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Assessment of the Contributory Pension Fund Governance in Nigeria: A Stakeholders' Perspective

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Abstract

The study evaluates contributory pension fund governance structure in Nigeria and determines the pension beneficiaries' perceptions of the pension fund governance. The study's population is the twenty licensed pension fund administrators and 10,009,230 pension beneficiaries. Seventeen pension fund administrators were purposefully selected, and 500 pension beneficiaries selected as sample through the snowball sampling technique. Primary data are gathered from a 500-selected sample, while secondary data on the sixteen-fund governance index were sourced from the annual published and governance reports of the pension fund administrators and PENCOM. The data were analysed using content and descriptive analyses. Results show that pension beneficiaries do not participate in the management of principal-agent conflicts of interest embedded in pension fund management through representation on the board of directors of pension fund administrators. Besides, pension beneficiaries perceive that their interest is not well protected, and the returns earned on their pension fund assets are not satisfactory.

Key words: Pension fund governance, contributory pension plans, board of directors, pension fund beneficiaries, pensions, pension fund assets.

Introduction

Pension fund schemes are set up with the core objectives of securing replacement of income and redistribution of income at old age (Masha, 2001). These core objectives could be achieved to the extent to which pension funds are well governed through the board of directors or trustees (OECD, 2009; Ammann & Zingg, 2010; Christensen et al., 2015; Ammann & Ehmann, 2017; Bregnard & Salva, 2022). The internal governance mechanism of pension funds is driven primarily by the board, which is responsible for fiduciary duties and the establishment of sound investment policies. Pension fund governance, through the board of directors, is potentially associated with the funds' asset allocations, which are key drivers of pension fund performance and sustainability (Bregnard & Salva, 2022). According to Rajkumar and Dorfman (2010) and Chohan

(2018), the board could be categorized into three types: institutional type, contractual type, and trust type. The boards are structured and implemented as either single-tier or two-tier to strengthen oversight of the management board. The two-tier system represents a tradeoff between efficiency and democracy in the management of the pension fund (Chohan & Jacobs 2017).

The institutional-type board members are selected by both the sponsoring employers and employees when a single-tier board is in place, while for a two-tier board, members are selected by the supervisory board, which is responsible for the selection and management of the management board. By contrast, under the contractual type, banks, insurance companies, and pension fund management companies manage pension fund assets as asset portfolios, which is a contact between these entities and pension beneficiaries. Finally, the trust type is a blend of institutional and contractual characteristics. The trustees hold legal title to the pension fund assets and must manage the pension fund exclusively for the benefits of pension beneficiaries in accordance with the trust deeds. The selection of the board members involves the participation of all stakeholders. However, in the Nigerian context, pension beneficiaries, being critical stakeholders in pension fund management under the contributory pension plan, do not perform oversight roles on the board of the pension fund administrators, and nor do they participate in selection of board members to serve their interests. This has left identified agency costs and several cases of conflict-of-interest perceptions unresolved in the pension industry in Nigeria. This study therefore attempts to assess the governance structure of pension fund administrators and investigate the perceptions of the pension fund beneficiaries about the governance structure.

Since the commencement of mandatory contributory pension schemes in Nigeria for both public and private entities in 2004, the monthly contributions of pensions have been managed and governed by licensed pension fund administrators whose ownership is not within the purview of the pension beneficiaries (Salawu & Ololade, 2018). These pension fund administrators, whose business motive is purely profit, are privately owned, and controlled by their respective boards. There are therefore conflicts of interest between the pension beneficiaries and pension fund administrators, as the latter may act in their interests rather than those of the pension beneficiaries. Different biases or incentives that are skewed in favour of the dominant group (i.e., directors) on the board may be introduced into the asset allocations and investment policies of each pension fund administrator if there is no equal representation of stakeholders, most especially, pension fund beneficiaries.

The pension fund administrators in Nigeria invest the pension funds into financial assets in accordance with the investment guidelines of the National Pension Commission (PENCOM), the regulatory agency, in the pension industry. The pension fund administrators are to add consistent monetary value to the pension fund of pension beneficiaries and beat inflation to be competent and judged as value adding investment management entities. However, the pension fund administrators' returns on investment have not been above inflation rates (Casey, 2010). Moreso, reward for management of the pension fund assets is not based on the monetary value of returns they generated from the investment of pension beneficiaries' funds, but on the total value of the pension fund assets that they managed. This invariably means that they earn income on the pension fund assets under their management, irrespective of whether they generate returns to their pension fund beneficiaries.

