

**Practice and Challenges of Pension Fund Administration on Public
Servant Social Security Agency: In The Case Of South West
Religion Jimma Branch Office**

By: Ephrem Hailu

Under the Guidance of

Hagos Brhane (PHD scholar)

Ato Demesse Beyene (MA)



***A thesis Submitted to the School of Graduate Studies of Jimma University,
In Partial Fulfillment of the Award of the Degree of masters of public
management (MPM)***

JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

(MPM) PROGRAM

JIMMA, ETHIOPIA

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CERTIFICATE

This is to certify that the thesis prepared by Ephrem Hailu Gessesse, entitled: Practice and challenges of pension fund administration on public servant social security agency: in the case of Jimma branch office in partial fulfillment of the requirements for the Degree of Master of Public Management (MPM) complies with regulations of the University and meets the accepted standards with respect to originality and quality.

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1. Dr. Shimelis (Internal Examiner)	_____	_____
2. Dr. Habtamu B. (External Examiner)	_____	_____

DECLARATION

I, Ephrem Hailu, declare that this proposal is my original work and has never been presented and submitted to any other Universities for any academic degree (award).

Name of Candidate: **EPHREM HAILU**

Signature _____

Date _____

This final research papers has been presented and submitted with the approval of my Advisors.

Name of main Advisor: **HAGOS BRHANE** (PHD scholar)

Signature



Date **07/30/2020**

Name of Co- Advisor: **DEMESSE BEYENE** (MA)

Signature _____

Date _____

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Table of Contents

CERTIFICATE	II
DECLARATION	III
ACKNOWLEDGEMENTS	IV
List of table	VIII
Acronym	X
<i>Abstract</i>	XI
CHAPTER ONE	1
INTRODUCTION	1
1.1. Background of the Study.....	1
1.2. Statement of the problem	4
1.2.1. Research of the questions.....	6
1.3. Objectives of the study.....	6
1.3.1. The main objective of the study.....	6
1.3.2. The specific objectives of the study	6
1.4. Significance of the study.....	7
1.5. Scope and limitation of the Study	8
1.6. Organization of the Paper	8
1.7. Operational Definitions of Key Terms.....	9
CHAPTER TWO	11
REVIEW OF THE RELATED LITERATURE	11
2.1. General Concepts and Definitions	11
2.1.1. Basic Overview of Social Security	11
2.1.2. Need for Social Security	12

2.1.3.	Components of Social security	13
2.1.4.	Retirement and old Age	13
2.1.5.	Pension Funds	14
2.1.6.	Public Pension Plan.....	15
2.1.7.	Types of Pension Plans	15
2.2.	Review of Basic Issues concerning pension fund administration	17
2.2.1.	Pension fund administration.....	17
2.3.	Practices and Experiences of social security in some other countries	18
2.4.	Pension fund in Africa	21
2.5.	Pension fund in Ethiopia.....	25
2.6.	Risk Management Policy	28
2.7.	Administration and Finance	29
2.8.	Development of social security in Ethiopia	29
2.9.	Review of Empirical Literature.....	35
CHAPTER THREE		50
RESEACH METHOD AND METHODOLOGY.....		50
3.1.	Description of Study Area.....	50
3.2.	Research Design and Approach	50
3.3.	Sample size and Sampling Techniques	51
3.3.1.	Study Population.....	51
3.3.2.	Sample size and Sampling Technique.....	51
3.4.	Data Sources and Data Collection Method	51
3.4.1.	Data Sources	51
3.4.2.	Data Collection Method	52
3.5.	Validity and Reliability of Data	53

3.5.1. Validity	53
3.5.2. Reliability.....	53
3.6. Data Analysis.....	54
3.7. Ethical Consideration.....	55
CHAPTER FOUR.....	56
DATA ANALYSIS AND PRESENTATION	56
4.1. Introduction.....	56
4.2. Data obtained through questionnaire and interview.....	56
4.3. General information about Respondents.....	56
CHAPTER FIVE	80
SUMMARY, CONCLUSION AND RECOMMENDATIONS	80
5.1. Summary	80
5.2. Summary of Major finding	80
5.3. Conclusions.....	81
5.4. Recommendations.....	82
REFERENCES	85
APPENDIX 1	89
APPENDIX 2.....	93
APPENDIX 3.....	97
APPENDIX 4.....	98

List of table

Table 1: Reliability Statistics	53
Table 2: Demographic Information of Respondents /for employee and pensioners/	57
Table 3: Availability of Information and Awareness about pension fund Administration guide line and directives/for Employee and pensioners/	59
Table 4. Knowledge about practices of pension fund administration/ for employees/	61
Table 5: Operational Knowledge about practice of pension fund administration/for employee and pensioners/	65
Table 6: Operational Knowledge about practice of pension fund administration/for pensioners/	68
Table 7: Factors Affecting/Challenges the organizational effectiveness of the pension fund administration/for employees	72
Table 8: Factors Affecting/Challenges the operational effectiveness of the pension fund administration/for pensioners/	76

LIST OF APPENDIX IN THE TABLE

Appendix Table 1: Availability of Information and Awareness about pension fund Administration	90
Appendix Table 2: Operational Knowledge about practice of pension fund administration/for employee and pensioners/.....	91
Appendix Table 3: Affecting/challenges the Operational Effectiveness of the pension fund administration./employees/	92
Appendix Table 4: Knowledge about practices of pension fund administration./pensioners/ ..	94
Appendix Table 5: Factors Affecting/challenges the Operational Effectiveness of the pension fund administration./Pensioners/	95
Appendix Table 6: Availability of Information and Awareness about pension fund Administration guide line and directives/pensioners employees/	95
Appendix Table 7: Operational Knowledge about practice of pension fund administration/for employee and pensioners/.....	96
Appendix Table 8: Factors Affecting/challenges the Operational Effectiveness of the pension fund administration./Pensioners//Afan oromo and Amheric language /.....	99
Appendix Table 9: Availability of Information and Awareness about pension fund Administration guide line and directives /Afan oromo and Amheric language /.....	100
Appendix Table 10: Operational Knowledge about practice of pension fund administration/for employee and pensioners//Afan oromo and Amheric language /..	101
Appendix Table 11: Operational Knowledge about practice of pension fund administration/for employee and pensioners/Afan oromo and Amheric language /...	102

Acronym

CBB	Construction and Business Bank
CPPIB	Canadian Pension Plan Investment Board
DBE	Development Bank of Ethiopia
ESSS	Ethiopian Social Security Agency
FPRE	Federal peoples Republic Ethiopia
IEG	International Employees Group
ILO	International Labor Organization
ISSA	International Social Security Association
LPF	Large pension funds public
MGS	Malaysian Government Securities
NICs	Newly Industrialized countries
NSSF	National social security fund
OECD	Organization for Economic Cooperation and Development
OPEDJZ	Office of Planning and Economic Development for Jimma Zone
PAYGO	Pay-as-you-go
PPRFs	Private sector and public pension reserves
PSSSA	public servant Social Security Agency
SSI	Social Security Institutions
SSS	Social Security Systems

Abstract

This study aimed at generating baseline information concerning to pension fund administration practice and challenges in Jimma Branch Office. The study employed descriptive research design and a mixed approach. Primary data were collected from key informants and secondary data was also collected from books on pension funds, news reports, and journals and other publications, whenever deemed as relevant to the study. For this study, census sampling technique was used. The total sample was eighty-eight, besides purposive sampling technique was employed for key informants, stockholders and focal person to collect data. Semi- structured questionnaire was administered to all employees of the organization and pensioners. The quantitative data collected through primary source were analyzed using median, standard deviation and percentages via descriptive analysis using SPSS version 20.0 software. The major finding indicates the organization provides short and long term capacity building training and awareness programs for employees concerning to practices of pension fund administration policies, guideline, and manual of directives, existing pension fund regulation needs partial amendments, the organization has been creating strong linkage and working cooperatively with employer and different stakeholders for collection of pension fund contributions revenues payment, the current regulatory system is restrictive, in that it prohibits pension funds to invest in different investment portfolios other than Treasury Bills. Finally, the branch office should install and implements updated software's and provide continuous skills development programs, in addition that, it should provide different motivational incentives, rewards and recognition for employers, stakeholders and professional experienced manpower.

Key words: pension fund administration practice and challenges.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Globally, there are a lot of people who need help to sustain their life and to fulfill their basic necessity. Especially, as they become old in age and their ability to generate income weaken the reliance of citizens on government increases. Government on the other hand should prepare a way to help the citizens. In essence .A liberal regulatory regime for pension funds administration probably explains the dominance of funded pensions in these countries. Unless one takes a libertarian view, it is the role of the government to ensure that people do not reach old age being poor (Davis and Diamond 1995).

Societies at all levels recognize the need to establish systems which will ensure loss of income in the event of contingencies such as incapacity, old age, unemployment and the death of an employed person. They also recognize the need to ensure access to adequate and affordable health care. For many, these needs are met within the framework of their employment conditions. This is enhanced when the social and working environment also promotes social justice, human dignity and solidarity (ISSA, 2000). The global debate about pension reform is based mainly on the concern for the long-term financial viability of existing government operated pension systems the definition of pension reform may vary, the theme has been consistent: public pay-as-you-go (PAYG) pension schemes are increasingly becoming excessively burdensome and projections of the proportion of Gross Domestic Product (GDP) that will be “absorbed” by public pensions are high (Lind beck and Pearson, 2003).

However, for the majority of workers in developing countries, decent work conditions are difficult both to attain and to sustain, particularly for those who work in the informal economy in countries where social, economic and political development is still at an early stage, or has been disrupted. Thus perhaps half of the world population is still

excluded from any type of social security system and here, in Sub-Saharan Africa, less than 10% of the population in some countries is adequately covered. Africa faces a two edged sword: on one side a broad range of risks which threaten security, living conditions, incomes and health and, on the other side, a lack of resources and skills available to combat these risks.(Ibid ,2005). A huge increase in life expectancy is one of the great achievements of the human race over the past two centuries. Despite this fact, inability to work is beyond control of the individuals. Injury or other sickness may occur despite precaution and the weakness resulting from old age is a natural event. Hence, a person may lose his means of income when he is unable to work. During this time the dependents will face harsh living conditions since their means of survival has come to an end. This problem brings the origin of social security (Ambachtseer, 2009). Social Security Systems (SSS) provide a means for citizens to secure their life in their retirement period. In such systems, working people are required to make pension contributions while they are active employees. This system distributes gives Social Security Institutions (SSI) the responsibility for collecting and depositing money into the pension fund, administering the fund and distributing benefits. Usually, institutions which are responsible for pooling of the fund also invest the fund in manner that will give return (ILO, 2009).

Pension funds administrations throughout the world are in a state of upheaval. On one hand, the developed countries are contemplating new architecture for the financing of pension outlays. This will require careful thought and the development of a new consensus. But on the other hand the overwhelming majority of the world's population is without some form of income security in old age or disability. (Truell, 2011).

Since the Roman Empire to the modern nation state, rulers and parliaments have found it expedient to provide pensions for the workers who carried out their policies and, thus, helped perpetuate their regimes. The history of these public sector pension plans is both colorful and instructive. More than two thousand years ago, the fall of the Roman Republic and the rise of the empire were inextricably linked to the payment, or rather the non-payment, of military pensions. Following the rise of military pensions, retirement plans were extended to state and local employees much later in the nineteenth century, and many public workers were not offered pensions until after World War I. The use of

retirement plans as a form of labor compensation for private sector employees began in the last quarter of the nineteenth century, nearly 100 years after the adoption of the U.S. Military pensions (Robert L. Clark, et al, 2003).

The African social security institutions have grown and their contributions to national economy have become more significance. As a result, the subjects of the pension fund scheme of the assets of social security institutions have become topical (Musege, 1997). Pension systems are mainly designed to provide income security in old age and sub-Saharan African countries are in a “demographic sweet spot” as the region’s old-age dependency ratio the proportion of the population that is elderly over the working-age population is low and the impact of aging has not yet hit their pension systems. As a result, they have considerable scope to develop their pension systems (Stewart and Yermo, 2009).

In Ethiopia the history of social security is highly and closely related to the continuous wars and the land tenure system. After the Battle of Adwa in 1896, Emperor Menelik II measured out and allotted land for war veterans and the survivors of those war heroes and heroines who lost their lives in the war to solve the economic problems of the aged veterans. This marked the beginning of social security in Ethiopia. Accordingly, when a military servant gets old, he had the right to demand the authorities to replace his son in his place (Pension Adm. & social security Authority special issue 1986).

The Ethiopian Social Security Agency (SSA), pension fund administration planes part of the nation’s Social Security programs give income security in old age, disability or death. Which is responsible for potential to pension funds administration expected to build and manage a portfolio that will generate long-term returns that contribute to the future pensions of today’s working members (Gebrehiwot, 2007).The newly re-established Public Servants Social Security Agency is a single agency with the responsibility of administering pension fund of all federal and regional public servants including pension of the defense forces and the police (Abraham yohannes, 2011). It is clear that an agency sitting in the capital city and having only a head office in Addis Ababa, will not be able to carry out its tasks without having branch offices in the regional states.

Pension Proclamation No 907/2011, Article 3 of the regulation makes the establishment of branch discretion. In cognizant to this, south west region Jimma branch office was established and has been carrying out its duties and responsibilities regarding to pension administration.

Government put in place the social security program for the psychological, physiological and economic need of workers after their separation from employment due to retirement and also unexpected occurrences. These pension and other forms of retirement benefits make easy the departure of older employees from employment and also helps the employers in avoiding problems related to keeping employees while their productivity is reduced to lower level. It also gives a guarantee for employee dependents in case of unexpected injury, illness, death or other damages. (Memekiya, 2013). Nonetheless, the development of pension fund in Ethiopia low and it is exacerbated by an increase in inflation, coupled with poor management of pension funds, which has reduced the investment of pension funds. Hence, the intention of this study is to assess the practices and challenges of pension fund administration in South west Ethiopia Jimma branch.

1.2. Statement of the problem

The pension fund administration plan of Ethiopia is part of the Social Insurance system of the nation based on collection of monthly pension contribution processing and payment of claims for: retirement pensions, invalidity pensions, and survivors' pensions and lump sum payments. Meeting the lifelong social protection requirement of beneficiaries requires growing amount of fund. While the contribution of employees periodically serving as a main source of the fund, the institution responsible for pension funds administrating on PSSSA.

Excellence in social security administration is a key objective for social security institutions and a condition for the success of social security programs and policies. Reserve funds have always played an important role in the financial management and supported sustainability of social security systems. Whilst few systems are fully funded, the majority of systems manage pension's funds administrating their cash flow obligations arising in the short and medium term. Assets under management can be significant

depending on the objectives of such pension's funds and there is increasing scrutiny regarding their performance and management. The ageing of the population, a low interest rate environment, a more complex external environment and increasing constraints on management mean that a well-organized and effective investment process is more essential than ever for social security institutions (ISSA, 2017).

Though the social security program is through gradual stages of development, government and organizations need to think and implement it to protect the public and employees from economic distress, the development of pension fund in Ethiopia low and it is exacerbated by an increase in inflation, coupled with poor management of pension funds, which has reduced the investment of pension funds, The pension funds administration is now facing significant funding gaps and are forced to increase premiums and if the funding gap does not recover in time, they may have to cut a pension right which is not possible in reality. Evidently, the improper management has profound implications and raised questions as to the quality and sophistication of pension fund investment management (Emerta Asaminew, 2010).

The current pension fund regulation of Ethiopia clearly prioritizing safety rather than profitability. Thus, to what extent this decision affects the fund should be assessed. So far, few researches have been conducted on Ethiopian social security development in general and its investment activities in particular. In Ethiopia, there is no a comprehensive study made on the practices and the problems of pension scheme. The previous studies entirely have concerned with the performance of social security investment as compared to what theories advocated, though measuring performances from theoretical point of view is necessary,

The research finds out gap pension fund administration practice and challenges in the case of Jimma branch office which was not addressed by the previous researchers. Hence, the challenges facing the of the pension fund administration need to be investigated through independent research, Therefore, this study is aimed to assess the pension fund administration practice and challenges on PSSSA in the Jimma branch

office. Based on the general and specific objectives of the study, the researcher tried to answer the following basic questions,

1.2.1. Research of the questions

Based on the general and specific objectives of the study, the researcher tried to answer the following general and specific questions:-

1.2.1.1. General questions of the study

1. What are practice and challenges of pension fund administration awareness Jimma branch office?

1.2.1.2. Specific questions of the study

1. Does Jimma branch office internal stakeholder's /employees/ have awareness on the pension fund administration policy and directives?
2. Do Jimma branch office external stakeholder's public employers, pensioners and banks and post office have awareness on the pension fund administration policy and directives?
3. What are the current/existing practices of pension's funds administration on PSSSA in Jimma branch office?
4. What are the major external and internal factors that are influencing the operational effectiveness of the pension fund administration?

1.3. Objectives of the study

1.3.1. The main objective of the study

The general objective of the study is to assess social security pension fund administration practice and challenges in PSSSA: The case study of South west region Jimma branch office?

1.3.2. The specific objectives of the study

1. Assess in Jimma branch office internal stakeholder's /employees/ have awareness on the pension fund administration policy and directives.
2. Assess in Jimma branch office external stakeholder's public employers, pensioners & banks and post office have awareness on the pension fund administration policy and directives.
2. Examine the current practices of pension funds administration practices of the PSSSA. In Jimma branch office.
3. Identify the major external and internal factors that are influencing the operational effectiveness of the pension fund administration.

1.4. Significance of the study

Generally, the purpose of the study is to assess the practices and challenges of PSSSA in Jimma Branch Office pension funds administration. Understanding the administration practices of the agency with all its challenges has academic as well as policy relevance. That is, it likely contributes to the body of knowledge by bringing empirical evidences of the practices and challenges of administration PSSSA pension funds and associate with those in the academia.

It has policy relevance in that it helps the policy makers to assess the practices and challenges of pension funds administration and to take corrective measures if it is mandatory. It may also show opportunities that might not have been exploited and areas of policy interventions. Moreover, it initiates the concerned organization to reassess its existing practices regarding pension funds administration with a view to bring changes on how pension funds administration. Employee associations, active employees who currently contribute for the pension fund, employers, employer's association and pensioners are also other parties that are benefited from the study.

The study assists them in understanding how the pension fund administration practices and how it affects their benefit. As a result, they can develop a potential to argue with

the concerned body. Moreover, being the first study to analyze the practices and challenges of pension fund administration of PSSSA in Jimma branch office.

In addition to this, the finding would provide guide lines for strategy and policy formulation aim at improving the operational conditions of pension fund is administration. Again, this study will add to the existing literature in several ways in that it is only recently that attention paid to pension fund is administration in Ethiopia. Last but not least, the knowledge of the pension fund is administration will be bases for those who have currently expect to apply the system of pension for their employees like private organizations.

