradition into her public sector that is entirely modeled after the British structure. The pension system was introduced into Nigeria by the Colonial Administration. The first legislative document on pension in Nigeria was the 1951 Pension Ordinance which had retroactive effect from January 1, 1946. The Ordinance provided public servants with both pension and gratuity. The National Provident Fund (NPF) scheme established in 1961 was the first legislation to address pension matters of private organizations in Nigeria. This was the first social protection scheme for the non-pensionable private sector employees in Nigeria.

Moreover, Pension administration in Nigeria was mainly a saving scheme where both employee and employer contributed certain sum on monthly basis. The scheme provided for only one-off lump sum benefit, (Ahmad, 2007). The NPF was followed by Armed Forces Pensions Acts No. 103 also of 1972 and by the Pension Acts No. 102 of 1979. Other Pension Acts include; Pension Rights of Judges Act No. 5 of 1985 which states that other than the Chief Justice of Nigeria who has held office as a judicial officer for a period of not less than fifteen years shall be entitled to pension for life at a rate equivalent to his last annual salary plus his consolidated allowances. The Police and other Government Agencies Pension Scheme enacted under Pension Acts No. 75 of 1987, the Local Government Pension edict which culminated in the setting of the Local Government Staff Pension Board of 1987 which was established to take care of pension matters among local government employees.

In 1993, the National Social Insurance Trust Fund (NSITF) scheme was set up by Decree No. 73 of 1993 to replace the defunct NPF scheme with effect from 1st July 1994 to cater for employees in private sector of the economy, (Balogun, 2006). In 1997, parastatals were allowed to have individual pension arrangements for their staff and appoint Boards of Trustees (BOT) to administer their pension plans as specified in the standard trust deed and rules prepared by the office of head of service of the federation. The first private sector pension scheme in Nigeria set up for the employees of the Nigerian Breweries was in 1954. The United African Company (UAC) scheme followed in 1957. Pension scheme is broadly divided into the defined contribution plan and the defined benefits plan. In defined benefit plan, the retirement benefits is stipulated usually as a percentage of average salary, but the contribution will vary according to the percentage of the average compensation a participant receives during his or her three earning years under the plan, (Owojori, 2008). A major problem of the pension fund administration in Nigeria was the non-payment or delay in the payment of pension and gratuity by the Federal and State governments.

Pension fund administration became a thorny issue with millions of retired Nigerian workers living in abject poverty and they were often neglected and not properly cater for after retirement, (Orifowomo, 2008). Basically, the old scheme has been plagued with lots of challenges and problems. Some of the problems were demographic challenges, funding of outstanding pensions and gratuities, corruption, administrative bottle necks, to mention just a view. However, the problems of the old pension scheme
led to the pensions reforms of 2004. The Pension Reforms Act (PRA) of 2004 as amended in 2014 is the most recent legislation of the Federal Government of Nigeria which is aimed at reforming the pensions system in the country. It encompasses employees in both the public and private sectors. The PRA of 2004 came into being with a view to reducing the difficulties encountered by retirees in Nigeria under the old pension scheme. The new scheme is regulated and supervised by the National Pension Commission. The Commission has the power to formulate, direct and oversee the overall policy on pension matters in Nigeria.

What are the Objectives of the New Pension Scheme?

The objectives of the scheme according to Section 2, Part 1 of the PRA of 2004 include;

- Ensure that every person who worked in either the public service of the federation, federal capital territory or private sector receives his retirement benefits as at when due.
- Assist improvident individuals by ensuring that they save in order to cater for their livelihood during the old age.
- Establish a uniform set of rules, regulations and standards for the administration and payment of retirement benefits for the public service of the federation, federal capital territory or private sector.
- Stem the growth of outstanding pension liabilities.

Definition of Pension and Pension Administration in Nigeria

Pension according to Adams, (2015) is the amount paid by the government or a company to an employee after working for a specified period of time, either considered too old or ill to work or having reached the statutory age of retirement. To Ayegba, James & Odoh, (2013), a pension is a way of catering for the welfare of the retirees. It is a periodic income or annuity payment made at or after retirement to employees who has become eligible through age, earnings and service. It is equally seen as the monthly sum paid to a retired officer until death because the officer has worked with the organization paying the sum.