Furthermore, the Pension Reform Act of 2014 and the code of corporate governance for licensed pension operators issued in 2008 specify the roles of all the stakeholders in the pension industry except the pension beneficiaries. The role of the regulatory agency (PENCOM), the pension managers (pension fund administrators (PFAs) and pension fund custodians (PFCs), in the governance of the pension funds are well stated. However, no specific governance role is specified either in the Act or code of corporate governance for the pension beneficiaries to moderate the principal-agent issues emanating from the management of their monthly pension fund. Meanwhile, the pension beneficiaries, as critical stakeholders, in the contributory pension schemes, bear the investment and default risks associated with the management of the pension fund assets. Nevertheless, they do not have a regulatory framework for active participation in the governance of pension funds, unlike ordinary shareholders of corporate firms. The ordinary shareholders, being the ultimate bearers of both business and financial risks, take an active part in the governance of the corporate entities, however, pension fund beneficiaries, who also share the same level of risks, do not have similar privileges. Also, in contrast to shareholders' activism, which to some extent calibrates the pursuits of self-interest of directors of corporate firms (Adegbite *et al*. 2012), pension beneficiaries' activism is less active in the pension industry in Nigeria. This is because there is no legal or statutory framework to propel it.

This study therefore attempts to assess the pension fund governance principles that exist in the management of pension fund assets in Nigeria following the studies of Ammann and Zingg (2010), Ammann and Ehmann (2017), and Bregnard & Salva (2022) and investigate the perceptions of pension beneficiaries on the governance of pension funds in Nigeria. The study is relevant for many reasons. First, it will aid in the formulation of pension fund governance policies that incorporate the active participation of pension beneficiaries of contributory pension plans into their governance structure. Second, it will contribute to the limited literature on pension fund governance in emerging economies, and finally, it will be a study guide for pension beneficiaries under the defined contributory pension fund plans for advocating for representation on the board of pension fund administrators.

The remainder of the paper is structured as follows: Section 2 deals with the literature review and theoretical framework, while Section 3 details the methodology that was used to achieve the objectives of the study. Section 4 is used to analyse the data gathered from both primary and secondary sources. Section 5 concludes the study with policy recommendations.

Literature Review

Potential sources of conflict of interest in pension fund management in Nigeria

The absence of robust and deep corporate and government bond markets into which pension fund assets could be invested on a long-term basis means that part of the pension funds will be invested in the deposits of financial institutions. Some of the financial institutions are owners of pension fund administrators and custodians. According to Catalan (2004), this provides sources of funding to the private banks and may influence them to only support pension reforms that will ensure that they continue to enjoy this support even if it is going to be at the expense of the pension beneficiaries.

The administrative costs and asset management fees of pension funds have been found to have a negative relationship with fund performance (Ammann & Ehmann, 2017). Hence, the lack of full disclosure of information in relation to these costs and fees, respectively, by the pension fund administrators is another source of conflict between the pension fund administrators and pension beneficiaries. There is information asymmetry, which the pension fund administrators use to their advantage at the expense of the pension contributors' welfare (Ololade *et al.* 2019).

Furthermore, the lack of appropriate benchmarks for Return on Investment (ROI) or targeted yields on which asset management fees should be based is another area of conflict. The asset management fees of high performing and low performing pension fund administrators are the same, as they all charge a flat asset management fee on assets under management. This non-discrimination in reward based on performance may become a source of cheap profit without much conscientious effort on the part of the pension fund administrators to enhance pension fund performance that will benefit the pension beneficiaries.

Also, apart from the monthly administrative charges, pension beneficiaries are charged asset management fees, which are high and not often disclosed to the pension beneficiaries in their statement of accounts. The asset management fees are as shown in Table 1. The management fees eat up a significant amount of the amount saved in the retirement savings account (Casey, 2010).

Besides, the real interest rates on pension assets are often below inflation rates. This invariably means that the value of savings in the retirement savings account of each of the pension beneficiaries at the point of retirement would have deteriorated. The negative consequences of the high inflation rate and currency devaluation that Nigeria is currently experiencing will only be borne by pension beneficiaries. These identified potential conflicts of interest between the pension beneficiaries and pension administrators could only be managed by the active participation of all stakeholders, most especially, pension beneficiaries in governance structure of the pension funds.