1.5. Scope and limitation of the Study

The study will be delimited to the assessment of practice and challenges of pension funds of administration. Again, the study particularly delimited to in the Jimma Branch Office.

The analysis of primary data was based on questioners and interviews results from key informants, and focal person group responses may be subject to personal biases_which may affect the reliability of the study, however, researcher taking a great care was made while interviewing the respondents, and also smoothly and politely convinces all respondents reliably responses their opinion positively, and also research experience was the main limitation of this study.

1.6. Organization of the Paper

To successfully address the objective, this study organized in five chapters. The first chapter introduces the background of the study, the rationale behind the study, the objectives, significance and scope of the study. The second chapter addresses the detail

review of theoretical and empirical literatures on Pension fund administration and related issues including some other countries experience. The third chapter presents the research methodology used to conduct the study. The fourth chapter is dedicated to the detail analysis of the data collected for the study. Finally, the last chapter presented conclusions draws from analysis and possible recommendations for the identified challenges.

1.7. Operational Definitions of Key Terms

Accrual rates the rate at which pension entitlement is built up relative to earnings per year of service in earnings-related schemes for example, one-sixtieth of final salary.

Commutation Exchange of part of the annuity component of a pension for an immediate lump sum.

Defined benefit A pension plan with a guarantee by the insurer or pension agency that a benefit based on a prescribed formula will be paid can be fully funded or unfunded and notional.

Defined contribution pension plan in which the periodic contribution is prescribed and the benefit depends on the contribution plus the investment return, Can be fully funded or notional and non-financial.

Gratuity One sum paid all at once rather than in several smaller amounts (Cowie, 1989:745).

Indexation Increases in benefits by reference to an index, usually of prices, although in some cases of average earnings.

Pay-as-you-go In its strictest sense, a method of financing whereby current outlays on pension

benefits are paid out of current revenues from an earmarked tax often a payroll tax,

Portability The ability to transfer accrued pension rights between plans.

Replacement rate the value of a pension as a proportion of a worker's wage during a base period, such as the last year or two before retirement or more, or the entire lifetime average wage. Also denotes the average pension of a group of pensioners as a proportion of the average wage of the group.

CHAPTER TWO

REVIEW OF THE RELATED LITERATURE

This chapter addresses the review of different literatures written around the general concepts and definitions of social security, pension fund and pension plans. It also includes review of basic issues related to pension fund administration, Governance of Social security funds, administration policy, administration regulations, risk management policy of pension fund administration and the practices of pension fund administration of other countries and empirical researches done related to the issue.

2.1. General Concepts and Definitions

2.1.1. Basic Overview of Social Security

The start of social security program goes to early 20th century in Europe and Latin America. After the end of the 2nd world war many countries give due attention to the social security program. As part of their reconstruction effort, countries tried to broaden social security for their own citizens. (Population Reference Bureau, 2009)

According to the International labor law facts on social security, “Social security is defined as the protection that the society provides to individuals and households to ensure access to health care and to guarantee income security, particularly in case of old age, unemployment, sickness, invalidity, work injury, maternity or loss of breadwinner”. (ILO, 2013)

Memekia (2013), notes that an economic security includes income security and is basically an important dimension of over all human security. According to Memekia, “The income security is about living in a situation where the basic needs such as food, housing, health care and education can be secured in an interrupted way which makes the social security program important for all”.

The social security scheme has the role of preventing people from experiencing economic problem by providing old age pension benefits, disability pension benefits and survivors' pension benefits. Thus, the responsibility to keep away people from unexpected occurrence that may result in social crisis increases the need for social securities. Junichi Sakamoto (2015),

2.1.2. Need for Social Security

Human security in general is about the economic security in which there is enough income to cover the basic needs such as food, shelter, health care and education in an interrupted way until the end of life. To fulfill these needs, it is necessary to have an interrupted and adequate source of income but for low wage workers sometimes even for middle class workers it would be unlikely to generate enough funds in an individual account to maintain a decent standard of living in retirement. As a result social security is the single biggest source of income. In addition, it helps in reducing poverty by providing benefits for dependents in case of any serious injury or death. It protects people against a variety of risks to ensure them a basic floor of income in old age and to enable many people who had struggle all their lives to look forward to a decent standard of comfort and dignity when they retire. (ILO, 2001)

As per the International Labor Organization, social security in general is a human right and all people regardless of where they are living should be guaranteed at least the floor of social protection. Social security is a social and economic necessity to combat poverty and social exclusion and promote development, equality and equal opportunity. In addition to this social security is a social necessity. Having an effective national social security system are powerful tools to provide income security, prevent and reduce poverty, and in equality, and include social inclusion and dignity. Social security, well designed and linked to other policies, enhances productivity, employability and supports economic development. Adequate social security encourages human capital investment for both employers and workers, enables workers to adapt to change and facilitates equitable and inclusive structural change associated with globalization. As an effective automatic stabilizer in times of crisis, social security contributes to mitigating the economic and

social impact of economic downturns, to enhancing resilience, and achieving faster recovery towards inclusive growth. (ILO, 2012)

2.1.3. Components of Social security

Though there are various types of social security components applied in different countries, the International Labor organization Convention, No 102 of 1952 has set up minimum standards of social security. The convention identified:

“Medical Care which provides preventive or curative medical service coverage, **Sickness Benefit** to provide coverage of medical expenses for a worker and it includes incapacity for work resulting from morbid condition not related to work and involving suspension of earnings, as defined by national laws or regulations,

Unemployment Benefit for inabilities to obtain suitable employment while the person is capable of working,

Old –age benefit which is applicable for survivors beyond a prescribed age and the prescribed age shall not be more than 65 years. This benefit is a regular payment in return for his/her service rendered up to the time of retirement,

Employment Injury Benefit which is given to a worker who has suffered from work related injuries,

Family Benefit which is given to families by the government or the employer primarily to promote the welfare of the family,

Maternity Benefit provided for a pregnant women in post and pre natal period,

Invalidity Benefit which is provided for a person who is not able to engage in any gainful activity and the inability is likely to be permanent or persists after the exhaustion of sickness benefit and finally the

Survivors Benefit which is provided to the families of the deceased.” (ILO, 2014)

2.1.4. Retirement and old Age

Retirement is the point where a person stops employment completely. A person may also semi-retire by reducing work hours. For some retirement simply means leaving their current job or profession - but they may wish to continue working in a different field. For others retirement means never working again. An increasing number of individuals are choosing to put off this point of total retirement, by selecting to exist in the emerging state of

retirements. Many people retire when they are eligible for private or public pension benefits. Some are forced to retire when physical conditions no longer allow the person to work (by illness or accident) or as a result of legislation concerning their position. In most countries, the idea of retirement is of recent origin, being introduced during the late 19th and early 20th centuries. Previously, low life expectancy and the absence of pension arrangements meant that most workers continued to work until death. Germany was the first country to introduce retirement, in 1889 (OECD, 2011).

These programmers established the basis for modern forms of social security, defined by the International Labor Organization (ILO) as “the protection which society provides for its members through a series of public measures against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, invalidity and death; the provision of medical care; and the provision of subsidies for families with children” (ILO, 1984).

2.1.5. Pension Funds

The dictionary definition of pension is “money that is paid regularly by a government or company to somebody who has stopped working because of old age or who cannot work because they are ill”. And Fund can be defined as “sum of money that is collected for a particular purpose.” So, we can define pension fund as sum of money collected by the government or a company for the purpose of repaying to those who has stopped working because of old age or who cannot work because they are ill. B. Clive (2008) & L. Denis propose (2010)

As can be understood from the above definition, the pension funds can be collected and managed by the government (publicly managed pension funds) or by a private company (privately managed funds). Sometimes hybrid pensions are also existed. Pension funds are collected at the early age (working age) of employees and will be repaid at retirement age. Hence, those who are responsible to manage the pension fund have long-term liability-they collect early and paid later. This gives chance for investing these pension funds. (Bodie & Davis, 2000), According to a report by international Labor Organization (ILO,

1997), effectively managed pension funds can have a considerable influence on the national economy and national capital market

Pension fund systems can redistribute incomes on a lifetime basis, complementing the role of progressive taxes on annual income. Lifetime redistribution can be achieved by paying pensions to low earners that are a higher percentage of their previous earnings, thus subsidizing the consumption smoothing of lower earners. Since lifelong earnings are uncertain from the perspective of an individual, such a system provides some insurance against low earnings. There can also be redistribution towards families, for example paying a higher pension to a married couple than to a single person, even though both families have paid the same contributions (Barr, Nicholas and Diamond, Peter 2001)

2.1.6. Public Pension Plan

Public pensions are the retirement plans for those who work in central, state, and local governments, including social security institutions/ administer the payment of pension benefits. Their purpose is to provide minimum benefits on retirement for the population at

large (or at least the formal sector). Public plans have been traditionally PAYG financed.

2.1.7. Types of Pension Plans

2.1.7.1. Defined benefit (final salary) scheme:

The employer's pension promise to the employee is expressed by means of a formula specified in the scheme rules. The pension is typically proportional to service and (some definition of) salary. Traditionally, the salary used has been that paid over the last year (or sometimes three years) before retirement, which is why they are often known as 'final salary' schemes. For example the employer pays the retired worker an annuity from retirement to death, the amount which is equal to the employee's final earnings multiplied by years of service". (Michael Armstrong & Helen Mulris, 2004)

2.1.7.2. Defined contribution (money purchase) schemes:

Here the employer's pension promise to the employee is expressed as a contribution formula, typically expressed as a percentage of salary. The contributions are invested and the money used at retirement to purchase a regular income, usually via an annuity contract from an insurance company. The employer's contribution as a percentage of salary may be fixed, age related or linked to what the employee pays. (Michael Armstrong & Helen Mulris, 2004) "In both types of scheme, employer and employee typically contribute to a fund. In a defined contribution scheme, members have individual shares of the fund, which represent their personal entitlements and which will directly determine the pensions they receive. In a defined benefit scheme, all employee and employer contributions are paid into a combined fund and there is no direct link between fund size and the pensions paid." (Michael Armstrong & Helen Mulris, 2004)

Pension System can be broadly categorized as defined benefit (DB) and defined contribution (DC) by the benefits they promise and PAYGO and funded based on the way they finance that promise. (Kennedy, 2015)

2.1.7.3. Funded vs. Unfunded Pension Plans:

Funded pension plans have accumulated dedicated assets (may be identified reserves in the plan sponsor's balance sheet or/and segregated assets) to pay for the pension benefits. On the other hand unfunded pension plans are those that are financed directly from contributions from the plan sponsor or provider and/or the plan participant. Unfunded pension plans are said to be paid on a pay-as-you-go, PAYG, method. Unfunded plans may still have associated reserves used to cover immediate expenses

The extent of legal coverage for old age is defined as the proportion of the working-age population (or alternatively the labor force) covered by law with schemes providing periodic cash benefits once statutory pensionable age or other eligible age is reached. The population covered is estimated by using the available demographic, employment and other statistics to quantify the size of the groups covered as specified in the national legislation. Actual, effective coverage is often significantly lower than legal coverage where laws are not implemented fully or enforced. World Social Protection Report (2017-19)

2.2. Review of Basic Issues concerning pension fund administration

2.2.1. Pension fund administration

Pension fund administration in capital markets to make profit. The need for a lasting future economic recovery makes it appropriate for most pension funds to invest for the long term. In many countries, pension fund resources serve as the domestic source of long-term capital. Initially the pension funds are channeled into safe investment areas. “As the funds mature some turn towards alternative investment vehicles, which in general have had better returns than pension fund portfolios, albeit with greater risk” (Vives,1999)

According to International Social Security Association ISSA (2005), social security funds are held by social security schemes in order to safeguard the scheme’s ability to pay benefits and provide services to generate investment income that helps to finance benefits and services and, in many instances, to ease transitory demographic pressures. In 2005, International Social Security Association (ISSA) provides social security pension funds administration guidelines that any social security fund should follow by adopting it with their specific situation. Within the document guidelines related to governance prerequisites, governance structure, governance mechanisms and largely pension fund administration are outlined.

Pension funds are among the largest institutional investors that contribute badly to a nation’s economy. Because their reserves are a considerable amount, even may reach up to 50% of a country’s GDP (i.e. Canada, Chile, Ireland, and South Africa). So, investment of this tremendous amount of fund is as important as to the national economy by reducing unemployment, increasing GDP, improves living standard of the old-aged people and so on. As written by the international labor organization (ILO, 1997), it must not be forgotten that these funds represent property of others, that is of the insured persons and their dependents. As a result, the management of the funds has to be handled according to certain well-defined principles and considerations.

If the conditions of Safety, yield and liquidity are fulfilled the economic and social utility of the pension fund administration should be taken in to account in an investment policy of a country. Because it is the most important goal of social protection scheme to

pension fund administration in a way that it directly or indirectly contributes to improvement of the insured person's life. Therefore, pension fund administration should be easy to manage and it is important to not divert management of the fund from social security's primary objective that is effective provision of benefits. (Cichon, 2002)

2.3. Practices and Experiences of social security in some other countries

Many countries apply rules that directly or indirectly force public pension fund managers to purchase government bonds or to lend the money to government agencies for public work in the country. For example, in US purchasing government bonds was the only investment allowed. The Japanese Reserve funds were also largely invested and lend money to government agencies before their 2001 reform, for public works in the country (Hiwot, 2012). The same was true in Ethiopia, before the amendment of the proclamation in 907/2015. But after the amendment the proclamation allows investing the trust fund in other sectors with the permission of the ministry of finance and economic corporation (MOFED, 2011).

Since it is very difficult to show all countries experience in a single study and it is essential that the countries experience should be comparable to Ethiopia the study assess much related experiences from Africa and outstanding performances from Europe and North America. It is in the sense that to take a country as a bench mark to Ethiopia. The country must have similar but not necessarily identical fund management system

As per the national social security policy of Tanzania (2003), the governing structure is participatory in a sense there are representatives from employees and pensioners in the decision making process of social security activities including the Pension fund administration. Their policy also considers the Pension fund activity as imperative determinant for the scheme.

German pension funds are regulated and supervised by the insurance division of the Federal Financial supervisory authority Called (BaFin), which operates since 2002 as integrated supervisor for banks, financial service providers, insurance companies and securities trading.(Frozen, 2010).

According to Frozen (2010), German's pension rules strictly adhere to quantitative Pension fund administration rules, which are applied in two steps:

First, the regulator (the legally responsible body) defines the Pension fund administration universe by specifying the asset classes which are allowed to invest in. That means investing in high yield bonds was allowed to be 5% at first and it grew gradually afterwards to maximum of 35% Pension fund administration on risk taking assets.

Second, the legally responsible body imposes limits in relation to the assets under management for the maximum Pension fund administration per asset class or group of asset classes, thus legally prescribing and to a certain extent detailing the diversification principle which is central to modern Pension fund administration theory.

That means; as mentioned above, Pension fund administration up to 35 percent of assets in so-called risk-taking assets which comprises asset classes which has as highly diverse risk profiles as listed equity, hedge funds and high yield investments. But the pension funds individual risk-taking capability determines the extent to which investments in risk taking assets are regarded as suitable, which in turns depends on the extent of reserve barriers or the implementation of hedge strategies. In this respect, German regulation is case based and risk orientated. .

Unlike many nations, the Canadian legislated requirements draw a sharp distinction between the Pension fund administration mandate of the Canadian Pension Plan Investment Board (CPPIB) and that of public funds in many other nations For example, unlike pension funds in Japan, Korea, and the United States, the Canadian Pension Plan Investment Board (CPPIB) is only required to make funds available to government if it is decided that a bond portfolio is to be built but the CPPIB has not yet built one. Furthermore, it is not required to make loans to state-owned firms, it is not required to make social Pension fund administration, and it is not used to implement economic development policy, as occurs in many other nations, including Sweden, Japan, and Iran (Hiwot, 2012).

The East Asian Newly Industrialized countries (NICs, hereafter), Korea and Taiwan in particular, It aims to broaden our understanding of the welfare policy making processes and to see the new experience provided by these non-western countries, specially focusing on the developmental trajectories of two old age welfare programs... in both Korea and Taiwan.

These two countries are independent states formed after World War II, experienced rapidly growing export-oriented economy and political transition from authoritarianism. Along with political economic development, several attempts had been made by the state to implement welfare schemes for the old, the sick, and the injured. I choose these two countries as good examples. Because the struggle of East Asian countries for their freedom was full of ups and downs as it was the same to Ethiopians. Their devotion to work and courage to build up their nations to cop up with the advanced capitalist countries could be an inspiration for us. Since these two developmental states have an age of only half a century and recorded a remarkable development, I feel their experiences could be more suitable for us than that of the advanced capitalist countries.

The collectivism style of life they have, and history has a sort of resemblance with ours. As we assume their path to economic development is appreciable and good example for us, their social security policies could be helpful in our endeavor to improve the pension policy especially in widening the population coverage of the scheme. Thus, I prefer to see the practices in Korea and Taiwan regarding social security development briefly and relate to the Ethiopian situation. To recognize the differences in the social welfare policies between the western capitalist countries and these developmental states, we will see the practices of the advanced capitalist countries once again as a general overview and proceed to the Taiwanese and Korean experiences.

In many countries, pension reform leading to a well-performing pension system would not only strengthen old-age income security and reduce poverty among the elderly, but also increase the assets available for investments, including infrastructure investment. In addition, as noted by Stewart and Yermo (2009),

The main objective of the Chilean reform was to build a floor of protection to guarantee a minimum old-age income by introducing non-contributory schemes. To do so, the existing mandatory, privately managed, fully funded scheme was complemented by two new public schemes and a new public pension fund was considered. In addition, in order to reduce the administrative costs of the private pension tier, public supervision was strengthened and greater competition among pension fund administrators was encouraged. Mbeng Mezui and Hundal (2013)

2.4. Pension fund in Africa

Pension reform in Africa is not only the need to introduce social protection systems but also to help alleviate demographic pressures, poverty amongst the elderly and provide support for households headed by grandparents following the HIV AIDS pandemic and regional conflicts.

In addition there is a vital need for reform of existing pension systems in the region, the cost of which is often crowding out spending on other key areas (such as health and education).

Coverage of these systems is low (under 10 or often under 5 percent of the population) and usually only for civil servants or a minority of relatively highly paid workers in formal sector employment, making for highly regressive systems, with cross-subsidies required from indirect taxes (usually VAT) as pension payments from these systems frequently exceed contributions. The need for efficient pension arrangements in the region is undoubted though the challenges for introducing them remain great (notably the large informal sector of workers) Stewart and Yermo (2009).

According to Help Age International(2006) report, the United Nations estimates that by 2050

there will be almost 2 billion people over 60 worldwide, close to 80% of whom will be living in developing countries. As elsewhere, the over 60s – and particularly the over 80s – represent the fastest growing population group on the African continent, with the numbers of older people increasing by 50% between 2000 and 2015 and nearly fivefold by 2050. One in five (an estimated over 100 million) of the world's poorest people – living on less than a dollar a day – are over 60. As in other regions of the world, social pressures from urbanization and declining family size will make it harder for elderly Africans to rely on family support. Global experience shows that issues surrounding aging populations - including pensions - cannot be addressed too early and developing countries should try to use their demographic sweet spot', when dependency ratios are falling and before the impact of aging hits, to address these challenges (Van Dullen ,2007).

