

The New Dreams Home through Twenty Five Percent Equity Contribution, From Retirement Savings Account and Its Implication on the Pension Industry in Nigeria

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ABSTRACT

The essential of life are Food, Clothing and Shelter. Therefore the importance of a Worker having his Own personal House cannot be overemphasised. In the year 2022, the National Pension Commission In Nigeria, came out with a New Scheme on Housing Project. The New Scheme will give all Workers Who are on Contributory Pension Scheme an opportunity to own their own Dreams Houses, with 25 Per cent Equity Contribution from their Retirement Savings Account .In other to achieve this laudable Programme, 34 Mortgage Banks were given approval and commissioned to help the Workers fulfilled their dreams. The Paper examined the New Dreams Home through 25% Equity Contribution from Retirement Savings Account and its implication on the Pension Industry in Nigeria. The Author relied on Secondary data from the National Pension Commission and Nairametrics, which is a bulletin. Also the idea of using Equity Contribution is already entrenched in the year 2014 Pension Reform Acts, the idea was just been reactivated by the National Pension Commission. The findings from the study are as follows(I)It was observed that many Nigerians do not have their own Houses as such the initiative of the National Pension Commission will help many Workers to own their own Houses. (ii) It is hope that if the New Housing Scheme is carefully carried out by the various Stakeholders the successful implementation is capable of improving the welfare of the people and thereby move the Country forward. (iii) The benefits of the New Housing Scheme will Positively reflect in every homes in Nigeria. As such the Pension Regulators and Operators should help to protect the gains of the New Scheme, by avoiding Personal, parochial and narrow interest. And (iv). In view of the serious and lamentable housing deficit in Nigeria, the New Housing Scheme Is capable of re-writing the history of Nigeria for good, if it is properly executed.

Keywords: New Dreams Home, Equity Contribution, Retirement Savings Account, Implication, Pension Industry, Contributory Pension, Mortgage Banks, Nigeria.

INTRODUCTION

The Creator of Universe, gives every living creature an opportunity to have a place that can be Regarded as their Homes. From the Termites that lives in the Colony, Birds that lives in Nest, Bees that lives in Clover, Lions that lives in Dens to Human Beings that lives in Houses. All these Creatures have a place that can be called Homes. The importance of these Homes is for the living Creature to rest after their daily chores, the Homes also serves as a protection against the dangers of the Night. Furthermore Homes also functions as place for the bigger living Creatures to protect and nurture their nurtured their younger ones. In the year 2022, the National Pension Commission, came up with the idea that all Workers who are Operating on the Contributory Pension Scheme, can have their own Dreams Homes through the 25% Equity Contribution from their Retirement Savings Account. The New Housing Scheme was welcome by all Stakeholders in the Pension Industry.

For this laudable Scheme to be achieved, the National Pension Commission, approved 34 Mortgage Banks, that will help the Workers to be able to realised their dreams.

The Mortgage Banks were spread all over the Country, in Nigeria. Thus out of these 34 Mortgage Banks, 19 are from Lagos, 7 are from Abuja and the other 8 are from others States of the Federation.

The idea of fashioning out a New Housing Scheme by the National Pension Commission was as a result of the problem of housing deficit encountered by the Workers when they are in the service and after leaving the service. Some of these problems are:

- a. There are many Workers who has retired without having their personal Houses. Some of these Workers are living in rented houses, while some are in their Family Houses.
- b. There is the challenge of Economic meltdown and Inflation, which makes it almost impossible for some Workers to save towards building their own Houses.
- c. The issue of increase in House rent in major Urban Cities in Nigeria is another problem
- d. The challenge of hostile Landlord is also an issue. Some of these Landlord will threatened to throw the Tenants away at the slightest provocation.
- e. The Author of this Study is also a Pensioner. From experience we have cases of retired Workers

Who are still borrowing money to pay their either monthly or annual house rent. This is because these set of Workers do not have their own house before they retired. It will be recalled that before the year 2004, Workers in Nigeria are operating under the Old Pension Scheme. In the year 2004 ,there was the New Pension Reform Acts, that gives way to the New Contributory Pension Scheme .After a period of 10 years of operating the year 2004 Pension Reform Acts, another Pension Reform Acts was fashioned out in year 2014. The purpose of the year 2014 Pension Reform Acts is to address the various challenges that are being encountered in the implementation of the year 2004 Pension Reform Acts.

