PENSION FUNDS MANAGEMENT AND PAYMENT OF PENSIONERS BENEFIT IN NIGERIA

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ABSTRACT

The focus of this study is on pension funds management and payment of pensioners benefits in Nigeria. The purpose is to determine the effect of pension funds management on the well-being of pensioners in Nigeria. The study covered the period of 1995 to 2020. The Ordinary Least Square (OLS) statistical tool of analysis was used to test the hypotheses. The result indicates amongst others that benefits paid to pensioners have a significant positive relationship with the total assets of pension companies. While the mortality rate of pensioners have a negative significant impact on the total assets of pension fund companies in Nigeria. Similarly, the inflation rate in Nigeria also have a negative significant impact on the total assets of pension fund companies. On the basis of the above findings, the study recommends amongst others that the government should put in place polces to ensure that pension funds companies made the right and timely payment of benefits to pensioners.

Keywords: Pension funds, pensioner benefits, mortality rate, inflation rate, Ordinary Least Square.

INTRODUCTION

Ageing is fundamental in every aspect of life. It is a concept which associated with nature itself. Ageing is inevitable; both animate and inanimate objects experience ageing. To human existence, ageing is associated with weakness, illness, loneness, relegation, boredom, idleness, dislike or hatred from fellow

human beings. (Agah & Ikenga, 2019). Frankly, it is a phase of life which ideally, provisions must be made against during the active days.

Consequent upon the above, several retirement plans or instruments had been devised by individuals, organizations and governments in an attempt to cushion or ameliorate the challenges associating with this phaset of life. To the individuals savings and investments is the watch word. The focus of organizations and government on the other hand, has been on social security polices for the aged, gratuity payments and pension fund administration schemes, established with the responsibility to make regular pension payments or benefits to retirees over their life time. (Biobele, 2015)

In view of the foregoing, the focus of this study is on pension funds management and payment of pensioners benefits in Nigeria. The purpose is to determine the effect of pension funds management on the well being or living standard of pensioners in Nigeria.

Statement of the Research Problem

Retirement is an inevitable end to the active service of every employee in both private and public sectors. It is inevitable because ageing is naturally and inevitably prone to diminishing performance of every workman on the duty post. However, dream of life after active service has become threatening or frightening generally amongst employees, as it is becoming obvious that retirement is closely related with deprivation and poverty in many developing nations, Nigeria inclusive. In Nigeria, it is becoming a common story that after about five years of retirement, retirees of several ministries may not have been able to access their pension funds. Consequently a lot of retirees are living in abject poverty, which may have led to untimely death of so many of them, due to lack of funds for up keeping and medical care. While pension funds institutions are growing richer and cases of corruption and embezzlements of pension funds are becoming prevalent. Frankly, it is a serious irony, of which, the need for investigation or reinvestigation cannot be overemphasized.

Objectives of the Study

The general objective of this study is to determine the relationship between pension funds management and payment of pensioners benefits in Nigeria. While the specific objectives include:

(a)   To examine the relationship between benefits paid by pension funds administrators to pensioners and total assets of pension fund companies in Nigeria.

(b)   To determine the relationship between mortality rate of pensioner and the total assets of pension fund companies in Nigeria

(c)   To evaluate the relationship between inflation rate and the total assets of pension fund companies in Nigeria.

Research Questions

(a)   To what extent has benefits paid to pensioner impacted on by the total assets of pension fund companies in Nigeria?

(b)   To what extent has mortality rate of pensioners impacted on by the total assets of pension fund companies in Nigeria?

(c)   To what extent has the inflation rate impacted on the total assets of pension fund companies in Nigeria?

Research Hypotheses

(a)   There is no significant relationship between benefits paid by pension administrators to pensioner and the total assets of pension fund companies in Nigeria.

(b)   There is no significant relationship between mortality rate of pensioner and the total assets of pension fund companies in Nigeria.

(c)   There is no significant relationship between inflation rate and the total assets of pension fund companies in Nigeria.

From the foregoing null hypotheses, the alternative forms are hereby implied.

