

THE LAWS AND ADMINISTRATION OF RETIREMENT IN NIGERIA: A HISTORICAL APPROACH

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Abstract

Retirement and Pension today, has become a topical issue, one that has engaged the commitment of government, attention of employers and workers not only in Nigeria but also in many developing and emerging economies of Africa, Asia and Latin America. Retirement pensions are typically the largest component of the set of public interventions that make up a social insurance system. In nations that have evolved over the years an effective and functional pension schemes, majority of the retired personnel can live comfortable with their pension allowances without so much discomfort to their family economic stability. In Nigeria, before the new pension scheme, retirees are frustrated through undue delay, and sometime, denial of gratuity and pension allowances. In such circumstances, the fear is not certainly retirement, but the pains one has to pass through after a meritorious service to the nation. It is against this backdrop that this paper seeks to examine retirements and pensions in Nigeria. It equally analyses the contents of the Pension Reform Act (PRA) 2004 together with previous pension legislations.

Key words: Retirement, Pension, Social Insurance, Gratuity, Reform,

INTRODUCTION

The protest in Ibadan, recently, of military pensions typifies the general rot and the corruption that had eaten deep into the national pension scheme. The decay is such that pensioners now issue bribe to those who manage their files and/or credit their accounts in order to encourage them to do their work. Those who feel otherwise do so at their period as they are the ones whose files are always missing and whose accounts are often underpaid or not paid at all. This is despicable and gives us out as a people who do not have respect for our aged ones, the pensioners, who have invested their youth to ensuring that the polity remains as a happy place and a vibrant country and a functional system while they served their for their father land.

Only recently some N12billion was alleged to have been fraudulently taken away form the coffers of the pensions fund by officers' in-charge of the fund. Those involved are currently going through trial before the court of law. They include former Director of pensions department, office of the Head of Service, Dr. S.T. Shuaibu, his deputy, Phina Chidi and his personal assistant Aliyu Bello, as well as Abdullahi Omeiza, Garba Abdullahi Tahir and Emmanuel Olanipekun.

Although these ones are going through trial, it must be stated that the malfeasance has become a common trend in public service. For instance during the 2011 workers' Day Rally on May 1st, the Nigerian Labour Congress (NLC), urged both the federal and state governments to pay their members who had retired for several years their gratuities and pensions.

In Nigeria, the delay in payment of persons and gratuities has brought untold hardship and death to many retirees, thereby making retirement something that is dreaded by workers. This problem is further compounded by lack of planning and management of post-retirement epoch and conditions.

According to Gill et al (2005), at the turn of the 21st century fewer than 15 percent of the world's 6 billion retirees had access to a formal system of retirement income support. The majority of this population that goes without formal coverage lives and works in developing societies. To the extent that households in these polities still rely on traditional family arrangements to provide income and social security to retirees in retirement. Many

individuals who are self employed or whose employers do not provide a pension plan establish their own pension plans.

Pension is a form of income that workers or their dependents receive after the workers retire, become disabled or die. Pension plans benefit people who have had careers in public and private industry. Nigeria had pension scheme in 1951. The colonial British administration established it by the instrument they called Pension Ordinance. It however, had a retroactive effective from 1946 and applied only to United Kingdom officials posted to Nigeria. It is significant to note that the pension scheme was not automatic to Nigerians. All these require close examination.

In view of the above theses, the aim of this paper is to review Nigeria's pension industry: its laws and administration since 1951.

CLARIFICATION OF CONCEPTS

Retirement

Retirement signifies the detachment from primary activity in business, industry or active service as full time employee (Manion, 1976). It can also be conceptualized as a process that separates an individual from a job role (Atchley, 1977) or as termination of a pattern of life and a transition (Omoresemi, 1987; Asuquo, 2002). The causes of the detachment or separation may be due to old age, poor health, social pressure or apathy.