Table 1: Management and Administrative fee

Management fee

Fund Type (%p.a)	PFA (%p.a)	PFC (%p.a)	PENCOM (%p.a)	Total
RSA FUND I (Asset based)	1.50	0.30	0.225	2.025
RSA FUND II (Asset based)	1.20	0.25	0.20	1.65
RSA FUND III (Asset based)	1.10	0.225	0.175	1.50
Retiree FUND IV (Income based)	5.00	1.50	1.00	7.50
RSA FUND V (Asset based)	1.20	0.25	0.20	1.65
RSA FUND VI Retiree (Income based)	5.00	1.50	1.00	7.50

Administrative fee is ₦100.00 monthly per RSA holder and ₦50.00 per Retiree.
Source: Annual report of PFAs (2023)

Furthermore, there have been complaints of low returns on pension fund assets by pension beneficiaries. These critical stakeholders are of the view that the returns earned by pension fund administrators are lower than the ones they would have earned if allowed to have custody of their pension fund at retirement and invest directly in financial assets (treasury bills or corporate bonds). This has resulted in campaigns for an increase in the lump sum payment from the Retirement Savings Account (RSA) of each pension beneficiary to 75% from 25% at retirement or even complete withdrawal at the attainment of life expectancy age in Nigeria. However, public debates on the increase in lump sum payments at retirement, often sponsored by pension beneficiaries under the contributory pension schemes, have always been spoken against by pension fund operators and regulators. The reason for this may be the absence of a legal structure for pension beneficiaries to participate in pension fund governance.

Besides, trust is an important element in running contributory pension funds. However, Nigeria ranks low among the countries measured in relation to governance and honesty (TI, 2022; Ibrahim, 2022). There is a high level of suspicion between the political leadership and citizens. This also extends to the relationship between pension operators and pension beneficiaries. The issue of transparency, honesty, and ethical dealings devoid of corruption in the governance of contributory pension schemes is wrapped in controversy between the pension beneficiaries, pension operators, and regulators till now.

Finally, there is no legal framework for pension beneficiaries to participate in investment and risk management policies for the pension fund to hedge against currency depreciation, devaluation, and inflation risks through international diversification. Presently, less than 2% of the total pension fund assets are restricted to investment in foreign assets, and there is no pension beneficiaries' activism that could spur the regulators into action by relaxing the regulations for their benefits.

Ownership Structure of the Pension Fund Administrators and Pension Fund Custodians in Nigeria

According to PENCOM, a pension fund custodian must be a wholly owned subsidiary of a financial institution in Nigeria and have an initial startup capital of ₦5 billion. The parent company must issue a guarantee to PENCOM of the full value of the pension fund assets in the custody of the subsidiary from time to time. Hence, the four (4) pension fund custodians are owned by deposit money banks in Nigeria: UBA Custodians Pension Ltd is owned by United Bank for Africa Plc, Zenith Pensions Custodian Ltd is owned by Zenith Bank Plc, First Pension Custodian Nigeria Ltd is owned by First Bank Plc and Access Pension Fund Custodian Ltd is owned by Access Bank Plc. The pension fund custodians are to keep in safe custody all the monthly pension remittances from both employers and employees on behalf of the pension beneficiaries. Besides, they administer pension fund investment activities and settle transactions on behalf of the pension fund administrators.

Similarly, most pension fund administrators are owned by financial institutions (banks, insurance companies), and private individual investors. They open retirement savings accounts for employees, into which all the monthly pension contributions are recorded. They invest and manage the pension fund assets and pay retirement benefits to retirees under the contributory pension schemes based on the retirees' choice of payment of retirement benefits. The retirees could either choose programmed withdrawals or purchase an annuity at the end of their active engagement to collect their retirement benefits. While programmed withdrawal of benefits is managed by the pension fund administrator, an annuity, as a means of collecting monthly retirement benefits, is managed by listed insurance companies in Nigeria. The role of pension fund administrators is limited to defining the investment strategies of the pension fund assets without being in custody of the fund for governance purposes (Binuomoyo, 2010). The twenty (20) pension fund administrators are not listed companies on the stock exchange.