To Ozor (2006), pension can be defined as a lump sum payment paid to an employee upon his disengagement from active service. The payment is usually paid in monthly installments in the form of salary. Again, it is a financial package which legally specifies its organization and operation so as to provide rest of mind to workers sustain or spur them to more productivity and ensure that a pensioner and his dependents live a decent life.

Ugwu (2006) as cited by Ayegba, James & Odoh, (2013) classified pension into four. These include; Retiring pension, Compensatory pension, Superannuating pension and Compassionate allowance. Retiring pension is granted to employee who is permitted to retire after duly completed the stipulated years of service which is normally 30-35 years or having attained the age stipulated for retirement, (usually 60 years). Compensatory pension is the type of pension granted to an employee whose post is abolished and the government is unable to provide him with suitable employment, whereas superannuating pension is the type of pension given to an employee who retires at the prescribed age limit as stated in the condition of service and compassionate allowance happens when pension is not admissible on the account of a public
servant removal from service for misconduct, insolvency, incompetence or inefficiency, (Amujiri, 2009 as cited in Ayegba, James & Odoh, 2013).

One of the objectives of pension is to serve as a source of social security for the employee as they work without anxiety on how they will cater for their future needs when they eventually retire. It is a source of motivation to them, this helps reduce labour turnover as the employee feels valued and motivated to work which will bring about ethical behaviour and high productivity, (Egbuta, 2001; Fapohunda, 2013, Mohammed, 2013 & Ali, 2014). Pension helps improvident individuals to save in order to cater for their future needs.

Pension Administration in Nigeria

Pension administration in Nigeria today has become one of the major headaches of government, the active employees and retirees, not only in the area of contribution but also payment. Amos, (2008) admitted that pension administration exists in order to provide the employees with the means of surviving on retirement and having a standard of living that is reasonable and consistent with what they enjoy while in active service. Thus, it is the totality of plans, procedures and legal processes of setting aside funds to meet the obligations of employee on retirement. This fund set aside and given to these categories of individuals is what is referred to as pension. Orifowomo (2008) reiterated that there is often news of pensioners slumping and dying after queuing up for several hours or days at various pension pay offices either for accreditation or payment across the country. They went through tough times and rigorous processes even at that age before they are eventually paid the pension, gratuity and other retirement benefits. This has greatly contributed to the pains and problems retirees experience at the end of their active service.

Pension administration era in Nigeria can be classified into two namely; the pre 2004 era and the pension 2004 reform act.

The pre 2004 era: Until 2004, the pension scheme that was in operation in Nigeria’s public sector was based on the Pay-As-You Go (PAYG) system which corresponded with the state-led economic paradigm of the Nigerian state, (Onyeonoru, Matthew, & David, 2013).

The old pension scheme in the public sector was characterized as follows:

- Benefits were met on a PAYG basis- with significant pension and gratuity arrears.
- Significant unfunded Federal Government pension and gratuity obligations- some estimates exceededN250 billion ($2.08 billion).
- The system did not deliver financial security in retirement.

Pension Reform Act 2004 provides, among others, that the Scheme shall apply to all employees in the Public Service of the Nigerian Federation, Federal Capital Territory and the Private-Sector organizations in which there are five or more employees. During this period all the pension schemes were non contributory, meaning that employees do not contribute from their salaries towards the pension or gratuity. The burden was solely on government and as wave of people joined the rank of pensioners, government soon began to find it difficult to pay. Among the features of the pre 2004 era include assisting improvident individuals to save in order to cater for their livelihood during the old age; establish a uniform set of rules, regulations and standards for the administration and payment of retirement benefits for the public service of the
federation, federal capital territory or private sector; stem the growth of outstanding pension liabilities and secure compliance and promote wider coverage; the rate of contribution in Section 9(1) specifies the contribution by the individual in the public service of the Federation and the Federal Capital Territory, a minimum of 7.5% by the employer and a minimum of 7.5% by employee and in the case of military, a minimum of 12.5% by the employer and a minimum of 2.5% by the employee, whereas in other cases, a minimum of 7.5% by the employer and a minimum of 7.5% by the employee. The main concern of the scheme is safety of the fund and the maintenance of fair returns on the amount invested, (Section 72). The need for safety is emphasized in determining the quality of the instrument to invest in and a PFA is expected to adopt a risk management profile in making investment decisions with due regard to the credit rating of companies registered under the investment and securities Acts of 1999.

