

CERTIFICATION

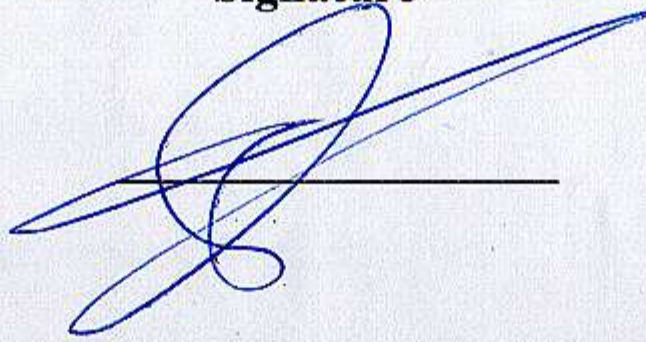
The thesis, titled "Challenges and Prospects of Pension Fund Administration: The Case of the Social Security Agency for Private Employees," was completed by Biruk Derb under my assistance and supervision and submitted to Addis Ababa University in order to be awarded a Master of Business Administration (MBA). I so certify that this thesis was prepared and submitted in accordance with Addis Ababa University requirements.

Name of Advisor

Signature

Date

Temesgen Worku (PHD)

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke, written over a solid horizontal line.

30/05/24

ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS

Approval of Thesis after Defense

As members of the board of examiners, we examined this thesis entitled "the challenges and prospects of pension fund administration: the case of private employees' social security agency" by Biruk Derb. We hereby certify that the thesis is accepted for fulfilling the requirements for the award of award of Master's Degree of Business Administration (MBA).

Board of Examiners

Internal Examiner Name	Signature	Date
<u>Kelifa Srmdo</u>	<u>[Signature]</u>	<u>01/07/2024</u>

External Examiner Name	Signature	Date
<u>Dafu to Alemu</u>	<u>[Signature]</u>	<u>28/06/20</u>



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ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

MASTER OF BUSINESS ADMINISTRATION PROGRAM

**THE CHALLENGES AND PROSPECTS OF PENSION FUND ADMINISTRATION:
THE CASE OF PRIVATE ORGANIZATION EMPLOYEES SOCIAL SECURITY
AGENCY (POESSA)**

BY:

BIRUK DERB

ADVISOR:

TEMESGEN WORKU (PHD)

**A Thesis Submitted to Addis Ababa University Graduate Studies in Partial Fulfillment of
The Requirement of Master's Degree in Business Administration**

March 2024

Addis Ababa, Ethiopia

DECLARATION

This is the thesis titled “The Challenges and Prospects of Pension Fund Administration: The Case of Private Employees’ Social Security Agency” submitted to Addis Ababa University for the award of a Master’s Degree in Business Administration (MBA). Therefore, I hereby declare that no part of this thesis has been submitted to any university for the award of a degree or diploma.

Researcher Name

Signature

Date

Biruk Derb Ayele

CERTIFICATION

The thesis, titled “Challenges and Prospects of Pension Fund Administration: The Case of the Social Security Agency for Private Employees,” was completed by Biruk Derb under my assistance and supervision and submitted to Addis Ababa University in order to be awarded a Master of Business Administration (MBA). I so certify that this thesis was prepared and submitted in accordance with Addis Ababa University requirements.

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List of Abbreviations

CDs- Certificate of deposits

ESSA- Ethiopian social security agency

GDP- Gross domestic product

IOPS- International organization of pension supervisors

MoF- Ministry of finance

MOLSS- Ministry of labor social security

NGO- Non-governmental organization

NSSF- National social security fund

OECD- Organization for economic co-operation and development

PF- Pension Fund

PFAs- Pension Fund Administrators

POESSA- Private organization employees social security agency

PSSA- Pension and social security authority

RSAs- Retirement savings accounts

SPSS- Statistical package for social science

SSA- Social security agency

SSI- Social Security Institutions

SSS- Social Security Systems

Abstract

The study examines the practices and challenges of pension fund administration in a private organization employee social security agency in Ethiopia. The research collected primary data from key informants who had specialized knowledge about the pension fund administration practices of the agency. The researcher also utilized secondary data from various sources such as news articles, books, journals, and publications to supplement the findings. A descriptive study was employed and the sample for the study was selected using the census method, with forty-four respondents participating and completing a semi-structured questionnaire. The collected primary data was analyzed using medians and percentages via descriptive analysis with SPSS software. The major findings of the study highlight several significant factors impacting the pension fund administration practices of the agency. The absence of modern information technology and software was found to negatively affect regular job tasks, emphasizing the need for technological upgrades. The lack of experienced professionals also posed challenges to the agency's operations, suggesting the importance of recruiting and retaining skilled staff. The study also noted that banks and private employers directly influence the agency's day-to-day activities. Additionally, the high concentration of funds on Treasury Bills resulted in a low market return. Based on the findings, the study offers several recommendations to enhance pension fund administration practices in the agency. It suggests implementing updated software for collection and payment processes and providing motivational incentives, rewards, and recognition for employers. The study also proposes the development of interactive websites for participants to share information and access their account status. These recommendations aim to address the identified challenges and improve the overall efficiency and effectiveness of pension fund administration in the agency.

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Chapter One

1. Introduction

Background, statement of the problem, objectives, significance, scope, and information on how the research is organized are all included in this chapter.

1.1. Background of the Study

Social Security Systems (SSS) enable people to safeguard their standard of living throughout their retirement years. Working people are obliged to contribute to pension plans as long as they are actively seeking work. This system delegates responsibilities for collecting and depositing funds into the pension fund, as well as administering the fund and dispensing payments, to Social Security Institutions (SSI). Typically, the entities in charge of pooling the cash also invest the fund in a way that will yield a return (ILO, 2009).

Pension fund administrations are in disarray all over the world. Developed western countries are implemented modern mechanisms for paying pension expenditures. This will need serious consideration and the formation of a new technology. Furthermore, the majority of the world's population lacks access to any sort of income security for old age or accident benefits also known as incapacity payments (Truell, 2011).

Managing pension funds is an essential part of the retirement system in many nations. It entails managing pension funds, which were established to provide for people financially throughout their retirement years. The management of this money is the responsibility of several groups, including large corporations and governmental bodies.

Sub-Saharan African nations are in a "demographic sweet spot" due to the low percentage of elderly people relative to the working-age population in the area and the effects of aging have not yet had an impact on their pension systems. Pension systems are primarily designed to give people a source of income in retirement. This allows them to expand their pension schemes (Stewart & Yermo, 2009).

Ethiopia started the social security pension plan for workers in the private sector in 2011 in addition to establishing its own social security system for the public sector in 1961. Today, pension funds for the public and commercial sectors are managed by the government. Pensions can also be

obtained by a person contributing a percentage of their earnings from their working years to a pension plan. The contributions create a retirement income (or pension) that is considered earned income. Ethiopian SSA is in charge of managing the pension fund for the country's social security programs as well as providing security of income for disability, retirement and death.

In order to provide long-term retirement funding, pension fund administration necessitates asset investment (Urwin, 2012). Almost every country in the world now has some form of institutional social security. However, there's an awful lot version among nations in regards to the stages of protection, scope, insurance and effectiveness of the device in place. The most sophisticated social security and pension fund management systems are found in industrialized nations as a whole. With few exceptions, structured social security and pension fund management in the developing world is very young, having evolved only after World War II and with the end of the colonial era, with the foundation of multiple independent states. (Catala, 2004).