According to Palacios, Pallares-Miralles (2000) pensions play an important role in poverty alleviation of the elderly - one of the most vulnerable groups in any society, particularly older women. Yet, according to the ILO, only one in five workers is covered by adequate social security schemes, whilst the World Bank(2001) point out that 85% of the world's population over 65 has no retirement benefit at all. In sub-Saharan Africa less than 10% of the older population has a contributory pension.

Basic, social support can be implemented via public pension arrangements. Indeed social protection is increasingly considered as contributing to the development process in the same way as health and education (van Dullen (2007)).However, irrespective of the type of arrangement, in addition to reducing poverty amongst the elderly, providing pensions has also been shown to have implications for broader society, as benefits are shared with household members – for example via providing food, clothing and school materials for grandchildren.

In countries with high levels of labor market informality, as is the case in developing countries in Africa and elsewhere, as large groups of the population may not have access to the pension system but support it indirectly via the tax system. Spending of

pensions (particularly on pensions for civil servants and other special schemes) has increased enormously in the region, and is crowding out spending on other deserving programs (Yermo, J. 2008).

The potential for major fiscal imbalances and regressive distributional outcomes is compounded when the pension scheme is designed to cover only specific workers with a high degree of political power. In Africa this is often the case of civil servants pension arrangements. In all countries the formula used to calculate the pension for civil servants tends to be more generous than for private sector workers. The impact of a more generous formula and a more mature system along with a lack of reserves results in a build-up of large deficits that are ultimately a burden on the rest of the population, and the crowding out of other important expenditures (Yermo, J., 2008).

Civil servants in Uganda are covered by the public service pension scheme, run by the public service pension fund. Despite the name, the system is financed directly from the government budget; there are no legal contributions. Civil servants can retire at the early age of 45, the reference wage for pension calculations is the last salary and benefits are indexed to wages. A similar scheme covers staff of the armed forces. By contrast, the civil service scheme in Botswana now operates on a fully funded, defined contribution basis, with no burden on the rest of the economy except the contribution rate of the government which is transparent (Bogomolova et al., 2006).

According to Stewart and Yermo (2009), most Sub Saharan African countries do not have meaningful publicly managed pension and social security systems, though some form of pension coverage is available in a limited number of countries. Where benefits are offered to formal sector workers, they are provided either by public service pension schemes (the public sector being by far the largest employer in most countries the region), national (usually mandatory) schemes covering private sector workers (which may also cover the public sector), occupational schemes managed by employers other than the government and individual / personal pension schemes (usually offered by insurance companies on a voluntary basis). For example, universal pension systems operate in Botswana, Mauritius and Namibia, whilst a means tested public pension is available in

South Africa. Social pensions also operate in Lesotho and Senegal, whilst occupation pensions are available, albeit for a limited percentage of the population, in countries such as Nigeria and Kenya. However, it should be noted that the majority of people in the region work in the informal sector and are therefore not covered by these schemes, implying that they rely on informal arrangements and their own/ family resources. The structure and challenges to the pension systems in each country differ, with countries correspondingly adopting different reform agendas.

The pace of reform also differs from country to country, ranging from the introduction of individual DC accounts in Nigeria, to extending pension coverage to the informal sector in Botswana; exploring ways to overhaul the civil service pension scheme in Kenya; to improving pension fund governance and reforming taxation of retirement funds in South Africa. Many countries - including Botswana, Kenya, Zambia - are reviewing their national social security and severance schemes to make them less expensive to administrate and more sustainable for retirees in the long run.

A major component of these announced reforms is the need to improve the quality and effectiveness of the supervisory oversight of the flourishing pension system. In most countries pension and social security institutions are not regulated and supervision is fragmented and weak. Countries such as Zambia and Kenya continue to establish their pension fund regulation, whilst new supervisory authorities have been created in countries such as Botswana. According to Stewart and Yermo (2009), the challenges of systemic reform, where there is a shift from unfunded to funded schemes and possibly the introduction of private management of assets, are particularly great in Sub-Saharan Africa. Reformers face three major obstacles:

- First and foremost, any diversion of contributions to a new funded scheme will force governments to find resources to covers the resulting gap. Since most of the countries depend heavily on foreign aid to supplement their budgets, there is little scope for financing the transition, at least not a rapid transition.

- Second, existing public pension institutions are generally not equipped to meet the recordkeeping requirements of a funded individual accounts scheme.

World Bank (2014) notes that pension funds would, to varying degrees, soon have to sell reserves to pay retirees and other beneficiaries. As a result, pension reform in Morocco is needed to meet the authorities' objective of sustaining local capital markets.

2.5. Pension fund in Ethiopia

The prevailing type of security system in Ethiopia is the government sponsored Social Security system. The history of the formal social security system in Ethiopia dates back to the formulation of the Pension and Social Security Authority (PSSSA) in 1963 (Public Service Pension, Proclamation N. 209/1963). This decree covered only the military and civil service workers. For these groups, the pension scheme was funded by a mandatory contribution. Since only government employees are covered by the pension scheme, large portion of the eligible age population is used to be excluded. Given this limited coverage, broad based reduction of old age poverty is not possible. (Alemu, 2015),

Moreover, the implied saving mobilization role of such financial institution cannot be realized. When we examine the structure of the labor force in Ethiopia, the majority of the employed population works for either the informal sector, the private sector or are self-employed. These employees fail to have access to pension services and thus are vulnerable for income instability especially in their old age. Private organizations' and NGO's provide their employees with provident fund which is paid in lump sum amount at their employment termination.

But, as a result of the low interest rates and the rising inflation at the time the lump sum benefits due to retiring beneficiaries were meaningless. For this and other reasons, the government of Ethiopia currently included all employees in pension fund net. Conversion of the Provident Fund into a pension payment introduced some element of adequacy into the retirement package for the workers. But, the existence of pension fund by itself is meaningless unless it is properly managed. (Kokobe, 2014)

According to Guidelines for the investment of social security funds, the investment policy of a social security scheme should be based on prudent-person principles and appropriate quantitative restrictions. It should take into account risk management; diversification and dispersion; matching assets and liabilities, including considerations of duration and maturity; currency matching; and performance measurement and monitoring. Whatever principles the investing institution may adopt, there have to be competent and honest managers to apply them. It is, therefore, essential to ensure the competence and integrity of managers. The governing body of the social security scheme or of the investing institution should adopt criteria concerning the expertise that is required of investment managers and other advisers on pension fund policy and strategy and their implementation. (Alemu, 2015)

The governance structure of the pension funds should normally include three other bodies. An independent auditor should be appointed to carry out an annual audit of the fund. In the case of funds that are integrated in the social security institution, an actuary would also need to be appointed to carry out the actuarial valuations of the system and analyze the implications of different investment strategies for the system's financing. In most instances, it is also a good practice to appoint a custodian (Quigley, 2006).

Parties responsible for the pension fund administration assets should establish a pension fund administration policy and describe it in a written statement. This should be required regardless of whether the pension fund administration regulations use the prudent person standard, portfolio limits or some combination of the two. Pension fund administration policy should be established regardless of plan type, whether defined benefit or defined contribution. As noted in the guidelines, pension programmes that include member direction may be required to address additional or different issues in their pension fund administration policies. Similarly, the policies of defined benefit plans may differ from those of defined contribution plans. In particular, the relationship between actuarial determinations, funding obligations and pension fund administration is significantly more complex for defined benefit plans, and the relationship should be adequately considered in a pension fund administration policy (OECD, 2006).

With regard to pension fund administration objective, several studies emphasize that ,DC pension fund should in principle required to maximize expected return for a given risk, so as to attain as high as possible replacement ratio at retirement, since returns to members of pension plans backed by such funds may be purely dependent on the market

However, according to Davis (2002) for both DB and DC funds, the portfolio distribution and the corresponding return and risk on the assets seek to match or preferably exceed the growth of average labor earnings.

(Blake, 2007), argues that appropriate pension fund administration strategies will depend on the nature of the liabilities, including whether pensions in payment are indexed and the demographic structure of the workforce. Pension fund administration strategies will also be influenced by the minimum-funding rules imposed by the authorities which determine the size of surplus assets, as well as accounting conventions affecting the way shortfalls are presented in annual reports. As to the pension fund administration strategies for DB plans,

Pension fund administration regulations are meant to ensure that pension funds adopt appropriate diversification strategies and minimize agency, systemic and portfolio risks (Kyiv, 2003). Kyiv also argues that the regulations should spell out the ceilings beyond which pension funds should not invest in any specific category or class of investments to enhance financial efficiency.

Pension funds in unrestricted investment environments generate more returns than those operating in the restricted environments (Quigler, 2006). The failure to restrict pension fund investments results in the application of the prudent man principle and thus concentrates on high return assets as opposed to the low return assets. In addition, investment restriction minimizes creativity and tends to focus more on the long-term objectives at the expense of the short-term ones (OECD, 2009). A disclaimer is however that the high returns are obtained in the context of high risk.

pension fund administration can be controlled through asset class (ceiling on the proportion of specific classes in a pension fund's portfolio), concentration of ownership (ceiling on the proportion of shares of a company that a pension fund can hold), by issuer (ceiling on the proportion of assets in a fund's portfolio issued by the same institution), by security (ceiling on the proportion of individual securities in a fund's portfolio) and by risk (minimum acceptable risk rating of securities).

It is furthermore, important to control offshore investments as many pension fund managers are not well experienced to take external risks, capital markets in the international environment are reducing liquidity as a result of the global economic meltdown, they involve huge risks and the transaction costs involved are high (OECD). OECD therefore suggests a restriction on international investments to ensure a fair equilibrium between pension fund risks and returns at lower costs.

2.6. Risk Management Policy

Pension fund administration plays a crucial role in providing risk control to households by ensuring that their retirement income is safeguarded (Davis, 2000). To be able to provide others with a safety net, pension funds should themselves have appropriate risk management policies that safeguard the replacement rate, investment safety and the time-based risks such as inflation. Moreover, risk management by pension funds should link directly to the portfolio objectives and maintain a balance between assets and liabilities in the context of funding, immunization and the use of derivative securities (Galer, 2009).

Pension funds need to develop a risk management framework to ensure that the investment goals are achieved. Such a framework includes, portfolio diversification aimed at minimizing the overall risk, active portfolio management, asset allocation, tactical asset allocation that ensures an acceptable risk tolerance strategy, research driven investment strategy that results in stock picking and the use of derivative securities to minimize portfolio volatility thus increasing the pension fund's returns (Amana, 2009).

2.7. Administration and Finance

The administration of Social Security Schemes is usually the responsibility of an autonomous social security institution or of a government department. The autonomy of social security institutions is usually confined to administrative matters, as decisions concerning coverage, benefits and contributions normally remain the prerogatives of the parliament, acting in most cases through the relevant government department (ILO, 1993).

It is customary for the social partners to be involved in the administration of autonomous social security institutions, either on a bipartite basis or, along with government representatives, on a tripartite basis. In many of the former socialist countries, trade unions had responsibility for administering parts of the statutory social security system; this practice, however, has been discontinued in various countries in recent years, owing to political changes and redefinition of the role of trade unions. The amount of pension payable when the member retires is dependent upon the amount of money paid into the scheme; how well the investment funds perform; and the subsidy by the government. Social Security schemes receive contribution income from both insured persons and their employers. Income may also be derived from special taxes to support the social security scheme. The government may also make a contribution related to insured persons' or employers' contributions (or both). It may make a payment related to expenditures on certain benefits or an administration, or in some cases even a general subsidy. Normally, the government guarantees to make funds available should the income of the scheme be inadequate to meet its expenditures (ILO, 1997).

The basis for contribution depends on the types of benefits included in the scheme. The invested assets of pay-as-you-go social security schemes are unimportant source of incomes because the assets accumulated are relatively small and are used primarily to provide benefits during economic downturns. In funded schemes, however, the invested assets are an important source of income (ILO, 1997).

2.8. Development of social security in Ethiopia

It was a traditional and religious duty to Ethiopians to look after the aged, the sick and the disabled relatives. The blood relationship in Ethiopia was very strong that it was

also a cultural obligation to look after the children of poor relatives and orphans. The burden was not considered at all as the duty of the government. However, benefits consisting of a piece of land were being given to public servants as a reward for life service and gallant actions in the battle field. Furthermore, various social associations through which people joined together in benevolent societies, with a purpose of providing members and their dependents with material assistance in the event of economic misfortunes have had a long history in Ethiopia.

These societies continued to function even after the advent of industrialization and the development of urban centers (ILO, 1968). However, “although there is no denying of advantages of these associations towards tackling the problem of social in that the protection, they afford their members covers only a small number of contingencies” and also the benefit awarded is of a lump-sum nature and lacks continuity (Mouton,1975).

During the reign of Menelik II, if a military servant gets old, he had the right to demand the authorities to replace his son in his place. This was done so that the son would be able to take care of his old father. Pension benefits as such, started to become a national responsibility in a limited area during the reign of Emperor Haile Selassie (Yetureta Tarik Kidme and Dihre Abiyot Ethiopia). Gradually the civil service was organized and grew up and it was found necessary to provide the civil servants with pension. Consequently, in 1958, the Ministry of Pension was established by Imperial Order (IEG, Negarite Gazeta, Order No. 20 of 1958 E.C). The duties and responsibilities were specified .The following legal instruments govern public servants in Ethiopia.

The decree lays down the foundation of the pension scheme. It is the first elaborated law in the Ethiopian pension history although semi-legalized pension practices existed long before its coming into effect.

Under the Decree, only money benefits are payable. The Decree also repeals any legal situation created; right acquired or consequences arising out of previous laws which are not expressly provided by the Decree (IEG, Negarite Gazeta, Decree No. 46 of 1961, Art. 2)

The proclamation amends and renumbers the Decree. When the later was adopted and promulgated on August 31, 1961, parliament was not in session. Parliament, having deliberated on it, with some amendments, the approval was proclaimed as the Public Servants Pensions Proclamation (IEG, Negarite Gazeta, proclamation No. 209/1963). It is important to note here that effective date of this proclamation relates back to the date to the Decree enters into force ,thus, the effective date of the scheme counts from December 1, 1961, when the Decree enters into force.

As stated by the Decree (later approved by the Negarite Gazeta, proclamation No. 209/1963), the contributions are to be paid by the employer and the public servant. These contributions from the funds authorized by the Decree, and from which benefits are paid out. As per article 3 of this proclamation (IEG, Negarite Gazeta, proclamation No. 199 of 1963 the Decree in article 42 provides that the amount of contribution payable to the funds by the public servants and employer will be determined by a subsequent law. Following the completion of the said actuarial study and pursuant to article 42 of the decree, the Public Servants Pension Contribution Proclamation was enacted.

This is an amendment proclamation to the proclamation no 209 of 1963. Among other things, the following can be cited from the amendment:

- i) The retirement age both for men and women is fifty-five (55) Years instead of sixty (60) for men and fifty-five (55) for women under the previous proclamation.

This is to be certified by a medical board. If he dies, his survivors could be entitled to survivors' pension as the following month of the death of the bread-winner. However, if the reason of his separation from service was a criminal offense resulting in a minimum of three (3) years of rigorous imprisonment by court, he shall forfeit his pension rights. This is also true for a pensioner.

This has only very little change from that of proclamation No 199 of 1963. To mention one, in the previous proclamation, members of the Armed Forces who were

noncommissioned officers and other ranks were not obliged to pay contributions whereas in the amendment proclamation they are obliged to pay contributions.

The proclamation entitles pension rights for those: persons who, on the date of transfer of the undertaking, is a permanent employee of an agricultural, commercial, industrial, transport, banking or insurance undertaking whose ownership or majority shareholding has been transferred to the Government or a person employed thereafter in any of these undertakings; a person who is a permanent employee of a Government-owned share company; or a permanent employee of the Franco-Ethiopian Railway Company. As per this proclamation, payment of contributions by both the employee shall commence effective 8th February, 1975 whereas all periods of service rendered by an employee before the effective date of the Proclamation in any undertaking and in the Public Service shall be considered a period of service. The proportionate amount of contributions payable by both parties is the same as that of Civilian Public Servants.

This proclamation amended few articles of the previous Public Servants' Pension Proclamation No 209/1963 (as amended). The meaning of a 'Public Servant' had been redefined to incorporate others than before. The main change made by this legislation was the abolition of the difference in the rights of pension between a widow and a widower. The Provision of this Proclamation provided for a widow shall.

According to the pension scheme, public servants and employees of Government-Owned undertakings are entitled with the following benefits.

The conditions are briefly explained on proclamation No 40 of subsequent legislations. If an employee retires because of inefficiency at the request of the head of the Ministry or office concerned and by the decision of the committee set up by the government; or resigns after twenty- five (25) years of service when attaining fifty (50) years of age or above; or resigns after completing twenty (20) years of service or separates from service for other causes after completing twenty (20) years of service when attaining fifty – five (55) years of age , he shall receive a retirement pension for life (PMAC, Negarite Gazeta, Article 1 of proclamation No. 5/1974).

But if an employee: a) Resigns voluntarily after completing ten (10) years of service but before completing twenty (20) years of service, b) Separates from service for inefficiency prior to completing ten (10) years of service he shall be paid an amount equal to the total amount of contributions made by him (PMAC, Negarite Gazeta, Article 9 of proclamation No. 5/1974).

The pensioner would be entitled to whichever is greater than the two. The maximum amount of an incapacity pension is, like for retirement pensions, sixty percent (60%) of the average basic salary for the last three (3) years preceding retirement. If, after the injury, the public servant can still fulfill the medical conditions for service, he may be entitled to an incapacity gratuity. And he will be entitled to it only if the incapacity suffered by him is more than ten (10) percent (IEG, Negarite Gazeta, Article 14 of proclamation No 209/1963). The amount of incapacity gratuity is five (5) times the assessed percentage of incapacity multiplied by the annual amount of incapacity pension.

Gratuities, or lump-sum payments, are paid to an employee if his service period is less than ten (10) years and if he retires:

a) Due to retirement age or,

b) Due to ill-health not caused by the work to which he is assigned. The amount of gratuity for each year of service is equal to one-month salary.

The total of all survivors' pension should not exceed hundred percent (100%) of the pension of the deceased. Orphan's pension is payable up to the majority of the child. It ceases when the child attains eighteen (18) years of age. Parents are granted for survivors pension if they were at the time of the death of the employee, had wholly or mainly supported by him. The amount shall not exceed twenty percent (20%) for anyone parent of the pension to which the deceased was or would, if he had retired at the date of his death (IEG, Negarite Gazeta, Articles 20 and 21 of proclamation 209/1963). Parents do not get gratuities. But the other survivors including a widower do get gratuities if the employee would have not been entitled to a pension at the date of his death

(IEG, Negarite Gazeta, Articles 22 and 23 of proclamation No. 209/1963). The survivors eligible for gratuities share the benefit in the same proportion as survivors' pension.