Retirement is the point where people stop employment completely. A person may also semi-retire by reducing work hours. Many people chose to retire when they are eligible for private or public pension benefits, although some are forced to retire why physical conditions do not allow the person to work any more (by illness or accident) or as a result of legislations concerning their position. In most polities, the idea of retirement is of recent origin, being introduced during the 19th and 20th centuries. Previously, low life expectancy and the absence of pension arrangements meant that most workers continued to work until death (Wikipedia, 2011)

In modern times, most developed countries have systems to provide pensions on retirement in old age, which may be sponsored by employers and/or the state. In many developing and poorer societies, support for the old is still provided through the family. Today, retirement with pension is considered a right of the worker in many societies, and hard ideological, social and politico –cultural battles have been fought over whether this is a right. In many developed and developing countries, this right is mentioned in national constitutions.

An individual may retire at what ever age they please. However, a country's tax's laws and /or state old age pension rules usually mean that in a given country, a certain age is thought of as the "standard" retirement age. The "standard" retirement age varies from country to country but it is generally between 55 and 70years. In some countries this age is different for males and females, although, this has recently been challenged in some countries such as Austria, and in some countries the ages are being brought in to line. For an example in the United States, a person holding the rank of a general or admiral retire after to 40 years of service unless he or she is reappointed to serve longer (10 USC 636). Retirement for years of service: regular officers in grades above brigadier and rear admiral (lower half) (America Heritage Dictionary, 2005, Compact Oxford Dictionary, 2005 and OCED, 2005).

Retirement is the withdrawal or giving up office or work. According to Nwajagu (2007), a person who is retired is one who has given up office. The *Oxford Dictionary* defined retirement as the act of stopping ones regular work especially because one has reached a particular age; the even of retiring or state of having retired from work. It is the withdrawal from active function of one's may retire means of livelihood. Nwajagu (2007) defined three ways of civil or public servant may retire or give up his office. They are voluntary retirement; statutory retirement and Compulsory retirement. By statue on attaining the age of sixty years chronologically one is bound to retire or on completing thirty-five years in the service one is similarly qualified to retire from the service. Statutory retirement attracts payment of gratuity and pension.

Voluntary retirement is self-imposed. In other words, a person may consider by himself whether to retire or to remain in the service and make it his life carrier. Prospects in the service are considered and where one is not satisfied with the career or one lacks job satisfaction such person is at liberty to retire voluntarily. The sang in voluntary retirement is that where the retires has not worked for a minimum of ten years, he forfeits his gratuity and pension but if he has put in fifteen years in the service, he becomes entitled to payment of gratuity and pension.

Compulsory retirement is externally imposed by the authority which may consider that continuing in office of the individual is no longer in the interest of the service. Retirement is like death –a necessary end. This is because the Holy Bible says there is a time for everything – a time to be born and a time to die, a time to come and a time to go, a time to start work and to retire from service and so on (Amujiri, 2009:139).

Three main characteristics of retirement are identified in the literature. In the first place, it is a period of evolution or change in a variety of ways; change in values, habits, daily routine, self concept, role, the use of time, lifestyle, living arrangement, financial adjustment and adjustment in terms of age. Secondly, it involves re-evaluation of life in that retirement entails careful reorganizing of personal identity and life patterns especially as it affects new tasks, physical, mental and financial capabilities, prospects, social engagements and home maintenance (feeding, furniture, fees and vehicle). Furthermore, it provides opportunity for learning, growth in leisure and recreational activities (Okolie and Omenma, 2011:3-4).

Three major forms of retirement are identified in the literature, namely, **Voluntary, Compulsory and Mandatory** (Omoresemi, 1987; Akande, 1995; Johnson, 1999; Olusekan 1999).

Voluntary or self retirement occurs when the individual, decides to quit active service for personal reasons irrespective of age, experience, length of service or retirement policies. This type of retirement depends more on the employee than the employer.

The second type, compulsory or forced retirement is a situation in which the individual is forced or compelled to retire against the individual's expectation and when he is ill-prepared for it. It is usually viewed negatively in that is unplanned and reasons might include inefficiency, old age, ill health, indiscipline and need for reduction of the workforce (Johnson, 1999).