It is on record that Section 16 of the Pension Reform Acts of 2014, states that Workers can have -“Access to Retirement Savings Account, so as to pay Equity Contribution on Residential Mortgage “ This is the clause of the Pension Reform Acts that the National Pension Commission amplified and designed into a laudable programme, that gives a Worker an opportunity to own his House from the 25% Equity Contribution from Retirement Savings Account. However, apart from other criteria, that is require for accessing the New Housing Scheme, the Worker must be a contributor under the Contributory Pension Scheme.

STATEMENT OF THE PROBLEM.

1. It is not easy to build your own house from your personal savings, when you are working.
2. Many Workers has retired without having their own Houses, they are now living in rented houses or their Family Houses.
3. The recent Economic hardship, for example the problem of Economic meltdown and Inflation, Makes it difficult for some Workers to save towards building their own houses.
4. The hostility of some Landlord who will always threatened to throw the Tenants away at the slightest provocation is worrisome.
5. The astronomical increase in rent fees in major Urban Cities, like Port Harcourt, Abuja and Kano, coupled with the low disposable income of many Workers, cannot allow these set of Workers to build their own houses.
6. Experience has revealed that after their retirement from active service, few of these Workers who are now retirees, are still borrowing money to pay their house rent. This is because they do not have a place of their own that can be called Homes, when they are working.

OBJECTIVE OF THE STUDY

The general objective is to study the New Dreams Home through 25% Equity Contribution from Retirement Savings Account and its implication, on the Pension Industry in Nigeria.

The specific objective is to:

- i. Examine the reason why it is not easy for a Worker to build his own house through the personal Savings, when he is working.
- ii. Determine how the present Economic hardship has made it difficult for a Worker to build his own personal House.
- iii. Explain the reason, why a Worker will retired from an active service, and still found himself in a rented house or a Family House; and
- iv. Examine the implications of the New Dreams Home, through 25% Equity Contribution from Retirement Savings Account, on the Pension Industry in Nigeria.

SCOPE OF THE STUDY

In Nigeria, the Workers are operating under the Old Pension Scheme prior to year 2004. The year 2004 Pension Reform Acts gave birth to the New Contributory Pension Scheme. The Study covers those Workers who are currently operating under the Contributory Pension Scheme. The Study does not cover those Workers who are presently on Old Pension Scheme and those Workers who has retired with the Contributory Pension Scheme.

Thus the study is for Workers who are currently operating under the Contributory Pension Scheme, they are in active service, and these set of Workers also Contributed a minimum of 60 months of part of their Salary into the Retirement Savings Account and their Employer has also Contributed the mandatory contributions for a period of 60 months.

Gap Identified In The Implementation Of The Two Pension Reforms Acts.

Presently in Nigeria, we still have few Employer of labour that are still making use of the mandatory contribution in the year 2004 Pension Reform Acts, while others Employer make use of the contribution that is in the year 2014 Pension Reform Acts. The 2004 Pension Reform Acts says that Employer should contribute 7.5 % to the Retirement Savings Account, while Employees must also Contributes 7.5 % of the Monthly Salary to the same Account. Whereas in the year 2014 Pension Reform Acts, the Employer was mandated to contribute 10 % to the Retirement Savings Account, While Employees will contribute 8 % to the Retirement Savings Account.

METHODOLOGY

The Oxford Advanced Learners Dictionary defined methodology as ‘ a system of methods used in, a particular area of Study or activity. Scholars also refers to methodology as a method itself or the philosophical discussion that is associated with the background assumptions. The Study relied on Secondary data from National Pension Commission and Nairametrics. The Study make use of Qualitative method of research.

CONCEPTUAL REVIEW

The New Contributory Pension Scheme Of 2004. On 25th June, 2004 the National Assembly of the Federal Republic of Nigeria enacted a Contributory Pension Scheme for employees in the Public and Private sectors . The Pension Acts stated that “there shall be established for any employment in the Federal Republic of Nigeria a Contributory Pension Scheme for payment of retirement benefits of employees to whom the scheme applies under this Act “. The New Act of 2004 automatically repealed the Pension Act of 1979 and established a uniform Contributory Pension Scheme for both the Public and Private sectors in Nigeria. Features Of The Pension Acts Of 2004.

According to the National Pension Commission, some of the features of the Pension Reform Acts of 2004 are as follows:

- a. It establishes a uniform Pension Scheme for both the Public and Private sectors;
- b. It prescribes that retirement benefits shall be funded by both the Employer and the Employees;
- c. It also privatizes the management of all Pension in the Federal Republic of Nigeria;
- d. The Pension Fund Assets are to be privately managed and invested by professional Pension Fund Managers;
- e. The Acts provides for strict regulation of the activities of the Pension Fund Administrators and Custodian of Pension Fund Assets under uniform laws and regulations for both Public and Private sectors; and
- f. The establishment of National Pension Commission charged with the responsibility for matters relating to the regulation, supervision and effective administration of all Pension Scheme and for matters connected therewith. (National Pension Commission, 2005).

