STRUCTURE AND NATURE OF CONTRIBUTORY PENSION SCHEME FOR LIBRARIANS: A COMPARATIVE ANALYSIS BETWEEN INDIA AND NIGERIA

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Abstract:
Librarians facing Problems of high expenditure burden, disparities of scheme and demographic changes forced developing countries like India and Nigeria to reform and adopt contributory pension schemes. A comparative analysis of the scheme through a content analysis revealed similarities with regards to privatisation, government regulatory role, skewedness of the scheme in favour of government and dissimilar in the areas decentralisation level, and flexibility in favour of Librarians. Therefore the study concluded by Based on the above both governments should look in to the possibilities of balancing the scale of advantages to both government and subscribers in order to avoid tilt in government favour. The Indian government should look again at the functions of its levels of PFA in order to enjoy an economy of scale. Whereas Nigeria should evolve a more Librarian flexible withdrawal packages in some critical areas of human existence just like the Indian case.
Key words: Compared, Analysis, Structure and Nature, Contributory Pension Scheme

Introduction of Key Terms:

NIGERIA	INDIA
Contributory Pension Scheme (CPS)	National Pension System (NPS)
National Pension Commission (PENCOM)	Pension Fund Regulatory and Development Authority (PFRDA)
Pension Fund Administrator (PFA)	Pension Fund Manager (PFM)
Closed Pension Fund Administrator (CPFA)	
Pension Fund Custodian (PFC)	NPS Trust and Trustee Bank (NPSTTB)
	Point of preference (POP)
National Insurance Commission (NAICOM)	Insurance Regulatory and Development Authority (IRDA)
Life Insurance Policy (LIP)	Life Insurance Policy (LIP)
Retirement Savings Account (RSA)	Permanent Retirement Account (PRA)
Statutory Reserve Fund (SRF)	Statutory Reserve Fund (SRF)

SIMILARITIES

Pension Scheme

This is a scheme designed to ensure librarians derive the benefit of being paid their pension adequately and as at when due upon retirement. The minimum retirement age in Nigeria is fifty (50) years and sixty (60) years in India. PENCOM regulates the fund. It is designed in such a way as to ensure an employer of librarians has no control over how their pension is invested and paid.

Eligible

All librarians working under employers in the private sector with fifteen (15) or more employees are eligible as well as all librarians in the public sector.

Exemptions

Librarians are not exempted but however, some categories of employee mentioned in the act which refers to judicial officers such as Supreme Court Justices, Judges etc. as well as members of the Armed Forces are exempted.

Coverage

It covers librarians employed in both public and private sectors.

Contributions

Librarians are expected to contribute a minimum of 8% of their total monthly emolument (Basic + Housing + Transport Allowances) every month. Employer deducts this amount from librarian’s salary every month. Employers also contribute a minimum of 10% every month on behalf of librarians. The total contribution of at least 18% of monthly emolument is then transferred at the end of the month to RSA, which is opened in librarian name by PFC. All contributions are Fully Funded. The amount is then assessed by librarian PFA who help in investing the money.

More Contributions

Librarians can contribute more than the 8% stipulated. Employers can also contribute more than the 10% or even contribute the whole on librarian's behalf; in that case it should not be less than 20%. Librarians can also contribute any lump sum amount on their own provided they have complied with the 8% minimum contribution. Meaning librarians can just contribute voluntarily should they have excess cash.

Change of PFA

Librarians can switch PFA at least once in a year without any reason, meaning that librarians who may have made sub-optimal decisions regarding the choice of PFA can easily and conveniently change to another PFA.

Life Insurance Policy

Every employer shall maintain Life Insurance Policy in favour of a librarian for a minimum of three (3) times the annual total emolument of the librarian.

Tax

Any amount payable to librarians as retirement benefit under the Act is not taxable. However, any voluntary contribution made (as indicated above) shall be subject to tax at the point of withdrawal where the withdrawal is made before the end of five (5) years from the date the voluntary contribution was made.

Withdrawals

No librarian shall be entitled to make any withdrawal from RSA before attaining the minimum age retirement. However, there are some exceptional cases which include if a librarian:

(a) is retired on the advice of a suitably qualified physician or a properly constituted medical board certifying that the librarian is no longer mentally or physically capable of carrying out the functions of his/her office;

(b) is retired due to his/her total or permanent disability either of mind or body: or

(c) retires before the minimum age of retirement in accordance with the terms and conditions of his/her employment shall be entitled to make withdrawals. This includes those who have been fired from work or have recently lost their jobs. However, period withdrawals can only be made after four (4) months of losing job by librarian.

Mode of Withdrawals

Retired librarian can withdraw in either of the following ways:

(a) Programmed: This is a product offered by the PFA for periodic payments (monthly/quarterly) to a retiree. It is a structured periodic withdrawal based on the peculiarities of the retiree, the RSA balance is spread over the expected life span of the retiree while the funds remain in the account and managed by the PFA. Under the Programmed Withdrawal model, the monthly pension is at least 50% of the terminal monthly emolument and if the retiree dies at any time, the RSA balance is transferred to a named beneficiary under a will or letter of administration.

(b) Annuity: It is offered to retirees by insurance companies, it is a regular income received from an insurance company in consideration of premium paid. The Act only recognizes life annuity (Section 7 (1) (c) PRA 2014) and as such the annuitant must be paid for life under the annuity scheme. The annuitant is guaranteed monthly or quarterly payments (depending on the agreement) for a period of ten (10) years; however payments will continue if the annuitant is still alive. In the event that the annuitant dies before the guaranteed ten (10) years elapses the named beneficiaries will only be paid for the remaining period of the guaranteed years. The annuity fund remains with the insurance company and a retiree on annuity can only move to another insurance company after two (2) years but cannot return to Programmed Withdrawal with a PFA.