The third type, mandatory retirement is the normal (or expected form) in the sense that the person involved has reached the statutory age of retirement as specified already in the condition of service of the establishment. (Akinade, 1993). For instance, in Nigeria the age is specified for other civil servants while judges and lecturers retire at 65 years or when an individual has put in 35 years of service.

In Nigeria, the public service rules (2008:28-29) states clearly as follows:

- The compulsory retirement age for all grades in the service shall be 60 years or 35 years of pensionable service whichever is earlier.
- No officer shall be allowed to remain in service after attaining the retirement age of 60 years of punishable service whichever is earlier.
- The provision of (i) and (ii) of the rule is without prejudice to prevailing requirements for judicial officer and academic staff of universities who retire at 70 and 65 years respectively.
- Provided the officer would not have attained the retirement age of 60 year or spent 35 years of spent 35 years of pensionable service, whichever is earlier.
- A Director shall compulsorily retire upon serving eight years of post and
- A Permanent Secretary shall hold office for a period of four years and renewable for a further term of four year, subjects to satisfactory performance and no more.

Other grounds for compulsory retirement of an employee as identified by Ezeani (2011:3) include the under listed:

- On the advice of properly constituted medical board, certifying that the officer of no longer mentally or physically capable of carrying out the functions of his office,
- On total or permanent dis-enablement while in service
- An abolition of his office as a result of re-organization in the department
- If he is required by the employee to retire on the grounds that his retirement is in the interest of the establishment.

Retirement is just another phase of life. Flippo as quoted in Agulanna (2003) has this to say “with a society built on a work ethic, the move from a recognizable productive work role on one day to a role-less role on the next, has stimulated the belief that retirement heads to mental and physical illness and sometimes premature death, to many, work is life and idleness is a living death”. Retirement means different things to different people. To some it can be exciting, delightful, thrilling, reading, something to look forward to. While to some it means the end of the road, psychological, or living death etc.

The British Life Long Learning Minister, Mr. Malcolm Wicks as quoted in Agulanna (2003:5) has this to say “You don't stop thinking when you stop working. I think of retirement as the new learning zone . . .” Retirement does not mean the end of ones world rather the beginning of a new world or phase in life, a time one should be

thankful to God for the journey so far, for many look forward to retirement but not all get to it. It is a time according to Ejiolor (1987:204) "Public Servants retiring on grounds of age should be treated as war veterans and not as dead woods to be burnt".

To any Nigerian worker retirement is a dreadful experience and has acquired a negative colour as retirees in Nigeria are passing through hell. According to Agulanna (2003). Many workers are regretting the day they joined the public service. Okorodudu (1998:89) has this to say "in fact, the process of disengagement from active work-life is not an easy one. Many have been faced with a lot of psychosomatic problems arising from unpreparedness and the various forms of psycho phobic reactions often exhibited by several workers in Nigeria" (The Guardian, 2000:19). According to Agulanna (2003:19):

Not many would know or understand what pensioners go through in the nation. The punishment is such that to retire to a quiet life and honest life has almost been made impossible in Nigeria, so brutal, heartless, and imposed on waiting pensioners that some prefer to kick the bucket instantly rather than go through the headache of receiving their pension.

With the above quotation of the retired Army captain, let us turn to retirement compensation (Gratuity and Pension) in Nigeria.

Pensions

Pension has been defined as a periodic income or annuity payment made at or after retirement to employee who has become eligible for benefits through age, earnings and service. *Oxford Advanced Learner's Dictionary* defined pension as a sum of money paid regularly by a Government to people above a certain age and to widowed (Widow) or disabled people or by former employer or financial institution to retired people *Micro Word Encarta Dictionary* has two definitions of pension:

1. Retirement pay: a fixed amount of money paid regularly to somebody during retirement by the government, a former employer or insurance company.
2. Regular sum of money paid regularly as compensation for an injury sustained on a job, or as a reward for service. For example, to an ex-worker. (Amujiri, 2009:139-140).