The attainment of excellence in social security administration by social security organizations is a prerequisite for the efficacy of social security policies and programs. Reserve funds have always been essential for managing finances and ensuring the sustainability of social security programs. Most systems manage pension plans and handle their short-term & medium-term cash flow requirements, even though very few of them are fully funded. There is increasing monitoring of these pension funds' operations, and the assets under administration might be substantial depending on their objectives. Social security institutions need an efficient investment process now more than ever because of the aging of the population, low interest rates, a complicated external environment, and growing managerial restrictions. (ISSA, 2017).

In Ethiopia, the government promotes social security as the safest system. The establishment of the Pension and Social Security Bureau (Public Service Pension, Pro. N. 209/1963) in 1963 was the beginning of Ethiopia's social security system. Only military and civilian service employees are protected by law. Participation-financed retirement plans are required for these groups. Since the pension covers only government employees, most of those of eligible age are excluded. Elderly poverty is unlikely to decrease due to reduced insurance coverage. In addition, savings obligations of financial institutions cannot be fulfilled. (Asaminew, 2010).

1.2. Statement of the Problems

The subject of pension fund systems is complicated, especially in low-income developing countries like Ethiopia, where the majority of workers do not receive enough retirement benefits or enough money while they are employed to support themselves in retirement.

Low growth of pension funds in Ethiopia, rising inflation and inappropriate PF management led to a decrease in pension funds investment (Asaminew, 2010). Despite the social security program progressing in stages, the government and organizations must think about and implement it to protect the general public and employees from economic distress. Pension fund management is now coping with significant financial gaps and is being forced to hike premiums; nevertheless, if the funding gap is not closed in a timely way, they may be forced to limit pension rights, which is not realistic. (Asaminew, 2010).

When examining employment patterns in Ethiopia, we see that the majority of workers are employed in the informal sector or self-employed. These employees are not eligible to retirement programs and are therefore particularly vulnerable to unstable incomes later in life. Private organizations and NGOs provide Pension Funds to their employees, in which they are paid based on their income at the time of dismissal. However, the benefits of pensions to retirees are insignificant because interest rates are low and inflation increases over time.

For these and other reasons, the Ethiopian government now includes all workers in its retirement fund. Contributions to private pension institutions must be based on the salaries of private employees. Employees must contribute at least 7% of their salary, with the employer contributing the remaining 11%. These funds provide income (pension) in retirement; this income is treated as income and is taxed on the basis of the investor's income.

The purpose of the establishment of Ethiopian SSA authority is to support and expand the country's social security services. It allows the investment of funds in the effective economic benefits and property ownership (Proc. No. 38/1996). To make it more efficient, the agency was re-established as a federal government agency with its own legal status and renamed Ethiopian Social Security Agency (ESSA). It gives the Social Security Fund the authority and responsibility to invest in profitable and reliable investments (Procedure No. 345/2003). For this reason, the "Social Security Agency Investment Office" was formed to manage the PF investment. This agency has the right

and responsibility to invest in the fund. During this period, the income collected from contribution is invested in various investments such as Treasury bill, fixed deposits and stocks. When choosing the area to invest, this investment must be managed carefully, using the cost benefit analysis of good results.

According to the Social Security Fund Investment Guideline (ISSA, 2004), healthcare investment policy should be based on genuine needs and reasonable limits. Key considerations include risk management, diversification, alignment of assets and liabilities (considering time and maturity periods), currency matching, benefit comparisons, valuation performance, and continuous monitoring. However, factors such as inflation, poor pension management, and declining pension investments have contributed to the low level of pension development in Ethiopia.

A growing number of pension funds recognize that effective management should be a top priority due to the wealth creation potential it offers and its responsibility for the well-being of literally billions of people (Urwin, 2012). This underscores the need for social security funds to be invested in successful sectors. A gap exists that might eventually render the fund insufficient to pay retirees. Therefore, to ensure the long-term viability of Ethiopia's social security fund, it is crucial to identify and leverage underutilized pension fund investment opportunities. This involves recognizing their risks and determining the appropriate management strategies by assessing the challenges of managing these investments and implementing effective solutions.

Managing pension funds remains a significant concern. It involves the administration of resources allocated to the pension fund, investment management, and ensuring sufficient funds are available to pay employee retirement benefits. Despite these challenges, the future of the industry appears promising due to increasing employee demand for pension investments and advancements in pension fund management technology. Hence, an impartial study is necessary to examine the challenges faced by pension fund administration and its potential opportunities. This study aims to assess the pension fund administration process and suggest potential changes to minimize POESSA's challenges.

1.3. Research Questions

- What are the current practices of POESSA's pension funds administration?
- What are the challenges faced in pension funds collection and administration of POESSA?

- What are the opportunities for pension fund investment in the POESSA?

1.4. Research Objectives

1.4.1. General Objectives

The main objective of the study is to assess the practical challenges and prospects of pension fund administration of POESSA.

1.4.2. Specific Objectives

- Examine the current practices of agency's pension funds administration.
- Identify the challenges faced in pension funds collection and administration of POESSA.
- Identify the opportunities in pension funds investment of the POESSA.

1.5. Significance of the Study

The study's overarching goal is to pinpoint the issues and future possibilities regarding the administration of pension funds at the private organization employees social security agency. It offers proof of the procedures and problems related to practice and academic knowledge. It also draws attention to potential policy issues and opportunities that may not have been explored.

Additionally, it prompts the Agency to reevaluate its current procedures for managing pension funds in order to make improvements to how pension funds are managed. Once more, the discovery offered suggestions for formulating strategies and policies targeted at enhancing the operational circumstances of administration. In the meantime, this study attempts to enhance the knowledge in a several ways that focused on POESSA's pension fund investment.

1.6. Scope of the Study

The study scope is limited to assessing and analyzing the current difficulties and opportunities of the private sector pension fund administration of Ethiopia in achieving the responsibility outlined in the proclamation and the regulation. The study's scope is restricted to the head office due to the uniformity of lending practices across all branches. In doing so, the study based itself on the objectives of the study, which addressed the current practice of POESSA, and a social security agency that covers Ethiopian public sector employees is not considered a subject for the purpose of this study.

1.7. Limitation of the Study

During conducting this study, the researcher faced a lack of experience and skill in doing practical research, as well as the unwillingness of employees to respond and the difficulties in finding someone who could justify the current pension fund regulation on behalf of the government. However, in order to increase the validity of the study, the researcher takes great care when interviewing respondents and smoothly and politely convinces all respondents to provide reliable responses.

1.8. Organization of the Study

This study is organized into five chapters. The first chapter gives the general background, statement of the problem, objectives, significance, and scope of the research; Chapter two provides an overview of the state of analysis of the existing literature; and Chapter three presents the methodology of the thesis; it includes the research approach, the data collection and analysis methods that were used. Chapter four analyzed and presented the research findings obtained through the thesis methodology by showing how the questions has been answered and how these findings together contributed to the main purpose of the study. Finally, chapter five ends the thesis with conclusions and a set of recommendations derived from the research findings.

