

# Management Challenges of Pension Reform

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# The Pre-Pension Reform Act Dispensation

- Unfunded and inadequate budget allocation for pension in the public sector
- Huge outstanding pension liabilities estimated at over N1 trillion in the public sector
- Pension and retirement gratuity scheme in the public sector based on the concept of defined benefits
- Many workers in the Private Sector were not covered by any form of retirement benefit scheme, particularly in the small and medium scale business
- Most of the existing schemes in the Private Sector were “resignation” rather than retirement schemes
- Existence of multiple retirement schemes: NSITF, CPF, Gratuity Schemes

# The Pre-Pension Reform Act Dispensation

- In most cases, gratuity is managed on a pay-as-you-go basis and mainly a defined benefit scheme
- Administration of schemes in the Private Sector are either outsourced or self-administered
- Most Provident Fund Schemes and Gratuity Schemes in the Private Sector are products of Collective Agreement between Management and the union
- Absence of regulatory framework

# Objectives of the Pension Reform

- Establish sustainable pension system
- Empower the worker
- Ensure transparency & efficiency management of pension funds
- Promote savings culture
- Promote wider coverage of pension scheme
- Establish strong regulatory & supervisory framework

# Key Features of the Act

- Coverage
  - For public service of the Federation and all Employers of five employees and above in the Private Sector
- Exemption
  - Employees with 3 years or less to their retirement
  - Existing pensioners

# Key Features of the Act

- Nature of the Scheme
  - Contributory
  - Fully funded
  - Individual retirement savings accounts
  - Privately managed & third party custody of pension assets
  - Strictly regulated and supervised

# Checklist of Problems Encountered by the Scheme

- Confidence building
  - Union resistance
  - Employee's uncooperative disposition
- Transfer/management of old funds
  - Funds with company
  - Funds with insurance companies
- Protection of rights of exempted employees

# Checklist of Problems Encountered by the Scheme

- Registration of employees
- Remittance of funds to PFA
- Continuity of gratuity scheme
- NSITF's statement of Accounts: availability
- Transfer of assets to custodians by companies that have obtained approval to retain scheme
- Request to record by employees going on early retirement or that have resigned

# Comments & Questions