According to Ozor (2006), pension consists of lump sum payment paid to an employee upon his disengagement from active service. According to him payment are usually in monthly installments. He further stated that pension plans may be contributory or non contributory; fixed or variable benefits; group or individual; insured or trustee; private or public, and single or multi-employer. In many advanced countries of the world, income from pension to an individual may be supplemented by social security benefits, which apply to all citizens of a citizen in such country whether or not they belong to the working class. However, since most citizens in such countries might have at one time or another, been workers, it would appear that social security benefits are co-terminus with the working class. It is different from gratuity. According to Ugwu (2006), there are four main classifications of pensions in Nigeria. These are:

1. **Retiring Pension:** This type of pension is usually granted to a worker who is permitted to retire after completing a fixed period of qualifying service usually practiced in Nigeria between 30-35 years
2. **Compensatory pension:** This type of pension is granted to a worker whose permanent post is abolished and government is unable to provide him with suitable alternative employment.
3. **Superannuating Pension:** This type is given to worker who retires at the prescribed age limit of 60-65 respectively.
4. **Compassionate Allowance:** This occurs when pension is not admissible or allowed on account of a public servants removal from services for misconduct, insolvency or incompetence or inefficiency (Amujiri, 2009:140).

Gratuity is a once and for all lump of money paid to an employee on retirement, upon death or retirement or on total incapacitation while at work. According to Nwajiagu (2007), in some cases, workers are only entitled to gratuity upon withdrawal of service, in others; they may be entitled to both gratuity and pension. But in all cases, a worker who qualified to receive pension is usually also entitled to the payment of gratuity. Even if he is

indebted to the organization at the time of retirement, he is still qualified unless he was specifically dismissed without benefits based on misconduct.

Pension and gratuity plan for public servants in Nigeria states that public officer on completion of 35 years of unbroken service or 60/65 years of age for public servants and professors respectively which ever comes first, shall receive the maximum pension and gratuity for their respective grades and ranks. The calculation of these terminal benefits is guided at any point in time by a legal framework or law.

METHODOLOGY

The necessary information required to address the issues under discussion were sourced from secondary sources. Secondary data refers to information that is already amassed or collected by the other people for different purposes and which the researchers finds useful to his or her study. The relevance of secondary data is that they often exhibit degree of validity since they were not initially collected for the purpose of the research and not by the researcher himself/herself.

Secondary data include the census, the federal office of statistics, the World Bank, Seminar papers, internet materials, conference papers, newspapers, and magazines, academic journals, books and statistics or reports concerning specialized areas of social life. The main problem with the secondary data is that the way it was collected may not be exactly how the researcher would have preferred it. Thus, often there is the problem of making it amenable to a particular research purpose.

The technique of content analysis will be used to analyze and interpret the data generated for this study. The central goal of content analysis is to convert recorded raw information into data which can be treated in a scientific manner so that a body of knowledge may be built upon. The justification behind the use of this technique is that it allows researcher on areas where the researcher cannot have physical access to the respondents and thus, cannot by any other method. Tables grasp and other pictograms will equally be used to support the technique of content analysis.

EVOLUTION OF RETIREMENT/PENSION LEGISLATIONS IN NIGERIA

In the old Nigerian Pension System, only public sector employees were covered, by way of statutory compulsion. In the private sector, not all employers had pension schemes in place as there was no statutory demand on them to do so more often than not, those who had pension schemes in place related to lump sum payments at the verge of retirement, known as pay-off

The first Public Sector Pension Scheme in Nigeria was the Pension Ordinance of 1951, with retroactive effect from January 1, 1946. The law allowed the Governor-General to grant pensions and gratuities in accordance with the regulations, which were reviewed from time to time with the approval of the Secretary of State for Colonial Affairs in the UK government. Vesting period was fixed at 10 years of service. Though pensions and gratuities were provided for in the legislation, they were not a right as they could be reduced or withheld altogether if it was established to the satisfaction of the Governor-General that, the officer was found guilty of negligence, irregularity or misconduct.