Highlights Of Pension Reform Acts 2014.

- i. Upward Review of Contribution Rate to 18% of employees monthly emolument That is Employer minimum of 10% and Employees minimum of 8%.
- ii. Enhanced coverage of the Contributory Pension Scheme (CPS) and informal sector participation.
- iii. Utilization of Pension Funds for National Development.
- iv. Exemption of income on investment of Pension Fund from tax.
- v. Funding of the minimum pension guarantee and establishment of Pension Protection Fund.
- vi. Periodic Review of Pensions
- vii. Adoption of the Contributory Pension Scheme, by State and Local Governments.
- viii. Exemption of the personnel of the Military and Security Agencies.
- ix. Review of the Retirement age and benefits of University Professors.
- x. Restructuring the system of Administration of Pension under the defined benefits scheme.
- xi. Opening of temporary retirement savings account for employees that fails to do so.
- xii. Reduction in the waiting period to access benefits in the event of loss of jobs.
- xiii. Objective of Contributory Pension Scheme (Section 1, PRA 2014) such that additional benefits could be paid to employees upon retirement or cessation of employment.
- xiv. New offences were created and stiffer penalties provided to serve as deterrence against mismanagement and or diversion of Pension Fund.

- xv. Provides for prompt corrective actions on failing licenced Operators by moving Pension Assets from one Pension Fund Administrator to another.
- xvi. Access to Retirement Savings Account to pay Equity Contribution on Residential Mortgage. (National Pension Commission, 2015).

The National Pension Commission.

In an attempt to make the execution of the New Contributory Pension Scheme workable and effective, there was the need to establish and compose the National Pension Commission. According to the Pension Acts Of 2004, the Commission shall be a body Corporate with perpetual succession and a common seal; and the Commission “may sue and be sued in its corporate name “. The main objectives of the Commission is to regulate, supervise, and ensure the effectiveness administration of pension matters in Nigeria.

Functions Of The Commission.

The Commission shall perform the following functions:

- a. Regulate and supervise the Scheme establish under the Act;
- b. Issue guidelines for the investment of Pension Fund;
- c. Approve, License, regulate and supervise Pension Fund Administrators, Custodian and other Institutions relating to Pension matters as the Commission may, from time, determine;
- d. Establish standard, rules and guidelines for the management of the Pension Fund under the Act;
- e. Ensure the maintenance of a National Data Bank on all Pension matters;
- f. Carry out Public awareness and education on the establishment and management of the Scheme; and
- g. Receives and investigate complaints of impropriety levelled against any Pension Fund Administrator, Custodian or Employer or any of their staff or agent. (National Pension Commission, 2005).

Advantages Of The New Pension Scheme.

The New Contributory Pension Scheme is expected to have the following advantages:

- i. It will ensure availability of funds for the payment of Pensions to the beneficiaries, as at and when due;
- ii. It will eliminate the terrible situation of delay in payment of retirement benefits which was usually associated with the erstwhile Public Sector Scheme;
- iii. The New Contributory Pension Scheme will create a level playing ground for all Operators;
- iv. The Scheme will also build a robust pool of funds to be harnessed in the Capital Markets for Investment and socio—economic development;
- v. Another expectation is that the New Pension Scheme will remove the burden which thenon—contributory System has imposed on Governments;
- vi. The Ghost Pensioners syndrome which had become the bane of the erstwhile Public Sector Pension Scheme, will be removed;
- vii. The New Reform will also bestow ownership and stakeholders status on employees, especially the Public Sector employees. (Adekunle, 2010).

Challenges Of The New Contributory Pension Scheme.

So many good things has been said about the merits of the New Pension Scheme. However the following points have been identified as the demerits of the New Pension Scheme.