LITERATURE REVIEW
Conceptual / Theoretical Framework
Retirement

Retirement is the period of disengagement from active services. It is an inevitable end to the service of an employee to his employer, except those who died in active service. To this end, ideally, the point of retirement ought to be a moment of honour. However the dream of retirement has become a threat to those workers whom may not have adequately planned for it, and consequently,

may not know what to do with their time after retirement. (Agah & Ikenga, 2019)

Retirees/Pensioners

Retirees are the individuals whom have retired from active services. The point of retirement is a dawn of another phase of life. The point of disengagement from regular monthly income may become a nightmare to those whom did not adequately prepare for it. Consequently, most retirees life end up in hardship and abject poverty as a result of delay in gratuity and pension payment, which may have likely led to untimely death of some retirees in the process. (Biobele, 2015)

Pension

A pension is a past retirement benefits that is received from employer. It is an essential regular compensation payable to employee after retirement, or a payment from retirement plan usually distributed in form of annuity to the employee. (Wilkinson, 2007)

Pension Fund

A pension fund is fund set up for a pension plan, from which retirees or pensioners receive a flow of regular income in form of annuity over their life time. Pension funds in modern time operate as major financial institutions investing a huge sum of money on marketable securities in capital and money market. However, because of long term nature of their obligations, pension funds have more preference on long term investment assets. To this end, assets holding of pension funds in Nigeria are extremely large and has attracted several cases of mismanagement, corruption and embezzlement. (Agah and Ikenga, 2019)

Empirical Review

Agah and Ikenga (2019) examined retirement adjustment challenges among local government retirees in Ethiope Local Government Area in Delta State, Nigeria. Applying the ANOVA statistical tool of analysis, the results show amongst others that delay in payment of gratuities and pensions are the highest challenges to retirees in Ethiope East Local Government Area in Delta State.

Biobele (2015) investigated pension fund accounting and pensioners well-being in Nigeria. Using the Ordinary Least Square (OLS) statistical tool of analysis. The result shows amongst others that pension fund accounting significantly affect pensioners' well-being negatively in Nigeria.

Fapohunda (2013) investigated the pension system and retirement planning in Nigeria. The result shows amongst others that there is not much evidence to indicate that the pension scheme in Nigeria is leading retirees to desirable direction.

Nweke (2014) evaluated the administrative challenges association with the non-contributory pension scheme in Ebonyi State, Nigeria. Using quantitative and qualitative analysis. The result shows amongst others that inadequate preparations for retirement by pensioners, delay in payment of retirement benefits, and embezzlement of pension funds are some of the problems or challenges of pensioners in Ebonyi State and Nigeria generally.

Summary of Literature Review
Though materials in this area of study are a bit scanty, however, some of the available ones were carefully reviewed, and their results appear not to have met consensus. To this end, the importance of this study cannot be overemphasized.

Materials and Methods
The data used for the study include those of total assets of pension companies, mortality rate of pensioners, benefits paid by pension administrators to pensioners and inflation rate. The data which covered the period between 1995 to 2020 was gotten from the World Bank Indicators and pension administrators annual bulletin.

Model Specification
The model used for the study is thus stated below:

TAPF = F (BPA, MRP, INF) ………………………………….. (1)

Linearly stated as

TAPF = b_0 + b_1 BPA + b_2 MRP + b_3 INF + ut …………………………... (2)

$b > 0$, b_2, $b_3 < 0$

Where:

TAPF = Total assets of pension funds companies

MRP = mortality rate of pensioners

INF = Inflation rate

BPA = Benefits paid by pension administrators to pensioners

Ut = Error term.

Estimation Technique

The ordinary least squares (OLS) technique was used to analyze the data. The OLS is a linear and unbiased estimator. The descriptive statistics and the correlation matrix were also used as preliminary checks on the data. The hypotheses for the study were tested using the t-Statistic. The decision rule is to accept the alternative hypothesis if the t-Calculated is greater than the t-Critical. The null is accepted if the t-Calculated is less than the t-Critical. The joint significance of all the variables was analyzed using the F-Statistic. The co-efficient of determination (R^2) was used to assess the total changes in the dependent variables that have been explained by the independent variable. The R^2 adjusted for degrees of freedom justified the inclusion or exclusion of variables from the model. The Durbin and Watson (DW) statistic provides evidence for or against the existence of serial correlation in the model. The normality test is used to assess whether or not the errors are normally distributed.