Pensions are discontinued when:

- a) A beneficiary die,
- b) A widow remarries and
- c) Orphan reaches the age of eighteen (18) or dies before the age,
- d) A pensioner re-enters a regular full-time government job and,
- e) A pensioner or would be pensioner is sentenced for a minimum of three years of rigorous imprisonment by court (YeturetaHigoch/MemeriyawochAfetsatsem/ 1989 E.C.).

To this end, the public Servants Pension (Amendment) Proclamation No. 5/1974 article 39 provides for the establishment of Pension Appeal Tribunal. The Tribunal is an independent body composed of members from different and concerned ministries under the direct control of the Council of Ministers. The main objective of such provision is to protect any beneficiary from an unfair decision which is determinant to his interest. Its decisions are final and conclusive.

Since the establishment of the Ethiopian Pension Scheme, the organization has passed through different administrative and structural changes. The organization was reestablished as Social Security Authority (SSA) by proclamation No.38 of 1996 (FPRE, 38, 1996.E.C). In this proclamation, the Authority had been restructured to be an autonomous federal public office having its juridical personality, which is accountable to The Council of Ministers. For more than 35 years the operation of the pension scheme was centralized. But since 1997 E.C the Authority decentralized its activities to serve beneficiaries at the localities. The SSA has a head office, 11 regional offices and 17 branch offices throughout the country PSSSA (proclamation, 907/2015).

2.9. Review of Empirical Literature

Pension fund administration assets to achieve the long-term provision of funding for retirement (Erwin R, 2012), Institutional social security, in some measures or other, exists in almost all countries today. However, there is much variation between countries with regard to the levels of protection, scope, coverage and effectiveness of the system in place. As a group, the developed countries have the most advanced social security and pension fund management systems. With very few exceptions, institutionalized social security and pension fund management in the developing world is of relatively recent origin having appeared only after the Second World War, following the emergence of several independent states at the end of the colonial era (Catala, 2004).

According to Prequin (2011), public pension funds are important and experienced investors in alternatives and on average allocate 5.5% of their capital to private equity, with significant commitments also existing to hedge funds, private real estate and infrastructure. He examined the financial statements of over 150 public pension funds from North America, Europe and the UK to ascertain how well their investments across various asset classes were performing. His data shows that the 20 largest public pension funds have a total of \$224 billion allocated to private equity, and their high levels of assets under management make fund managers keen to attract this type of investor. The long term, high risk nature of alternatives are well matched to long term liabilities of pension plans, providing diversity to investment portfolios, and giving potential to yield high returns (Philip, 2002).

In order to see the asset allocation of pension funds, various empirical studies have been formulated, however many surveys on the pension fund asset allocation have been carried out in the developed counties, especially in USA and UK markets (Blake et al. 1998).

Blake et al. (1998) report asset allocation and performance of more than 300 UK pension funds. They find that pension fund allocation practices of funds have remained rather steady from 1986 to 1994. Notable observation is the high allocation to equities (78 percent) with only 14 percent in fixed income. Since, the study focuses on the performance rather than asset allocation; it is difficult to state why U.K. pension funds

prefer to invest more in equities than us pension funds. Looking for the U.K financial sector in general and the equity market in particular at the same period may give answer for this question.

For both U.S. private defined benefit and defined contribution plans Bodie, (1998), reports some data on the asset allocations. The main findings for the defined benefits plans are that larger single employer plans hold about 60 percent in fixed income securities and 20 percent in equities; and smaller single employers invest 50 percent and 20 percent, respectively. However, the study fails to address public pension plans.

Although the above studies present the asset allocation of some UK and USA pension funds, they do not provide the factors that affect the strategic asset allocation of the pension funds.

According to Ventura (2001), Brazilian pension funds are minority shareholders with no direct involvement in the operations of their investee companies. Thus, they must invest in transparent companies, ones that treat their shareholders fairly and whose management is responsible and renders full account of its administration. This shows that a good quality Corporate Governance contributes to improved company management.

When we come to India, Government employees are covered under provident fund and pension fund administration with a pay as you go system. Pension Funds are managed by Pension Fund Administrators and they are responsible for taking investment decisions but in some jurisdictions, pension fund administration can be by asset management and insurance companies and some management decisions may be the responsibility of Boards of Trustees in some corporate organizations. Pension Fund Custodians are those who keep custody of pension funds (Imam, 2011). China has National social security fund (NSSF).

According to Impavido, (2009), pension fund administration has also been centralized (“pooled” in Chinese terminology) as a way to improve standards.

According to the Interim (2007), Measures on the pension fund administration of the NSSF, in house asset management is limited to bank deposits and the primary market of government. Any other form of investment needs outsourcing to external asset managers. However, with the approval of the State Council, MOLSS, MOF and other government agencies, the investment universe for in house asset management was recently broadened. For instance, NSSF started implementing its first trust investment program in 2005,

In 2008, NSSF was allowed to invest in venture capital (Industry funds) and private equity industry funds (Equity funds) registered with the National Development and Reform Commission up to 10 percent of total asset. It is reported that NSSF is seeking approval to invest billions of dollars in foreign private equity funds, (Ibid, 2005)

According to Catala (2004) in the last two decades, many developing countries implemented pension reforms from publicly managed pay-as-you-go defined benefit systems to privately managed fully funded defined contribution schemes. One of the potential macroeconomic benefits typically associated with such pension reforms is the development of domestic financial markets. In fully funded pension systems, the argument goes the rapid accumulation of domestic financial assets by pension funds bolsters the domestic bond and stock markets.

In Nigeria, pension fund administration assets are regulated by Pen com. Part IX of the Pension Reform Act 2004 provides that all contributions by members shall be funded by the Pension Fund Administrators with the objectives of safety and maintenance of fair returns on amount invested. Pension Fund Assets may be invested in Global Depositary Receipts/Notes and Eurobonds issued by listed Nigerian companies for their operations within Nigeria as certified and approved by SEC, commercial papers of corporate entities provided it is in compliance with the CBN's guidelines on BAs and CPs. (Ezugwu, 2014)

Many studies that have been done on pension fund especially on public pension funds try to show the investment activities of the public pension funds from their governance side. Olivia S. Mitchell (2001) finds that political appointees and ex officio board

members tend to dominate decision-making, frequently with many public pension directors chosen to represent the interests of plan participants. Perhaps because of this different governance structure, public pension plans often direct their investments toward “in-state” projects, a practice associated with diminished rates of investment return. He confirms that the DB plans created by state and local governments in USA to provide retirement benefits to teachers, uniformed officers, and other civil servants investments are frequently subject to nonfinancial criteria.

A study by Pinheiro (2004), that focuses on pension funds for government workers in Organization for Economic Cooperation and Development (OECD) countries resemble the findings of Mitchell. In particular, the study finds that, civil servants’ pension funds are more vulnerable to investment mismanagement risks. They are often required to, directly or indirectly, finance infrastructure, social projects or allocate resources on investments not necessarily linked to retirement income objectives.

Some empirical evidence for the US shows that public pension funds that had been required to make a certain portion of in-state investments generated lower investment returns compared with other funds these studies demonstrate that pension funds investment are especially public pension funds are not invested in accordance to financial criteria .

To shed some light on this issue, Iglesias and Palacios (2000), found that countries with poor governance experience achieved low return on their investment return. They have used twenty developed and developing countries public pension fund as a sample and for many of these countries, investment returns of public pension funds are often below bank deposit rates and almost always below the growth of per capita income. They also found that publicly-managed funds almost always face serious political obstacles that hamper their ability to invest effectively. Their asset allocation is systematically biased toward targeted investments and lending to government at low yields. As a result, returns are much lower than those found in privately-managed funds and mostly lower than bank deposit rates.

Evidences that attach governance and pension fund on the works of Ambachtseer (2001), and Useem and Mitchell (2001), although some of them focuses on private pension funds, for instance Ambachtseer (2001),

Other paper on this area focuses particularly on some countries practices in general with respect to some benchmarks. In his paper Yermo, J (2008), discuss main aspects of the governance and investment of Public Pension Reserve Funds in Selected OECD Countries, using the OECD and ISSA Guidelines as reference of good practices. And the researcher concludes that the surveyed funds show relatively high levels of governance and Investment management. Although the paper tries to cover the main issues concerning the governance and investment of the funds, it fails to assess the impact of any identified weaknesses on the funds operation and in particular on its investment performance. And the analysis was limited to only select OECD countries.

Some theoretical, many empirical literatures also try to see the investment of pension fund in light of investment regulation. Some even base their analysis on regulation that limits the investment of pension funds other than government securities. For instance papers done in another countries and on the same cases proof that restriction, especially those restriction that forces the pension fund to be invest on government bonds and other fixed income government securities in large amount doesn't encourage the fund accumulation and lead to low return on investment, but penalize pensioners, because it impede the potential of the fund to diversify.

A study conducted by a Goldman Sachs (1995) for the period 1985 to 1994 to see the impact of over –investment(i.e. about 90% of the total asset) of the Malaysian pension fund on Malaysian Government Securities (MGS) during the 1980s and 1990s showed that if the proportion invested in MGS had been reduced to 75% and that in equities and properties had been raised to 10% and 5%, then the average returns on this more diversified portfolio would have been some 15% higher with a corresponding reduction in risk of about 12%. A more balanced portfolio with 50% in MGS, 25% in equities, 10% in cash and 15% in properties would have increased returns by about 35% and

lowered risk by 10%, as compared to the Malaysian provident funds historical portfolio with 90% invested in MGS and 10% in cash.

Using data on china from 1993 to 2004/06, Hu *et al.* (2007) shows that there would be better investment performance if china pension fund with pillar one were allowed to include other assets other than government bonds and deposit loan that constitute 50 -50 % of the total portfolio . They conclude that current Chinese pension fund investment regulations should consider removing lower limits on government bonds and bank deposits .Allowing investment in more asset classes (e.g. shares and real estate) and Gradually allowing for pension assets to be invested abroad in order to strengthen the system.

Various studies show that setting a quantitative restriction whether on international diversification or domestic diversification doesn't bring the desired optimal risk/return trade -off. Therefore, going to more liberated form of investment regulation should result in higher portfolio return. The studies proof that moving to less restricting rules reduce the risk of portfolio by leading to optimal risk -return trade off. Hu, *et al.* (2007) look how keeping a large amount fund on government securities increase risk, basing their empirical analysis on Pillar one B that is only allowed to be invested in Bank deposits and Government bonds that is a state pensions and with the aim of providing pensioners with the basic needs.

Most of the literature on restriction of pension fund investment focuses on a one type of qualitative restriction that is international investment restriction. This kind of argument found on the studies of Davis (2001, 2002b, 2002c), Oxera (2007), and Hu (2008). On the role of financial structure in influencing the investment of pension funds there are also some country specific evidences. For instance, Studart (2008) present the case for brazil, he found that, at least five aspects of the Brazilian macro economy and the functioning of its financial markets has to do with a minor role played by pension funds as providers of long-term funds to productive investors and directing most of their resources to the financing of public debt and the acquisition of real assets, such as real state. They are: High inflation and macroeconomic instability, which led to highly

uncertain financial environment and to short-term behavior of most financially surplus units in the country; in addition that, high levels of public debt financed by issuance of highly remunerated government bonds;

- The existence of relatively easy access (for large companies) to long-term, subsidized credit from public institutions; and also too much volatility of asset prices both in the short and medium run, which makes institutional investors reluctant to invest, and the lack of appropriate regulatory arrangements and institutions to stimulate the direct acquisition of corporate securities by pension funds, or to channel their savings towards the financing of productive investment,

According to Thillainathan (2000), the Pension performance of the Malaysians Employees' Pension Fund (EPF) is seriously constrained by financial markets that are under-developed in addition to the nature of the provident fund scheme, and the regulations imposed upon it. One of their key conclusions is that pension reform peruse can drive capital market development only up to a point. Pension reform also requires a reform of capital markets.

On their paper Barbone and Sanchez B (1999), presets that the problems with the management of pension reserve funds in sub-Saharan Africa do not arise exclusively from bad governance. It has also been the case that over the last decade's pension investment opportunities have been very limited. It appears, in fact, that investment returns in the sub-continent have been low if not negative over the last decades. The profitability crisis and the crisis of the financial sector have not been any less dramatic than the social security crisis. The result has been a loss of credibility in the public sectors.

Alestalo and Puttonen (2005). Conducted their study using data on the Finnish B-pension funds (both corporate and industry-wide), thus the focus is on the pension funds of the income-related defined benefit scheme. They found that the liability structure of a pension fund and the nature of the Finnish pension system, which is a mix of pay-as-you-go and pre funded systems affect its asset allocation. However, the result doesn't

show clearly which allocation is explain by the factors, since the allocations of Finnish pension funds are highly dispersed. One fund holds its entire portfolio in fixed income securities whereas other funds have none, or only a minute portion of fixed income holdings. Also equity investments vary a lot, ranging from 0 percent to over 70 percent of the asset allocation.

Outside developed countries, Fahd (2010) conducted a study on pension funds asset allocation for government pension funds in Pakistan. By using a Mean variance model, the study shows that the portfolio is balanced with stocks" share of 51% and aggregate bonds and bills" share of 47%. In addition he argues that pension fund assets should neither be invested to retire the government debts of provincial governments nor to bolster the stock exchanges in times of economic crises.

According to Guidelines for the pension fund administration (ISSA, 2004), the pension fund policy of a social security scheme should be based on prudent-person principles and appropriate quantitative restrictions. It should take into account risk management; diversification and dispersion; matching assets and liabilities, including considerations of duration and maturity; currency matching; and performance measurement and monitoring (Exley, 2003).

So far, in Ethiopia, much attention has not been diverted in investigating the challenges of managing pension fund administration. Although, unpublished,(Tarekegne, 2004), however, he noted that the investment of the authority limited to governmental tools because of the absences of pension fund administration policy designed by PSSSA and results in inefficient fund management. His study also revealed that it is the government appointee in the board that decides on pension fund administration issue of the authority, (Mulualem, 2002) studied the pension fund administration of Ethiopian PSSSA.

Mulualem (2002) studied the Pension Fund Accounting and Managements of Ethiopian SSA. In his finding he discovered that although the authority established as an autonomous public office allowed by proclamation 38/1996 to invest its resources in profitable and reliable investment activities, he found that the authority have been

investing its resources in relatively less risky investment namely Government bonds and Treasury bills as well as Fixed time deposit hence earning low return.

In his finding he discovered that although the authority established as an autonomous public office allowed by proclamation 38/1996. There are also other study conducted by Abebe (2003) which was done on the Development of Social Security Practice, Problems and Prospects of Pension Plan in Ethiopia.

Abebe (2003), in his study, attempted to assess the Extent of the Practices and Problems of Social Security, especially of Pension Policy in Ethiopia. The study has attempted to answer the eight basic questions indicated in his study. The development of Social Security against different perspectives, features of Social Security Programs, pension systems as part of Social Security with their classification criteria and pension types were stated in the review of the related literature. Practices of Social Security in some other countries were also briefly discussed.

The study clarified how the pension scheme is planned, that is the amount which the employer and the employee contributed to the scheme, what the pension benefits are and the purpose they intend to serve, what the limitation of the entitlement to benefits are and causes that terminate or discontinue pension benefits.

Based on the gathered data, the following findings were identified. Accordingly, the existing pension legislations lacked uniformity, clarity and were not sufficient for pensioners to live. Rather, most of the pensioners were said to be more dependent in begging than on their pension payments.

Abebe's study focused on the policy of pension scheme in Ethiopia in general. He tried to see it from the Ethiopian pension law perspective. Abebe couldn't see its practice on the ground. He focused only on ministry offices. But, this study focused on the pension and retirement scheme in private preparatory schools.

Abdi Ayana (2012) studied a research in title “Who Takes Care of the Elderly in Ethiopia when Reciprocal Relationships Breakdown? “In his study he found the following: in Ethiopia formal social security was almost nonexistent and the majority of the populations were excluded from the formal social security system while the traditional social security arrangements mainly provided by the family had also broken down. The main results from this study identified and described the lack of opportunity, support and basic resources, challenges and coping mechanisms of elderly people. Abdi focused on post retirement issues. He also tried to show the challenges the people under retirement faced. But he couldn’t focus on the policy of the government towards the pension and retirement scheme in private organizations.

Emerta Asaminew, (2010). This less development of pension fund in Ethiopia is exacerbated by an increase in inflation, coupled with poor management of pension funds, which has reduced the investment of pension funds. The pension funds now face significant funding gaps and are forced to increase premiums (as witnessed currently) and if the funding gap does not recover in time, they may have to cut a pension right which is not possible in reality. Evidently, the improper management has profound implications and raised questions as to the quality and sophistication of pension fund investment management

Gebrehiwot (2007), In Ethiopia pension plan as part of the nation’s Social Security programs give income security in old age, disability or death. The Ethiopian Social Security Agency (SSA), which is responsible for administering the plan, has potential to pension funds administration due to its surplus pension funds and the nature of its long horizon liability. In light of the contingent and long-term nature of its financial obligations, SSA is expected to build and manage a portfolio that will generate long-term returns that contribute to the future pensions of today’s working members

Hiwot (2012) undertook a study to assess the Practices and Challenges of Pension Funds administration in Ethiopian Social Security Agency. In order to answer the research questions: (What is the current situation of Pension Funds administration in SSA? What are the challenges of Pension Funds administration practices in SSA? How is the Pension

Funds administration? What is the effect of Pension Funds administration performance on financial earning of pensioners and SSA's employees? She used both quantitative and qualitative methods. Basic concepts and definition about pension plans, classification of pension plans, and investment consideration for different types of pension plans were stated in the review of the related literature. Practices of Pension Funds administration in some other countries were also briefly discussed. Based on the gathered data, the finding indicated that: the yield on Pension Funds administration was not sufficient.

Hiwot (2012) in her study tried to evaluate the practice of pension scheme in ministry offices from the accounting point of view. She used her accounting background as a tool to evaluate the scheme especially on pension funds investment in SSA. But this research focused more on the social aspects of pension and retirement scheme in private preparatory schools. To sum up, the three researchers focused more on the ministry offices and try to investigate the policy of the Ethiopian government on social security and its practice. The three researchers tried to identify the drawbacks in the policy. But this research focused on how much the policy was practiced on the ground that means how the beneficiaries were practicing the scheme and how much was the ministry office (PSSSA) implementing the scheme.

