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The New Contributory Pension Scheme in Nigeria: Gleaning From Past Pension Schemes

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Abstract: *The paper sought to compare the new pension scheme with the past pension schemes, with respect to their principles (core values), with a view to highlighting some areas of departure in the new pension scheme from the past ones. The values of the new pension scheme are ideally laudable and superior to those of the past schemes. However, the past pension schemes were plagued with financial misappropriation (corruption), which gave vent to their ineffectiveness and subsequent abrogation. In this light, the National Pensions Commission (PENCOM), which regulates the activities of the two principal agents in the new pension scheme: Pension Fund Custodians (PFCs) and Pension Fund Administrators (PFAs) should determine to be anti-corrupt, so as to be able to regulate the activities of PFCs and PFAs, more so, with zero tolerance for any form of financial misappropriation. All in all, Nigeria needs a visionary, disciplined, pro-development and an anti-corrupt leadership. This being so, the new pension scheme will have the expected and needed congenial environment to practically bring to bear its expected benefits.*
Key words: *New pension scheme, old pension scheme, corruption, expected benefits*

I. Background

Improvements in the welfare of the people is the principal tenet of development policy of any society. Such improvements usually manifest in the occurrence of desirable changes in the various aspects of the life of a society. The desirable changes include: a reduction in the level of absolute poverty, a reduction in the extent of interpersonal inequality, improvements in health services and housing conditions. Succinctly, every development effort seeks to achieve life – sustenance, self – esteem, and freedom from servitude, which have been accepted by development economists and analysts as the "principal components" or "core values" of development. World Bank(1991) argued that "the principal challenge of development is how to improve the welfare of the people". One way of achieving improvements in the well – being of the citizenry of a society is to ensure that due reward is given to retirees regularly (FGN, 2004). This will make the retirees meet their basic needs of nutrition, clothing, housing, health services, etc., thus sustaining their lives with the expected self – esteem. The needed apparatus through which this can be achieved, no doubt, is a functional pension scheme.

To guarantee sustained improvements in the welfare of workers, more so, in their post - retirement lives, the Federal Government of Nigeria, since 1961, has employed some pension schemes. For instance, in 1961, shortly after the political independence on October 1, 1960, the Nigerian Government established the National Providence Fund (NPF) with the aim of providing for pensions and old age security of particular groups of workers in the country. In 1972, following the Udoji Commission Report, Public Pension Scheme was established, the National Providence Fund was consequently subsumed under the Presidency as a parastatal – The Nigeria Pension Board(NPB). However, in its operations, NPB was inefficient in many aspects. For instance:

i) The workers lacked the needed enlightenment and awareness about the pension system and the workers' rights;
ii) Amount for contribution was fixed at four naira (N4.00) irrespective of one's pay level;
iii) Only employers contributed, thus, the weight of pension responsibility was on the employer;
iv) The pension system (management and administration) was remote to the expected beneficiaries (the retirees and expected retirees);
v) Pension funds were misappropriated, and the Board was poorly managed.

In an attempt to smoothen out the above inadequacies, and more, NPB was repealed, and the Nigerian Social Insurance and Trust Fund(NSITF) replaced it in 1993. The NSITF, in its operations was quite like the pension schemes before it – plagued with inadequacies. AII in all, the aforementioned schemes were so disorganized that workers and retirees did not know where and how to go about processing their retirement papers. Some retirees could not collect their gratuities and pensions many years after retirement. The scheme failed to achieve the expected goal - improving the welfare of workers, especially the retirees.

In cognizance of the plight of Nigerian workers in their post – retirement years, the Federal Government, in 2004, adopted a pension reform through a Pension Reform Act, to replace the NSITF, with a view to

establishing a standard pension scheme that would practically alleviate the predicament of Nigerian workers at retirement. The 2004 pension scheme is current and operative, and is contributive in nature.