The pension scheme in the public sector has undergone various developmental stages after the first Pension Ordinance. For example, the civil service pension scheme was established by the Basic Pension Decree 102 of 1979, the Local Government Pension Scheme was established by Military Fiat in 1977 and the Armed Forces Pension Scheme created through Decree 103 of 1979 with retroactive effect from April 1974. There was also the Pensions Rights of Judges Decree NO.5 of 1985 as mended by Amendment Decrees Nos. 51 of 1988, 29 and 62 of 1991. The Police and other Agencies Pension Scheme Decree No: 75 of 1993 which took retroactive effect from 1990 represented another landmark development in the history of the Nigerian pension system.

Governmental Parastatals and agencies directly funded by the Treasury had a unified pension scheme that was virtually managed by insurance companies and many were unable to honour their pension obligations. However, the pension schemes of the self funded agencies were better managed.

The first private sector pension scheme in Nigeria was set up for the employees of the Nigerian Breweries in 1954, which was followed by United African Company (UAC) in 1957. National Provident Fund (NPF) was the first

formal pension scheme in Nigeria established in 1961 for the non-pensionable private sector employees. It was largely a savings scheme, where both employee and employer would contribute a sum of Four Naira (N4) each on monthly basis. The scheme provided for only one-off lump sum benefits. The Nigeria Social Insurance Trust Fund (NSITF) was established by Decree No. 73 of 1993 to take over the NPF Scheme and provide enhanced pension scheme to private sector employees.

The first Pension Reform Act No 102 of 1979 was introduced before the Nigerian Second Republic by the Federal Government with effective date of 1st April 1974. The Act consolidated all enactment on pensions and gratuity scales devised for public officers by Udoji Public Service Review Commission 1974. The Pension Act 102 of 1979 was the basic pension law from which others pension laws in public service of Nigeria have developed as follows:

- a) The Armed Forced Pension Act 103 of 1979
- b) The Pension Right of Judges Act No. 5 of 1985
- c) The amendment Act No 51 of 1988, Act 29, 1991 and Act 62 of 1991 (Nwanegbo, 2007).

The pensions Act 103 of 1979 like its counterpart 102 of the same 1979 consolidated all enactment dealing with pension, disability benefits and gratitude scales devised for the armed forces, public service organizations established by decree in the Federal and edict in the state operated pension schemes similar to what obtains in the civil service. Local government system also established pension schemes for their staff, with a separate board known as the local government Pension Board. It was established to take care of the local government staff that have retired from 1st April 1979 Orewa and Adewumi (1983).

The New Pension Reform Act 2004 up to year 2004 when the Pension Act was passed by the National Assembly the government operated an unfunded defined Benefits Scheme and the payment of retirement benefits was budgeted annually under the Pay As You Go Benefits Scheme against the backdrop of an estimated N2 trillion deficit, arbitrary increase in salaries and pensions as well as poor administration. The Obasanjo administration initiated a Pension Reform in order to address and eliminate problems associated with the Pension Scheme (Federal Ministry of Information and Communication, 2004). The problems associated with the unfunded defined benefit pension are as follows:

First, by 2004, the occupational pension industry in Nigeria found herself in desperate financial straits.

Secondly, the coverage ratio of Nigerian workers (workers covered by a formal pension) was a dismal 1.3% which pales in comparison to Cameroon and Mauritius with coverage ratio of 30% and 6% respectively Legacy PFA, (2006).

Thirdly, the covered federal and state civil service workers were owed by an estimated N2 trillion or 25% of the GDP of Nigeria as indicated by the publications and Federal Ministry of Information and Communication (2004) and Legacy PFA (2005). The reason that was advanced for this heavy debt was that the Federal Government operated an unfunded Defined Benefit Pension Scheme, on a "Pay-As-You-Go" basis.

The regulation of the various pension schemes was fragmented between separate government agencies. This led to weak and ineffective administration Pension Administration in Nigeria.