Chapter Two

2. Literature Review

This part deals with topics related to pension fund administration. It is concerned with the concepts of pension funds in Ethiopia, governance of social security funds, administration policy, administration regulations and the practices of pension fund administration of other countries and empirical research done related to the issue.

2.1. Pension and Pension Funds

Different literatures describe pension in distinct ways, however, toward comparable concepts. It shows how pension is defined by different scholars in the introduction part. Others also defined it is a fund into which money is added during an employee's employment years and from which payments are drawn to support the pensioner's retirement from work in the form of periodic payments. A pension can be a fixed sum is paid regularly to a person or a fixed sum is invested and then becomes available at retirement age (Thomas P. Lemke, Gerald T. and Lins, 2010).

Pension is a type of social security that provides the protection of individuals and families from society in order to provide medical care and guarantee income security, especially in cases of daily old age, unemployment, illness, disability, work accident, maternity or incapacity to work. (ILO, 1884).

So, based on the definitions one may understand pension as, it is a social security that aims to protect a society by providing benefits to an employee paid by the government or a company usually in regular installments in the case of retirement, death, unemployment, illness, disability, work accident or incapacity to work based on past contribution records.

PFs can be gathered and administered by either the government or a private business, and at times, hybrid pensions were also present. Employees' early working years are used to collect PFs that will be returned when they reach retirement age. As a result, managing the pension fund have a long-term responsibility since they take early payments and make later ones. (Barr and Diamond, 2001).

2.2. Types of Pension Plan

According to Juan (2008), pension schemes can be classified as; public vs. private pension plan, occupational vs. personal pension plans, defined benefit vs. defined contribution plans, and funded vs. unfunded pension plans.

2.2.1. Private Vs Public Pension Plan

Private pension plans are those that cover workers who are employed by businesses, maybe even including the unorganized sector. The company posing as the plan sponsor, pension entity, or personal zone supplier assists in controlling private pension schemes. Social safety programs can either be supplemented or replaced by private pension schemes.

The Public Pension Plan is a retirement program for employees of the federal government, which includes social security agencies and those that handle pension benefit administration. Their motivation is in providing retirement benefits to the public sector workforce. (Plaehn, 2018).

2.2.2. Occupational Pension Plans and Personal Pension Plans

Two kind of retirement savings plans are available for individuals to use in order to be ready for retirement: occupational pension plans and personal pension plans. While the goal of both schemes is to assist people in saving money for self-sufficiency once they leave the working, there are some significant differences between them.

Employers establish and administer occupational pension programs for their staff members. Both the employer and the employee normally contribute to these programs, and the company frequently matches employee payments.

When compared to personal pension plans, occupational pension plans frequently offer a better level of retirement security, which is one of its key advantages. This is so because the employer is in charge of handling the money management and investment. Moreover, occupational pension plans may include additional benefits like survivor and disability insurance, giving workers and their families more financial security.

However, personal pension plans also referred to as private pensions are established by the individuals themselves. Regular contributions and investment choices are available to individuals making these plans. Plans for personal pensions provide the benefit of flexibility. People have more discretion over the investments they make and can contribute as much as they desire, subject

to yearly contribution caps. Furthermore, personal pension plans are transferable, which allows them to continue even in the event of a job change or self-employment.

2.2.3. Defined Benefit and Defined Contribution Plans

A defined pension plan is a type of traditional pension plan wherein the company agrees to provide the employee with a certain amount of income upon retirement. The employee's years of service, past salary history, and retirement age are usually taken into account when determining the benefit amount.

A defined contribution plan is an extra retirement scheme in which the employer and employee may make periodic contributions to the employee's personal account. Retirement benefits are determined by the amount contributed and the rate of return of those investments. Unlike defined benefit plans, employee-managed personal assets under the plan are exposed to investment risk. Despite having more flexibility and control, employees with defined contribution plans may see a reduction in their final benefit amount due to poor investment performance.

2.2.4. Funded Pension Plans and Unfunded Pension Plans

Funded pension schemes reserve specific funds to cover benefits to members or workers. These designated assets might include reserves found in segregated funds that have been put up expressly to cover pension payments in the future. Building up these specialized assets guarantees that there will be enough money on hand to cover the obligations related to pensions when they fall due.

Plan participants' payments finance unfunded pension plans. Unfunded plans, as contrast to funded plans, lack accumulated assets put aside expressly for pension payouts. Rather, the money needed for pension benefits is paid using a pay-as-you-go approach, which deducts the required amount from the plan sponsor's or providers existing contributions.

These pension plans could have reserves attached to them even though they are underfunded, which would help with short-term costs. These reserves are usually utilized to pay the pension benefits starting from the time contributions are received. But unlike funded plans, unfunded plans have no designated assets, therefore the sponsor, provider, and members' continuous payments are the only way to ensure that future pension obligations are met. (Arun M., 2011).

2.3. Social Security

Early in the 20th century, SS was implemented throughout Europe and Latin America. Following the Second World War, several countries paid the attention it needed. Reconstruction initiatives included attempts by nations to provide social security coverage for their own citizens (Population Reference Bureau, 2009).

Social security is the safety net that the government offers to citizens to guarantee that they will always have access to a stable source of income, particularly in the case of a sickness, injury at work, old age, or death of a breadwinner.

In essence, economic security which includes income security is a prerequisite for comprehensive human security. Stability in one's income may be defined as the capacity to regularly meet basic demands including those for food, shelter, healthcare, and education. By providing pensions to survivors, the elderly, and those with disabilities, the social security system shields people from financial hardship. The necessity of protecting individuals against unforeseen events that may lead to a societal disaster reinforces social security. (Junichi Sakamoto, 2015).

2.3.1. Needs for Social Security

Despite the fact that having a source of income is essential to meeting societal and personal expectations, middle-class and lower-class workers seldom save enough money in their personal accounts to maintain a decent standard of living in retirement. The primary source of income is hence Social Security. Additionally, it helps to lower poverty by providing benefits to surviving family members of a significant accident or death. It protects people from various threats so they may rely on a minimal income in old age and, for those who have toiled throughout their lives, a decent standard of living and dignity when they retire. (ILO, 2001).

According to the ILO, social security in general is a right that everyone has access to, regardless of where they live. This includes the minimal minimum of social protection. It is a social and economic necessity to combat social exclusion and poverty and to advance equality, growth, and equal opportunity. An efficient means of ensuring financial stability, preventing and ending poverty, promoting equality, and promoting social participation and dignity is a well operating national SSS. When social security is properly designed and integrated with other policies, it increases economic growth, employability, and productivity.

Sufficient social security benefits employees' adaptability to changing conditions, which encourages companies and labor unions to invest in human capital and promotes fair and thorough structural adjustments as a result of globalization. In times of crisis, it operates as a powerful autonomic stabilizer, increasing resilience, lessening the negative effects on society's economy, and quickening the pace of economic recovery in the direction of inclusive growth. (ILO, 2012).

