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Governance, Public Sector Pension Schemes and Retirement Planning: Lessons For Retirees

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Abstract
For quite some decades now, Nigerian Pensioners have been subjected to poverty, hunger and starvation, in spite of diverse pension plans and reforms; due to delay in the processing and payment of retirement benefits; having served their nation with their youthful strength for thirty five years. This paper therefore examines retirement plans of government for employees and provides an insight into personal retirement planning strategies. A documentary research method was adopted for the study, and hence, literature review combining government enactments on pension scheme and other related literature were used. It was found amongst others that in spite of several pension reforms in Nigeria, retirees and pensioners still face problems such as delays in processing and payment of retirement benefits, hunger, starvation, protracted ill-health and avoidable death. Against this backdrop, this paper recommends and provides insight into a 7-year plan and strategies for coping with retirement and old age.

Keywords: *retirement, planning, pension scheme, retiree and pensioner*

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Introduction
Over the past decades, Nigerian pensioners and retirees have been subjected to sufferings, hunger, abject poverty and death that could be avoided, due to delays in the processing and payment of retirement benefits including gratuity and pension. Quite a number of them have had to travel long distances for screening and clearance before they can be considered for payment. Even after days of travels and stressful screening exercise, some of them cannot be sure of when and the exact amount they will receive as pension. This is largely due to lack of transparency, accountability and unethical behaviour of the Pension Fund Managers. Consequently, due to excessive thinking and worries, a number of them would slump and die even while on queue for screening exercise. Others have also died in ghastly motor accidents while travelling long distances for screening of particulars before payment.

Unarguably, a number of scholars and practitioners including Ndubuisi (2004), Abdul (2008), Ikotun (2008) and Ajiboye (2011) have written about the predicaments of pensioners and retirees especially in Nigeria without specifically articulating workable retirement planning strategies ranging from personal retirement planning to specific actions for coping with retirement and old age. This therefore is the gap this paper intends to fill.

Understanding Pension Schemes
It is germane for every employees, including the management cadre, to be adequately aware of the fact that a pension scheme is not a personal plan for retirement. It is often the employer's plan

for potential retirees. Consequently, as a worker in an organization, whether public or private, one has no control over his employer's plan for him or her in terms of pension schemes, which are mostly products of legislative enactments. Lamenting on the plights of Nigerian pensioners, Abdul (2009 p 74) complaints thus: "regrettably, the ordeal of pensioners in Nigeria is well known and exhaustedly published". He maintains that a point of reference is the Olive Branch Publication of August, 2005 captioned "The Pensioners dilemma and Nigerian hate syndrome". A statement in that publication captures the depth of the pensioners dilemma thus: " in their homes, most male pensioners are treated as junk because they have lost their authority as heads of families". Abdul laments further when he says "I weep for my fellow Nigerian pensioners who are being treated like wet rags by the government... my heart bleads for Nigeria retirees and pensioners. That is not how to treat senior citizens. In other countries... They have homes for their senior citizens. And these men and women are proud that they served their nation. Why is our own different?

What Government does with Pension Money

a) Investment:
Part IX section 72 of the Pension Reform Act 2004 provides that:

" All contributions under this act shall be invested by the Pension Funds Administrators with the objective of safety and maintenance of fair return on amount invested". What this means is that the contributions or monies deducted from employees monthly emoluments as well as the quota contributed by employers are received by the PFAs who remits the total sum per month into the employee's Retirement Savings Account (RSA). The PFAs are authorized by law to invest and make profit for the benefit of the employees.
Unfortunately however, Dodo (2011 p71) has pointed out that:

"Majority did not agree that remitted funds to pension administrators are efficiently invested with good returns. In fact, it was revealed that pension fund trapped in the discredited stock exchange market in billions. It was also confirmed there are widespread cases of corruption and embezzlement in the management of pension funds as so many staff of pension administrators are undergoing investigation by the Economic Financial Crimes Commission".