The paper, therefore, seeks to compare the current pension scheme with the past ones, with respect to their core values, with a view to highlighting some expected benefits and salient issues, which constitute areas of departure (in the new pension scheme) from the past ones. It also aims at providing some insights into the bane of past pension schemes so as to draw some caution for the new pension scheme. The paper has six parts. Following the background to the study is the analytical framework in part 2. Part 3 presents the operational framework of the new pension scheme and pension model in Nigeria. Part 4 presents an overview of the current pension scheme. A comparative analysis of the new pension scheme and the past ones is presented in part 5. Part 6 offers some observations with a note of caution, and concludes the paper.

II. Analytical Framework

Our framework is based on Ando – Modigliani hypothesis, which is known as the life – cycle income hypothesis. The hypothesis has it that consumption of the individual consumer depends on the resources available to him, the rate of return on capital , the spending plan and the age at which the plan is made, Succinctly, consumption, as argued by Ando and Modigliani (1963), is a function of individual consumer's expected life – time income. In other words, the long – period consumption of an individual is related to his life – time average income. The consumer will, therefore, maximize his utility (or welfare) over his life – time subject to the total resources available to him. Given the consumer's life – span, his consumption is proportional to his total resources. And the proportion of his resources spent depends on whether he made the plan during his early or later years. The life – cycle income hypothesis places age as a crucial variable in determining the relationship between consumption and wealth. In this hypothesis, individual's average income, as a rule, is lower than his spending (or consumption) at the beginning and towards the end of his life. In the middle years of his life – career, his total earning or income is higher than his consumption (Onuchuku and Adoghor, 2000:114 -115).

Figure 1 gives a graphical presentation of the Ando – Modigliani hypothesis.

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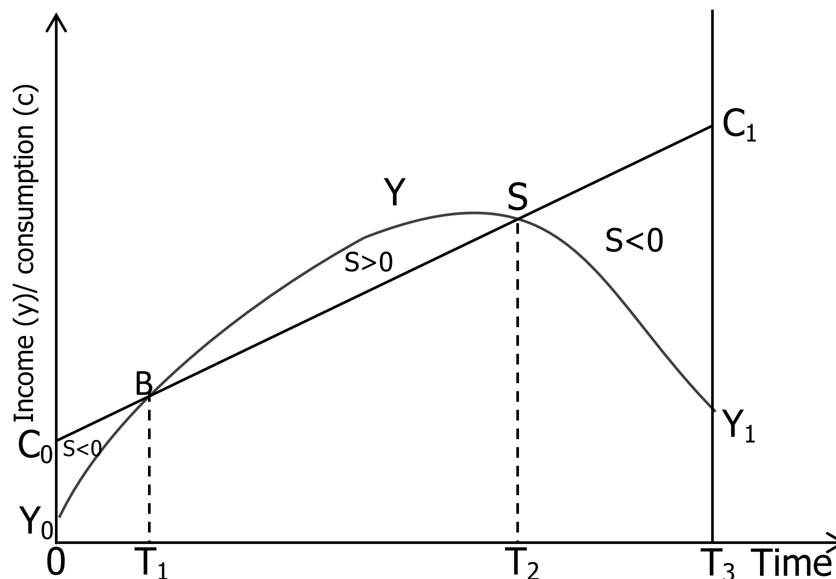

Figure 1: The Life-Cycle Income and Consumption

From figure 1, Y_0Y_1 curve shows the individual income stream during his life – career time,$0T_3$, while C_0C_1 depicts his consumption function, which rises slowly over his life – time. S is saving, part of his income not spent on current consumption. At the early stage of his career life, OT_1, he borrowed CoY_0B amount of money to keep his consumption level, CoB, which is above his income, Y_0B, thus, $Co B > Y_0B$ resulting in $S<O$. The middle age of his life is represented by T_1T_2, during which his income, BYS, is higher than his consumption, BS, resulting in $S > O$, thus, he saves BYS amount to repay his debt and for the future. In the last years of his life represented by T_2T_3, his consumption SC_1 is greater than his income, SY_1, so, he dissaves SC_1Y_1 amount, thus, $S < O$. .