2.3.2. Components of Social Security

There are different types of components applied in different countries, the International Labor Organization Convention, No 102 of 1952 has established baseline social security criteria. The convention identified:

- **Medical Care;** provides preventive or curative medical service coverage,
- **Sickness Benefit:** this covers medical costs for employees and, as specified by national laws or regulations, including incapacity to work and unrelated to employment that involves earnings suspension.
- **Unemployment Benefit;** for those unable to find acceptable job while they are able to work,
- **Old-age benefit:** available to survivors above a stipulated age, which cannot exceed 65 years of age. This benefit is a recurring payment made in recognition of the employee's work up to retirement,
- **Employment Injury Benefit;** given to a worker who has suffered from work related injuries,
- **Maternity Benefit;** provided for a pregnant woman in post and pre-natal period,
- **Family benefits;** provided by the government or employer to families with the primary goal of promoting their welfare,
- **Maternity benefits;** given to pregnant women during the post-natal and pre-natal periods,
- **Survivors Benefit;** given to the relatives of the deceased,
- **Invalidity Benefit;** given to those who have become incapable to find employment and are expected to remain so permanently or even after their sickness benefit has run out.

2.4. Administration and Finance of Social Security

SS Scheme administration is usually the responsibility of a government agency or a separate social security organization. Since the parliament, acting via the relevant government agency, normally

has the final say over choices on coverage, benefits, and contributions, the independence of SSOs is usually restricted to administrative duties. (ILO, 1997).

It is customary for peoples to work in tripartite or, if preferred, bipartite groups with government officials to assist in the operation of autonomous SSOs. In addition to contributions made by employers, insured individuals, or both, the government may also make a contribution. In certain cases, it may even offer a general subsidy. In other cases, it may repay expenditures paid for certain services or administrative fees. (ILO, 1997).

Their governance also has a significant impact on how the financial system behaves, given the magnitude of the funds in many nations. A specific worry in the management of PF is how to guarantee enough autonomy from excessive political meddling. (Juan, 2008).

Due to their minimal asset accumulation and primary purpose of paying benefits during recessions, pay-as-you-go SS programs invested assets are an insignificant source of revenue. On the other hand, invested assets serve as a significant revenue stream in sponsored programs. (ILO, 1997).

For pension funds to ensure that operational and supervisory functions are properly assigned and that the individuals in those roles are competent and accountable, a governance structure is required. The "Guidelines for the Investment of SSFs" by the ISSA and the "Guidelines on PF Governance" by the OECD both maintain this essential principle of governance. (Ibid).

Both sets of suggestions provide similar guidelines for achieving this goal. Core to the governance system is a governing board with ultimate authority over the fund and its beneficiaries. It is imperative that the members of this body possess well-defined fiduciary duties, a clear, measurable mission, and the requisite expertise to carry out their duties. (Ibid).

The board of the SS institution, a government ministry, or a company founded specifically to manage the scheme's investments may serve as the governing body. In particular, if a government ministry is in charge of running the SS programs, the later, segmented setup would be better as a safeguard against political meddling.

An investment committee that provides guidance on investment strategy and an executive in charge of operational management, including asset management, often support the governing body. The governing board should continue to have fiduciary duty for the fund, even if asset

management is outsourced. The governing body should also consult outside counsel in cases when it lacks the necessary knowledge to carry out its responsibilities. (Ibid).

Normally, the PF structure should consist of three more entities. Every year, the fund should have an audit conducted by an impartial auditor. In order to conduct the system's actuarial valuations and assess the financial effects of various investment approaches, the SS institution would also need to be appointed. Assigning a custodian who is in charge of the asset's safekeeping is often also a smart idea. (Ibid).

2.5. Pension Fund Investment

In an attempt to turn a profit, PFs invest in capital markets. Most PFs are right to invest for the long term because they require a sustained economic recovery in the future. The domestic supply of long-term capital in many nations comes from PF resources. Funds for pensions are initially directed toward safe funding sources. "As the finances mature, a few moves in the direction of opportunity funding vehicles, which, while riskier, have produced higher returns than PF portfolios". (Stewart, 2007).

Allocating pension assets among different financial instruments to produce returns and meet retirees' future demands is referred to as investing PFs. Professionals with the ability to create methods for risk management and return optimization must oversee PFs. These funds put their money into a variety of assets, such bonds, equities, properties, and hedge funds and private equity.

Producing enough returns to cover participants' retirement demands is the primary goal of investing PFs. A number of variables, including market circumstances, risk tolerance, and the pension plan's time horizon, are taken into consideration while making investing selections. PFs may take on greater risk and invest in assets with better returns since they frequently have a lengthy investment horizon. But they also have to make sure that capital is preserved and that pension commitments can be met. In order to meet their investment goals, PFs consequently closely examine and track their investment portfolios, making periodic adjustments to allocations and rebalancing.

2.5.1. Principles of Pension Fund Investment

In order to guarantee their ability to pay payments and provide services, social security schemes, according to the ISSA, hold onto social security monies. These funds are also utilized to create

investment income, which helps pay for services and benefits. They are also frequently employed to relieve short-term demographic pressures (ISSA, 2005). Each social security fund should apply the investment guidelines that the ISSA published in 2005, taking into account its own set of circumstances. The file contains proposals related to the terms and conditions of governance, as well as governance methods, governance structures, and, to a significant extent, Social Protection PF funding.

PFs are one of the largest institutional investments that affect a nation's economy. Due to their enormous reserves, which can even equal 50% of a country's GDP (Canada, Chile, Ireland, and South Africa, for example), the national economy benefits from this enormous amount of money invested in ways that include raising GDP, lowering unemployment, improving the standard of living for the elderly, and more. It's crucial to keep in mind that the money in question belongs to the covered persons and their families, according to the ILO, 1997. Because of this, there are a few specific criteria and concerns that must be followed while administering the money.

2.5.2. Investment Policy of Pension Funds

In order to guarantee the members in pension plans' long-term financial stability, the PF investment policy is crucial. Trustees and investment managers, for example, who oversee pension assets, must create a thorough investment policy outlining the rules and regulations for handling and investing pension money. All parties engaged in this policy should receive a comprehensive explanation of it through documentation.

Having an investing policy in place is essential, regardless of the legislation governing investments, such as portfolio restrictions or the prudent person criterion. By doing this, it is made sure that pension assets are managed strategically and clearly, protecting plan participants' interests and assisting in the accomplishment of the intended investment goals.

All pension plans, defined benefit or defined contribution, should have an investing policy in place, it is also essential to remember. Discretionary benefit plans have special complications of their own, but defined contribution plans incorporate member direction, which may call for extra considerations in the investment policy. The interaction in defined benefit plans between investment management, financing requirements, and actuarial judgments is more complex. To guarantee the management of PFs and fulfilment of funding responsibilities, the investment policy should appropriately handle these issues.

The PF investment policies act as a manual, defining the guidelines for administering and allocating pension funds. It ought to be determined and clearly stated in writing by investment management personnel. The kind of pension plan, the legal and regulatory requirements, and the difficulties of efficiently managing pension funds should all be considered in this approach. Last but not least, a well-designed investment program guarantees that the pension fund is managed sensibly and responsibly, which adds to the financial stability of pension plan participants. (OECD, 2008).

2.5.3. Investment Objectives and Strategies for the Plans

The investing goals of PFs are to manage risk and optimize expected returns. Robust return-generating funds can raise the replacement ratio and give pensioners a sufficient income throughout their retirement. The investment decisions made by PFs are also impacted by regulatory concerns, demographic shifts, and the nature of their commitments. Achieving the highest possible replacement ratio following retirement depends on this. The percentage of a person's final earnings that will be given as a pension is known as the replacement ratio. PFs can maximize returns, especially when such gains are dependent on the market, to ensure that members have enough money in retirement.