- a. In some State of the Federation were the New Pension Scheme has taken off, the Workers are making their own Contributions every month. However some State Governments are not paying their own contributions regularly to the Retirement Savings Account. Such a practice could lead to bottleneck in the implementation of the Pension Scheme.
- b. The ability of the Pension Fund Managers/Administrators and the Pension Custodians to manage the Contributory Fund is another serious concern.
- c. Some of the Pension Fund Managers/Administrators, invested part of the Contributory Fund in the Capital Markets. The problem with the Capital Markets is that the value of Stock and Share can go down any time. As such the Capital Markets is not all that reliable.
- d. The success of the New Contributory Pension Scheme is largely dependent on the ability and capability of the regulator, or Supervisors of the Scheme. The National Pension Commission that is expected to regulate and supervise the Scheme is controlled by Government appointees, which is worrisome to the stakeholders. (Adekunle, 2010).

THEORETICAL REVIEW

Theory Of Pension Fund.

According to Pension and Financial theory, Pension is defined as a predetermined sum paid by an individual as an amount he will be entitled to upon retirement. As such part of this Pension is paid by the Employer and the rest by the Employees. The Fund is then put in the hand of a Fund Manager, for proper administration of the Fund.

Empirical Review.

Omollo, Olweny, Oluoch, and Wamatanda. (2021) did a study on the topic ‘ Financial theories on Pension Fund Portfolios in Kenya’. According to the Scholars theories are a sort of guiding principle, which defined facts, and the outcome of the principles can be use to predict the future. Also hypotheses has been used, as a way of supporting many ideologies which in most cases led to the theoretical evidence for Scientists and the members of the Public. The Study further posited that financial theories are adopted, to address debt and equity ethical dilemmas especially within the Pension Fund Portfolios. The Study concludes on how theories can be put into practice during decision making processes on specific Portfolios.

Mortgage Banks.

According to Kagan (2022), a Mortgage Bank can be described as a special Bank, that specializing in given out Mortgage loans. Mortgage Bank often functions as a Bank that originate and service Mortgage loans. The Bank operates by loaning their capital to their various borrowers and the Bank can collect its payments either in instalments with certain rate of interest or sell its loans, in the secondary Market. In Nigeria, the Federal Mortgage Bank was established by the constitution of the Federal Republic of Nigeria.

One of the aim of the Bank, was to meet the housing needs of the Nigerian Citizens. The Federal Mortgage Bank is regarded as the head of all Mortgage Financial Institutions in Nigeria. Thus, it is the Federal Mortgage Bank that regulates the activities of other primary Mortgage Banks. (Dung –Gwom , 2010).

Features Of Mortgage Banks.

- a. The Bank has a specialised skills in the area of Mortgage loans.
- b. The Bank two main area of operations are mortgage loan origination and servicing of those loans originated.
- c. The Mortgage Banks sources of revenue are fees on loan origination and also fees from loans servicing.
- d. Mortgage Bank does not accept deposit from members of Public.
- e. Mortgage Bank do not depend on others to get fund, they always perform their functions based on their available Capital.
- f. Mortgage Banks called themselves Mortgage lenders, instead of Mortgage Bankers, so as to distinguish themselves from other Banks. (Strivastar , 2022).

Functions Of Mortgage Bank.

- i. They solicit for Business, by identifying the individuals, or Corporate body that needed funds.
- ii. They also performed Financial analysis by establishing the financial capability and stability of their Customers.
- iii. Another function is that Mortgage Bank carried out Financial Counselling, by identifying the an individual or Corporate body that are in possession of excess funds.
- iv. The provision of loans, that is also called loan origination is another important function of the Bank.
- v. Finally, Mortgage Bank help in servicing of Mortgage loans and thereby collect the servicing fees. (Strivastar , 2022).

Approved List Of Licenced Primary Mortgage Banks For Holders Of Retirement Savings Account.

There are 34 Primary Mortgage Banks that were approved and commission by the National Pension Commission. Out of the 34 Banks, 19 are from Lagos, 7 are from Abuja, while 8 are from other States of the Federation. The names of the Mortgage Banks are listed as follows:

1. Abbey Mortgage Bank Plc.
2. Brent Mortgage Bank Ltd.
3. AG Mortgage Bank Plc.
4. Centage Savings and Loans.
5. City Code Savings and Loans.
6. First Trust Mortgage Bank.
7. Global Trust Mortgage
8. Haggai Mortgage.
9. Home—Base Mortgage.
10. Imperial Homes.
11. Jubilee—Life Mortgage Bank.
12. Lagos Building and investment.
13. Prudential Mortgage Bank.