From the above analysis of the Ando – Modigliani income hypothesis, as applied in this study, we draw the following analogy: $0T_1$ as early years of the individual career life, already given; T_1T_2 as the middle age of his career life in which his income, BYS, is greater than his consumption, BS, thus, enabling him to deposit part of his income as retirement savings with the existing national pension scheme. T_2 is the time the individual retires from his career. SY_1 as post – retirement income, which is less than SC_1, his post - retirement expenditure (consumption), while T_2T_3 is his post – retirement life – time; and within this period, the retiree depends more on his pension he made between years T_1 and T_2. If the pension scheme becomes ineffective and inefficient, probably due to financial misappropriation, so that the retiree does not receive his pension regularly, the pension scheme will be said to have fallen short of achieving its main objective of "improving the post- retirement living conditions of workers", and the living conditions of the retiree, in his post retirement years, T_2T_3, may rather worsen.

III. 0perational Framework of the Current Pension Scheme

The new pension scheme which was established in 2004 under the Nigeria Pension Reform Act No. 2 is contributory in nature. The Scheme seems very novel both in organization and administration to many employees and employers in Nigeria. The rationale behind the new scheme is to make both employers of labour and employees to be more committed in dealing with issues of pension in Nigeria. "The main objective of the new pension scheme is to improve the post-retirement living conditions of the Nigerian workers" (FGN, 2004). The new act is a radical departure from the previous pension schemes. Under this act, both employers of labour and their employees contribute certain percentages to the Pension Fund on monthly basis. The management of the fund is not lumped into one organization as was the case with the previous pension schemes. Hence, many independent Pension Fund Administrators (PFAs) and Pension Funds Custodians (PFCs) are licensed to manage retirement savings. The Nigerian Pension Commission (PENCOM), established under the Nigeria Pension Reform Act No. 2 of 2004, has the responsibility to license, regulate and monitor the operations of Pension Fund Administrators (PFAs) and Pension Funds Custodians (PFCs). And very importantly, every employee has the freedom to appoint his own independent Pension Fund Administrator (PFA). The PFAs and PFCs collectively invest deposits of the Retirement Savings Accounts (RSA_S) so as to earn interest part of which should be shared to the accounts holders.

3.1 The Nigerian Pension Model

The model adopted for the 2004 Pension Reforms in Nigeria is known as the **Defined Contributory Pension Model**. By World Bank Standard, this reform can be adjudged to be a major pension reform. Schwarz (1999) in a World Bank discussion paper defines major pension reforms as those reforms which substantively change the system of pension provision from (a) defined benefit to a defined contribution or vice versa, (b) Pay-As-You-Go (PAYG) to full funding or vice versa. The process of setting up a new system is also classified as a major reform because it represents a substantive change from a previous one or none existing status. Therefore, Nigeria's substitution of the Pay-As-You-Go (PAYG) system with new mandatory defined contributory pension system makes the reform a major one. The reform also meets World Bank Standard of a major reform. The World Bank reports on worldwide pension reforms show that the defined contributory models are more favourable in most Nations. Therefore Nigeria's adoption of the defined contributory Pension Model is in line with global majority option.

IV. An Overview of the New Pension Act

The New Pension Act of 2004 established a supervisory commission known as National Pensions Commission (PENCOM). This commission is responsible for Licensing, regulating and monitoring both Pension Fund Administrators (PFAs) and Pension Funds Custodians (PFCs).

Presently (as at September, 2013), twenty four (24) Pension Fund Administrators (PFAs) and four (4) Pension Fund Custodians (PFCs) have been licensed by PENCOM, and are in operations. They are:

A. Pension Fund Administrators (PFAs)

1. AIICO Pension Managers Limited
2. Amana Pension Managers Limited
3. APT Pension Fund Managers Limited
4. ARM Pension Managers Limited
5. Citi Trust Pension Fund
6. CRIB Pension Fund Managers Limited
7. Crusader Sterling Pension Limited
8. Evergreen Pension Limited
9. Fidelity Pension Managers Limited
10. First Guarantee Pension Limited