However, the pre 2004 era was not without its shortcomings among which are differentiation between public and private sector, problem of poor administration, corruption, ineligible pensioners on the pension payroll and inability of government to pay as when due as a result of high number of pensioners. Moreover, the problems identified above brought about reforms which led to the pension 2004 reform act. The passing into law of the contributory pension act of 2004 also known as pension reform act 2004 marked a new era of pension administration, (Olanrewaju, 2011). The act created a unified law for both the public and private pension administration and make contribution towards pension compulsory for both the employer and the employee. The act ensures every person who worked in either the public service or private sector receives his benefits when due and assists improvident individuals to save for the future.

It is worthy to note that before the enactment of the Pension Reform Act 2004, which establishes a contributory pension scheme for all employees in Nigeria, the country had operated a Defined Benefit (DB) pension scheme, which was largely unfunded and non-contributory. The Scheme led to massive accumulation of pension debt and became unsustainable largely due to lack of adequate and timely budgetary provisions, as well as increases in salaries and pensions. The administration of the scheme was very weak, inefficient, less transparent and cumbersome, leading to bureaucracy and highly liable to corrupt practices (Eme, Uche, & Uche, 2014).

Due to lack of reliable records of pensioners, huge amount of resources on what became yearly verification exercises were expended which did not result into the timely and efficient payment of pension, (Chilekezi, 2005; Dalang, 2006; Sterns, 2006 & Oniye, 2011). In the private sector, on the other hand, many employees were not covered by the pension schemes put in place by their employers and many of these schemes were not funded. Besides, where the schemes were funded, the management of the pension funds was full of malpractices between the fund managers and the trustees of the pension funds. In view of the fact that the past pension schemes in the country were bedeviled by multifarious problems, this sad scenario necessitated a re-think of pension administration in Nigeria by the administration of former President Olusegun Obasanjo. The Federal Government in June 2004 introduced a pension system that is sustainable and has the capacity to achieve the ultimate goal of providing a stable, predictable and adequate source of retirement income for each worker in the country. The Pension Reform Act 2004 ushered in a Contributory Pension Scheme (CPS) that is fully funded, privately managed and based on individual accounts for both the public and private sector employees in Nigeria (National Pension Commission, 2006). The Act also established the National Pension Commission (PenCom) as the sole regulator and supervisor of all pension matters in the country. This new pension scheme lasted for ten years. Within this era, pension scams, low level of coverage and non-remittances of pension deductions led to the tinkering of the scheme.
Management Structure of the Post-2004 Pension Scheme

A. The National Pension Commission (PENCOM): Central to the administration of the new pension scheme in Nigeria is the National Pension Commission (NPC) - a government agency whose principal objective is to regulate, supervise and ensure the effective administration of pension matters in Nigeria. The Pension Reform Act 2004 has established PENCOM to regulate, supervise and ensure the effective administration of Pension of Pension Matters in Nigeria. The commission will achieve the above by ensuring that payment and remittance, of contributions are made and beneficiaries of retirement savings accounts are paid as at when due (Onyeonoru, Matthew, & David, 2013).

B. Pension Fund Administrators: The new pension scheme provides that pension funds be privately managed by licensed Pension Fund Administrators. Pension Fund Administrators (PFAs) are licensed to open Retirement Savings Accounts for employees, invest and manage the pension funds in a manner as the NPC may from time to time prescribe; maintain books of accounts on all transactions relating to the pension funds managed by it; provide regular information to employees or beneficiaries and pay retirement benefits to employees in accordance with the provisions of the Pension Reform Act 2004, (Oparanma, 2011; Olanrewaju, 2011; Okam, 2013 & Guga, 2014).