Result

The results commenced with the correlation matrix. Table 4.1 shows the result of the correlation matrix.

Table 4.1: Correlation matrix result

	LTAPF	LMRP	LBPA	INF
LTAPF	1	-0.17455079888	-0.98719872892	-0.45109531499
LMRP	-0.17455079888	1	-0.08853123453	-0.29628658333
LBPA	-0.98719872892	-0.08853123453	1	-0.52390788021
INF	-0.45109531499	-0.29628658333	-0.52390788021	1

Source: Author's Computation

The correlation coefficient between APF and MRP is -0.17 which indicates a weak correlation. The correlation coefficient between TAPF and BPA is -0.99 which also indicates a very weak correlation. The correlation coefficient between TAPF and INF is -0.45 which signifies a weak correlation. Thus, the correlation result could not reject any of our variables since it did not show evidence of multicollinearity.

The result of the descriptive statistic is shown in the table below:

Table 4.2: Summary of Results of Descriptive Statistics

	LTAPF	LMRP	LBPA	INF
Mean	8.985721	3.823791	7.231490	15.09083
Median	9.161279	3.860727	7.392204	12.42500
Maximum	9.678530	4.010963	7.811973	72.80000
Minimum	7.821242	3.462606	5.953243	5.400000
Std. Dev.	0.597854	0.154377	0.558158	13.20043
Skewness	-0.537855	-0.732259	-0.887756	3.706582
Kurtosis	1.951141	2.544309	2.686915	16.67042
Jarque-Bera	2.257257	2.352465	3.250468	241.8355
Probability	0.323477	0.308439	0.196866	0.000000
Sum	215.6573	91.77099	173.5558	362.1800
Sum Sq. Dev.	8.220878	0.548143	1.165424	4007.782
Observations	24	24	24	24

Source: Authors Computation

The mean of TAPF is 8.99 which is lower than the median of 9.16. An indication that the TAPF will reduce over time. The maximum value for TAPF is 9.68 while the minimum value is 7.82. The standard deviation of 0.60 is highly negligible. The average value for MRP is 3.82 which is lower than the median with a value of 3.86. An indication that MRP will decline over the years. The highest and lowest values of MRP are 4.01 and 3.40 while the standard deviation of 0.15 is marginal. The mean and the standard deviation of BPA are 7.23 and 7.39. An indication that the BPA will decline over time. The highest value is 7.81 and the minimum value is 5.95. The standard deviation of 0.50 is not significant. The average value for INF is 15.09 and the median is 12.43. This provides an indication that the INF will increase over time. The highest value is 72.80 while the lowest value is 5.40. The standard deviation is not significant.

The result of the ordinary lest squares (OLS) is shown in the table below:

Table 4.3: Summary of OLS Result Dependent Variable: LTAPF

Variable	Co-efficient	Std. Error	t-Statistic	Prob.
LMRP	-0.260866	0.118878	-2.194391	0.0402
LBPA	1.084298	0.036868	29.41005	0.0000
INF	-0.002886	0.001626	-1.651957	0.1142
C	2.101597	0.606451	3.465400	0.0024

R^2= 0.92, R^{-2}= 0.90, F-Statistic= 419.38, Prob. (F-Statistic) = 0.0000, DW= 2.12, t-Critical= 1.96

The result indicates that the MRP and INF have a negative relationship with the TAPF, while the BPA has a positive relationship with the BPA. An increase in the MRP and INF by I unit each reduced the TAPF by 0.26 units and 0.003 units. An increase in the BPA by I unit increased the TAPF by 1.08 units. The F-Statistic with a value of 419.38 and probability of 0.0000 indicates a validation of the joint alternative hypothesis. An indication that the MRP, BPA and INF are important factors to be considered when explaining the changes in the TAPF. The t-Statistic suggests that the MRP and BPA with values of -2.19 and 29.41 with probability of 0.0402 and 0.0000 are statistically significant in explaining the changes in the TAPF. The INF with a value of 1.65 and probability of 0.142 is not statistically significant in explaining the changes in the TAPF.

The DW test with a value of 2.12 did not show evidence of first order serial correlation in the model.