11. Future Utlity Gladnvils Pension Limited
12. IEI - Anchor Pension Managers Limited
13. IGI Pension Fund Managers Limited
14. Leadway Pensure Pension Fund Administrators Ltd.
15. Legacy Pension Managers Limited
16. NLPC Premium Pension Limited
17. OAK Pension Limited
18. Penman Pension Limited
19. Pension Alliance Limited
20. Premium Pension Limited
21. Royal Trust Pension Fund Administrators Limited
22. Sigma Vaughn Sterling Limited
23. Stanbic IBTC Pension Manager
24. Trust Fund Pension

B. Pension Fund Custodians (PFCs)

1. UBA Pension Custodian Limited
2. Zenith Pension Custodian Limited
3. First Pension Custodian Nig. Limited, and
4. Diamond Pension Fund Custodian Limited.

Ibrahim (2005) gave stakeholders (PFAs, PFCs, employers and employees) an insight about the policy trust of the reform Act, and emphasized that the pension reform is based on providence, transparency and voluntary compliance. Ibrahim (*ibid*) added that both PFAs and PFCs are mandated by law to render monthly report to the Pension Commission(PENCOM), while the commission on its part has the responsibility of carrying out routine checks on the accounts, books of records and the financial status of contributors. Ahmed (2005) highlighted some of the benefits of the reform scheme, and assured all the stakeholders in the pension system that their interest is adequately guaranteed in the new act. He stated that the employee who is the main subject matter in any pension scheme, such as this, stands to benefit enormously because his retirement savings account (RSA) is safely invested and managed by an independent pension manager under whom the risk of loosing entitlements is minimized. Secondly, that his annual contribution is to be invested continually in interest yielding ventures such as bonds and shares on his behalf. For the employers Ahmed (2005) argued that by remitting this contribution in piece meals (monthly), the financial weight or burden of transferring very huge sums of money to a pension body at any one time is alleviated. On the other hand, business is created for many financial organizations that are licensed as PFAs and PFCs, which in turn create employment opportunities for many unemployed while they too make their own profits from managing the RSAs.

The new scheme provides that both the employer and employee have to contribute specific percentage of the employee's emolument to a special fund reserved towards the final disengagement of the employee. Section 9, subsection 1 of the 2004 Pension Act defines the "rate of contribution to the scheme" and specifies as follows:

a) In the case of the Public Service of the Federation and the Federal capital Territory: -
   (i) a minimum of seven and half percent(7.5 %)by the employer:
   (ii) a minimum of seven and half percent(7.5%) by the employee: or
b) in the case of Military: -
   (i) a minimum of twelve and half percent(12.5%) by the employer:
   (ii) a minimum of two and half percent(2.5%) by the employee: or
c) in other cases: -
   (i) a minimum of seven and half percent(7.5%) by the employer: and
   (ii) a minimum of seven and half percent(7.5%) by the employee:

The (c) above covers employees under the employ of States and Local Governments, their parastatals and agencies. It also embraces those employed in the private sector. It is pertinent to note, however, that many organizations/companies in the private sector are yet to appreciate or embrace the new pension reform scheme. Those organizations that oppose this reform scheme do so because first, it is now mandatory for every organization/company employing up to 5 workers to participate/adopt the new Pension Scheme. Second, the financial implication of the scheme boarders on their finances (profits) and third, the act also provides for enforcement on companies/organizations that fail to comply with the provisions of the Reform Act on matters of legibility for enlistment on the scheme. Ibo (2006) reported that some companies are not only reluctant to adopt the scheme but have gone a head to instigate their ignorant employees as a way of dissuading them against the

scheme. Also, some companies are dragging their feet to transferring the pension rights of their employees to PFAs. Some have been accused of surcharging the pension dues of their employees as a strategy to reduce their own financial commitment instead of encouraging them of the beauty and benefits of the scheme.