The effect of the above scenarios was to create long line of pensioners waiting to collect their entitlements and bankrupt scheme that did not address the contributor needs.

The government clearly recognized the problem and met it head-on. A committee was established to restructure the entire pension sector in Nigeria. The committee after extensive study of pension schemes in operations worldwide selected the Chilean model of private contributory retirement accounts as the base model for the new proposed Defined contributory scheme.

After very extensive dialogue with the civil service, and the organized public sector and open sessions by members of the public the former president chief Olusegun Obasanjo signed the Pension Reform Act into law after public president chief being passed by both houses of the parliament on June 25th 2004.

The principal aim of the Act was to empower the individual contributor whilst establishing uniform rules the govern pension management in Nigeria through an effective regulator.

Challenges of the Old Pension Schemes

The need for pension reform was necessitated by the myriad of problems that plagued both the Defined Benefit arrangement - Pay As You Go (PAYG) in the public sector and other forms of pension systems like occupational schemes, mixture of funded and DB schemes that operated in the private sector.

One of the challenges of the public sector DB scheme lied in its dependence on budgetary provisions from various tiers of governments for funding.

The scheme became largely unsustainable due to lack of adequate and timely budgetary provisions. This was the reason for the soaring gap between pension fund obligations and revenues, which threatened not only economic stability but also crowded out necessary investments in education, health and infrastructure. This was exacerbated by various increases in salaries, which ultimately led to increase pensions and hence undue pressure on government fiscal responsibilities.

Pension Administration had been largely weak, inefficient and cumbersome due to poor staffing and equipping. This had more often than not led to poor record keeping at all pension offices throughout the country as a result of which many pensioners had to spend years before their retirement benefits were paid.

The exit phase was quite challenging where payment procedure was often very tedious, sometimes the pensioners had to wait for days and years, to collect their entitlements. Similarly, the reimbursement process for the split of pension and gratuity payments between Federal and State services and other agencies was very clumsy, untidy and sometimes fraught with bribery and corruption. There were undocumented cases where the reimbursing agency holds the recipient to ransom.

The private sector schemes were characterized by very low compliance ratio due to lack of effective regulation and supervision of the system. Most of these schemes were akin to Provident Fund Schemes, which did not provide for periodic benefits. Even at this, many private sector employees were not covered by any form of pension scheme.

The New Pension Scheme

The Pension Reform Act 2004 (PRA 2004) is the most recent legislation of the Federal Government aimed at addressing the associated problems of the old pension system. It established the Contributory Pension Scheme (CPS), which is a uniform pension system for both the public and private sectors. Similarly, for the first time in the history of the country, a single authority, the National Pension Commission (PenCom) was established to regulate and supervise all pension matters in the country. The scheme is being managed by licensed Pension Fund Administrators (PFAs), while the custody of the pension fund assets are provided by licensed Pension Fund Custodians (PFCs).

The move from DB schemes to Defined Contributory schemes is now a global phenomenon following the success stories of the Chilean pension reform of 1981. The paradigm shift from the DB scheme to funded schemes in developed and developing countries was ascribed to such factors as increasing pressure on the central budget to cover deficits, lack of long-term sustainability due to internal demographic shifts, failure to provide promised benefits etc. Thus developed countries like the USA, UK and emerging market economies of Chile, Mexico, Nigeria etc adopted the funded pension scheme because it enhances long-term national savings and capital accumulation, which, if well invested can provide resources for both domestic and foreign investment.

FEATURES OF THE PENSION REFORM IN NIGERIA

The pension reform has some peculiar features that position it as a catalyst for sustainable social welfare programme. For example, the fact that the reform is fully funded ensures that the overall retirement income is maintained from the onset of the scheme. This ensures that retirement benefits are paid on sustainable basis because funds are always available to defray any pension obligation that falls due. The reform has the following features:

Coverage and Exemption

The Law that established the Contributory Pension Scheme mandated all workers in the Public Service of the Federation, Federal Capital Territory, and the private sector where the total number of employees is 5 or more to join the contributory scheme. However, existing 'pensioners and workers that had 3 years or less to retire in accordance with the terms of their contract of employment were exempted from the scheme. Also,

exempted were the categories of persons under Section 291 of the 1999 Constitution of the Federal Republic of Nigeria.