Therefore, researcher find out a gap within the current of pension fund administrations problems a need to recognize and employ the current pension fund administration practice and challenges on the Jimma branch office, such as, Abebe (2003), in his study, attempted to assess the Extent of the Practices and Problems of Social Security, especially of Pension Policy in Ethiopia. The study has attempted to answer the eight basic questions indicated in his study. The development of Social Security against different perspectives, features of Social Security Programs, pension systems as part of Social Security with their classification criteria and pension types were stated in the review of the related literature. Practices of Social Security in some other countries were also briefly discussed.

The study clarified how the pension scheme is planned, that is the amount which the employer and the employee contributed to the scheme, what the pension benefits are and

the purpose they intend to serve, what the limitation of the entitlement to benefits are and causes that terminate or discontinue pension benefits.

Based on the gathered data, the following findings were identified. Accordingly, the existing pension legislations lacked uniformity, clarity and were not sufficient for pensioners to live. Rather, most of the pensioners were said to be more dependent in begging than on their pension payments.

Abebe's study focused on the policy of pension scheme in Ethiopia in general. He tried to see it from the Ethiopian pension law perspective. Abebe couldn't see its practice on the ground. He focused only on ministry offices.

According to Urwin R (2012), there is increasing evidence to support a link between superior performance and an institutional investor's strong management. He added that, many pension funds are beginning to realize that their management arrangement should be a top priority, not only through responsibility to literally billions of individuals, but also because it creates an opportunity for wealth creation. The management of pension fund administration should include all the receipt and payments including management and return from pension fund.

This needs proper management and much coordination among the concerned parties. But those things are not an easy task in developing countries like Ethiopia which easily can be seen from current Ethiopian situation. The pension fund administration now faces significant funding gaps and are forced to increase premiums (as witnessed currently) and if the funding gap does not recover in time, they may have to cut a pension right which is not possible in reality. Evidently, the improper management has pension fund causes implications and also raised questions as to the quality and sophistication of pension fund administration (Assaminew, 2010),

"Fix the roof while the sun is still shining" Baker and Weisbrot, (1999), It is a former USA president Bill Clintons famous saying about the necessity of social security reform! Virtually all contemporary literatures state the importance of reform besides their

substantial difference on how that should be done. In developed countries, demographic changes that increase the aging people is the main reason to require adjustment on social security fund management (Bosworth 1997).

The issue of fixing is also relevant in developing countries since aging population increase dramatically (Uwera 2013). Though only 5% of Ethiopian population is above the age of 60, it is anticipated to be 9% in 2050. Researches also show that older men and women expected to live 15 and 16 years after their 60th birthday, respectively (Erb 2001). Thus, the pension fund expected to be in line with these changes so as to prevent devastating effects.

More importantly, in Ethiopia the contribution rate reaches in its maturity. That is, any increment on the contribution rate is either not possible or huge burden to members of the pension scheme. Consequently, sustainability of the fund relies on either investment or reduction of benefits. It implies improving the investment return as high as possible is critical.

However, Ethiopian pension fund administration activity emphasis more on safe pension fund administration performance higher return (Hiwot 2012) Irrespective of countries economic situation, there is a general agreement among economists about the tradeoff between risk and return. Nevertheless, giving priority to one of them is more of a political decision than technical. The current pension fund performance regulation of Ethiopia clearly prioritizing safety rather than profitability. Thus, to what extent this decision affects the fund should be assessed. So far, few researches have been conducted on pension fund administration practice and challenges in particular. These studies also mentioned government regulation as one of the inhibiting factors that deteriorate the effectiveness of the pension fund administration, (Abebe 2008).

So far, no study has been conducted in a comprehensive way by including the effect of proclamation number 907/2015 on the pension fund administration activities and performance. These studies also ignored the justifications of government about the inflexible regulation related with pension fund. Therefore, this study evaluates the practice

and challenge pension fund administration performance in PSSSA: the case of Jimma branch, so as to recommend a more appropriate pension fund administration strategy, based on the assumption that government regulation is the most decisive factor to pension fund administration performance in Jimma branch office. The thesis will also scrutinize the impact of the pension proclamations. The previous studies entirely have concerned with the performance of pension fund administration as compared to what theories advocated (Hiwot 2012, Abebe 2008). Though measuring performances from theoretical point of view is necessary, it is not sufficient. Consequently, many studies from other countries have been including comparison of countries performance to augment the validity of the results (Musalem, 2004 and Hu 2008).

This research included not only the experiences of other countries but also the views of pension fund employees so that a more comprehensive and valid result can be achieved.

This all problems resulted in minimum contributions rate on pension fund administration usually below inflation rate. Since the aim of pension funds administration is to sustain the pension funds in addition to the contribution made by beneficiaries and thereby to guarantee the income distribution of beneficiaries, the agency is expected to have efficient pension fund contributions activities to meet its liabilities without any shortfalls.

All the above-mentioned studies had contributed much on pension fund administration activities, practices and profitability of the fund. And also, the accounting and reporting practice of the pension fund and the development of the pension plan. But not done on management challenges and ways of overcoming those challenges. Therefore, this study contributes on pension fund administration issues by identifying management challenges concerning of social security fund, recommending possible ways of reducing those challenges and also indicating more pension fund administration opportunities.

Therefore, researcher find out a gap within the current of pension fund administrations problems a need to recognize and employ the current pension fund administration practice and challenges on the South west region Jimma branch office.

Hence, the challenges facing the of the pension fund administration need to be investigated through independent research, Therefore, this study is aimed to assess the pension fund administration practice and challenges in PSSSA: the case of South west region Jimma branch

CHAPTER THREE

RESEACH METHOD AND METHODOLOGY

3.1. Description of Study Area

The study was conducted on assessment of the practices and challenges of pension funds administration in on PSSSA, In the South West Region Jimma Branch Office. The study area geographically; a town is Located 7° 40'N latitude and 36°60'E longitudes and altitude of 1620 meter above sea level . Around southern western part of the country (Ethiopia), and It is situated 350kms from Addis Ababa.

The current reestablishes the Public Servants Social Security Agency, it is clear that an agency sitting in the capital city and having only a head office in Addis Ababa, will not be able to carry out its tasks without having branch offices in the regional states. Pension Proclamation No 907/2015. Article 3 of the regulation makes the establishment of branch discretion. This fails to take in to consideration the complexities of administrative activities and the scope of Servants. Additionally, collecting pension contribution, making pension payments and quickly responding to the complaints and requests of beneficiaries and the respective government organs requires establishing branch offices legally empowered to make an administrative decision within their scope.

Therefore, establishing a branch office was a mandatory condition for an efficient and effective system of pension administration. In practice the previous social security agency has branch offices in most of the regions. Therefore, the last ten-year regional states branch office has mandate able to carry out their powers and duties, regarding to pension fund administration.

3.2. Research Design and Approach

A descriptive research design was used to portray the existing practices and eventually determine the challenges that constraint the of pension funds administration of PSSSA in the Jimma Branch Office. This in turn helped to come out with the prevailing facts. Mixed approach (qualitative and quantitative) was used in data analysis. Collection of data at a single point in time necessitated the study to take descriptive research design, as it

was not essential to see any significant change in a data by differing the time of data collection.

Therefore, the study employed descriptive study design to appropriately analyze the data on the practice and challenges of pension funds administration of PSSSA in the Jimma Branch Office. Research approach is selected by researcher(s) based on the research purpose, the nature of the research, the problem area and research questions

3.3. Sample size and Sampling Techniques

3.3.1. Study Population

The target populations of this study were Jimma Branch Office sixty-eight (68), employees' and twenty (20) pensioners. The total populations of this study were eighty-eight (88). And also, eight (8) Key informant stakeholders focal person group and Jimma branch Office top management.

3.3.2. Sample size and Sampling Technique

The study used census sampling technique because of the total numbers of Jimma Branch Office employees are sixty-eight (68). Censes sampling technique was used to collect data from respondents' of Jimma Branch Office employees. And also, a purposive/ Non-probability/ sampling technique was used to identify respondents. Non-probability sampling as it is well known to purposive sampling is virtually synonymous with mixed approach research (Lisa, 2008) and (Patton, 1990). In addition to that, a purposive sampling was employed to collect data sample deliberately from twenty (20) pensioners. And also, semi structured interview was employed to collect data from eight (8) key informants, focal person group and Jimma branch Office top management to grasp a holistic understanding; about practice and challenges of pension fund administration in the Jimma Branch Office.

3.4. Data Sources and Data Collection Method

3.4.1. Data Sources

3.4.1.1. Primary data

Primary data was acquired from questionnaires and interview. The close ended questionnaires were administered to Jimma Branch Office employees and pensioners. And also, a semi-

structured interview was conducted with key informants; focal person group and Jimma branch Office top management to acquire the necessary information for the study.

3.4.1.2. Secondary data

The data was also collected from academic publications by various authors to explain and justify the techniques employed in this research work, books on pension funds, news reports, and journals and other publications, whenever deemed as relevant to the study.

3.4.2. Data Collection Method

3.4.2.1. Questionnaire

The close ended questionnaire was employed to obtain quantitative data for research in order to gathered information systematically, because of its usefulness and easy usage, and for its time lines and cost efficiency. The nature of the questionnaire is to enabled the research to gathered only relevant data for the study

3.4.2.2. In-depth Interview

A semi-structured interview was conducted with key informants; focal person group and Jimma branch Office top management to acquire the necessary information for the study. A semi-structured interview is an interview in which the orders of various topics are dealt with and the wordings of the questions are left to the interviewer's discretion (Corbetta, 2003).

3.4.2.3. Focus Group Discussion

Another qualitative approach was used focus group discussion to obtain information from a group of individuals on a particular topic. Focus groups are often used to conduct needs assessments or to engage in brainstorming and creative problem solving, as we would be seen, to participate in the construction and pretesting of your instrument. Data from this type of research may include audiotapes, meeting minutes, or reflective papers (David, et al, 2007).

Eight (8) Respondents of interviewees were selected intentionally by the researcher considering their relation to the subject under study from, and also Jimma branch office top management participate in an open discussion guided by the researcher. That was

conducted to assess practice and challenges of pension funds administration of PSSSA in Jimma branch office, The Focal Group Discussion was organized with the help of key informants living around the area, though. It would be expected to encounter a bit of a challenge in organizing and conducting in such individual research, available problems of solution on pension funds administration discussion.

3.5. Validity and Reliability of Data

3.5.1. Validity

Validity referred to the truthfulness of finding or the extent, to which the instrument is relevant in measuring what it was supposed to measure, (Sekaran, 2009). To ensure face validity of the instrument used the items on the questionnaire would be drawn up and interpretation in local Afan Oromo and Amharic languages given to branch office higher professional pension fund administration experts for checking, valuable comments, corrections, suggestions. Therefore, a few errors have been identified and necessary corrections were made by the researcher before it would be administered, Before the principal data collection were undertaken, pilot-test were conducted to check on ten employees in the target groups before distribution questionnaires to sample respondents.

3.5.2. Reliability

Reliability referred to the degree of consistency with which an instrument measures whatever is supposed to measure. (Engel & Schutt, 2009) defined reliability as meaning that a measurement procedure yields consistent or equivalent scores when the phenomenon being measured was not changing and that it was affected less by random error or chance variation than if it was unreliable. It means stability, dependability and predictability of a measuring instrument to ensure that the instrument consistently measured.

Table 1: Reliability Statistics

NO	Scale	Cronbach's Alpha	Number of Items
1	Employees Awareness training and orientations concerning to pension fund guidelines, directives and polices	0.831	11
2	Stockholders Awareness training and orientations concerning to pension fund guidelines, directives and polices	0.784	10
3	Knowledge and practices of pension's funds administration	0.851	17
4	Factors affects /faces pension fund administration	0.756	14
	The questionnaire	0.918	52

Source, SPSS output 2020

Based on the result of the reliability test that has shown on table 3.1, the Cronbach's Alpha results for the questionnaire scales are in the range 0.756 to 0.851. This result shows the reliability of the responses in acceptable. Similarly, the result of the entire questionnaire (Cronbach's Alpha=0.918) also shows good reliability result.

3.6. Data Analysis

In order to find out current conditions or attitudes describing what appears in Jimma branch office staff in relation to pension fund administration practices, the researcher used descriptive statistics in order to analyzed and interpret the data collected. Accordingly, SPSS was used to analyze the data using tables, Mean and standards division in relation to the research topic. This main advantage of this method allowed analyzing and using all inputs collected from primary. Quantitative data was analyzed through content analysis. The claims of employees were cross checked with the evidences from the documents. In line with the objectives of the research the information acquired through quantitative and qualitative data were mixed. This helps the researcher to obtain valid results by triangulation of data.

3.7. Ethical Consideration

The social work profession promotes social change, problem solving in human relationships and the empowerment and liberation of people to enhance well-being (IFSW and IASSW, 2004), the study dealt with human beings should be done in great caution. Accordingly, common social work ethical values of autonomy of a person, justice and beneficence are respected in producing the study document, Since the study dealt with adults, as recognized by the law of the land, agreement to participate in the study was secured as per the attached consent form before proceeding to the research. The researcher gave them detail information and orientation about purposes of the study was given for academic purpose. And also, there valuable information had been kept in secret explain for the participants. In addition, that, the researcher gave great attention and respects by providing official written letter from university to convinces participants. Their responses were engaged interest of willingness; therefore, almost all participants positively and ethically responded their questionnaires as expected way.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1. Introduction

In this part of the study, respondent's characteristics, general principles on practices of pension funds administration, sources of finance, trends of pension contribution, benefit payments, and challenges of pension funds administration guide line, manuals of directives and regulation in the Jimma branch office discussed accordingly.

4.2. Data obtained through questionnaire and interview

The close ended questionnaires were administered to Jimma Branch Office employees and pensioners. And also, a semi-structured interview was conducted with key informants; focal person group and Jimma branch Office top management. Accordingly, they gave their responses about the extent of the practices and challenges of pension funds administration in case of Jimma branch office. Therefore, the data collected from the respondents were analyzed and discussed in line with the research questions as follows. The researcher also used interview method of data gathering technique to triangulate with the results of the data gathered from the questionnaire and to validate the reliability of the results eventually. When the data found from the questionnaire were analyzed, the data obtained from interview were also discussed and interpreted together with the results of the questionnaire.

4.3. General information about Respondents

In this section, four questions were presented for respondents in seeking of general information about respondents (Like Gender, Educational qualification, Job position and work experience and the results are presented and interpreted in tables below.

Table 2: Demographic Information of Respondents /for employee and pensioners/

No	Item	Employees		Pension users		
		Frequency	%	Frequency	%	
1	Gender	Female	33	50.8	5	26.3
		Male	32	49.2	14	73.3
	Total	65	100.0	19	100	
2	Educational qualification	10/12 completes	15	23.1	4	21.1
		Certificate	7	10.8	-	-
		Diploma	15	23.1	8	42.1
		BA/ BSC	25	38.5	6	31.6
		MA/MSC	3	4.6	-	5.3
Total	65	100.0	19	100		
3	Marital status	Married	-	-	19	100
		Single	-	-	-	-
	Total	-	-	19	100	
4	JOB experience of respondents	less than 5 years	11	16.9	-	-
		5-10 years	25	38.5	-	-
		11-20 years	29	44.6	-	-
		Total	65	100.0	-	-
5	Job position of respondents	Administration and Finance	15	23.1	-	-
		ICT	1	1.5	-	-
		Internal audit	1	1.5	-	-
		pension benefit payment, contribution and registration	47	72.3	-	-
		Other	1	1.5	-	-
Total	65	100.0	-	-		

Source; SPSS output 2020

From item 1 of table 4.1, we can see total sex of respondents are 65 of these female respondents are (50.8%) and Male (49.2%), this indicated number of female and male respondents don't have a significant difference in the branch office. Meanwhile, out of the 19 pensioners respondents (73.7%), were males and (26.3%), were females. This showed that female respondents were relatively less than that of male.

In terms of educational qualification from item 2 of table 4.1, we can see (23.1%) employees were 10/12 completes,(10.8%) have certificate and (23.1%) have diploma, and (38.5%) have degree, and also (4.6%) have master's degree. From this it can be conclude those majorities of the respondents were first degree holders, diploma holders

and also are certificate holder this educational level composition of the employees enables well performed work activities in the practice and to mitigate challenges of pension funds administration in the branch office. Meanwhile, (31.6%) of the pensioners' respondents were first degree holders whereas (5.3%) of the pensioners' respondents were at master level, whereas (42.1%), of the pensioners' respondents were diploma and also the rest (21.1%), were 10/12 complete. This implied that majority of the pensioners educational level was in the diploma and first-degree holders. And medium level pensioners' respondents 10/12 complete, from this it can be concluded that most pensioners on average in better educational qualification status level, it helps to understand easily the current pension fund administration practices.

From item 3 of table 4.1, the response of the marital status of the respondents showed that the all of the pensioners (100%) were married. This implied the all of the pensioners' respondents were married. According to the interview result, some of the respondents concluded that: the pensioners got married in order to tackle the cost of living. And it was also difficult to live alone without having a supporter.

From item 4 of table 4.1, we can see workers who have less than 5 years' experience are (16.9%), 5-10 years' experience were (38.5%), 11-20 years' experience were (44.6%) from this it can be concluded that most respondents have the necessary experience and knowledge about the pension funds administration practices. It is known that experience is the source of knowledge. So, that it can be said then, that the majority of the respondents have enough experiences to see the trends of practice as well as its challenges and trait it offers in the Jimma branch office.

From item 5 of table 4.1, we can see are (23.1 %), are administration and finance, (1.5%), are ICT and (1.5%) were internal auditors, (72.3%), were pension benefit payment, contribution and registration, and also the rests of (1.5%), were other employees. From this table we conclude that majority of employees work on pension fund administration daily activities so that, important to branch office to achieve its organizational goal efficiently.

Table 3: Availability of Information and Awareness about pension fund Administration guide line and directives/for Employee and pensioners/

No	Aspects	Mean & SD for employees		Mean & SD for pensioners	
		X(Mean)	Std. D	X(Mean)	Std. D
1	Awareness and capacity building training gives for employees how to practice pension fund administration	4.62	0.490	1.74	0.452
2	Now day's employees has enough awareness to carry out any pension fund administration practice	4.82	0.435	4.45	0.411
3	Employees /Pensioners have awareness and information regarding to pension fund administration policies, guideline and directives	4.37	0.601	2.89	0.937
4	Awareness training and orientation presents concerning to pension fund administration	4.66	0.477	0.221	0.787

Source; SPSS output 2020

From item 1 of table 2, we can see employees respondents with mean value of 4.62 rated strongly agree on the awareness and capacity building training gives for employees concerning to how to practices pension fund administration in branch office. The response implies that branch office gives great attention for human resources skill and technical knowledge development of its employees by giving training and awareness which helps them to increase their abilities and confidences to achieve organizational objectives effectively. The finding matches with theoretical suggestion, as per (Gomez et al, 1995) and (Goldstein and Gilliam, 1990) training is one area in which human resource managements are helping organizations to maintain competitiveness and prepare for the future. In addition that, (Kyndte et al, 2009), theoretical suggestion training improve team's capabilities, motivate staff and produce a more loyal employee set. In contrary, pensioners respondents with mean value of 1.74 rated strongly disagree on that. So that, from above table it can conclude that employees have enough training concerning to pension fund administration. On the other hand, pensioners did not have awareness and capacity building training how to practices pension fund administration.