Despite these developments, it is interesting to note that some foreign private companies operating in Nigeria were already practicing this type of pension scheme long before it was officially adopted by the Federal Government. Such companies included Asea Brown Boveri (ABB), PZ Industries, PLC (Ibo, 2006).

4.1 Transitional Provisions of the Pension Reform Act

The new Pension Reform Act of 2004 established the National Pension Commission (PENCOM) as the overall supervisory body for Pension in Nigeria. The Commission (PENCOM) has the responsibility to license, regulate and monitor the operations of all Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs). By the 2004 Act, all other existing pension acts have been repealed; these included:

a) The Pension Act, 1990
b) The Police and other Agencies Pension Offices (establishments, etc.) Act, 1993.
c) The Police Pension Rights of Inspector-General of Police Act, 1993.

All boards of Trustees of various pension departments in the Federal, State and Paramilitary Services have consequently been transferred to the commission (PENCOM) as provided for in section 30, subsections (1) – (4). Similarly, the Armed Forces Pension Act of 1990 has been amended in line with the 2004 Pension Reform Act. The transition of existing Pension Scheme in the Private Sector is provided for in sections 39 and 40 of the new Pension Act.

The Nigeria Social Insurance Trust Fund (NSITF) established by Pension Act of 1993, which before the Pension Reform Act of 2004 was the apex pension body has also been repealed. The reform act has licensed NSITF to establish a Pension Fund Administrator (PFA) in accordance with section 42; subsections (1) – (7). This is to take care of contributors to the Social Insurance Scheme of NSITF. Following this development, NSITF contributors have the option of still maintaining their choice. In the event of choosing the later, the contribution of the beneficiaries would be transferred to the new PFAs of their choice. Section 50, subsections (2) and (3) mandate PENCOM to re-align the contributions of employees to the new scheme while ensuring that nothing is lost in the process of transition.

Some salient but important aspects of this development are that: -

(i) NSITF's PFA operations are open to scrutiny of the contributors and PENCOM as provided for in section 45 paragraphs (d) and (e) as against its remoteness and secrecy prior to the 2004 Reform Act.
(ii) Under section 42, subsection (3), contributors/beneficiaries have the choice to, or not to, continue patronizing their services.
(iii) Its operations are now regulated and monitored in line with sections 44 and 45 of the current Act.

The interest of contributors and other defined benefits of the schemes that existed before the 2004 reform are not over looked. Section 12 provides for the transfer of all holders' entitlements to the new scheme without losses.

V. The New Pension Scheme and the Past Pension Schemes: A Comparison

The new pension scheme differs from the previous ones in several ways. Some of the differences are shown in Table 1.

Table 1:Values of the Reformed and Past Pension Schemes Compared

	The 2004 Reformed Pension Scheme	Past Pension Schemes**
a.	Pension funded	Pension not funded
b.	Contributory – both employer & employee contribute certain percentages to the pension fund.	Non-contributory – only employers pay-up retirement dues.
c.	Freedom to choose PFA	No option, all pension matters handled by one board: NPB, NTF and later NSITF, at different times.
d.	Compulsory for both public and private establishments with up to 5 employees.	Not compulsory for Private Sector employers.
e.	Employee-contributors have access and can monitor their RSAs.	Remote to employee-contributors: no access.
f.	Deposits in RSAs are invested to generate interest for the retiree holders.	Pension was "Straight jacketed" No interest paid to retirees.
g.	RSA holders have a say where their savings are invested (by the PFAs).	RSA holders had no say, no knowledge.
h.	The Act separates the functions of a Supervisory body PENCOM, Administrators (PFAs) and Fund Custodians (PFCs)	All functions lumped into one organization: NPB, NPTF and NSITF at various times in history.
i.	No payment risk associated with liquidity, ill-health or death of employer.	High payment risk associated with liquidity, ill-health or death of the employer.
j.	Minimum of 4 years contribution required to qualify to draw retirement benefits.	Initially 15 years for NPB, 10 years for NPTF and reviewed to 5 years for NSITF.
k.	Employee-contributor can easily transfer RSA from one PFA to	Contributors had no choice, no alternative, no change

	another (in case of the contributor is not satisfied with PFAs services).	possible.
l.	When a worker changes his work place or establishment, change of RSA, PFA or PFC not necessary.	Transfer of Pension/gratuity necessary when work place/establishment is changed (usually not easy).
m.	Drawings of retirement benefits have definite time-frames and are negotiated with retirees.	Drawings last throughout retiree's lifetime.
n.	At death, a retiree's spouse, child or next of kin collects the balance of the RSA.	Retirement benefits/drawings terminate at the death of a pensioner/retiree.