Pension funds aim to match or outpace the average worker income growth rate, according to Davis (2000). Portfolio distribution, which involves distributing assets among many investment options, is how this is achieved. Pension funds that achieve returns greater than increase in profits have the potential to enhance member replacement rates. This is particularly important for defined contribution plans, where members save money in their accounts in order to buy an annuity when they retire.

Another factor that affects investment strategies and objectives is the type of obligations. For instance, if pension benefits are indexed, funds need to look for ways to maintain the purchasing power of retirees over time. The workforce's demographic composition may also have an impact on investment choices. For instance, funds may adopt more aggressive investment strategies to take advantage of long-term development opportunities if the workforce is predominately young.

Investment strategy can be impacted by regulatory matters such as accounting regulations and minimum finance needs. These guidelines and regulations dictate the amount of excess assets and

how deficiencies are shown in annual reports. PFs need to create investment plans that meet their goals and adhere to these constraints.

2.5.4. Investment Regulations of Pension Fund

PF investing regulations are intended to minimize certain risks and ensure that appropriate diversification techniques are in place for these funds. These limitations are meant to safeguard it from unwarranted risk-taking while also encouraging their growth and stability. Pension funds can mitigate portfolio, agency, and systemic risks through the use of investment controls. (Kyiv, 2003).

In order to increase financial efficiency, investment regulations may include imposing certain investment constraints. By defining the boundaries beyond which pension funds are prohibited from investing in any particular category of investment, the regulations seek to ensure that PF grow without incurring needless risk. This offers a structure for sensible investment restrictions that raise long-term sustainability (OECD, 2009).

The regulations governing PF investment are a topic of debate. Some say PFs do better in unrestricted investing environments than they do in restricted ones. This is due to the fact that PF are free to use the cautious man concept and concentrate on high-return investments. On the other hand, investment caps can restrict pension funds' ability to innovate and focus on immediate objectives. It is critical to understand that, although more profits may be obtained in unrestricted circumstances, there is a higher risk involved. These regulations aim to reduce market concentration, foster the long-term sustainability, and strike a balance between risk and return. It can safeguard the interests of its beneficiaries and promote the overall stability of the financial system by adhering to these requirements.

2.5.5. Risk Management Policy of Pension Fund

In the administration of pension funds, risk management is crucial to safeguarding clients' retirement savings. (Davis, 2000) highlights how important it is to guarantee security as a safety net for those approaching retirement. This makes it necessary to put in place suitable risk management processes that address a variety of risks, such as inflation, time-based risks like replacement rate risk, and investment safety risk. It may ensure the long-term financial stability of retirees by mitigating these risks.

One facet of risk management for PF is alignment with portfolio objectives. Galer (2009) emphasizes the necessity of keeping current assets and obligations in check when it comes to borrowing money, becoming immunized, and using derivatives. With the help of this all-encompassing approach, may effectively control risks, boost returns, and meet their long-term financial objectives. It may ensure they are in a good position to achieve their investment goals by keeping a close eye on their asset allocation and making adjustments based on market conditions and risk tolerance.

PFs need to establish an extensive risk management framework in order to achieve their investment goals and minimize risks. The strategies covered by this approach include tactical asset allocation to adapt to shifting market conditions and risk tolerance, active portfolio management and diversification to reduce risk. Moreover, research-driven investment strategies that employ judicious stock selection and leverage derivatives to reduce portfolio volatility can improve PF performance (Amana, 2009). Using these risk management strategies, may raise retiree returns while lowering potential losses.

2.6. Review of Empirical Related Literature

Asset investment is necessary for PF administration to provide long-term retirement financing (Urwin R, 2012). Almost all nations offer institutional SS programs these days. However, the degree of protection, reach, and effectiveness of the current system varies significantly throughout nations. The most sophisticated SSSs are frequently found in industrialized countries.

2.6.1. Theoretical Review on Pension Fund Administration

Brazilian PFs has small investors that don't actively take part in the administration of the businesses they invest in, according to Ventra (2001). Thus, they have to put their money into transparent companies whose management is accountable for providing a full accounting of the business's activities and that treat its shareholders fairly. This demonstrates how greater corporate governance encourages more effective management of the business. Government workers in India are protected by pay-as-you-go pension and provident funds. Investment choices and management are handled by PF administrators.

According to Impavido (2009), in an attempt to raise standards, the central government provides budgetary contributions to nine out of thirteen provinces; China SS manages these payments on

their behalf for a minimum of five years at a guaranteed return. Provinces are not required to pay the NSSF management fee; it is covered by the finance minister's (MoF) budget.

The Administration of Overseas Investments, published by the NSSF's Nation Council and incorporated in the MOLSS and MOF Decree No. 12 of December 2001, primarily regulate the NSSF's investment activities. Both sets of laws contain rules for the strategic allocation of assets and quantitative investment caps for both domestic and foreign investments. (Ibid).

It is possible for the NSSF to engage in investments involving both domestic and international resources. Cash, bank deposits, stocks, mutual funds, government bonds, and, corporate bonds are examples of domestic assets. Certificates of deposit (CDs), foreign government bonds, foreign corporate bonds, foreign financial organization bonds, foreign cash, overseas-issued bonds, and financial derivatives traded on regulated exchanges are examples of foreign assets. (Ibid).

Public PFs are a well-researched and noteworthy alternative investment. (Prequin, 2011). Typically, they allocate a substantial portion of their capital to infrastructure, hedge funds, and private real estate, totaling 5.5% of their total investments in private equity. In order to evaluate the performance of their investments across a range of asset classes, he looked through the financial records of more than 150 public pension funds from North America, Europe, and the United Kingdom. Based on his calculations, fund managers are keen to draw in private equity investors because of the \$224 billion that private equity makes up of the assets under control of the top 20 pension plans.

2.6.2. Pension Fund Administration in Ethiopia

As a component of Ethiopia's SSS, pension plans provide financial protection in the event of old age, infirmity, or death. The SS Administration is required to establish and maintain a portfolio that will yield long-term returns that will be utilized to finance the pensions that today's workers will get in the future due to the contingent and long-term nature of its financial tasks (Gebrehiwot, 2006).

Ethiopia's PF development has been further impeded by rising inflation and inadequate administration, which has decreased PF investment. Due to severe financial limitations, the PFs are being obliged to increase premiums. The only option left to them is to remove pension rights, which is not practical if the budget deficit is not resolved immediately. Evidently, poor

management has serious consequences and has prompted concerns about the level of sophistication and quality of PF management (Emerta, 2010).

Hiwot (2012) made an effort to evaluate the use of pension plans from an accounting standpoint in ministry offices. She assessed the plan using her accounting knowledge, paying close attention to the PF held in the SSA. Nonetheless, the social effects of pension and retirement plans at private preparatory schools were the main subject of this study.

Abdi (2012) outlined the difficulties and coping mechanisms faced by the elderly population, as well as their lack of opportunities, resources, and assistance. Abdi concentrated on issues that arise after retirement. He also made an effort to provide examples of the issues experienced by retirees. However, he was unable to concentrate on the government's policy regarding pension and retirement plans in private organizations.