Pension fund beneficiaries versus Shareholders activism in Nigeria

The pension fund beneficiaries under the defined contributory pension schemes bear both the investment and operational risks of the pension schemes. Invariably, they bear the old-age income risk (Kpessa, 2011). However, despite these enormous risks, the pension beneficiaries do not have any legal framework for mitigating and influencing the pension fund governance conflict of interest through activism compared to shareholders. Few pension beneficiaries, through private initiatives, that have organised themselves into trade unions (e.g., the Contributory Pension Union of Nigeria) with a view to ensuring that pension fund administrations meet the objective of providing a secured source of income and managing pension funds in the interest of critical stakeholders have not achieved much traction. The pension fund administrators make critical investment decisions on pension funds through their respective boards of directors. The appointment of members of the board is outside the control of pension beneficiaries, even though they bear both the investment risks of such decisions. None of the executive and non-executive directors, including independent directors, are appointed by pension beneficiaries to represent their interests in the management of pension fund assets.

However, ordinary shareholders of listed firms exercise reasonable influence over the board of directors through both the annual general meeting and extra-ordinary meetings of the shareholders as enunciated in the Company and Allied Matters Act (CAMA, 2020). The shareholders, as major stakeholders, are legally empowered to approve or decline to approve the financial statements of their company presented before them at the general meeting. They also appoint, remove, and determine the tenure and remuneration of the external auditors who are statutorily required to report to them. Besides, the audit committee, which consists of equal representatives of shareholders and executive directors, is required to review the external auditors' reports, and make recommendations to the annual general meeting of the shareholders. CAMA (2020) requires the active participation of shareholders in the corporate governance of the listed companies by stating that 21 days' notice of a general meeting must be given to all shareholders before the date of the meeting. Furthermore, the Act provides for shareholders with at least 5% shareholding to have 5% of the unrestricted voting rights at the annual general meeting and several other rights to participate in the governance of corporate firms. While all these rights and powers are granted to the shareholders to have a voice in the management of the companies in which they have an interest, the same cannot be said of pension beneficiaries, whose stake in pension fund management may be higher than that of the ordinary shareholders of the pension fund administrators. According to Okike (2007), some shareholder associations have declined to approve the annual financial statements of some companies, opposed the appointment of directors, and challenged a proposed merger in court to ensure that corporate firms are effectively governed. These shareholders' activism has helped to shape the corporate governance practices of the listed firms in Nigeria.

Theoretical framework and empirical literature review

Stakeholder theory, as postulated by Freedman (1984), states that business and ethics are twins that shouldn't be separated from each other. According to him, stakeholders are those who count and matter to business organsations while driving towards the attainment of profit maximisation goal. The stakeholders are social beings, whose interests must be well protected by corporate managers taking business ethics into consideration. Therefore, the interests of the Nigerian pension industry stakeholders (active employees and retirees of both private and public organisations, private and public employers, pension fund administrators and custodians, and finally, the regulators) should be taken into consideration in the pursuit of the wealth maximisation goal of private pension operators managing the pension fund assets. The interest of both the private and public employers as a stakeholder' group is limited to the pension contributions, which they make on behalf of the employees while in active service. The employers do not have any legal or constructive obligations to the employees in case the pension fund contributions are not enough to cater for their wellbeing at retirement. This invariably affirms the fact that the active employees and retirees of the contributory pension plan are the ultimate risk bearers and major stakeholders of the contributory pension plans. Hence, whatever business models are put in place to manage the pension fund assets should cater for their interests and wellbeing as critical stakeholders.

According to Freudenreich *et al.* (2020), business models are developed for businesses and managed by their managers to create value. They argue that business models are often uni-directional between businesses and their customers. The business models extract economic value from the customers in exchange for the value propositions they receive, while other stakeholders are kept on the sidelines. They propose a mutual stakeholder business model, in place of uni-directional model, in which stakeholders are both recipients and creators, or co-creators, of value in a joint relationship among all stakeholders, according to stakeholder theory. Therefore, whatever the business models, i.e., uni-directional, or multi-directional, pension fund beneficiaries stand out as critical stakeholders whose interests and wellbeing must be taken into consideration for ensuring the sustainability of the contributory pension plans. The uni-directional business model sees the customers' value proposition at the center, while the economic value is focal for the businesses. Also, the stakeholder business framework supports the inclusion of pension fund beneficiaries as recipients and creators or co-creators of value. Unfortunately, pension fund beneficiaries are excluded from the pension operator value creation processes, especially at the level of governance of the pension fund in Nigeria. This negates the business models of both the uni-directional and multi-directional stakeholders' theoretical perspectives.