Contributory

The approved monthly rate of contributions by both employers and employees are as follows:

	By Employers	By employee	Total
Government	7.5%	7.5%	15%
Military	12.5%	2.5%	15%
Private Sector	7.5%	7.5%	15% (of the monthly basic)

Under this scheme, public sector workers contribute a minimum of 7.5% of their monthly emoluments but the Military contribute 2.5%. The public sector contributes 7.5% on behalf its workers and 12.5% in the case of the Military. Employers and employees in the private sector contribute a minimum of 7.5% each. An Employer may elect to contribute on -behalf of the employees such that the total contribution shall not be less than 15% of the monthly emolument of the employees. An Employer is obliged to deduct and remit contributions to a Custodian within 7 days from the day the employee is paid his Salary while the Custodian shall notify the PFA within 24 hours of the receipt of such Contribution. Contribution and retirement benefits are tax-exempt.

Voluntary Contributions

Section 9 (4) of the Pension Reform Act 2004 allowed for voluntary contributions. This has provided an opportunity for the self employed and those working in informal sector organizations with less 5 employees to open RSAs with a PFA of their choice and make contributions. However, for voluntary contributions, the tax relief is only applicable if the amount contributed or part thereof is not withdrawn before five years after the first voluntary contribution was made.

Individual Accounts

Each employee is required by law to open a 'Retirement Savings Account' in his/her name with a Pension Fund Administrator of his/her choice. This individual account belongs to the employee and will remain with him for life even if he/she changes employer or Pension Fund Administrator.

The employee may only withdraw from this account at the age of 50 or upon retirement thereafter. An employee can withdraw a lump sum of 25% of the balance standing to the credit of his retirement savings account if he/she is less than 50 years at the time of retirement and he could not secure a new job after six months from leaving the last job. Similarly, he can withdraw a lump sum if he is 50 years or above at the time of retirement and the amount remaining after the lump sum withdrawal shall be sufficient to fund programmed withdrawals or annuity that will produce.

THE COMPARISON CAN BE SUMMARIZED USING THE TABLE BELOW:

S/NO	Comparisons	Old system	New system
1	Type	Largely defined benefit	Defined contribution
2	Funding	Mostly Unfunded On Pay As You Go	Contributory and funded
3	Membership/Coverage	Voluntary in private sector	Mandatory for all
4	Pension portability	Not portable	Personalized and portable
5	Management	Largely influenced by Government, Management/ Union	Private sector driven

6	Employee	Limited power and choice	Full employment and choice of PFA
7	Retirement Benefits	Discriminatory	Uniform application
8	Supervision	Fragmented and unregulated (SEC, NAICOM, JTB)	Strictly regulated by PENCOR
9	Pension liabilities	Implicit and not transparent	Explicit through retirement bonds
10	Taxation	Limited exemptions	Contributions and benefits not taxable
11	Life insurance cover	Voluntary and mostly not in private sector.	Mandatory for all.

CONCLUSION

Nigeria had Pension Scheme in 1951, which was established by the colonial Administration and had limited application.

There were other Pension Reform Acts But, Pension Act No 102 of 1979 consolidated all enactment on pension and gratuity scales devised for public officers by Udoji Public service Review Commission 1974. Up to year 2004 when the New Pension Act was passed by the National Assembly the of retirement benefits was budgeted annually under the Pay As You Go Benefit Scheme. Under that arrangement, the Federal and State Civil service worker were led by an estimated N2 trillion.

The New Pension Reform Act (PRA) has a defined contribution, contributory and fully funded. It is mandatory for all employee and employers, has uniform application, personalized and very portable.

Above all, these advantages translate into improved social security planning for the retired workers dead or alive and for their families to achieve a degree of economic security and provision of cash payment to help replace income lost as a result of retirement, or death.

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