C. Pension Fund Custodians: The scheme also provides for Pension Fund Custodians (PFCs) responsible for the warehousing of the pension fund assets. The PFCs receive the total contributions remitted by the employer on behalf of the pension fund administrator within 24 hours of the receipt of contributions from any employer. The PFAs are not allowed to hold the pension funds’ assets. The employer sends the contributions directly to the Custodian, who notifies the PFA of the receipt of the contribution and the PFA subsequently credits the retirement savings account of the employee. The Custodian will execute transactions and undertake activities relating to the administration of pension fund investments upon instructions by the PFA. To qualify for license, the PFC is expected to fulfill the following requirements:

I. Be a limited liability company incorporated under the Companies and Allied Matters Act whose object is to manage pension funds;

II. Have a minimum paid-up share capital of N150,000,000 ($125,000) or such sum as may be prescribed, from time to time, by the Commission (Onyeonoru, Matthew, & David, 2013).

D. The Closed Pension Fund Administrators (CPFAs): are specifically established by companies with strong financial standing to manage their pension funds. There are about seven CPFAs owned mostly by multinational companies to enable them administer their pension funds under the guide and direction of PenCom (Edogbanya, 2013).

Functions of the Nigerian Pension Commission

The Pension Reform Act 2004 established the National Pension Commission (PENCOM) as the body to regulate, supervise and ensure the effective administrative of pension matters in Nigeria.
The functions of the commission include: Regulation and supervision of the scheme established under the Act; Issuance of guidelines for the investment of pension funds; Approving, licensing, regulating and supervising pension fund administrators, custodians and other institutions relating to pension matters as the commission may from time to time determine; Establishing standards, rules, and guidelines for the Management of the pension funds under the Act; Ensuring the maintenance of a National Data Bank on all Pension Matters; Carrying out public awareness and education on the establishment and management of the scheme, among others.

Law Governing Pension in Nigeria

In Nigeria, the law governing pension administration is the Pension Reform Act 2004 with the created national pension commission providing the ethical framework and regulatory mechanism for pension administration in the country. As part of its role as the regulatory organ, the National pension administration provided ethical guidelines for the minimum capital requirement for licensed funds administrations (PFAs), guidelines for fund accounting, risk management also for the appointment of PFAs and PFCs and its regime of sanctions. PENCOM and the Central Bank of Nigeria (CBN) are the direct and indirect regulators respectively, while other institutions such as the Economic and Financial Crimes Commission (EFCC) are the regulatory watch institutions (Imhanlahmi & Eseoghene, 2011).

New Pension Reform Act 2014

On July 1st 2014, President Goodluck Jonathan signed into law the new Pension Reform Act 2014 which repealed the Pension Reform Act 2004 (repealed Act). The key objective of the reform are to ensure contributors receive their benefits as and when due and to assist improvident. While the new act is generally a step in the right direction, some of the changes introduced appear not to have been well thought through and some of the changes appear to have been made at the last minute thereby creating some gaps, ambiguities and inconsistencies within the law (Taiwo, 2014).

According to Taiwo (2014), the advantages of this new reform law are;

1. **Withdrawal from Retirement Savings Accounts** - The new Act creates another condition in which a contributor maybe allowed to withdraw from his retirement account. An employee who disengages from employment or is disengaged before the age of 50 and is unable to secure employment within 4 months of disengagement is allowed to make withdrawals from the account not exceeding 25% of the total amount credited to the retirement savings account (Taiwo, 2014).

2. **Choice of Pension Fund Administrator** - Employees continue to have the right to choose their PFA. This right has been extended to cover employees whose employers operate a closed pension scheme. Such employees now have the right to choose an external PFA. Where an employee fails to open a Retirement Savings Account (RSA) within 6 months after assumption of duty, his employer can now request a PFA to open a nominal RSA for such employee for the remittance of his pension contribution.

3. **Investment of pension funds** - The Act expands the scope of investments in which pension funds can be invested and this includes specialist investment funds and other financial instruments.
the Commission (Pension Commission or PenCom) may approve. While this is a good thing on one hand, care should be taken not to lose sight of the need to protect and preserve contributors’ wealth.