However, a body of empirical studies has found that the governance of pension funds in an equitable and just manner influences their performance. For instance, Akomea-Frimpong *et al.* (2022) examine the relationship between corporate governance practices and the pension fund performance of Ghana pension fund operators using both primary and secondary data. The results of the study show that equitable treatment of all shareholders, timely supervision of audit committees, effective internal control, and upholding the right of the shareholders to have information relating to the capital structure of the pension fund influence the performance of the pension fund. Also, Kowalewski (2012) finds that corporate governance influences pension fund performance in Poland. The study finds a potential conflict of interest between pension beneficiaries and owners of privately defined contributory pension plans. The conflict, however, depends on who bears the investment risks. In a contributory pension plan, which this study focuses on, it is the pension beneficiaries that bear the investment risks. The potential conflict of interest is higher in situations where the pension beneficiaries do not have control over the board and managers of their pension fund assets.

Besides, Kpessa (2011) compares the nature of defined contribution pension schemes, their institutional and governance structures in Ghana and Nigeria. He shows that while there is a complete shift from Pay-as-you-go (PAYG) pension schemes in Nigeria to defined contribution pension schemes, Ghana maintains three-tier national pension systems. Two additional tiers were added to the existing first-tier PAYG. Apart from their nature, the two countries' pension administrations and governance of pension fund assets are similar. The macroeconomic instability of interest and inflation rates, weak enforcement of pension regulations, weak financial markets, and low level of financial literacy of contributors to pension schemes in Nigeria and Ghana are identified as challenges facing the old age income replacement objectives of the pension schemes.

Furthermore, empirical literature provides evidence of pension fund governance as a key driver of pension fund performance, asset allocation, and sustainability. Ammann and Zingg (2010) find a positive relationship between pension fund governance in the areas of organisation, target setting, and investment performance using a sample of 96 pension funds. Likewise, Ammann and Ehmann (2017) find that pension funds at the top of the governance quartile outperform those that are at the bottom in terms of average excess returns and benchmark deviation by 1%. Besides, they find that asset allocation is not related to pension fund governance but rather to institutional factors. However, according to Bregnard and Salva (2022), pension fund governance shapes the asset allocations of pension institutions and is a key driver of fund performance and sustainability. Using secondary data collected from 169 samples of Swiss pension funds whose board has equal representation of sponsors and pension beneficiaries, they find a positive relationship between pension fund governance and asset allocations. They argue that well-governed boards hold a larger proportion of foreign assets, have a lower cash holding position, and when the pension funds are small, they invest in more risky assets. Invariably, boards with adequate investment policies and clear investment guidance, invest more in equities, diversify more into foreign assets, and hold less cash. Additionally, they show that the presence of external investment experts is related to lower cash holdings in pension funds.

The composition of the board of public pension funds is a determinant of pension fund performance and asset allocation (Andonov *et al.,* 2017; Pantzalis & Yuan, 2016). Andonov *et al.* (2018) examine the representation on the board of public pensions in the United States by state officials or state ex-officio. They find that pension fund boards that are excessively populated by politicians invest in private equity investments that deliver lower returns, measured by the net Internal Rate of Return (IRR) and multiple of invested capital. The underperformance is related to political expediency and political contributions from the finance industry. Hence, the board of pension funds may consist of representations of biases that are not in tandem with the interests of the pension fund beneficiaries if they are not represented on the board. According to Chohan (2017), the governance and regulation of pension funds should not be relegated to a well-functioning board alone. The study argues that it should also be the role of financial market regulators, pension supervisory authorities, civil societies, the public and pension beneficiaries. The study provides evidence of pension fund governance from emerging economies with a view to assessing the governance principles of pension funds and investigating the perceptions of pension fund beneficiaries on pension fund governance.

Materials and Methods

The study employs both survey research design and content analysis. A sample of 17 (seventeen) pension fund administrators was purposefully selected from the population of 20 pension fund administrators. Primary data were gathered from a sample of 500 pension fund beneficiaries from the population of 10,009,230. Also, secondary data on corporate governance principles were collected from the publicly available sources (published annual reports and websites of the PFAs and PENCOM) from all 17 (seventeen) licensed pension administrators for the accounting period ended 2019-2021. The governance corporate governance index that was used in this study was adopted from the studies of Ammann and Ehmann (2017), and Bregnard and Salva (2022). The adopted governance index takes into consideration the institutional framework of the operations of the pension fund administrators in Nigeria.