From item 2 of table 2, shows that employee respondents with mean value of 4.82 rated agreed that currently most employees have enough awareness about pension fund administration practice. On the contrary, in case of pensioners respondents with mean value of 1.02 rated disagreed on this issue, from above table it can concluded that the Jimma branch office has provided enough awareness on pension fund administration practice, on the other hand, it didn't offer sufficient awareness to pensioners about pension fund administration practices.

From item 3 of table 2, shows that employee respondents with mean value of 4.37 rated strongly agreed that, employees have awareness and information regarding to pension fund administration policies; guideline, directives. On the contrary, in case of pensioners the respondents with mean value of 2.89 rated were disagreed on this issue. So that, from this table one can conclude branch office didn't provide adequate awareness and information to pensioners regarding to pension fund administration policies, guideline and directives.

From item 4 of table 2, shows that employees respondents with mean value of 4.66 rated strongly agreed that awareness training and orientation presents is concerning to pension fund administration. On the contrary, in case of pensioner's respondents with mean value of 0.221 rated strongly disagreed on this issue. So that, from above table it can be concluded that branch office provides short term training and orientation concerning to pension fund administration. The finding coincides with theoretical suggestion Schultz (1960), organizations invest in skill development or human capital brings additional value for future benefit.

Table 4. Knowledge about practices of pension fund administration/ for employees/

No	Aspects	Mean & SD for employees	
		X(Mean)	Std. D
1	Pension fund administration benefits applicable for active permanent and contract public employees	4.95	0.211
2	Employer has provided full information about their employees	1.46	0.639
3	Most employers currently able to transfer monthly pension fund contributions revenues payment on the expected time	1.15	0.364
4	Jimma branch office still now not function on the collection of pension fund contributions revenues payment	3.88	0.927
5	Nowadays work performance is measured based on standard evaluation methods	4.14	0.982
6	Currently banks and post office reduce much workloads by providing pension benefit payment service	4.72	0.451
7	Nowadays works performance is measured based on customer service evaluation method	4.09	0.785
8	Pension fund currently exceptional of little things most of practices administered efficiently	3.91	0.996
9	It is not common pension fund administration performance measured periodically	4.86	0.348
10	Pension payment increment activities added workload	4.88	0.331
11	Social security appeal tribunal examines and decides rights and benefits	4.92	0.269
12	Take legal actions against, who fail to pay pension fund contributions	4.97	0.174

Source; SPSS output 2020

From item 1 of table 3, shows that employees' respondents with mean value of 4.95 rated strongly agreed that pension fund administration benefits applicable for active permanent and contract public employees. This finding concurs with the Public Servants Pension Proclamation no.714/11G.C. And (Amendment) 907/2015 G.C. Article 1, stated that Pension fund administration benefits applicable for active permanent and contract public employees. From item 2 of table 3, shows the employees' respondents with mean value of 1.46 rated strongly disagreed that employer has provided full information about their employees.

From item 3 of table 3, shows, employees' respondents with mean value of 1.15 rated strongly disagreed that most employers currently able to transfer monthly pension fund contributions revenues payment on the expected time. The response implies that most employers did not transfer employees monthly pension fund contributions revenues payment on the expected time due to different unnecessary reasons such as, pension fund contributions revenues payment money uses for others budgeting expenses, shortages of man powers follow up pension fund contributions revenues payment. This finding contradicts to Public Servants Pension Proclamation no.714/2011 G.C, and Public servant Social Security Agency Establishment Council of Ministers Regulation No. 202/2011 of article 11, sub article 3, public organizations are required to deduct pension contributions from all employees up on paying salaries every month and must transfer monthly contributions by both employees and the organization to legally mandated bodies collecting pension contributions within 30 days of paying last month's salary, Which said that the regional branch office shall have the powers and duties take legal actions against public offices and individuals, who fail to pay pension contributions, maintain accounts of contributions and furnish required documents and information on time. If the 'public enterprise or self-financing public office fails to pay pension contribution collected pursuant to sub article (2) of this Article within 30 days, it shall be liable to pay interest with the bank deposit interest rate and in addition 5% penalty for the unpaid pension contribution calculated from the first day of the month following, The last day of the month in which payment of salary has been effected, Proclamation no. 714/2011, G.C.

From item 4 of table 3, depicted that employees' respondents with mean value of 3.88 rated strongly agreed that Jimma branch office still now not function the collection of pension fund contributions revenues payment, So that. From table it can be conclude that branch office did not work properly on collection of pension fund contributions revenues payment.

From item 5 of table 3, depicted that employees' respondents with mean value of 4.14 rated strongly agreed that Jimma branch office nowadays work performance is measured based on standards evaluation methods, From the above table can be concluded that

branch office employees evaluate its employees based on standard work performance methods important to better work efficiencies and also, individual work performance standard measurement methods improves employees satisfaction for each and every daily working activities and performances as well as the achievement of organizational goals. This findings agrees with Bratton and Gold (2003) suggested that work performance evaluated twice a year, annually and monthly, it helps to have an accurate estimate of the number of employees required with matching skill requirements to accomplish the organizations' goals and objectives, besides that, it matches to Neely, (1995) claimed that measuring performance means process of quantifying action, where measurement is the process and action leads to performance.

From item 6 of table 3, shows that employees' respondents with mean value of 4.72 rated strongly agree on the currently banks and post office reduce much workload by providing pension benefit payment service, from table we conclude that banks and post office reduce much workloads of the branch office by providing pension benefit payment service. This provide a good opportunity for Jimma branch office since it did not have enough payment center, professional human resources and the capacity to providing better services.

From item 7 of table 3, depicted that employees' respondents with mean value of 4.09 rated strongly agree on the Jimma branch office nowadays works performance is measured based on customer service evaluation methods, From table we conclude that the branch office measured employees' evaluation based on customer service evaluation methods which is important to better work efficiencies and also individual work performance is evaluate based on customer service measurement methods improves employees satisfaction for each and every daily working. Activities and performances, according to (Wisniewski, 2001) Suggests that desire to manage relationships with customers leads to the fact that organizations are starting to pay attention to the development and implementation of service standards, and others theoretical Suggestion (Ghasemi Kazemi and Esfahani, 2012), new managerial methods explain quality as the customer satisfaction, For that reason all the organizations have to recognize the high quality and quick service offering obstacles and solve them,

From item 8 of table 3, shows that employees' respondents with mean value of 3.91 rated agree on the pension fund currently exceptional of little things most of practices administered efficiently, This implied that majority of respondents agrees on the statements, due to branch office gives great attention for human resources capacity building and skill development for employees by provided short term and long term training and awareness, which helps them, to increase their abilities and confidences to achieve organizational objectives effectively,

From item 9 of table 3, shows that employees' respondents with mean value of 4.86 rated strongly agree on the pension fund administration performance doesn't measured periodically and disclose to the public, This implied that all respondents agrees on the issues, the result indicates Jimma branch office should not give great attention and value for employers and different stakeholders, In addition that, shortages of strong linkages between employers and stakeholders it leads to insufficient performances on the collection of pension fund contributions revenues payment activities.

From item 10 of table 3, shows that employees' respondents with mean value of 4.88 rated strongly agree on the pension payment increment activities added workload. The response implies that all respondents agree on the issues, the result indicates each and every pensioners file must be attach payment increment letters, and each and every pensioners or survivors' file children age file must be supervised and checked deeply without making mistakes, besides that every pensioners file not supported by e-data encoding system,

From item 11of table 3, shows that employees' respondents with mean value of 4.92 rated strongly agree on the social security appeal tribunal examines and decided rights and benefits. This implied that all respondents agree on the issues. The findings concur with Ethiopian Public Servants Pension Proclamation makes provisions for the establishment of an Appeal Tribunal Public Servants Pension (Amendment) Proclamation No. 5/1974, article .39 provides for the establishment of Pension Appeal Tribunal. The Tribunal is an independent body composed of members from different and concerned ministries under the direct control of the Council of Ministers. The main objectives of such provision are

to protect any beneficiary from an unfair decision which is determinant to his interest. Its decisions are final and conclusive.

From item 12 of table 3, shows that employees' respondents with mean value of 4.97 rated strongly agree on the take legal actions against, who fail to pay pension fund contributions. This implied that all respondents agrees on the issues, The finding coincides with Public servant Social Security Agency Establishment Council of Ministers Regulation No. 202/2011"of article 11, sub article 3 and pension fund percolations no 714/11 . Besides that, take legal actions against public offices and individuals, who fail to pay pension contributions, maintain accounts of contributions and furnish required documents and information on time.

Table 5: Operational Knowledge about practice of pension fund administration/for employee and pensioners/

<u>N</u> <u>o</u>	Aspect	Mean & SD for employees		Mean & SD for pensioners	
		X(Mean)	Std. D	X(Mean)	Std. D
1	Pension benefit payments total average service year stop at 70% raise question	4.82	0.391	4.89	0.315
2	Provision of benefit due to accidents (incapacity benefit) it is not attractive	4.51	0.590	4.90	0.317
3	Existing pension fund administration is needs some article amendments	4.26	0.871	3.63	1.065
4	Existing pension fund regulation minimizing risks	4.84	0.398	3.92	0.835
5	Restriction is important to maintain the sustainability of the pension fund administration	3.091	1.142	3.84	0.688

Source; SPSS output 2020

From item 1 of table 4.4, we can see employees' and pensioners respondents with mean value of 4.82 and 4.89 rated respectively strongly agree on the pension benefit payments total average service year stop at 70% it raises question, This implied that both respondents agrees on the issues, The finding strongly correlate with public servants pension Proclamation no. 714/2011.G.C. Article 20, the amount of retirement pension to

be paid pursuant to sub article (1) or (2) of this article may not exceeds 70% of average salary of the public servants, senior government official, or member of parliaments for the last three year preceding retirement. When we look at the overall impression of respondents at this point the both of them argue and believe that the existing pension fund administration proclamation needs partial amendments to resolve such a kind of claims.

From item 2 of table 4.4, we can see majority employees' and pensioners respondents with mean value of 4.51 and 4.90 rated respectively strongly agree on that. This implied that overwhelming majority of both respondents was argued on the statements. The finding matches with public servants' pension proclamation (IEG, Negarit Gazettes, Articles 11 and 12 of proclamation No 209/1963). incapacity benefit which is payable due to accidents while on duty are awarded to a public servant regardless of the number of years of service s/he has. The maximum amount of an incapacity pension is, like for retirement pensions, sixty percent (70%) of the average basic salary for the last three (3) years preceding retirement.

If, after the injury, the public servant can still fulfill the medical conditions for service, he

may be entitled to an incapacity gratuity, when we look at the overall impression of respondents at this point majority of employees and pensioners argued and believe that the existing pension fund administration proclamation provision of benefits due to accidents (Incapacity Benefits) it is not attractive.

From item 3 of table 4.4, we can see majority employees' and pensioners respondents with mean value of 4.26 and 3.63 rated respectively strongly agree on that. This implied that majority of both respondents were argued on the statements, The finding indicates that the existing pension Proclamation n_o 714/2011 and (Amendment) 709/2015, G.C. have some problems such as, provision of benefits due to accidents (Incapacity Benefits), pension benefit payments total average service year stop at (70%) .in addition, restriction on pension fund investment activities rather guided by the recent proclamation and invest almost all amount of the fund in treasury bills. imposition from MOFED as to divert the

fund into purchasing treasury bill. In contrast, both respondents disagree and undecided on the issues, when we look at the overall impression of respondents at this point majority of argued and believes that the existing pension fund administration regulation needs partial amendments to resolve or answer the above problems / claims.

From item 4 of table 4.4, we can see majority employees' and pensioners respondents with mean value of 4.84 and 3.92 rated respectively strongly agree on that. This implied that majority of both respondents were argued on the issue, The finding matches with Proclamation 714/2011, Article 14, sub article 1-b, declares the investment of the public servants social security fund is a trust fund it is only allowed to be invested in treasury bonds and other profitable and reliable investments which are to be specified by directives to be issued by the MOFED. Restricting the fund from other investment opportunities because the government is liable in case of the fund faces loss or bankruptcy, and also reserved pension funds on its own security instruments Treasury Bills to make it risk free, whereas. ISSA, (2005) suggests the existing pension fund is collected from the public and it is after all a trust fund, the issue of safety should be stressed. Though there is no completely risk-free area of investment, investing on assets such as treasury bills and government bonds are more preferable to minimize risks,

Besides that, Frozen (2010, p: 33) suggests agreement a broad definition of risk management is understood as a process that starts on the strategic level, first, with analyzing and defining the relevant risk factors for the pension fund and its' stakeholders, second, deciding on the acceptable and desirable amount of risk to be taken, and which then continues on the operational level with the process of measuring and controlling risk, on the contrary. Quigley, (2006), suggested pension funds in unrestricted investment environments generate more returns than those operating in the restricted environments the failure to restrict pension fund investments results in the application of the prudent man principle and thus concentrates on high return assets as opposed to the low return assets. In addition that, OECD,(2009),suggested investment restriction minimizes creativity and tends to focus more on the long-term objectives at the expense of the short-term ones a disclaimer is however that the high returns are obtained in the context of high risk,

From item 5 of table 4.4, we can see majority employees' and pensioners respondents with mean value of 3.09 and 3.84 rated respectively strongly agree on that. In contrast, some of employees respondents were disagree concerning to the statements. This implied that more than halves of both respondents were argued on the issue. The finding indicates that existing pension proclamations have positive impact concerning the pension fund administrations activities pension fund is trust fund and it should consider safety more than profitability, if it encounters loss, the government will be liable to pay for the beneficiaries, Restricting the fund from other investment opportunities because the government is liable in case of the fund faces loss or bankruptcy, and also reserved pension funds on its own security instruments. In contrast, employee respondents they disagrees on the issue restrictions put in the proclamation holds the mandate of the organizations and its effect on the development of the pension fund, in addition that, the proclamation restricts the fund to be invested only on treasury bills and other securities issued by MOFED, which have low return.

Table 6: Operational Knowledge about practice of pension fund administration/for pensioners/

<u>N</u> <u>O</u>	Aspects	Mean & SD for pensioners	
		X(Mean)	X(Mean)
1	Pension fund benefits payment is not satisfied by most pensioners	4.79	0.419
2	Employer/governments/contribution is not satisfied by most pensioners	4.68	0.478
3	Strong linkage among different stakeholders important to pension fund administration	4.89	0.315
4	Stakeholders have great value participating in the board of management of fund administration	4.84	0.375
5	Jimma branch office almost all achieves its organizational objectives	3.26	0.806
6	Branch office almost all by any practice of pension administration reaches at effective level	3.63	0.761
7	Suspension of pension right stops by different reasons	1.58	0.692
8	Entitlement claims for benefit are needs evidentiary adequate documents	4.58	0.507

Source; SPSS output 2020

From item 1 of table 4.5, we can see majority respondents with mean value of 4.79 rated strongly agree on the pension fund benefits payment is not satisfied by most pensioners. This implied that all respondents were argued on the issue, the finding shows existing pension benefits payments doesn't take in account of /considers existing pensioners living standard ,global economic and financial crisis, In addition that, countries social and economic marketing crisis and also higher two-digit inflation rate.

From item 2 of table 4.5, we can see majority respondents with mean value of 4.68 rated strongly agree on the employer/governments/contribution is not satisfied by most pensioners, This implied that all respondents were argued on the issue, the finding shows existing pension benefits payments doesn't take in account of /considers existing pensioners living standard, global economic and financial crisis, In addition that, countries social and economic marketing crisis and also higher two-digit inflation rate.

From item 3 of table 4.5, we can see majority respondents with mean value of 4.89 rated strongly agree on the, strong linkage among different stakeholders important to pension fund administration. This implied that all respondents were argued on the issue. The finding shows branch office should be strengthen its linkage among different stakeholders. Not only, has better performance pension fund administration practiced. But also, overall effectiveness of organizational goal achievements, The result contradicts with Stephen p. Robbins and Timothy A Judge, (2013) suggests strong communication is facilitate decision making. And also, provides the information individuals, groups and organization need to make decisions by transmitting the data needed to identify and evaluate choices.

From item 4 of table 4.5, we can see majority respondents with mean value of 4.84 rated strongly agree on the stakeholders have great value participating in the board of management of fund administration. This implied that all respondents were argued on the issue. The finding shows involvement of stakeholders in the Board of Management regarding fund administration their position in those directives and practices against the legislation had been implemented for years because the members of the board of management are usually government officials. Had it been involved the stakeholder like

the Elderly and Pensioners National Association, it would have been confronted and to a certain extent unauthorized interference might have been reduced. Since these funds were of pension scheme, pensioners could have the right to know the status of the funds and their impacts over the pensioners.

From item 5 of table 4.5, we can see a respondent with mean value of 3.26 rated undecided on the, branch office almost all achieves its organizational objectives. On the contrary, some respondents were agreeing. This implied that on average half of the respondents' undecided on the statements. The finding indicates that half of the respondents' undecided over the branch office achieves its organizational objectives.

From item 6 of table 4.5, we can see a respondent with mean value of 3.63 rated agree on the, branch office almost all by any practice of pension administration reaches at effective level. This implied that majority respondents argued on the statements. The finding indicates branch office exceptional of some operational practice of pension administration reaches at effective level.

From item 7 of table 4.5, we can see majority respondent with mean value of 1.58 rated disagrees on the, suspension of pension right stops by different reasons. This implied that majority of the respondents disagrees on the issues. The finding contradicts with social security laws and regulation directives, 1997). Grounds for Terminating Pension Rights, Pensions are discontinued when: a) a beneficiary dies, b) a widow remarries) an orphan reaches the age of eighteen (18) or dies before the age, d) a pensioner re-enters a regular full-time government job and) a pensioner or would be pensioner is sentenced for a minimum of three years of rigorous imprisonment by court Some of the above pension payments could be revived. For example, if a pensioner is reemployed into regular full-time government services, he shall choose between his pension and the salary to be paid to him. However, later on, when he stops work again, he can claim his former pension or a new pension will be paid to him if it is greater than his previous pension.

If a public servant or a pensioner is convicted and sentenced by a court to a minimum of three years of rigorous imprisonment, he loses the right to pension or a pensioner payment ceases (PMAC, Negarit Gazettes, Article 34 of Public Servants' Pensions of (Amendment Proclamation No. 5/1974), Once the sentence of a rigorous imprisonment of three years or more is imposed or inflicted by the court on the pensioner, then the individual will automatically lose his pension rights. Article 57(1) of Ethiopian penal code (IEG, 1957:18) stated that the offender who is liable or responsible for his acts is alone subjected to the punishment.