The problems associated with managing Ethiopia's social security fund investments have received little attention up to this point. According to the SSA of Ethiopia example, the plan has only made investments in banks and government-owned assets, which are less hazardous and yield smaller returns. After doing research on PF management, Tarekegne (2004) reached the conclusion that the authority's investment choices were limited to governmental instruments and that insufficient fund management was the consequence of the SSA's failure to adopt a PF investment policy. His investigation also revealed that a government-appointed board member has the authority to make investment decisions.

The accounting and administration of Ethiopian SSA pension funds were examined by Mulualem (2002). According to his research, the authority had been investing its funds in lower-risk instruments like Treasury bills, government bonds, and fixed-term deposits, which produced low returns, even though proclamation 38/1996 permitted the authority which was founded as an independent public office to allocate its funds to respectable and profitable investment ventures. The aforementioned research all had a significant impact on pension fund and investment administration techniques. The pension plan was also designed, together with its accounting and reporting protocols. The research on management problems and solutions is still ongoing, though.

The cited research collectively underscores the importance of effective governance, diverse investment strategies, and robust regulatory frameworks in pension fund administration. The

studies on Ethiopian pension funds highlight significant challenges in management and investment, necessitating policy reforms and improved administrative practices to ensure long-term financial sustainability. This research contributes to understanding these challenges, offering potential solutions, and identifying further investment opportunities.

However, not enough is done on administration challenges and ways of overcoming those difficulties. The issues that the current pension fund administration faces must be examined, as well as the prospects. As a result, this research contributes to administration concerns by identifying pension fund challenges, offering potential solutions to those challenges, and highlighting further investment prospects.

Chapter Three

3. Research Methodology

This chapter briefly describes and answers the questions of where the study was focused, what the population was, how the sample was taken, what techniques of data collection were used, and what methods were used to analyze and interpret the data.

3.1. Research Design

Research design facilitates the analysis of data in a way that combines it with the purpose of the research. A descriptive study was used to describe the state of affairs as it exists at present (Kothari, 2004). The study tries to adopt this method with the assumption that it describes the existing facts of pension fund administration practice and helps to generate adequate information about the major challenges and prospects in the subject area. This research also aims to explain current Ethiopian private pension fund administration practices. Therefore, descriptive research was used to achieve the research objectives.

3.2. Population and Sampling

The population of the research was made up of POESSA employees who work as officers, team leaders, and accountants in the head office. It is because of their relationship and the expectation that they have a deep understanding of the issue being studied. The target population also included members of the POESSA management team.

The researcher used the census research method. The process of methodically gathering and documenting data on individuals within a certain community is known as the census method. Since everyone gets surveyed rather than just a portion, it is sometimes structured as a sample.

3.3. Types of Data Collected

Data were gathered for the study from primary and secondary sources. Primary data was collected through first-hand information from 44 employees working at the head office of POESSA. It included both closed-ended and open-ended questions, which allowed respondents to adequately express their views on the questions. The secondary data was also collected from annual and regulatory reports, brochures, and the internet for the appropriate and successful completion of the study.

3.4. Methods of Data Collection

The close-ended questionnaire was employed to obtain quantitative data for research in order to gather information systematically because of its usefulness, easy usage, and time and cost efficiency.

A semi-structured interview was conducted with POESSA head office top management to acquire the necessary information for the study. A semi-structured interview is an interview in which the order of various topics is dealt with and the wording of the questions is left to the interviewer's discretion (Corbetta, 2003).

3.5. Methods of Data Analysis and Presentation

This part is devoted to the presentation and analysis of the data that was collected as per the purpose and objective of the study. Both quantitative and qualitative data analysis techniques were applied for this study. After the data was collected, it was coded and entered into the Statistical Package for Social Science (SPSS) for analysis. The summarized data was presented in the form of mean and percentages. For descriptive methods of analysis, percentages, frequencies, and means were used to summarize and categorize the collected data. In addition, interviews and questions that had subjective explanations, containing factual information, were analyzed qualitatively in a way that answered the research questions.

3.6. Validity and Reliability

3.6.1. Validity

According to Sounders (2003), validity is a degree to which a data collection method or procedure properly measures what it was designed to measure. To provide outcomes that are more precise and significant, validity is taken into account. The validity of the material was assessed using a Likert scale, which includes the options for strongly agreeing, agreeing, neutral, disagreeing, and strongly disagreeing. The questionnaire would be created and given to experts in pension fund administration for review, constructive comments, and suggestions in order to ensure the validity of the tool utilized. As a result, before it was administered, the researcher found a few errors and made the required adjustments.

3.6.2. Reliability

Reliability is the consistency of a set of measurements or measuring instrument (i.e., a measure of consistency between different items of the same construct), often used to describe a test. It is inversely related to random error (Cpakes & Steed, 2007). One of the most commonly used is called Cranach's Alpha, also known as coefficient of reliability.

According to Zikmund, Babinand Griffin (2010) scales with a coefficient alpha between 0.8 and 0.95 are considered to have very good quality, scales with a coefficient alpha between 0.7 and 0.8 are considered to have good reliability, and a coefficient alpha 0.6 to 0.7 shows fair reliability.

Table 3.6.2.1 Reliability Statistics

S. No.	Scale	Cronbach's Alpha	No. of Items
1.	Concerning pension fund guideline and directives	0.972	3
2.	Factors Affecting the Organizational Effectiveness of the Pension Fund Administration	0.868	11
3.	The Current Practices of POESSA's Pension Funds Administration	0.765	15
The Questionnaire		0.810	29

(Source: Own survey, 2023)

This reliability test is conducted in order to determine the reliability of the instrument used. The statistical reliability of the research is Cranach Alpha of 0.851. It shows the reliability of the responses is very good.

3.7. Ethical Consideration

There is a growing emphasis on overcoming ethical issues in business research because of the increased involvement of social responsibility and consumers' wellbeing (Ghauri and Gronhaug, 2005). All information was treated and kept confidentially without disclosing the identities of the respondents.

As no information was changed or modified, the information presented and collected was the same as the literature for this study. There are no intentions to use unfair means to convince participants

to obtain information. The researcher gave them orientation with detailed information regarding the study's objectives, which were only used for the fulfillment of MBA degree requirements. The researcher also showed respect and interest by providing a formal written letter from the university in order to convince participants. Therefore, the majority of participants indicated that they were willing and able to contribute by answering the questionnaires in a positive and ethical way.

Chapter Four

4. Data Analysis, Presentation and Interpretation

This chapter deals with the presentation and analysis of major finding of the research. The findings are based on the data collected through questionnaires distributed and interviews conducted during the data collection phase of the research. The collected questionnaires from the employees and their responses are presented and analyzed using quantitative and qualitative.

4.1. Private Organization Employees Social Security Agency

Private organizations employees' social security agency was established in 2011, and it is accountable to the Ministry of Labor and Social Affairs (MoLSA). According to proclamation number 345/2003, it provides social security coverage to the employees of private companies and had the authority and responsibility to invest the social security fund that has been collected from private organization employee. As well because salary of private organizations employees is high, the agency has collected huge amounts of money in a short period.