The governance index consists of sixteen (16) governance principles. They include the organisation of the board, management principles through committees, investment objectives and benchmarks, and finally, the availability of annual reports. The public availability of each of the governance principles is scored as (1) one while it is zero otherwise across each of the pension funds. The governance index is presented in Table 2.

Table 2: Nigerian Pension Fund Governance Index

S/N	Attributes	Score
1	Women representation on the board	1
2	Board meets at two times per year	1
3	Contributors' representation on the board	1
4	Own code of business ethics	1
5	Board tenure at least three years	1
6	At least Independent Director is available	1
7	Board members are at least six in numbers	1
8	Election procedure in available	1
9	Existence of investment Strategy committee	1
10	Existence of risk management committee	1
11	Investment objectives are available	1
12	Investment benchmark is available	1
13	Availability of annual reports	1
14	Existence of Audit Committee	1
15	Existence of board Nominating Committee	1
16	Annual report of corporate governance available on the internet.	1
	Total	16

Research Instrument

The study used a survey questionnaire to collect primary data from the 500 selected sample of the 10, 009,230 population. The sample size of 400 was determined through the application of the Taro Yamane formula. Meanwhile, 100 additional questionnaire was added to the sample for effective coverage of the sample size for analysis purpose. The snowball sampling technique was employed to distribute the questionnaire to the selected 500. The structured questionnaire was distributed to respondents in the 17 pension fund administrators across the western states: Lagos, Ogun, Osun, Ekiti, Oyo, and Ondo. The western geopolitical zone is an industrial hub with many contributors under the contributory pension scheme in Nigeria. A total of 500 questionnaires were distributed and 456 were retrieved for analysis.

The questionnaire has two (2) sections: section A and B. Section A is for collecting data on socio demographic data of the respondents while section B is to collect primary data on the perceptions of the pension beneficiaries on the governance structure of the pension fund administrators. The questionnaire is a 5-point Likert scale as follows: Strongly Agree (1), Agree (2), Neutral (3), Disagree (4), Strongly Disagree (5). A pilot test was carried out, after the questionnaire was revised with comments from pension accounting experts, for reliability. The pilot test results revealed that the questionnaire is reliable, with a Cronbach Alpha of 0.79.

Results and Discussion

Socio Demographic Data Analysis of the Respondents

The analysis of the socio demographic data of respondents is presented in Table 3

Table 3. Socio Demographic Data Analysis

	Frequency	Percentage	Cumulative Percentage
Sex			
Male	267	59%	59.0
Female	189	41%	100.0
Age			
Between 18-25	157	34%	34.0
Between 26-35	48	11%	45.0
Between 36-45	67	15%	60.0
Between 46-55	83	18%	78.0
Above 56	101	22%	100.0
Educational qualifications			
Primary	31	7%	7.0
Secondary	47	10%	17.0
First degree	289	63%	80.0
Master’s	56	12%	92.0
PhD.	34	8%	100.0
Level of income			
₦30,000 - ₦100,000	156	34%	34.0
₦100,001-₦200,000	134	29%	63.0
₦200,001- ₦300,000	84	18%	81.0
₦300,001-₦400,000	76	17%	98.0
₦400,001 and above	6	2%	100.0
Type of employer			
Private	298	65%	65.0
Public	158	35%	100.0
Class of pension beneficiaries			
Active employees	319	70%	70.0
Retirees	137	30%	100.0

The analysis of the socio-demographic data of the respondents revealed that 59% are male while 41% are female. The results show more male than female as pension beneficiaries in Nigeria. Also, most of the respondents are millennials and Gen Z (i.e., 60%). They are aged between 18 and 45 years old. They are likely to retire soon, as the Pension Act recommends 50 years as the retirement age. The respondents in this age group are believed to be mobile and will demand pension reforms that cater to their interests. The remaining 40% of the respondents aged between 46 and above have retired. Some who have passed the retirement age are still in active employment. The respondents are well educated to understand the dynamics of pension management. This is because only 7% and 10% of the respondents have primary and secondary education, respectively. All other respondents have first degrees (63%), masters (12%), and PhDs (8%).