Source: *Authors*

*** includes all pension schemes before the 2004 (current) pension scheme*

Table 1 presents the values of the 2004 Reformed Pension Scheme and those of past schemes. Even at a glance, the values of the reformed pension scheme appear to be superior to those of past schemes. The contributory attribute of the new pension scheme is of great importance. Both the employer and the employee contribute certain percentages to the pension fund. This is expected to swell up the RSA and to place the expected beneficiary (the retiree) better off. On the contrary, the past pension schemes were non-contributory, the financial burden rested solely on the employer, thus, the retirement benefits were very small and subsistence, and it took much time before the retiree could get it.

In the new pension scheme, many Pension Fund Administrators (PFAs) are involved, and employees are granted the freedom to choose from the pool of PFAs. The involvement of many PFAs is expected to arouse competition among them with consequent resultant effects of efficiency and proficiency. The new pension scheme is all embracing, it is compulsory for the public and the private establishments with at least five employees to involve. This was not so in the past pension schemes. Employers of labor in the private sector were given a free hand to or not to be involved. In the new scheme, provision is made for employee – contributors to have access to their RSAs and monitor same, whereas past schemes were by all standards remote to the employer – contributors: they got no access to their RSAs.

In the past pension schemes, there was no provision for deposits in RSAs to be invested, whatever the employer deposited for the expected retiree was what he got. Contrariwise, in the 2004 Reformed Pension Scheme, provision is made for deposits in RSAs to be invested by the PFAs in government and corporate bonds, treasury bills, debenture, ordinary shares of companies listed on the stock exchange, real estate and unit – linked investment schemes, and in redeemable preference shares issued by corporate entities. The PFAs are required to maintain accounts in all pension transactions and to provide up-to-date information on all investments they undertake to PENCOM, and to acquaint contributors with monthly retirement savings account statements.

In the old pension schemes, all pension matters – supervision, custody, and administration, were treated by just one board or organization at a given time; whereas, in the new pension scheme, three bodies with specialized functions are involved: PENCOM discharges the supervisory functions, PFCs custody the pension fund, while PFAs are concerned with the administration of the pension fund. Under the new pension scheme, minimum of four years of contribution is required for an account holder to qualify to draw retirement benefits, whereas, under past pension schemes, the minimum number of years of contribution to qualify to draw retirement benefits was five under NSITF, ten under NPTF, and fifteen under NPB. Another area of distinction in the new pension scheme is the provision which allows employee – contributor to transfer his RSA to another PFA if he were not satisfied with his previous PFA. The past schemes had no such provision. The account holder had no choice, no alternative since there was only organization or board overseeing all pension matters at a given time. Also of interest in the new pension scheme is the provision of maintaining RSA, PFA, and PFC when an employee – contributor changes job, or is transferred from one parastatal to another, if he so desires. This was not so in the past pension schemes, transfer of pension/gratuity as one would change job or parastatal was very necessary.

Drawings of retirement benefits under the new pension scheme have definite time frames and are done under negotiation with retirees. In the past pension schemes, drawings would last throughout retiree's life time. The 2004 reformed pension scheme allows retiree's spouse, child or next of kin to collect the balance of RSA at the death of a retiree, while the past pension schemes terminated drawings of retirement benefits at the death of a retiree.