4. **Offences and penalties** - The Act includes a few novel provisions with respect to offences and penalties. The Act criminalises an attempt to commit an offence and imposes the same penalty as the offence itself. The penalties form is appropriation have also been increased. In addition to a prison term of 10 years and a fine of three times the amount misappropriated, a convicted person would refund the amount misappropriated as well as forfeit to the federal government any property, asset or fund with accrued interest or the proceeds of any unlawful activity under the Act in his/her possession, custody or control. In addition to the above and with particular reference to Pension Fund Custodians (PFCs), the Act imposes a penalty of at least 10 million Naira upon conviction, where the PFC fails to hold the funds to the exclusive preserve of the PFA and PenCom or where it applies the funds to meet its own financial obligations (in the case of a director, 5 million Naira or a term of 5 years imprisonment or both).

5. **Pension protection fund** - A pension protection fund has been created under the new Act to include annual subvention of 1% of the total monthly wage bill payable to employees in the public sector, an annual pension protection levy (the percentage of which is to be determined by PenCom) and income from investments of the Pension Protection Fund. The objective of the Fund is to guarantee a minimum benefit to contributors in the event of any shortfalls in the investment of pension funds and any if withdrawn within 5 years. Tax is limited only other use PenCom may determine from time to time (Taiwo, 2014).

6. **Dispute resolution** - Any employee aggrieved with his employer or PFA is obligated to approach PenCom for address before exploring arbitration or commencing an action at the National Industrial Court. Under the repealed Act, the avenues for dispute resolution were limited to Arbitration and the Investment and Securities Tribunal.

The Negative Side of the New Law

1. **Scope and coverage** - The Scheme applies to employees in both the public and private sectors. Mandatory contribution is applicable to organisations in which there are 15 or more employees (previously 5 employees). This effectively reduces the number of employers and employees that are likely to benefit from the scheme. Given the low level of contributors under the Scheme, this change is counterproductive.

2. **Gaps in coverage** - Only employers with a minimum of 15 employees are required to contribute to the new Scheme. The Act provides that in the case of private organizations with less than 3 employees participation in the Scheme would be governed by guidelines issued by the National Pension Commission (PENCOM).

3. **The sole contribution by employers** - The new Act provides that an employer can take full responsibility of the contribution but in that case, the contribution shall not be less than 20% of the employee’s monthly emolument. This does not make sense given that the combined contribution by both parties is 18%. Employers will therefore be discouraged from taking full responsibility.
Planning for Retirement in Nigeria

Retirement is a transition whereby an employee withdraws from active service to the role of a retired person. Olatunde & Onyinye, (2008) explain retirement as a process whereby an employee moves from being active to another (retired), which is described as the second stage of life. To Nwajagu (2007), retirement can come through voluntary retirement, compulsory and mandatory retirement.

Voluntary retirement occurs when the employee on its own decides to disengage from active work especially due to personal reasons ranging from bad health to having to spend more time with the family. On the other hand, compulsory retirement is when an employee is compelled to retire against his wish. This could be as a result of ill-health, inefficiency or old age, and mandatory retirement happens when the employee has statutorily reached the age or completed the number of years specified in the condition of service of the organization, (Bur, 2001; Nuss & Schroeder, 2002; Ahmad, 2007 & Nwanegbojaja, 2007). Again, the statutory age for public officers is 60 years or 35 years in active service. For academic staff of Universities, the retirement age is 70 years, judges at the state and federal high court level retire at 65, while that of judges is pegged at 70 years.

As we have seen from the reviewed literatures that retirement is an inevitable stage in life time where an individual disengages either voluntarily or involuntarily from the main stream of active work/social work and is replaced with younger ones, which is mostly with concern for the future; there is need to adequately prepare to minimize or even avert the resultant psychosomatic and psychophobic reactions resulting from the unpreparedness of the retiree. The IBTC pension manager (2008) reiterated that for Nigerian civil servants who are challenged by low level of income and savings as well as huge family cum social responsibilities may find it more difficult to plan for retirement coupled with the social issues that affect retirement planning such as the size of the family, polygamy, additional responsibilities of the extended family and inadequate access to medical facilities.
Gorba & Mamman (2014) itemized the challenges of retirees in Nigeria as including the exit stage, corruption at the pension board, physical disabilities and aging, anxiety about residential for those who have not built a house before this time, discrimination by the society and sudden death among others.