Furthermore, the level of income of the respondents shows that only 2% earn more than ₦400,000 and above, while those with income levels below this threshold are in the majority, as shown in Table 3. The implication of this is that many of the respondents will record a low amount of money as contributions to pensions. Finally, 65% of the respondents are in the private sector, while 35% are in the public sector. 70% of the respondents are active employees and 30% are retirees.

The analysis of the perception of the pension beneficiaries on the pension fund governance

The results of the analysis of the perception of the pension fund beneficiaries under the contributory pension plans in Nigeria are as presented in Table 3

Table 4 Presentation of the perception of the pension fund beneficiaries on fund governance

S/n	Statement	Mean
1	Pension beneficiaries participate in the formulation of investment policies of pension operators through representation in the investment committee of the board	4.50
2	Pension beneficiaries are represented in the Board through their appointed non-executive directors to protect their interest.	4.10
3	Pension beneficiaries should be allowed to be represented on the board of pension fund administrators through statutory activism.	1.50
4	Pension beneficiaries' participation in the board activities of pension fund administrators will resolve all present and potential conflict of interest issues in pension fund management.	1.23
5	Pension beneficiaries under the contributory pension fund are not given any role to play in the pension fund's governance by the pension laws.	1.12
6	Pension fund administrators are managing the pension fund assets in the interest of the pension beneficiaries.	4.30
7	The returns earned on pension fund assets are satisfactory.	4.00

The results of the analysis of the respondents' perceptions of pension fund governance show that pension beneficiaries do not participate in the formulation of investment policies that drive their pension fund assets. Also, they do not have any representation on the board of directors to reduce the principal-agent conflict of interest issues in pension fund management. The mean values of 4.5 and 4.10 capture the degree of their disagreement with the statement that they participate in the formulation of investment policies and have participation on the board of the pension fund administrators through their appointed non-executive directors. In the same vein, the majority of the pension beneficiaries agreed to be represented on the board of directors through statutory activism enabled by the pension laws.

Besides, majority of the pension beneficiaries agreed that they do not have any role in pension fund governance and that their active participation through their appointed representatives on the board of directors will resolve the conflict of interests embedded in pension fund management in Nigeria. The mean values of 1.12 and 1.23, respectively, show that respondents agreed to the statement that they do not have any role specified for them in pension fund governance and that their involvement in governance will eliminate the perceived conflict of interests.

Furthermore, pension beneficiaries perceived that the management of pension funds was not in their interest. The mean value of 4.30 shows that they strongly disagreed to the statement that their interests for reasonable post-employment benefits are protected by their agents, pension fund administrators. They also expressed dissatisfaction with the returns earned on the investment of their pension fund assets, with a mean value of 4.0.

The analysis of the pension fund governance index

The descriptive statistics of the governance attributes of the sample of the pension fund administrators is as presented in Table 5

Table 5 Analysis of the pension fund administrators' governance index

	No of PFA with 1 attribute				Mean
	S2019	2020	2021		2019-2021
(1)Women representation on the board	17	17	17		100%
(2) Board meets at two times per year	04	06	06		31%
(3) Pension beneficiaries' representation on the board		02	02	02	12%
(4) Own code of business ethics	09	09	09		53%
(5) Board tenure at least three years		01	01	01	06%
(6) At least Independent Director is available	17	17	17		100%
(7) Board members are at least six members	14	16	16		90%
(8) Election procedure in available		01	02	01	8%
(9) Existence of investment Strategy committee		05	05	06	31%
(10) Existence of risk management committee		03	03	03	18%
(11) Investment objectives are available		08	07	09	47%
(12) Investment benchmark is available	02	02	02		12%
(13) Availability of annual reports		17	17	17	100%
(14) Existence of Audit Committee		03	03	04	20%
(15) Existence of board Nominating Committee		05	05	05	29%
(16) Annual report of corporate governance available on the internet.		05	06	06	33%

The pension fund administrators have women representation on their board of directors (100%), however, the numbers of board meetings per annum and board members tenure of at least three years are 31% and 6%, respectively. This implies that information relating to the board of directors' meetings and tenure is not readily disclosed by the pension fund administrators in their report. The representation of pension beneficiaries is 12%, while information relating to the code of business ethics of the pension fund administrators was disclosed by 53% of them. The representation of the pension beneficiaries is from pension fund administrators that are basically owned and managed by pension beneficiaries in academic institutions, the Nigeria Police Force, and labour unions.