Apparently, the foregoing statement should be an eye opener to future potential retirees, in the sense that, as an employee, one has no control whatsoever, over his employer's retirement plans for employees. Therefore, there is urgent need for personal retirement planning on time.

b) Power to borrow
The government, through the Pension Commission reserves the power to borrow from pension funds. This is contained in Part V, section 28 of the Pension Reform Act (PRA), 2004 and section 37 of the PRA, 2010, as amended that:

" The Commission may, with the approval of the president borrow money by way of overdraft or loan for the purpose of carrying out its functions under this Act". The questions arising from this provision are enormous. One, does the Pension Commission (PECNCOM), as an establishment of government not have its own budgetary allocation to run its office? Two, why borrowing retirees money to run office whereas, these monies are meant to be disbursed to the rightful owners at retirement without delay? Obviously, one can clearly see part of the reasons why retirees and pensioners are not paid their benefits as and when due. Meanwhile, Section 23 (1and2) of the PRA 2004 provides that:

1. The commission shall establish and maintain a fund from which all its expenses will be defrayed.
2. The fund established under section (1) of this section shall consist of

a. the initial take off grant from the federal government,
b. Annual subvention from the federal government,
c. Fees, fines and commission charged by the commission,
d. Income from any investment of the commission, and
e. All sums of money or income accruing to the commission by way of testamentary disposition and endowment.

Thus, if the commission has all these sources of income, why borrowing pensioners' money and not making it available to pay the rightful owners as and when due?

Old versus New Pension Schemes

Prior to the enactment of the Pension Reform Act 2004, the first pension law was made in 1951 by the colonial government through its retrospective effect, started in January, 1949. It was termed the Pension Ordinance and was designed primarily for colonial officers that were deployed from one post to another in the vast British Empire. The essence was to facilitate continuity of service wherever they were deployed to serve. Only Nigerian who were opportuned to work with the colonial masters benefited from the scheme (Mboto, 2005). Similarly, the National Provident Fund, the first formal social protection scheme in Nigeria was established for the non pensionable private sector employees (Basset, Etim and Asinya, 2008). Thus Nigeria being a former British colony received a pension tradition into her public sector which is modelled after the British pattern.

In 1979, the Pension Decree 102 was enacted with retrospective effect from 1st April, 1974. This Decree revoked all pension laws from January 1, 1946 to March 31, 1974. Examples of such revoked laws include, Pension Act 1946, Pension Act 1958 and Police Pension Decree 1996 (Basset etal, 2008). Consequently, all enactments on Pension,,incorporated Pension and gratuity scales of all public servants recommended by the Udoji Public Service Review Commission Report 1974. This formed the basic Pension law by which all recent Pension laws are built (Basset etal, 2008). In a nut shell, prior to the introduction of the new contributory pension scheme in 2004, public servants who retired from service were paid pension through budgetary allocations kept in the Consolidated Revenue Fund. Abdullazeez (2015 p 3) pointed out the problem with the scheme thus:

"It was entirely possible that the amount released may fall short of the actual appropriation for pension payment. For instance, in fiscal year 2001, N6.4b was needed for payment of military pensions but only N2.1b was released for defence, leaving a balance of N4.36b pension arrears". Abdullazeez further identified other issues associated with public sector pension scheme to include, pension payment default by state governments, pension records and disbursement flaws, tiredness in pension disbursement. Consequent upon the problems and challenges associated with the old pension scheme, in 2004, the new contributory pension scheme was introduced through the enactment of the Pension Reform Act, 2004 by the Obasanjo led administration. Section 2(a-c) of the PRA, 2004 provide the objectives of the new contributory pension scheme thus:

a. Ensure that every person who worked in either the public service or the federal, Federal Capital Territory or private sector receives his retirement benefits as and when due.
b. Assist provident individuals by ensuring that they save in order to Cater for their livelihood during old age.
c. Establish a uniform set of rules, regulations and retirement benefits for the public service of the Federation, Federal Capital Territory or private sectors.

Essentially, the most important objective as far as pensioners are concerned is for persons who have worked in either public or private sector to receive their retirement benefits as and when due.

The Contributory nature of the scheme
Section 4, subsection 1a and b of the Pension Reform Act of 2014 as amended states that:

"The contribution for any employee to which this Act applies shall be made in the following rates relating to his monthly emoluments.

a) A minimum of 10 percent by the employer and
b) A minimum of 8 percent by the employee.

This implies that once someone is offered employment, by government or any organized private organization with minimum of five employees, the employee is expected by law, to open a Retirement Savings Account (RSA) with any Pension Fund Administrator (PFA) of his choice and notify his employer by providing his employer with the details of his RSA (Pension Identification Number). Based on section 4(1a and b) of the PRA 2014 as stated above, the employer is expected to remit a total of 18 percent of the employee's monthly emoluments the the employee's PFA for onward remittance into the employee's RSA.

By law, the PFAs are mandated to constantly update the employee with his Retirement Savings Account statements - showing what comes into the RSA every month, including returns accruing from investment of pension funds.