From item 8 of table 4.5, we can see majority respondents with mean value of 4.58 rated strongly agree on the entitlement claims for benefit are needs evidentiary adequate documents. This implied that majority of the respondents argued on the statements. The finding coincides with public servants' pensions of proclamation no, 714/11 G.C. Article 51 (1) and (Proclamation No. 345/2003 Article48.sub article 1-2) states branch office has a mandate and responsibilities to determine the adequacy and validity of evidentiary data submitted in connection with claims public servants pension entitlements, as well as the types and amounts of benefits, effect payments of benefits; and also. The fulfillment of conditions for entitlement to any kind of benefit payable in accordance with this Proclamation and the amount of the benefit shall be decided by the Authority. The decision of the Authority regarding those specified in Sub-Article (1) of this Article shall be based on its own record, evidentiary document submitted to it in accordance with Article 47 of this Proclamation and, as the case may be, on additional evidences produced by the beneficiary, When difference occurs between the records of the Authority and

Documents provided by other organs, the evidentiary document to be accepted shall be decided by the Authority.

Table 7: Factors Affecting/Challenges the organizational effectiveness of the pension fund administration/for employees

	Aspects	Mean & SD for employees	
		X(Mean)	X(Mean)
1	Shortage of updated modern information communication technologies software's have great impacts on daily work activities	4.80	0.403
2	Pension fund administration implementation in the branch office lacks clarity.	3.51	0.937
3	Some international guidelines like ISSA's has direct effect on the pension fund administration decisions making	3.92	0.835
4	Experienced professional personal has an internally direct challenges on daily work activities of branch office	4.66	0.477
5	Employee's turnovers have an internally direct challenge on daily work activities of branch office.	4.78	0.414
6	Directives, manual have internally direct challenges on daily work activities of branch office.	4.77	0.425
7	Pension administration system software is provided functional services.	4.31	0.465
8	Banks have an externally direct challenge on daily work activities of branch office.	4.89	0.312
9	Post offices have an externally direct challenge on daily work activities of branch office.	4.92	0.269
10	Public servant employers have an externally direct challenge on daily work activities of branch office	4.91	0.292
11	Some employer has making repeated mistakes on the organized and filling of employee's personal filling information	4.78	0.414
12	Most banks have a problem to making pension benefit payments balances on time.	4.85	0.364
13	Currently pension benefit payments services provided by banks and post office of course sometimes there are some problems	4.92	0.269

Source; SPSS output 2020

From item 1 of table 4.6, we can see majority respondents with mean value of 4.80 rated strongly agree on the shortage of updated modern information communication technologies software's has great impacts on daily work activities. This implied that all respondents argued on the issue. The finding shows one of the factors that affect the operational implementation of effectiveness of the pension fund administration in the branch office understudy due to lack of modern information communication technologies software's on the daily work activities and function. The result matches with Mesfin Kifle, (2019; p, 9) suggests that social security organizations being dependent on other institutions, has become a major challenge in their service delivery and ICT solution they seek. When any employer failed to submit data (registration and contribution) of its employees in a timely manner, its employees face different problems in getting any service or benefit. It will be difficult for the social security institutions to provide any service or to respond to benefit request for those employees without a complete data. In addition that, According to Washington DC-Pension Core Course, (2016. p,14) theoretical suggestion heavily investing to expand IT infrastructure, by digitalization of pension records and introducing information technology for both collection and payment which helps improve performances of daily work activities.

From item 2 of table 4.6, we can see majority respondents with mean value of 3.51 rated agree on the pension fund administration implementation in the branch office lacks clarity. This implied that more than half of the respondents agreed on the statements. From the interview made with branch office top administrative officers, “who declared the lack of clarity explains that since the legislation do not take all issues into account which could arise in relation to pension fund administration it embodies several provisions which lack clarity”. The reason they raise for this problem to be encountered is that though the legislation gave power to the Minister of Pensions to issue regulations for the better carrying out of the provisions, no regulations had been issued for the last forty years.

Instead of issuing regulations, as the interviewees explained it, several directives were issued by different authorities. These directives were not very known to the beneficiaries and, to some extent, to those who are expected to implement them, the pension's policy

of 2015 G.C. In the legislation lacks clarity. This problem arose from the absence of regulation, which the authorized ministry did not commit to do it". One of the interviewees from branch office top management added, "Since the legislation does not take all issues into account which could arise in relation to pensions, it includes several provisions which lack clarity

The interviewees argued that, "even some directives were issued by unauthorized officials. The document review reveals no difference with the opinion of this group of interviewees. Because of, the absence of regulation to clarify the legislation, directives issued by different authorities sometimes made the practice to violate the principle of legality"

From item 3 of table 4.6, we can see majority respondents with mean value of 3.92 rated agree on the international guidelines like ISSA's has direct effect on the pension fund administration decisions making. This implied that majority of respondents agreed on the issues. The finding matches with ISSA, (2005), theoretical article briefs that practice was found to stand against the ISSA social security pension fund administration guideline that detect performance analysis of pension fund should be publicly disclosed.

From item 4 of table 4.6, we can see majority respondents with mean value of 4.66 rated strongly agree on the experienced professional personal have an internally direct challenges on daily work activities of branch office. This implied that all of respondents agreed on the issues. The finding contradicts with Stephen p. Robbins and Timothy A Judge (2013p, 125) suggests that satisfied and committed employees have lower rates of turnover, absenteeism, and withdrawal behaviors. They also perform better on the job.

From item 5 of table 4.6, we can see majority respondents with mean value of 4.75 rated strongly agree on the employee's turnovers have an internally direct challenge on daily work activities of branch office. This implied that all of respondents agreed on the issues. The finding indicates one of the factors that affect the operational implementation of effectiveness of the pension fund administration in the branch office understudy were employee's turnovers. In addition that, the finding matches with Dainty I son and Root (2004, p.78), suggested high rates of labor turnover periodic labor shortage,

From item 6, 7 of table 4.6, we can see majority respondents with mean value of 4.77 and 4.31 rated respectively strongly agree on the directives and manual, and also un-functional pension administration system software respectively have an internally direct challenges on daily work activities of branch office. This implied that all of respondents agreed on the issues. The finding indicates that branch office didn't uses updated functional pension system software and directives and manuals that affect the effectiveness of operational implementation of pension fund administration in the branch office.

From item 8, 9, of table 4.6, we can see majority respondents with mean value of 4.73 rated strongly agree on the stakeholder's such as; banks and post offices have an externally direct challenge on daily work activities of branch office. This implied that all of respondents agreed on the statements. The finding shows branch office did not provide enough training and orientation for stakeholders how to practices pension fund administration effectively and perfectly that affect the effectiveness of operational implementation of pension fund administration in the branch office.

From item 10, of table 4.6, we can see majority respondents with mean value of 4.91 rated strongly agree on the public servant employers, have an externally direct challenge on daily work activities of branch office. This implied that all of respondents agreed on the statements. The finding shows branch office did not provide enough training and orientation for employers how to practices pension fund administration effectively and perfectly that affect the effectiveness of operational implementation of pension fund administration in the branch office.

From item 11, of table 4.6, we can see majority respondents with mean value of 4.78 rated strongly agree on the some employer has making repeated mistakes on the organized and filling of employee's personal filling information have an externally direct challenge on daily work activities of branch office. This implied that all of respondents agreed on the statements. The finding shows branch office did not provide enough training and orientation for employers and stakeholders how to practices pension fund administration effectively and perfectly that affect the effectiveness of operational implementation of pension fund administration in the branch office.

From item 12, of table 4.6, we can see majority respondents with mean value of 4.85 rated strongly agree on the Most banks have a problem to making pension benefit payments balances on time have an externally direct challenge on daily work activities of branch office. This implied that all of respondents agreed on the statements. The finding shows branch office did not provide enough training and orientation for employers and stakeholders how to practices pension fund administration effectively and perfectly that affect the effectiveness of operational implementation of pension fund administration in the branch office.

From item 13 of table 4.6, we can see majority respondents with mean value of 4.92 rated strongly agree on the currently pension benefit payments services provided by banks and post office of course sometimes there are some problems. This implied that all respondents agreed on the issue. The finding indicates that improper services provided by banks and post office that affect the effectiveness of customer’s satisfaction. The finding contradicted with Baker, (1988 p.252), theoretical suggestion service quality organizations should strive to provide proper customer service in order to obtain profit for a survival as well as continuity of their business through providing proper service for their customer.

Table 8: Factors Affecting/Challenges the operational effectiveness of the pension fund administration/for pensioners/

No	Aspects	Mean & SD for employees	
		X(Mean)	X(Mean)
1	Currently pension benefit payments services provided by post office of there are challenges on daily work activities	4.74	0.452
2	Pensioners not cooperatively organized themselves for better life	3.53	0.964
3	Almost all post offices pension benefit payment services days are limited/restricted	4.89	0.316
4	Pension fund benefit payment carry out by banks sometimes some problems exists	4.32	0.478
5	Annual pensioners counting applies some problems occurs	4.47	0.513
6	Some pensioners loan money from users by handling payment control card	4.32	0.478
7	Post offices have a problem related to not return pension benefit payment deduction cents	4.47	0.513
8	Post offices have a problems conduciveness of working area and service provision	4.95	0.229

9	Post offices have a problems provision to reserved places for weak aged group and handicapped personal	4.16	0.375
10	Post offices have a critical problem related to humanity, honor and dignity gives for pensioners	5.00	0.00
11	Post offices have a critical problem unable to pay according to payday lists	4.79	0.419
12	Some post offices employees have a critical problem related to made fraud and cheating on pension benefit payment	4.00	0.577

Source; SPSS output 2020

From item 1 of table 4.7, we can see majority respondents with mean value of 4.74 rated strongly agree on the currently pension benefit payments services provided by post office of there are challenges on daily work activities. This implied that all respondents agreed on the statements. one of the factor that affect the operational implementation of effectiveness of the pension fund administration in the branch office understudy due to post offices have a challenges on daily work activities. The finding shows that post office should be given attention for customers' satisfaction, and also taken necessary measures for effective implementation of bilateral agreements with branch office.

From item 2 of table 4.7, we can see respondents with average mean value of 3.53 rated agree on the pensioners not cooperatively organized themselves for better life. This implied that all respondents agreed on the issue. The finding shows that existing pension fund benefits payment is not satisfied by most pensioners. Due to facts that countries social and economic status and also existing finical marketing crises was reached in two-digit inflation rate.

From item 3 of table 4.7, we can see majority respondents with mean value of 4.89 rated strongly agree on the, Almost all post offices pension benefit payment services days are limited/restricted. So that, from this table can be conclude that all of respondents were argued that, services providing by post offices pension benefit payment for limited/restricted days. It is one of the factors that affect pensioners' satisfaction.

From item 4 of table 4.7, we can see majority respondents with mean value of 4.92 rated strongly agree on the pension fund benefit payment carry out by banks sometimes some problems exists. This implied that all respondents agreed on the issue. The finding

shows that branch office didn't provide adequate awareness and information to stakeholders regarding to pension fund administration policies, guideline and directives. Currently most banks have a problems related to, payment of pension benefit for above 18 years children's, a problem to making pension benefit a payment balances on time and also pension benefit delegations. The finding contradicts Singh, (2006); suggest that service quality attributes are very important elements maintain customer loyalty in banking industry now days,

From item 5 of table 4.7, we can see respondents with mean value of 4.32 rated agree on the annual pensioners counting applies some problems occurs. This implied that all respondents agreed on the issue. The finding shows all employees argued that branch office did not provide enough awareness and orientation for pensioners about the practices of pension fund administration. Because of this Annual pensioner counting applies some problems occurs, such as pensioners who unable to physically counting, survivor of children age blow 18 years unable to physically counting, and also pension benefit delegations for survivor/parents.

From item 6 of table 4.7, we can see majority respondents with mean value of 4.47 rated agree on the some pensioner's loan money from users by handling payment control card. This implied that all respondents agreed on the issue. Finding indicates that one of the factors that affect the operational implementation of effectiveness of the pension fund administration .Of course, such a kind of problems cannot be easily controller or manage branch office.

From item 7,8,9,10,11, of table 4.7, we can see majority respondents with mean value of 4.77 rated strongly agree on the post offices have a problems related to deduction cents, conduciveness of working area, provision to reserved places for weak aged group and handicapped personal, and also humanity, honor and dignity gives for pensioners. This implied that all respondents argued on the issue. The finding shows the factors that affect the implementation of effectiveness of the pension fund administration and costumers satisfaction. The finding contradicts with Ghasemi, kazemi and Esfahani, (2012; p,129), and Fornell, (1988);Theoretical suggestion new managerial methods explain quality as the

customer satisfaction, for that reason all the organizations have to recognize the high quality and quick service offering obstacles and solve them. Besides that(JUMC, HRM Department, and 2010 E.C.),suggests the core values are client first, respect and dignity, compassion, commitment to quality service, improving lives, working together for clients, excellence, collaboration, trust, ethics and change.

From item 12 o of table 4.7, we can see respondents with mean value of 4.00 rated agree on the post offices some employees have a critical problem related to made fraud and cheating on pension benefit payment. This implied that all respondents argued on the issue. The finding suggests that one of the factor that affects the effectiveness of pensioner's satisfaction. The finding contradicts with Ethiopian Civil Servants (amendment) Proclamation1064/2010 E.C, article 66 the Civil Servants shall oblige to be loyal to the public and devote his whole energy and ability to the service of the public; discharge the functions specified in his job description and accomplish other tasks ordered legally. In additions that, according to (Tunde and Omobolaji, 2009), suggests public service ethics are broad norms that stipulate how public servants should behave and exercise judgment and discretion in carrying out their official duties.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

After analyzing and interpreting the data secured from questionnaires, documents and interviews, and focus group discussions the following summary, conclusion and recommendations are made.

5.1. Summary

The main purpose of this study was to assess the Practice and challenges of pension fund administration on public servant social security agency: in the case of south west religion Jimma branch office. In order to achieve the purpose of this study, the following basic questions were raised:

1. Does Jimma branch office internal stakeholder's /employees/ have awareness on the pension fund administration policy and directives?
2. Do Jimma branch office external stakeholder's employers such as banks and post office have awareness on the pension fund administration policy and directives?
3. What are the current/existing practices of pension's funds administration on PSSSA in Jimma branch office?
4. What are the major external and internal factors that are influencing the operational effectiveness of the pension fund administration?

5.2. Summary of Major finding

1. Finds indicate that most public employers, pensioners and also stakeholders did not have enough awareness trainings and information regarding to pension fund administration policies, guideline, and manual of directives.
2. The finding suggests that branch office have shortage of strong linkage among different stakeholders.
3. The finding result indicates that existing pension fund administrations regulation needs some of articles amendments. Particularly; pension benefit payments total average service year stop at 70%. And also, provision of benefits due to accidents (Incapacity Benefits) it is raises question by most pensioners. In addition that,

restriction of pension fund had been investing only in treasury bills and government bonds. And also, lack of clarity on the pension and regulation, policy.

4. Currently the finding shows most employers unable to transfer monthly pension fund contributions revenues payment on the expected time. In additions that, currently the finding shows Jimma branch office still now not function on the collection of pension fund contributions revenues payment.
5. The findings also show stakeholders are necessity of the existence and its involvement in policy decisions, board of management.
6. The finding suggests that existing pension benefit payments are not sufficient for pensioners to live.
7. These findings shows shortage of updated modern ICT have great impacts /challenges on daily work activities.
8. The study findings indicate that banks and post offices have a problem related to provision different services, and also effective implementation of pension fund administrations.
9. The study findings indicate that turnover and professional experienced experts' have great impacts /challenges on daily work activities of branch office.

5.3. Conclusions

Based on an analysis of data and the findings of the study, the following major conclusions are derived.

Branch office didn't provide awareness training, orientation and information regarding to pension fund administration policies, guideline and directives for pensioners and stockholders. Besides that, shortage of its linkage among different stakeholders, it leads to improper and ineffective performance of pension fund administration practices by employers, and different stockholders, the consequences would be lower organizational goal achievements and customer's dissatisfaction.

The existing pension fund regulation have some challenges such as, Pension benefit payments total average service year stop at 70%.and also, provision of benefits due to

accidents (Incapacity Benefits) it is not attractive by most pensioners .in addition that, Some of articles regulation directives lack of clarity to perform some duties effectively .besides that restriction of pension fund had been investing only in treasury bills, government bonds. It has disadvantages and low return profit unless pension fund investment diversifies opportunities. So that, the existing pension fund proclamation needs some article amendments.

Stakeholders are necessity of the existence and its involvement in policy decisions and board of management. Not only, for effective performance of pension fund administration practices. But also, pensioners right to know the existing status of the pension funds and their impacts over the pensioners.

Branch office resolves the existing challenges concerning to turnover and professional experienced experts' problems challenges were highly connected to economic factors such as: insufficient payment, benefits, overtime and reward plans. And also they need reliable benefits and better satisfaction with high job security. Besides that, modernized its software ability of exploiting other system functionality for efficient service delivery and quality of data exchange ,in addition that .banks and post office to leverage on those key aspects that drive customer satisfaction and also effective performance of pension fund administration practices,

5.4. Recommendations

In light of the findings, the following recommendations are forwarded:

1. Jimma branch office should provide continuous capacity building training and orientation programs for public employers and different stakeholders like banks and post office regarding to pension fund administration policies, guideline and directives and also transmits up-dated information through brochures, magazines and e-communication Medias.
2. When we look at the overall impression of respondents at this point majority of employees and pensioners argued Jimma branch office should be given special attention for collection of pension fund contributions revenues payment. It is major

operational duties and source of fiancé. Therefore establish a better system for the collection of public servants pension contributions ensure that pension contributions are collected by the appropriate organs in time and in the correct amount supervise the implementation of the system by employers and, where necessary audit their documents and records by requiring their submission or through site visits.

3. Based on fining result indicates majority of respondents argued that and also interview of key informants and FGP argued and believes that Jimma branch office should be given special attention and value for employers, pensioners and different concerned stakeholders, and civic organization concerning to strengthen strong linkages. Besides that, hardly working on the measuring and evaluating it's currently performances quarterly and periodically reports to disclose to the concerned stakeholders and also transmits information through different mass media and newspapers to the public's.
4. Based on fining result indicates majority of respondents argued that existing pension benefit payments are not sufficient for pensioners to live. Rather, most of the pensioners are said to be more dependent in begging than on their pension payments. The Ethiopian public servants Social Security Pension scheme is found with very limited contingencies. It is approved that civilian pensioners have no access for free or subsidized form of medical service since health situation obviously deteriorates when one gets older. Therefore, Jimma branch office should be working hardily with agency top concerning management bodies, and also different concerned stakeholders and civic organization for the increments of existing pension benefit payments.
5. When we look at the overall impression of respondents at this point majority of employees and pensioners argued and believes that the existing pension fund administration regulation needs some of articles amendments to answer different a kind of claims. Particularly on the statements such as, restriction of pension fund had been investing only in treasury bills, government bonds, Pension benefit payments total average service year stop at 70%, some of articles regulation directives lack of clarity. And also, Provision of benefits due to accidents

(Incapacity Benefits). So that, branch offices should hardly work with agency higher concerned bodies and officials, different concerned stakeholders. And also, civic organization to bring some of articles amendments on the existing pension fund regulation.