Furthermore, all the pension fund administrators have independent directors' representation on their board (100%), and board members are at least six in all of them. The independent directors are meant to bring independent opinions to all board deliberations without siding with any group that dominates the board. However, loyalty will be given to the group that appointed them. Furthermore, information relating to elections or appointment to the board of directors is disclosed by 8% of the pension fund managers.

The corporate governance codes in the pension industry specify board committees that should be in place to assist the board of directors in effective governance and oversight supervision of the management team. The analysis of the results as shown in Table 3 reveals that the existence of the investment strategy committee is 31%, the risk management committee is 18%, the Audit committee is 20%, and the board nominating committee is 29%. Those that have these committees, as stated in their corporate governance reports, only mention their existence without their reports. The reports of these committees are a further guarantee that the funds of the pension beneficiaries are safe.

Besides, the investment objectives and benchmarks are available to 47% and 12% of the pension fund administrators, respectively. The investment objectives are the goals of the portfolios, while the benchmarks are the targeted returns. Further, the annual reports of the pension fund administrators and the funds they managed are available at 100%, while reports of corporate governance are available at 33%. The report on corporate governance and other non-financial information is now being considered alongside the financial reports of entities in making economic decisions.

All the pension fund administrators have at least one female representative on their boards. There are also two pension fund administrators whose managing directors are women. Similarly, the board of directors of each of the pension fund administrators consists of at least one independent director. There is a balanced representation of both male and female genders among the independent directors where there are two. Three of the pension fund administrators have two independent directors each, while one of the pension fund administrators has four independent directors. However, these independent directors are not representative of contributory pension beneficiaries and hence may not act in their interest as expected. There is no indication that the pension beneficiaries have representation on the boards of most of the pension fund administrators representing their interests.

The pension fund administrators are not listed firms. However, financial and non-financial information relating to their business is very important to not only their shareholders but also the pension beneficiaries that bear the investment and operational risks of their activities. The pension administrators seem to place more emphasis on the publication of their financial statements, which are made available on their websites, than on non-financial information that is equally relevant on an appraisal of their performances. 33% of the pension fund operators that published their corporate governance reports show that voluntary disclosure of information minimizes agency costs and builds trust between pension fund administrators and beneficiaries.

New entrants into the labour force are required to select the pension fund administrators of their choice in accordance with the pension laws. The employers are not meant to choose for them. Investment objectives and benchmarks are likely inputs that will be considered in making such decisions. Also, active pension beneficiaries are given the right to switch their pension fund administrators once a year if they so desire. The information on the investment objectives, benchmarks, and actual returns will assist them in arriving at prudent decisions. Meanwhile, 42% and 12% of the pension fund administrators disclosed information relating to investment objectives and benchmarks, respectively.

Conclusion and Policy Implications

The study evaluates the structure of pension fund governance in Nigeria using an adopted pension fund governance index from Ammann & Ehmann (2017), and Bregnard & Salva (2022), and determines the pension beneficiaries' perceptions of the contributory pension fund governance using a survey. The results show that pension beneficiaries do not participate in the management of the principal-agent conflicts of interest embedded in pension fund management through representation on the board of directions of pension fund administrators. Besides, pension beneficiaries perceive that their interests are not well protected, and that the returns earned on their pension fund assets are not satisfactory. Furthermore, female gender and independent directorship are present in all the pension fund administrators' boards of directors. Also, even though pension fund administrators published their financial statements, reports detailing their non-financial information (e.g., governance, risk management, sustainability reports) are not published by most of them.

It is recommended that contributory pension beneficiaries be recognized statutorily in the Pension Act as critical stakeholders whose interests should be protected by both the pension operators and regulators. They should be given legal rights to constitute themselves as associations or watchdogs of pension fund governance and be represented on the board of directors of pension fund administrators. They should be made to participate in the formulation of investment, management, and retirement benefits withdrawal policies of the pension fund administrators. Finally, the corporate governance report detailing the board composition, meetings, appointments, tenure, experience, professional qualifications, and board committees' reports should be made available to the public and pension beneficiaries.

Limitation of the study and recommendation for further studies

The study is limited to pension beneficiaries in the western geopolitical zone of Nigeria. Further studies could be extended to the other five geopolitical zones, and secondary data sources could be extended to unpublished data in the custody of the regulatory agency (PENCOM), in which all pension administrators are required to file their annual reports.

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Conflict of interest

There is no conflict of interest.

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