The collected fund balances are 33,360,977,780.12 birr in the fiscal year 2020, 43,131,242,443.23 birr in the fiscal year 2021, and 57,100,219,015.25 birr in the fiscal year 2022. In addition, the profit or the financial gain or surplus that the pension fund has earned over the fiscal years 2022, 2021, and 2020 was 14,067,745,110.42, 9,912,356,188.09, and 8,792,866,986.34 respectively.

The fund's investment activity has also been seen as one of its key activities, beside the collection of pension contributions and the pension payments to beneficiaries. In fact, the fund's key duties are highly dependent on one another. Invested funds can be gained if and only if there is a reserve from collected funds that remains after deducting funds for pension payments and administrative costs. On the other side, investment returns help to improve the efficiency of pension contributions. It also has an impact on the effectiveness and amount of pension payments.

An increasing amount of money is required to meet the beneficiaries' lifetime social protection needs, and employee contributions regularly provide a significant source of funding for the agency responsible for fund administration. The reserve has been distributed among real estate, shares, government bonds, Treasury bills, loans, and time deposits in the fund's portfolio. It does not, however, mean that every one of these assets was always and simultaneously a part of the portfolio

of the fund. There are four general investment principles for its investment purpose while investing the pension fund such as:

- **Safety:** - invests with minimum or no risk investment. The safety principle lies on the fact that the pension fund is a trust fund and they need to be invested in care and diligence.
- **Yield:** - allocates the investment in the area where the investment return is maximum
- **Liquidity:** - allocates investment in the area where some of the investment can be converted in to cash
- **National interest:** - allocates investment for the best economic and social interest of the public.

The agency's investing practices revealed that decisions are made with consideration for the above principles that guide pension fund investments. However, it became obvious to prioritize safety over others.

4.2. Analysis and Findings of the Study

The data collected from the respondents was analyzed and discussed in line with the research questions and the data obtained from the interview was also discussed and interpreted together with the results of the questionnaire as follows:

4.2.1. Demographic Characteristics of Respondents

This part of the questionnaire requested a limited amount of information related to professional characteristics. Accordingly, the following variables, including the respondent's educational background, year of experience, and the departments in which they work in the private employee's social security agency, were summarized and described in the following table.

Table 1. Respondents Background Information

S.No.	Item	Options	Frequency	Percentage
1.	Educational background	Diploma	-	-
2.		Degree	37	84
3.		Masters	7	16
4.		PHD and above	-	-
5.	Total Year of Experience	1-5 years	20	45
6.		5-10 years	24	55

7.		11-20 years	-	-
8.		above 20 years	-	-
9.	Working Department	Pension Benefit Payment, Contribution Revenue and Registration	32	73
10.		Investment and fund Directorate	12	27

As it can be seen from the above table, 37 (84%) of respondents are bachelor's degree holders, and 7 (16%) of respondents are master's degree holders. From this, we can say that the respondents are educated to work, and they are expected to be efficient and effective in their work.

About 20 (45%) of the respondents have 5 or fewer years of experience, whereas the remaining 24 (55%) employees have been working 5–10 years in the agencies. This helps to compare the view of those less experienced employees with that of highly experienced employees in the subject matter.

We see that 32 (73% of the respondents) work in pension benefit payment, contribution revenue, registration, and administration, while the remaining 12 (27%) work in the investment and fund directorate. We are able to conclude that almost all employees are involved in pension fund administration.

4.2.2. About pension fund administration guideline and directives

Since policies and procedures are the cornerstone of every organization, they should always be consistent with its goals and core values. Primarily, policies offer guidance on certain subjects, whereas processes specify the means by which the guidance must be executed to guarantee adherence. A policy and procedure document clarifies expectations for conduct, addresses important queries, resolves ambiguity, and helps all staff members succeed in their positions. (Executive Compass).

The respondents were asked to choose from the following description ranges: 1 = strongly disagree; 2 = disagree; 3 = undecided; 4 = agree; and 5 = strongly agree. To assist in the interpretation of the results, the researcher used the following interpretive scale for the results: at most 1.74 = strongly disagree; 1.75–2.49 = disagree; 2.50–2.99 = undecided; 3.00–3.99 = agree; and at least 4.00 = strongly agree.

In the below table, the respondents level of awareness of POESSA policy and procedure is presented.

Table 2: Employees awareness on pension fund guideline and directives

S. No.	Item	X (Mean)
1.	Awareness and capacity building training are regularly given to employees on how to practices pension fund administration	3.73
2.	Employees have awareness and information regarding to pension fund administration policies, guideline and directives	3.73
3.	Training and orientation are given on pension fund investments	3.55

From item 1 of table 2, we can see respondents with a mean value of 3.73 agree on the awareness and capacity-building training given to employees concerning how to practice pension fund administration in the office. The response implies that the company sets a high value on the development of its employees' human resource skills and technical knowledge through training and awareness, allowing them to strengthen their abilities and confidence in order to fulfil organizational goals successfully.

Item 2 of Table 2 shows that employee respondents, with a mean value of 3.73, agree that employees have awareness and information regarding pension fund administration policies, guidelines, and directives. It demonstrates that most employees are currently aware of the practice the administration. As a result, we could conclude that the agency provided sufficient awareness and information regarding pension fund administration policies, guidelines, and directives. Furthermore, the agency has increased awareness about the practice of the administration.

From the Item 3 of Table 2, employees with a mean value of 3.55 rated agree that awareness training and orientation are given on pension fund investments. As a result, it is possible to assume that the agency provides short-term training and orientation regarding pension fund investment. The outcome is consistent with theoretical hypothesis that firms investing in talent development or human capital adds value for future again.

4.2.3. *Organizational Effectiveness in Pension Fund Administration*

The governing board bears the responsibility of developing an effective internal control culture within the organization. A fundamental aspect of this culture is the implementation of systems that facilitate sufficient information exchange throughout management levels. There should also code of conduct for all employees, including disclosure and review procedures (IOPS).

Increased demand for services has an impact on the quality of services provided to beneficiaries because of human factors such as skills, accessibility, geographic location, employee turnover, a lack of experienced professionals and information dissemination, as well as the quality of products offered, the process for seeking pension benefits, the lack of updated modern technologies, private employers, and banks.

The respondents were asked in order to look into factors affecting the effectiveness of POESSA's pension fund administration. The results are presented in Table 3 below.

Table 3: Factors Affecting the Organizational Effectiveness of the Pension Fund Administration

S. No.	Item	X (Mean)
1.	Shortage of updated modern information communication technologies and software's have great impacts on daily work activities	4.00
2.	Pension fund administration implementation in the agency lacks clarity.	3.18
3.	Some international guidelines like ISSA's has direct effect on the pension fund administration decisions making	3.18
4.	There is lack of experienced professional	2.73
5.	Employee's turnover has direct challenge on daily work activities of the office.	3.64
6.	Directives, manual have internally direct challenges on daily work activities of the office.	3.55
7.	Pension administration system software is provided functional services.	3.64
8.	Banks have direct challenge on daily work activities of the office.	3.45
9.	Private employers have direct challenge on daily work activities of the office	4.00

10.	Some employers have made frequent errors when organizing and filling out employees' personal information.	3.64
11.	There are some problems with pension benefit payment services provided by banks and post offices.	3.73

From table 3 item 1, we can see the majority of respondents, with a mean value of 4.00, strongly agree that the shortage of updated modern information and communication technology software's has great impacts on daily work activities. The finding demonstrates one of the issues that affect the operational implementation effectiveness of the pension fund administration in the agency understudy due to a lack of updated software on the daily job activities and functions. Investing in the development of IT infrastructure through the digitization of pension records and the introduction of technology for payment and collection, which facilitates the completion of regular jobs.