(c) Lump Sum: Retiree can also withdraw a lump sum amount provided the balance remaining is sufficient enough for retiree to buy annuity plan or withdraw an amount not less than 50% of retiree's annual remuneration as at the date of retirement.

(d) As mentioned above, if a librarian retired before the minimum age of retirement, he/she can be paid 25% of the balance in RSA provided that such withdrawals shall only be made four (4) months after disengagement and do not secure another employment.

Death

This is captured under Section 5 of the Act. Where a librarian dies, his entitlements under the LIP maintained shall be paid to his/her RSA. The PFA shall apply the amount paid under the librarian LIP in favour of the beneficiary under a will or the spouse and children of the deceased or in the absence of a wife and child, to the recorded next-of-kin or any person designated by librarian during his/her life time or in the absence of such designation, to any person appointed by the Probate Registry as the administrator of the estate of the deceased.

Missing

Where a librarian is missing and is not found within a period of one year from the date he/she was declared missing, and a board of inquiry set up by PENCOM concludes that it is reasonable to presume that librarian has died. Where it is confirmed or presumed that the librarian is dead, the provision of section 5 of the Act shall apply (as above "what happens when a librarian dies).

DISSIMILARITIES

Decentralization

The Indian scheme is over decentralized compared to Nigerian scheme. It has over six (6) levels (PFRDA, POP, POP-SP, CRA, PFM, Annuity providers, Trust banks, Custodians) involved in pension fund management while Nigeria has only four (4) (PENCOM, PFA, PFC, Annuity providers). An analysis of the functions of PFM, Trust banks and custodians seems similar as such a duplications of role compared to Nigeria where the PFC dose all the functions assumed to be done by PFM, Trust Banks and custodians, and also the role of POP and CRA is combined in the PFA or CPFA in Nigerian scheme.

Privatization

A close look at both schemes shows less level of privation from the Indian side because states banks like SBI, LIC, UTI, are involved. Government post office serves a POP, government experience agencies can apply to serve as CRA. The source of concern is that since all the level were existing organisations before the reform it may not result to creative job opportunities unlike in Nigeria where most of the PFAs were newly created purposely to compete for customers account thus creating more job opportunities.

Unofficial Sector

The Indian scheme covers unofficial sector which has a better coverage despite its low level of awareness, the Swavalamba Yojana (SY), now Atal Pension Yojana (APY) scheme is quite functioning evidence from **www.NPS performance online value research**; under the scheme government would co-contribute 50% of a subscriber's contribution or Rs 1,000 per annum, whichever is lower to each eligible subscriber account for a period of 5 years from 2015-16 to 2019-20. Furthermore the minimum an individual has to contribute towards this pension scheme is Rs 42 per month and the maximum that someone can contribute is Rs 210 per month. Hence, if someone is contributing Rs 42 every month, he/she would be eligible for a pension of Rs 1,000 per month once he or she turns sixty (60) years of age. Similarly if someone is contributing Rs 210 per month, he/she would be eligible for a pension of Rs 5,000 per month. As a matter of fact, any Indian citizen between the age group of eighteen (18) to forty (40) years is eligible to join Atal Pension Yojana and contribute towards their old age security whereas the unofficial sector in Nigeria is yet to be engaged.

Flexible

The Indian scheme is more flexible and librarian friendly because of its withdrawal provisions when a librarian or his ward is in need of health care; secure admission to further education; is to get married; and when a librarian wants to acquire land or construct a house where the librarian is not a co-owner or don't have a house. This period withdrawals can only be made three (3) times with an interval of five (5) years; this means withdrawal can only be made after five (5) years from the time a similar withdrawal was made, but under emergency, especially health related, the interval may be ignored while in Nigeria no provision of such exist until retirement.

Accounts

The scheme in India has two levels of account, Tier I and II. The Tier I account is mandatory while the Tier II is voluntary but in Nigeria it is only one account. Subscribers are free to withdraw from their savings in Tier II account whenever they wish which has the voluntary contributions.

Investment

Librarians in India are given the opportunity to choose from different investment packages by the PFMs to invest in government securities, corporate bonds, or equity. These PFMs will have 3 kind of funds categorized as E for Equity fund, G for Government Securities fund and C for Fixed income securities other than Government Securities but the Nigerian scheme does not have such provision.

PFM

Librarians under the Indian scheme also have the option to choose any one or multiple PFM to manage his/her contribution whereas the Nigerian scheme doesn't enjoy that privilege.

Period Withdrawal

Finally when out of job librarian can access up to 25% of the balance in RSA four (4) months after disengagement in Nigeria while only two (2) months in India after disengagement; the remaining balance can only be accessed after the retiree attain the minimum age of retirement.

Conclusion

Based on the above both governments should look in to the possibilities of balancing the scale of advantages to both government and subscribers in order to avoid tilt in government favour. The Indian government should look again at the functions of its levels of PFA in order to enjoy an economy of scale. Whereas Nigeria should evolve a more librarian flexible withdrawal packages in some critical areas of human existence just like the Indian case. Nigeria should also fast tract its implementation of the micro pension scheme for the purpose of wider coverage and attracting savings. Also in order to curb corruption and embezzlement of pension funds the Nigerian government should adopt a modified concept of Central Record Keeping Agency (CRA) because it will have the advantage of checking the excess of public sector.

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