6. Majority of respondents argued that stakeholders should be participating and its involvement in policy decisions; it is important effective performance of pension fund administration practices. And also, pensioners right to know the existing status of the pension funds and their impacts over the pensioners.
7. The finding indicates Jimma branch office should be allocated sufficient budgets for training and development programs to minimize professional experienced employees' turnovers consider to job satisfaction, incentives, recognition rewards, salary benefit and motivational promotions for better performance to achieve organizational goal effectively.
8. Majority of respondents argued that Jimma branch office should be heavily investing to expand IT infrastructure, by digitalization of pension records and introducing information technology for both collection and payment which help to improve daily work activities.
9. The finding result indicates that Banks and Post office should be given special attention and worked hardily for providing quality services and also their customers satisfaction particularly on the provision of reserved places for weak aged group and handicapped personal, humanity, honor and dignity gives for pensioners and also pensions benefit payments according to payday lists. Besides that, for the proper implementation of pensions fund administration practices according to bilateral agreements directives with branch office.

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APPENDIX 1

JIMMA UNIVERSITY
College Business and Economics
Department of Management
Questionnaire to be filled by Employees

Dear respondents:

The information obtained will be used to complete a research paper that will be submitted to Jimma University College of business and economics, as a parietal fulfillment of the award of the degree of masters of public management (MPM) The information you would provide me is highly essential for successful completion of the study. Please answer all items objectively. The researcher assures you that information provided will be kept confidential and be used only for an academic purpose.

I. Respondent Profile

1. General Information

1.1. Sex :

A. Female

B. Male

1.2. Educational Qualification:

A.10/12 completes

B. Certificate

C. Diploma

D.BA/BSc

E.MA/MSc

If others specify_____

1.3. How long have you worked for the Organization?

A. Less than 5 years

B. 5- 10 years

C.11-20 years

D. 21-25years E. Above 26 years

4. Which Department are you working in?

- A) Administration and Finance B) ICT
 C) Internal Audit
 D) Pension benefit payment, contribution and registration
 E) Others (specify) _____

5. What is your position in the department?

- A) Pension contribution revenue experts B) Registration experts
 C) Administration and Finance experts
 D. pension benefit payment experts
 E. Others (specify), _____

Section B

The following questions have 5 options of which ‘5’stands for strongly agree,’4’ for agree, ‘3’for undecided, ‘2’ for disagree, and ‘1’ for strongly disagree. Please indicate the level of your agreement by putting a tick ‘✓’ mark.

Note: kindly put a (✓) mark with the option that reflects your level of agreement with the given statement.

Appendix Table 1: Availability of Information and Awareness about pension fund Administration

No	Item	5	4	3	2	1
1	Awareness and capacity building training gives for employees how to practices pension fund administration	-	-	-	-	-
2	Currently employees have enough awareness to carry out any pension fund administration practice	-	-	-	-	-
3	Employees /Pensioners have awareness and information regarding to pension fund administration policies, guideline and directives	-	-	-	-	-
4	Awareness training and orientation presents concerning to pension fund administration	-	-	-	-	-

Appendix Table 2: Operational Knowledge about practice of pension fund administration/for employee and pensioners/

No	Item	5	4	3	2	1
1	Shortage of updated modern information communication technologies software's have great impacts on daily work activities	-	-	-	-	-
2	Pension fund administration implementation in the branch office lacks clarity.					
3	some international guidelines like ISSA's has direct effect on the pension fund administration decisions making	-	-	-	-	-
4	Experienced professional personal has an internally direct challenges on daily work activities of branch office					
5	Employee's turnovers have an internally direct challenge on daily work activities of branch office.					
6	Directives, manual have internally direct challenges on daily work activities of branch office.					
7	Different stakeholder's banks have an externally direct challenge on daily work activities of branch office.	-	-	-	-	-
8	Post offices have an externally direct challenge on daily work activities of branch office.					
9	Employer have an externally direct challenge on daily work activities of branch office	-	-	-	-	-
10	Pension administration system software is provided functional services.	-	-	-	-	-
11	Some employer has making repeated mistakes on the organized and filling of employee's personal filling information	-	-	-	-	-
12	Currently pension benefit payments services provided by banks and post office of course sometimes there are some problems	-	-	-	-	-
13	Most banks have a problem to making pension benefit payments balances on time.	-	-	-	-	-

Appendix Table 3: Affecting/challenges the Operational Effectiveness of the pension fund administration./employees/

No	Item	5	4	3	2	1
1	Pension benefit payments total average service year stop at 70% it raises question					
2	Provision of benefits due to accidents (Incapacity Benefits) it is not attractive.					
3	Existing pension fund regulation needs partial amendments					
4	Existing pension fund regulation minimizing risks					
5	Restriction is important to maintain the sustainability of the pension fund administration					

Appendix Table 4: Knowledge about practices of pension fund administration./pensioners/

No	Item	5	4	3	2	1
1	Pension fund benefits payment is not satisfied by most pensioners					
2	Employer/governments/contribution is not satisfied by most pensioners					
3	Strong linkage among different stakeholders important to pension fund administration					
4	Stakeholders have great value participating in the board of management of fund administration					
5	Jimma branch office almost all achieves its organizational objectives					
6	Branch office almost all by any practice of pension administration reaches at effective level					
7	Suspension of pension right stops by different reasons					
8	Entitlement claims for benefit are needs evidentiary adequate documents					

Appendix Table 5: Factors Affecting/challenges the Operational Effectiveness of the pension fund administration./Pensioners/

No	Aspects					
		5	4	3	2	1
1	Currently pension benefit payments services provided by post office of there are challenges on daily work activities					
2	Pensioners not cooperatively organized themselves for better life					
3	Almost all post offices pension benefit payment services days are limited/restricted					
4	Pension fund benefit payment carry out by banks sometimes some problems exists					
5	Annual pensioners counting applies some problems occurs					
6	Some pensioners loan money from users by handling payment control card					
7	Post offices have a problem related to not return pension benefit payment deduction cents					
8	Post offices have a problems conduciveness of working area and service provision					
9	Post offices have a problems provision to reserved places for weak aged group and handicapped personal					
10	Post offices have a critical problem related to humanity, honor and dignity gives for pensioners					
11	Post offices have a critical problem unable to pay according to payday lists					
12	Some post offices employees have a critical problem related to made fraud and cheating on pension benefit payment					

Appendix Table 6: Availability of Information and Awareness about pension fund Administration guide line and directives/pensioners employees/

No	Item	5	4	3	2	1
1	Awareness and capacity building training gives for employees how to practices pension fund administration					
2	Currently employees have enough awareness to carry out any pension fund administration practice					
3	Employees /Pensioners have awareness and information regarding to pension fund administration policies, guideline and directives					

4	Awareness training and orientation presents concerning to pension fund administration					
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Appendix Table 7: Operational Knowledge about practice of pension fund administration/for employee and pensioners/

No	Item	5	4	3	2	1
1	Pension benefit payments total average service year stop at 70% it raises question.	-	-	-	-	-
2	Provision of benefits due to accidents (Incapacity Benefits) it is not attractive.	-	-	-	-	-
3	Existing pension fund regulation needs some articles amendments.	-	-	-	-	-
4	Existing pension fund regulation minimizing risks.	-	-	-	-	-
5	Restriction is important to maintain the sustainability of the pension fund administration.	-	-	-	-	-

APPENDIX 3

Appendix III INTEIEW QUESTIONS FOR PSSSA SOUTH WEST REGION OFFICEOFFICERS

1. Does the branch office provide awareness and capacity building training for employers which enable them to implements practices of pension fund administration?
2. Do pensioners have enough awareness about pension fund administration practices?
3. Do stakeholders have awareness and knowledge's how to carry out practices of pension fund administration?
4. Do pensioners have awareness and information regarding to pension fund administration policies, guideline, and directives?
5. Does jimma branch office conduct a regular follow up to check the implementation of pension fund administration in public organizations? How often? When?
6. How do you measure the effective implementation of the pension fund administration in public organizations? When (annually, quarterly, monthly...)?
7. Do you think the already established pension fund should continue as it is? Why?
8. Is there a necessity of involving stakeholders in the issuing of pension fund administration? If yes, why?
9. Do you agree a lack of strong linkages among different stakeholders such as zonal and woreda municipals' and administer, It may causes improper implementation of pension fund administration? What should be done to improve it in the future?
10. Do you agree the implementation of pension fund administration in the jimma branch office lacks clarity on the policy and guidelines? Why? What should be done to improve it?
 - **Please mention if there are any other challenges that affect pension fund administration in Jimma branch office apart from the above listed**

 - **What should be done to mitigate the challenges**_____

N.B Do you have additional idea concerning this issue or do you have anything to add?

APPENDIX 4

Appendix IV Interviews with key informant for Collect Data

1. Current pension fund administration satisfied by most pensioners? If no what are the draw backs? What should be done to improve it?
2. What is the objective of practice pension fund administration in the Jimma branch office?
3. How you are evaluate the pension fund administration with the specified guide lines, policy, and strategy?
4. How you are evaluate the current pension fund administration performance in the Jimma branch office?
5. Do you think that in Jimma branch office will face a challenge in the future related to pension fund administration?
6. Have you seen awareness problems on employees and stakeholders concerning to pension fund administration policy, directives and guidelines?
7. Explain the reason why the existing pension fund administration regulation is restrictive? What do you recommend to maintain the sustainability of the pension fund administration in Jimma branch office?
8. Are there external and internal factors/challenges to implement pension fund administration properly? If yes, what should be done to improve it in the future?
 - Please mention if there are any other challenges that affect pension fund administration in Jimma branch office apart from the above listed
 - _____
 - What should be done to mitigate the challenges_____

N.BDo you have additional idea concerning this issue or do you have anything to add?

Appendix Table 8: Factors Affecting/challenges the Operational Effectiveness of the pension fund administration./Pensioners//Afan oromo and Amheric language /

No	Item	5	4	3	2	1
1	<p>Currently pension benefit payments services provided by post office of there are challenges on daily work activities /ፖስታ ቤት በኩል የጡረታ አበል ክፍያ ሲፈጸም ችግሮች ይታያሉ/ /Tajaajillli kanfaltii sooramaa karaa waajjira poostaa ta'uunsaa hojiii dilee irratti dhiibba qaba</p>					
2	<p>Pension fund benefit payment carry out by banks sometimes some problems exists/በባንክ በኩል የጡረታ አበል ክፍያ ሲፈጸም አልፎ አልፎ ችግሮች ይከሰታሉ/ -Kanfaltiin sooramaa karaa mana baankii taasifamu yeroo tokko tokko</p>					
3	<p>Post offices have a problems conduciveness of working area and service provision/ፖስታ ቤት ምቹ የሆነ የአገልግሎት መስጫ የሰራ ቦታ የላቸውም/ /Waajjirri poostaa qulqullinni naannoo hojii fi kenninsi tajaajila isaanii rakkoo qaba/</p>					
4	<p>Post offices have a critical problem related to humanity, honor and dignity gives for pensioners /ፖስታ ቤት ለጠረቶች ተገቢውን የሰብአዊነት ክብር አይሰጡም/ -Waajjirri poostaa kabajana mummaa kabajaa fi ulfina sooramtootaaf kennuirratti rakkoo gudaagaba./</p>					

Appendix Table 9: Availability of Information and Awareness about pension fund Administration guide line and directives /Afan oromo and Amheric language /

No	Item	5	4	3	2	1
1	<p>Awareness and capacity building training gives for employees how to practices pension fund administration/የጡረታ ዐቅዱ አስተዳደር እና የአፈጻጸም ትግበራን ሂደት በተመለከተ የግንዛቤ ማስጨበጫ እና የአቅም ግንባታ ስልጠና ለሠራተኞች ተስጥቶል/</p> <p>-Dhimma akkaataa biulchiinsa galii sooramaa irratti Hubannoo fi leenjiin dandeettii ofi iitti gabbifatan hojjettootaaf kennameera./</p>					
2	<p>Employees /Pensioners have awareness and information regarding to pension fund administration policies, guideline and directives/ሠራተኞች እና ጡረተኞች በጡረታ ዐቅዱ አስተዳደር ፖሊሲዎች፣የአፈጻጸም መመሪያዎች ትግበራን በተመለከተ /በቂ የሆነ የግንዛቤ ዕውቀት አላቸው/Dhimma galii sooramaa,imaammataa fi qajeelfamaa ilaalchisee hojjettoonni fi sooramtoonni hubannoo fi odeeffannoo qabu.</p>					

Appendix Table 10: Operational Knowledge about practice of pension fund administration/for employe and pensioners//Afan oromo and Amheric language /

No	Item	5	4	3	2	1
1	<p>Pension benefit payments total average service year stop at 70% it raises question./የጡረታ ዐቅዱ ፕሮግራሙ መሰረት የአበል ውሳኔው ለመወሰን የጠቅላላው አገልግሎት አማ ካኝ ስሌት 70% መሆኑ ጥያቄዎችን አስነስቶል/Tajaajilli gidduu galeessaa herreega sooramaa 70% irratti daangeffamuun isaa gaaffii kaaseera./</p>	-	-	-	-	-
2	<p>Provision of benefits due to accidents (Incapacity Benefits) it is not attractive. የጡረታ ዐቅዱ ፕሮግራሙ የጤና እክል እና በሥራ ላይ የአካል ጉዳት በሚያጋጥምበት ጊዜ የሚከፈለው ክፍያ አመርቄ/አስደሳች አይደለም/ Sababa humna/dandeettii dhabuutiin tajaajilli kennamu hawwataa miti./</p>					
	<p>Existing pension fund regulation needs some of article amendments./አሁን እየተሰራበት ያለው የጡረታ ዐቅዱ ፕሮግራሙ አስተዳደር እና የአፈጻጸም አዋጆች በተወሰኑ አንቀጾች ላይ ማሻሻያ ቢደረግበት/Akkaataan to'annoo qarshii sooramaa amma jiru wallakkaan jijjiiramuu gaafata/</p>					
3	<p>Existing pension fund regulation minimizing risks. -አሁን እየተሰራበት ያለው የጡረታ ዐቅዱ ፕሮግራሙ አስተዳደር እና የአፈጻጸም አዋጆች ስጋቶችን የስቀራል/ይከላከላል/Akkaataan to'annoo qarshii(galii)sooramaa balaa muudachuu danda'u hir'iseera/</p>					
4	<p>Restriction is important to maintain the sustainability of the pension fund administration./አሁን እየተሰራበት ባለው አዋጅ የጡረታ ዐቅዱ ገቢ አስተዳደር ለውስን ተግባራት ብቻ እንዲውል መደረጉ የጡረታ ዐቅዱ ገቢ የተረጋጋ አድርጎታል /Maddi galii sooramaa itti fufinsa akka qabaatuuf daangaa itti gochuun barbaachisaadha.</p>	-	-	-	-	-

Appendix Table 11: Operational Knowledge about practice of pension fund administration/for employee and pensioners/Afan oromo and Amheric language /

INTEIEW QUESTIONS FOR PSSASOUTH WEST REGION OFFICEOFFICERS/ Afan oromo and

No	Item	5	4	3	2	1
1	Pension fund benefits payment is not satisfied by most pensioners/-አሁን ላይ ያለው የጡረታ አበል ክፍያ በአብዛኛው ጡረተኞች ዘንድ አስደሳች አይደለም/ Bu'aan kanfaltii sooramtoota danuuf kaffalamu itti quufinsa hinqabu/					
2	Stakeholders have great value participating in the policy decision of fund administration/ባለድርሻ አካላት በጡረታ ዐቅድ አስተዳደር የፖሊሲ ውሳኔዎች ተሳታፊ መሆን አለባቸው/ Hirmaannaan abbootii dhimmaa boordii bulchiinsa galii sooramaa keessaatti bu'aa olaanaa qaba/					
4	Jimma branch office almost all achieves its organizational objectives./የቅ/ቤቱ የተሠጠውን የተቃራኒ ግብ አሳክቶል/ Waajjirri dame Jimmaa hundaa hundatti kaayyoo dhaabbatichaa galmaan gaheera./					
	Suspension of pension right stops by different reasons/በጡረታ ዐቅድ ባለሙብትነት በተለያዩ ውኔታዎች ሊቆረጥ ይችላል/Sababoota garagaraatiin mirgi soorama bahuu daangeffamaadha.					
5	Entitlement claims for benefit are needs evidentiary adequate documents//በጡረታ ዐቅድ ባለሙብትነት ጥያቄዎች የተማሉ ማስረጃዎችን ይፈልጋል/ Bu'aa abbaa mirgummaa gonfachuuf raga waraqaa madaalawaan deeggarama gaafata./					

Amheric language /

11. Does jimma branch office conduct a regular follow up to check the implementation of pension fund administration in public organizations? How often? When?
 /የቅ/ቤቱ በአዋጅ የተሠጠው ስልጣን መሠረት የአሰሪ መ/ቤቶችን የጡረታ ዐቅድ ፕሮግራሙ አስተዳደር እና አፈጻጸም በየወቅቱ ይከታተላል/
 /Waajjirri dame Jimmaa akkaataa raawwii galii sooramaa dhaabbilee hawaasaatti argamee idileen duukaa bu'ee hordofaa? yeroomeeqaaf?, yoom?/
12. Is there a necessity of involving stakeholders in the issuing of pension fund administration? If yes, why?
 -/ባለድርሻ አካላት በጡረታ ዐቅድ አስተዳደር የፖሊሲ ውሳኔዎች ተሳታፊ መሆን /
 /Dhimma bulchiinsa galii sooramaa keessatti abbootiin dhimmaa hirmaachuun barbaachisaadha jettee yaaddaa? Eeyyeeyoojette, maalif?/

Interviews with key informant for Collect Data /Afan oromo and Amheric language

9. How you are evaluate the current pension fund administration performance in the Jimma branch office?/ በጡረታ ዐቅዱ ፕሮግራሙ አስተዳደር እና አፈጻጸም የቅ/ጽ/ቤቱን እንዴት ትመዘኑዋለው/
/Akkaataato'annoobulchiinsa galii soramaa akka dame Jimmaatti akkamittiibsita?/
10. Do you think that in Jimma branch office will face a challenge in the future related to pension fund administration?/ በጡረታ ዐቅዱ ፕሮግራሙ አስተዳደር እና አፈጻጸም ትግበራን በተመለከተ የቅ/ጽ/ቤቱን ምን ዓይነት ተግዳሮቶች ሊገጥሙት ይችላሉ/ /Akka dame Jiimmaatti garafulduraatti to'annoo bulchiinsa galii sooramaa ilaalchiseera kkoonnimuudata jettee yaaddaa?/