Hypothesis Testing and Research Questions
The hypotheses will be tested using the values of the relevant t-Statistics in table 4.1. The decision rule is to accept the alternative hypothesis if the t-Calculated > t-Critical.

Test of Hypothesis 1 and Research Questions 1
Ho_1: There is no significant relationship between benefits paid by pension administrators to pensioners and the total assets of pension fund companies.
RQ_1: To what extent has benefits paid to pensioners impacted on the total assets of pension funds companies in Nigeria?
The t-Statistics of 29.41 > t-Critical of 1.96 and hence we accepted the alternative hypothesis that there is a significant relationship between the benefits paid to pensioners and the total assets of pension fund companies. An affirmative answer to the research question implies that the benefits paid to pensioners has influenced the total assets of pension fund companies.

Test of Hypothesis 2 and Research Questions 2
Ho_2: There is no significant relationship between mortality rate of pensioners and the total assets of pension fund companies.
RQ_2: To what extent has mortality rate of pensioners impacted on the total assets of pension fund companies?
Since the absolute value of the t-Statistic of -2.19 > t-Critical of 1.96, we accepted the alternative hypothesis of a significant relationship between mortality rate of pensioners and the total assets of pension fund companies.

Test of Hypothesis 3 and Research Question 3

Ho_3: There is no significant relationship between inflation rate and the total assets of pension fund companies.

RQ_3: To what extent has the inflation rate impacted the total assets of pension funds companies.

The null Hypothesis of no significant relationship between inflation rate and total assets of pensioners could not be rejected since the absolute value of the t-Calculated of -1.65 < t-Critical of 1.96. A no affirmative response to the research question implies that inflation rate has not affected the total assets of pension fund companies.

Policy Implications

Important an relevant implications of pension fund management and payments of pensioners benefits in Nigeria were shown by the results. It shows that the benefits paid by pension fund companies has a way of increasing the total assets of the pension companies since it increases the confidence on the pension administrators which will improve patronage. The mortality rate of pensioners have however been detrimental to the total assets of pensioners. The high inflation rate has also eroded the assets of the pension fund companies.

Summary of Findings

The research has been on pension fund management and payment of pensioners benefits in Nigeria. The research covered the period between 1995 and 2020. The first section introduce the research while the second and third sections are on the literature review and research method. The fourth section is on the analysis of the result while the fifth section concludes the research. Using the ordinary least squares, the following were the findings:

1) Benefits paid to pensioners has a positive and significant impact on the total assets of pensioners.
2) An increase in benefits paid to pensioners by 1 unit increased the total assets of pensioners by 1.08 units.
3) The mortality rate of pensioners have a negative and significant impact on the total assets of pensioners.
4) An increase in the mortality rate by 1 unit reduced the total assets of pensioners by 0.26 units.
5) The inflation rate has a negative and insignificant impact on the total assets of pension fund companies.
6) An increase in inflation rate by 1 unit reduced total assets of pension fund companies by 0.003 units.

Conclusion

Pensioners are those who built the existing structure for the current and future generations. This is why in the developed world and emerging economies, the

welfare of pensioners is of utmost importance. The payment of pensioners in whatever design has been the key policy of government and the private sector. In Africa and Nigeria specifically, the issue of pensioners has not been taken seriously as many pensioners even die while awaiting their benefits. The high cost of living through high inflation rate has even eroded the purchasing power of the benefits as at when it is paid. The benefits are even fixed in most cases. The study however concludes that the payment of benefits by pension fund companies has the potentials of improving the assets of the pension fund companies through increased confidence and patronage. The high mortality or death rate of pensioners has however been a bottle-neck to the ability of pension fund manager to generate assets. This is because, the high death rate of pioneers tends to erode the confidence imposed on administrators.

Recommendations
The following are the recommendations:
1) The government should put in place policies to ensure that pension fund companies pay the right benefits and such payment should be timely.
2) The mortality rate of pensioners could be reduced if the government developed policies to punish pension fund companies that fail to honour their payment obligations to pensioners.
3) The government and the monetary explained, should put in place policies to reduce the high inflation rate. This could be through the adoption of inflation targeting policies. This will increase the purchasing power of the benefits paid to pensioners.

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