Unfortunately, "Majority did not agree that remitted funds to pension administrators are efficiently invested with good returns. In fact, it was revealed that pension fund trapped in the discredited stock exchange market in billions. It was also confirmed there are widespread cases of corruption and embezzlement in the management of pension funds as so many staff of pension administrators are undergoing investigation by the Economic Financial Crimes Commission"(Dodo, 2011 p71).

In the light of the foregoing, one can safely conclude that the problems and challenges associated with the employer's Pension plan for employees include:

1. Delay in the processing of retirement documents
2. Delay in payment of retirement benefits
3. Lack of transparency and accountability
4. Unethical behaviour of the staff of Pension Fund Administrators
5. Frequent calls for screening and data capturing
6. Non remittance of full or complete deductions into RSA
7. ignorance of the retirees/pensioners
8. Rising inflation, amongst others.

Need for Planned Retirement
It is expedient for every potential retiree to realize that, in as much as retirement is inevitable, poverty is also avoidable, hence the need for a planned retirement. Therefore, some of the fundamental reasons for a planned retirement are highlighted below.

a. **Certainty of retirement:** it is certain that as a worker, whether in government or private, one must retire from work after 35 years of service or at the attainment of 60 years of age, whichever comes first. Therefore, it is expedient to create a work for oneself before retirement to avoid boredom so long as one is still healthy and active.

b. **Predicaments of the senior citizens:** the sufferings and poverty experiences of our fathers, mothers, uncles and siblings after serving their nation meritoriously is enough lesson for every employee to be proactive in retirement planning.
c. **Reduction in income:** as soon as a worker retires from work, his earnings such as house allowance, utility, duty travel allowance (DTA), leave bonus, etc will cease. Also, his monthly salary which is replaced with Pension will also reduce. Clearly therefore, it is necessary to create alternative sources of income that will augment those gaps before retirement, if one must cope with expenditure pattern or life style that one is already used to.
d. **Irregularities in pension payment:** most times, the amount of money pensioners receive do not only fluctuate but the assurance of getting it at the end of every month is not there. This scenario has often compelled a number of pensioners to beg and/or borrow to survive pending when they are paid.
e. **Medicare:** as one is advancing in age, the need for medical check up from time to time is not only pertinent, but has financial implications. Ashiru (2008 p. 54) presents a clear picture of medicare in retirement when she says "The maintenance of good health is a cardinal requirement of a trouble-free and enjoyable retirement. The retiree must do everything possible to sustain and improve the level of health prior to retirement from employment".
f. **Avoidance of boredom:** boredom is the state of feeling bored, which is often as a result of prolong idleness. To avoid boredom during retirement therefore, it is necessary to plan and create a place (work) of daily routine before retirement. Examples include; a retail shop, a garden, manageable poultry farm, and keeping of domestic animals both for consumption and income earning.
g. **To avoid mismanagement and misappropriation of retirement benefits:** having hope of collecting retirement benefits without a clearly defined and articulated plan for execution can amount to prodigality. Plan should await finance not finance awaiting plan because, when the purpose of money is not defined, abuse is inevitable.
h. **Government or company job is not an inheritance**: no child of a retiree can inherit his or her parent's job. As soon as one retires from a position, another person or the next most senior staff takes over.

Conclusion and recommendations

From all indications, there is no doubt about employer's pension plans for employees. However, it is also clear that for several decades now, retirees and pensioners have been subjected to diverse sufferings, poverty and avoidable protracted illnesses and death, having served their nation with their youthful energy, talents and skills. Consequently, these ordeals of pensioners call for a planned retirement. As Munroe (2012 p. 11) has rightly pointed out: "If you own a business, you may have to pull back and find new strategies for making it through difficult season". On this note this paper recommends at least eight things a potential retiree should do, at least ten years before retirement- tagged **A 10-year project before retirement** namely;

1. Own and legalize your personal property (house accommodation) before retirement.
2. Be done with childbearing before retirement.
3. Learn a skill for self employment after retirement.
4. Plant economic trees including fruits such as Palm trees, cashew, orang, cocoa, pear, mango, banana, plantain and pineapple for consumption and commercial purposes.
5. Invest in a business that can be monitored, supervised and grown by self.
6. Before retirement, decide where to live after retirement.
7. Have a clear knowledge of your retirement benefits (total sum of money) and what exactly to do with it before retirement.
8. Increase your savings, especially with banks and/or cooperative societies.

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