

## 5. SWOT Analysis of Pension Schemes Administration in Selected African Countries

**Table 3: Schema of Pension Schemes in Selected African Countries**

Indices of Opportunity	Zambia (Bailey et al, 1994)	Tunisia (Vittas, 1993)	Nigeria (Olayiwola, 2002)
Nature of benefits for average member	(a) Largely funded defined benefits by contribution payable by employers and employees by CSPF, LASF (b) Defined Contributions Schemes for all workers in the formal sector by ZNPF (c) Private pension operates both as DB and DC schemes	(partially funded defined benefit system which is fragmented .	(a) fully unfunded DB scheme for civil servants (b) funded DC for organised private sector (c) self administered scheme and insured schemes for individual
Taxation of funded schemes	Contributions tax-free	contribution tax free	contribution tax free
Social security	High replacement ratio	high replacement ratio	high replacement ratio
Regulation of portfolios	Guidelines Reserve to government 50% Parastatals 35% Private sector 15%	Yes	Yes in a specified instruments
Regulation of funding	Funding Guidelines ZNPF 5% of both employers and employees CSPF 7.25% by employers and employees private pension funds: contributions varied	Guidelines the highest is 12% and the lowest is 8%	Guidelines DB scheme 100% government funded NSITF
Maturity of funding	immature	immature	immature

Coverage of workforce (approximately)	70% of formal sector employees by ZNPF 100% in the CSPF Unknown in the informal sector	100% public sector 60% private	100% public sector 11% private 0% informal sector other schemes(unknown)
Insurance of benefits	No insurable element	Yes	yes
Portability features	Yes within public sector scheme <del>No with ZNPF and public sector schemes</del>	Yes	Yes within public sector scheme <del>No with NSITF and public sector schemes</del>
Indexation	yes Regularly adjusted but not with rate of inflation	yes	No
Measures of prospects	1.ZNPF assets /GDP declining from 9% in 1980 to 1% in 1995 2. Negative returns on investment assets 3.decline in the real value of contributions due to inflation 4. Deficiencies in the management of the fund 5.high administrative efficiency	1. The presence of scaled premium systems 2.relatively young demographic structure of the labour force 3. Relkatively young age of the system 4. Favourable demographic factors 5. There is an existing law for the integration of the system 6.pension benefits absorb a small percentage of GDP 7. High replacement ratio	
Weakness	1.Deficiency in the design, financing and administration of the scheme 2.Insolvency in the private	1. Weak link between contributions and benefits, thereby suffer eclectic solidarity	

pension scheme

3. Channeling of resources into politically motivated low yield investment and loans

4. The DB for public sector with high actuarial deficits and substantial arrears in benefit payments

5. operational deficiency in the collection of contributions and registration coupled with improper record keeping

2the presence of evasion of contributions and inflated benefits claim

3. Funds covering the private sector has faced financial presures which emanated from growing maturity of the system

4. Poor fiancial performance of the system

5. The required minimum lenght of services tends to cause significant distortion in the pension system.

Low contribution rates and extensive evasion especially in the private pension scheme.

Threat

1. Macroeconomic fluctuation and economic crisis

2. Instability of the financial sector

3. High rate of unemployment

4. Budgetary constraints of the public sector

5. High inflation rate

1. The system is exposed to perverse redistribution arising from differences in life expecxtancy between low and high income people and from differences in carrer pattern of earnings

2. Macroeconomic instability

3.the fragmentation of the system and the differences in benefits and contributions have impeded labour mobility.

4. There is a strong opposition to the reform because it affected vested interests, caused an administrative

inconvenience and high operating  
cost

**Table 4: Features of funded pension systems**

	UK	US	JAPAN
Nature of benefits for average member.	Largely defined benefit based on final salary.	Primary cover largely defined benefit based on	Largely defined benefit based on years of service
Taxation of funded schemes.	Contributions and asset returns tax free. Benefits taxed, except tax free lump	Contribution and asset returns tax free.	Contributions tax free. Tax on asset returns.
Social Security	Low replacement ratio. Scheme members can contract out of earnings	Low replacement ratio.	High replacement ratio. Scheme members can
Regulation of portfolios	Prudent man concept; 5% self investment limit; concentration limit for	Prudent man concept; 10% limit on self investment for	Guidelines; maximum 30% equity, 20% property, 30%
Regulation of funding	Maximum 5 overfund of IBO or PBO Funding only obligatory for contracted	Maximum 505 overfund of ABO.	Funding optional. Tax exempt up to ABO only.
Maturity of funds	Mature	Mature	Immature.
Coverage of workforce	50% (company schemes) 20% (personal pensions)	46%	37% (funded plans only)
Insurance of benefits	No (although state guarantees payments of minimum pension if fund defaults).	Yes (special guarantee corporation).	Yes (under wage payment law). Mutual guarantee
Portability features	Vesting in 2 years. Indexation of accrued benefits.	Vesting in 5 years. No indexation of accrued	Vesting graded between 5 and 30 years for voluntary
Indexation	Discretionary (to date) but total or partial indexation common in practice (75%).	Full indexation rare (5% of schemes). Discretionary cost-of-living increases common.	Rare except for part replacing social security.