14. Refuge Home Savings and Loans.
15. Resort Savings and Loans.
16. Safetrust Mortgage Bank.
17. STB Building Society.
18. Union Homes.
19. May Fresh Mortgage Bank.
20. Aso Savings and Loans.
21. FHA Homes Ltd.
22. First Generation Homes.
23. Infinity Trust Mortgage Bank.
24. MGSL Mortgage Banks Ltd.
25. Nigeria Police Mortgage Bank.
26. Platinum Mortgage Bank.
27. Akwa Savings and Loans Ltd.
28. Mutual Alliance.
29. Coop Savings and Loans.
30. Delta Trust Mortgage Bank.
31. Gateway Mortgage Bank.
32. Jigawa Savings and Loans.
33. Kebbi State Homes
34. Living Trust Homes. (National Pension Commission, 2022).

Requirements For Accessing The New Housing Scheme Programme.

According to Ibrahim Kangiwa, who is the Head of Investment Department, at the National Pension Commission; those who are eligible to access their Retirement Savings Account, for Residential Mortgage are as follows:

- a. The Person must be a contributor under the Contributory Pension Scheme.
- b. The would be Workers and his or her Employer must have contributed for a period of 5 years or 60 full months into the Retirement Savings Account.
- c. Married Couples, who individually met the eligibility criteria of contributing for 60 months into the Retirement Savings Account are qualified for the New Scheme .
- d. The authorised amount of equity contribution that makes a Contributor to be eligible is put at 25% maximum. However, in case the 25% of the Retirement Savings Account balance is more than the stated equity contribution, the Contributor can only access the amount that is equivalent to the authorised equity. On the other hand, if the 25% is inadequate for the equity contribution, such Contributor may utilise voluntary Contribution Guidelines. (Leadership Newspapers , 2022).

People That Are Exempted From The New Housing Scheme

Kangiwa, further stated that, the following people were not qualified for the New Housing Scheme:

- i. The Retirement Savings Account Holders, that has less than the period of three years to their retirement date.
- ii. The existing Pensioners or Retirees, who are on the Contributory Pension Scheme.
- iii. Those who are exempted under the year 2014, Pension Reform Acts.
- iv. Those Contributors, who do not meet the criteria of the mandatory contributions ,from both the Employer and the Employees for a period of 60 months or 5 years. (Leadership Newspapers, 2022).

Implication Of The New Dreams Home Through Twenty Five Percent Of Retirement Savings Account On The Pension Industry , In Nigeria .

- a. Workers will be free from the problem of threats, from few Landlords, at the slightest provocation.
- b. It will boost the morale, and ego of some Workers. Also many Workers will be fulfilled.
- c. The Workers who cannot afford or who are unable to build their own houses, through personal savings, will be able to do so ,with the introduction of the New Housing Scheme.
- d. The Mortgage plan is an opportunity for Contributors to access part of their retirement savings for acquisitions of their own personal Houses.
- e. It is an opportunity to own a house, so that at retirement a Worker will not be borrowing money to pay their yearly house rent.
- f. It is expected that the commissioned Mortgage Banks, will have more money from their activities, this can also result in the employment of more hands in the Mortgage Industry.
- g. One will also expect that more funds will be pumped into the Nation's Economy, this is an additional money, which can be use for Social and Economic Development.
- h. Workers in the building Industries are also expected to be more active, this is because, there will be many on going building projects, in all part of the Country; and
- i. The New Housing Scheme, will also improve the standard of living of Retirement Savings Account Holders. This is because it is an opportunity for them to own their Homes, when they are still working.

CONCLUSION

The idea of the New Dreams Home, is a brilliant one, as such all the Stakeholders must ensure that the following considerations are put in place:

1. There should be proper coordination and collaboration between the Pension Regulator, that is the National Pension Commission (PENCOM), the Pension Fund Operators (PenOp), and 34 approved and commissioned Mortgage Banks. This will ensure full implementation of acquisition of the residential Mortgages by the Contributors.
2. The Author observed that many Nigerians do not have their own houses. As such the initiative of the National Pension Commission, will ensure that many Workers own their Houses.
3. In Nigeria, the idea of Mortgage Scheme is not yet well developed. It is necessary for people in the Media Organisations ,that is both the print and Electronic Media, to further educate the members of the Public on this housing policy.
4. It is hope that, if the New Housing Scheme is carefully carried out, by the various Stakeholders, the successful implementation is capable of improving the welfare of the people and thereby move the Country forward.
5. The benefits of the New Housing Scheme should positively reflect in every homes in Nigeria. As a result of this, the Pension Regulators and Operators should help to protect the gains of the New Scheme, by avoiding personal, parochial and narrow interest.
6. Due to serious housing deficit, in Nigeria, the New Housing Scheme is capable of re-writing the history of Nigeria for good if it is properly executed.

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