However, planning for retirement includes planning for the inevitable and this must include all activities from the very first employment to the last employment of retirement. Planning for retirement is affected by both micro and macro factors. The micro factors are the individualistic factors including the size of the family, finance, polygamy, responsibilities to the immediate and extended family; while at the macro level, such factors include the economic change, sudden death, discrimination by the society, a weak and inefficient pension administration system/ poor administrative structure, arbitrary increase in salaries and pension and non existence of legal framework for the regulation/ supervision of the pension institutions, (Ayegbaju & Iyefu, 2004; Robolino, 2006; & Adebayo, 2010).

In this paper, effort is made to identify strategies towards easing the pains and problems associated with retirement experienced either at the micro or macro level. These include;

Savings towards retirement- this particularly had been made easy and possible because of the compulsory monthly contributory pension scheme for all categories of staff in the federal civil service by the Federal Government and which had been extended to the state civil service and the private establishments. Under this scheme, employees are required to have and maintain a retirement savings account with any pension administrator of their choice.

Employee planning towards retirement can embark on aggressive investment, (Okolie & Omenma, 2011). These include investment in government bonds and securities, investment in shares and stocks, building houses for commercial purposes, establishing businesses that will be bringing income after retirement.

An individual planning towards retirement can have a personal savings account (e.g. retirement savings account) which is usually a fixed deposit account, where he/ she can save certain fixed sum of amount without withdrawing from this until after retirement to start a new life.

As part of activities towards retirement is establishing a business in one’s area of specialization. Individual can think of starting a business venture to augment the little income accruable during retirement. Examples of such profitable business venture include; establishing a pure water/ juice factory, a business center selling items, operating a boutique, sewing or hairdressing outfit, running a poultry farm/farming/ snairy, running a consultancy business, starting a school among others.

These individuals are also advised to engage in continuous training and skill acquisition while working as a way of getting set for life after retirement.

3. RECOMMENDATION AND CONCLUSION

Retirement from active service is a phase in life that every worker reach whether planned for or not. Most of the basic challenges experienced by retirees have been outlined as including discrimination by the society, sudden death, health issues among others. Thus, we suggested strategies both at the micro and macro levels to ease the pains and problems associated with retirement, e.g. saving towards retirement, having personal savings account among others.
This paper provided an analysis of the nature and design of defined contribution plans, their institutional arrangements as well as the governance structures of the new pension plans in Nigeria. One of the good things about the new Pension Act is the exemption from tax. The Act clearly states that any interests, profits, dividends, investments and other income accruable to pension funds or asset are not taxable. In addition, withdrawal of voluntary contribution is no longer subject to tax to the returns on such contributions if withdrawn within 5 years. Pensioners in the 2014 era have access to information about what they are entitled to ranging from their monthly balances to the lump sum awaiting them upon retirement even the monthly pension.

However, because of the challenges of pensioners at life after active service, bearing in mind that pension provision will continue to gain recognition as retirees place less reliance on family to look after them at old age, comprehensive accounting standards for retirement benefits must be established to protect the pension funds. This is when the benefits of the pension reforms can be enjoyed by the beneficiaries and their continuous loyalty guaranteed.

As a matter of urgency, government needs to enlighten the public on the importance of planning towards retirement and the contributory pension scheme. This will go a long way to reduce the stress of having to cope with life after retirement. To deal with the issue of corruption at the pension board, government needs to look at first the organisations that are deducting and not remitting as this seems to be on the increase. Also contributors should be empowered to compel their employers to remit contributions. Aside from this, government should see to the enforcement of sanctions/penalties in the 2014 pension Acts on defaulting employers so they can comply with the regulations. Punishments should also be meted out to those who steal pensioner’s funds to prevent others who may have the mind and the erring operators to forestall more pension scams in the nation. Not only that, PENCOM too is advised to improve on the delivery of its services; avoid unnecessary bottlenecks in processing pensioner’s entitlements, invest pension funds in viable investments to ensure prompt and regular payments to the pensioners, and make the services mobile as much as possible.

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