VI. Observations and Conclusion

6.1 Observations

The values of the 2004 Reformed Pension Scheme are all ideally laudable and graphically superior to those of past pension schemes. Nevertheless, it is pertinent to note that past pension schemes were neither designed nor expected to fail. The National Providence Trust Fund of 1961 , National Pension Board of 1972, and the National Social Insurance and Trust Fund of 1993 were variously designed and adopted as workable

pension schemes with the general objective of improving the welfare of Nigerian workers, more so in their post-retirement years. Unfortunately, all the past pension schemes Nigeria had adopted prior to 2004 could not achieve the expected objective; they failed successively. Many Nigerian workers lost their deposits due to the malfunctioning of the past pension schemes and their subsequent abrogation. The questions we pose at this juncture are: why were past pension schemes ineffective and inefficient in their operations? Why could they not achieve the expected objectives for which they were established? Many answers may be given, however, there is one answer this paper regards and maintains as pivotal, namely, **corruption**, though pretentiously trivialized by the elite of self-asserting Nigerian bourgeoisie due to their involvement in the vice. Misappropriation of public funds in Nigeria has become “business as usual” as the rule of law has shaky footing in the country. Achebe (1998: 54-55), in his pamphlet *The Trouble with Nigeria,* argued that :

> *Although Nigeria is without any shadow of doubt one of the most corrupt countries in the world, there has not been one high public officer who has been made to face the music for official corruption, And so, from a fairly timid manifestation in the 1960, corruption has grown bold and ravenous as, with each succeeding regime, our public servants have become more reckless and blatant.*

The story has not changed. The degree of submerging into corruption by Nigeria seems to increase with each year passing. For instance,

> *in the 1996 study of corruption by Transparency International(TI), Nigeria, in a pool of 54 countries, was ranked the most corrupt followed by Pakistan. (And) of the eighty-five (85) countries pooled for corruption assessment by TI in 1998, Nigeria was ranked the 5th most corrupt country in the world (Essien, 2012).*

Achebe (1998: 47) argued that corruption in Nigeria has passed the alarming and entered the fatal stage. With no shadow of doubt, the positions of Nigeria in corruption assessment of countries of the world by TI between 2001 and 2012 really buttressed Achebe’s argument.

> *In 2001, the weight of corruption was much more on Nigeria. Out of ninety-one (91) countries assessed by the TI, Nigeria was ranked 90th – the second most corrupt country in the world. In 2003, Nigeria was ranked 132nd of 133 countries pooled for corruption assessment. In 2011, of 182 countries assessed for corruption by the TI, Nigeria was still among the ten most corrupt countries in the world (Essien, 2012).*

More so, the TI, in its 2012 corruption assessment, placed Nigeria in the pool of fifteen (15) most corrupt countries in the world (TI, 2012).

The failure of past pension schemes and the steeped trend of Nigeria’s move in corruption, therefore, poses a challenge to, and raises concern for, the 2004 reformed pension scheme which is barely nine years in operations. One area which attracts more attention in the new pension scheme is the operational tenet which gives the Pension Fund Administrators (PFAs) the allowance to invest deposits of the Retirement Savings Accounts (RSAs) in interest-yielding ventures such as government and corporate bonds, treasury bills, ordinary shares of companies listed in stock exchange, real estate and unit – linked investment schemes. The interests made should be shared between the PFAs and the employee-contributors (that is, the RSA holders). This allowance needs to be regulated by PENCOM as Nigerian financial institutions are wont to pursue profit maximization excessively to the disadvantage of their clients.

6.2 Conclusion

The values of the 2004 pension reform scheme, by all standards, are superior to those of past pension schemes. However, the bane of past pension schemes – **corruption (financial misappropriation)** – which has permeated all sectors of the Nigerian economy, may likely affect the efficacy of the new pension if some drastic measures are not taken. In this light , therefore, the leadership of PENCOM, which oversees the operations of PFCs and PFAs should determine to be anti-corrupt, and give zero tolerance to any act of financial misappropriation. All in all, Nigeria needs a visionary, disciplined, pro-development and an anti-corrupt leadership. This being so, the new pension scheme will have the needed congenial environment to practically bring to bear its expected benefits.

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