From table 3 item 1, we can see majority respondents with mean value of 4.00 rated strongly agree on the shortage of updated modern information communication technologies software's have great impacts on daily work activities. The finding demonstrates one of the issues that affect the operational implementation effectiveness of the pension fund administration in the agency understudy due to a lack of updated software on the daily job activities and functions. Investing in expanding IT infrastructure by digitizing pension records and introducing information technology for both collection and payment, which helps in the execution of routine tasks.

From Table 3, item 2, we can see that the majority of respondents, with a mean value of 3.18, agree that the pension fund administration in the agency lacks clarity. This implied that some of the respondents disagreed with the statements. The interview with the agency investment director explains that instead of issuing regulations, several directives were issued by different authorities. These directives were not very well known to the beneficiaries and, to some extent, to those who were expected to implement them. Since the legislation does not take all issues that could arise in relation to pensions into account, it includes several provisions that lack clarity.

From table 3 of item 3, we can see the majority of respondents, with a mean value of 3.18, agree that international guidelines like ISSA's have a direct effect on pension fund administration

decisions. This implied that more than half of respondents agreed with the international guideline effect, but it wasn't done in an effective and efficient manner. 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 Table 3 of Item 4, we can see the majority of respondents, with a mean value of 2.73, rated undecided on the lack of experienced professional personnel who have internally direct challenges on the daily work activities of the agency. This implied that while majority of respondents agreed that there is no shortage of skilled professional employees, others believed that there were concerns.

From table 3 of item 5, we can see the majority of respondents, with a mean value of 3.64, agree that the employee's turnovers have an internally direct challenge on the daily work activities of the agency. This meant that more respondents agreed on the problems. Employee turnovers were identified as one of the factors influencing the operational execution of the effectiveness of the agency.

From table 3 of item 6, we can see that the majority of respondents, with a mean value of 3.55, agree with the directives, and manuals have internally direct challenges on the daily work activities of the agency. This meant that the majority of respondents agreed with the concerns. The finding suggests that the agency did not use current guidelines and manuals, which has an impact on the agency's practical implementation of pension fund administration.

According to table 3 of item 7, the majority of respondents with a mean value of 3.64 agree that pension administration system software provides functional services to the daily work activities of the agency. This meant that the majority of respondents agreed that the agency uses updated functional software, which has a favorable impact on the agency's operations.

According to table 3 of item 8, the majority of respondents with a mean value of 3.50 rated agree on that banks had a direct impact on the agency's daily job activities. This meant that the agency did not provide enough orientation for stakeholders on how to perform pension fund administration effectively and perfectly, which harmed the agency's operational execution of pension fund administration. Service delivery has become a severe challenge due to the agency's reliance on

other organizations. When an employer fails to submit data (registration and contribution) for its employees on time, the employees suffer a variety of difficulties in receiving any service or benefit. Without accurate data, it will be difficult for agency to perform any service or reply to benefit requests for those employees.

From table 3 of item 9, we can see majority respondents with mean value of 4.00 rated strongly agree on private employers have an externally direct impact on daily work activities of the agency. The findings demonstrate that the agency did not give adequate training and orientation for private companies on how they can manage pension fund efficiently and correctly, which has an impact on the operational execution of pension fund administration.

According to Table 3 of item 10, the majority of respondents with a mean value of 3.64 agree that some companies make frequent errors while arranging and filling out employees' personal information. The findings indicate that several private employers did not appropriately fill out their employees' personal information, such as age, year of experience, and salary history, which has an impact on the agency's operational effectiveness in pension fund administration.

From table 3 of item 11, we can see the majority of respondents, with a mean value of 3.73, agree that there are some problems with pension benefit payment services provided by banks. The finding implies that banks' insufficient services have an impact on the level of customer satisfaction.

4.2.4. Current Practices of POESSA's Pension Fund Administration

According to contributory pension scheme, only authorized Pension Fund Administrators (PFAs) may privately administer pension funds. The PFA's primary responsibilities include opening up Retirement Savings Accounts (RSAs) for employees, administering pension fund property, disbursing retirement payments, and keeping track of every transaction concerning the pension funds they administer (NorthWindProject.com).

Along with the activities related to outsourcing, operational activities such as internal processes, staff members, and systems, including IT systems, legal and regulatory compliance, record keeping in investment holdings, benefits to be paid, amount of pension benefit payments or contributions, etc. Internal and external control mechanisms perform at all levels and are essential to day-to-day operations, top management, and departmental operations. They often consist of

procedures for verification and reconciliation, as well as physical controls and monitoring for compliance with exposure limitations.

Table 4: Practices of pension fund administration

S.No.	Item	X(Mean)
1.	The amount of pension benefit payments not exceed 70% the average salary for the total service year it raises questions.	4.27
2.	Provision of benefits due to accidents (Incapacity Benefits) is attractive.	2.91
3.	Existing pension fund regulation needs amendments.	3.82
4.	Existing pension fund regulation minimizes risks.	3.82
5.	Restriction on PF policies and regulations are important to maintain the sustainability of the pension fund administration.	4.09
6.	Employer has provided full information about their employees	2.82
7.	Most employers currently able to transfer monthly pension fund contributions on time	3.18
8.	Nowadays work performance is measured based on standard evaluation methods	2.82
9.	Currently banks and post office reduce much workloads by providing pension benefit payment service	4.00
10.	Nowadays works performance is measured based on customer service evaluation method	3.64
11.	The pension fund administration practice at the agency office is excellent.	4.09
12.	The Agency evaluate the performance of pension fund administration periodically.	3.91
13.	Change in pensioners salary increment added the agency's work load	3.55
14.	Social security appeal tribunal examines and decides rights and benefits	4.00
15.	The agency takes legal action against those who do not pay their pension fund contribution.	4.09

Table 4 of item 1 shows that respondents with a mean value of 4.27 strongly agree that the amount of pension benefit payments should not exceed 70% of the employee's average salary, which raises questions. This finding is significantly connected to Private Organization Employees' Pension Proclamation No. 1268/2022 G.C. Article 20. Any employee's retirement benefit will be 30% of his average pay for the last three years preceding retirement and shall be increased by 1.25% for each year of service beyond 10 years. The retirement pension that must be provided in accordance with Sub-Article (1-3) may not be greater than 70% of the average wage used to determine the employee's entitlement for pension benefits.

Table 4 of item 2 shows that respondents with a mean value of 2.91 rated undecided whether the provision of benefits due to accidents (Incapacity Benefits) is attractive or not. This meant that more respondents were confused about how to decide on the issue. The finding is significantly connected to Private Organization Employees' Pension Proclamation No. 1268/2022 G.C. Article 36. Sub-Article 1, the amount of incapacity pension to be paid shall be 47% of his salary, which he was receiving during the month prior to the occurrence of the injury, and Sub-Article 2, if the retirement pension to which the employee is entitled is higher than the incapacity pension to be paid pursuant to, he shall receive the retirement pension. When we consider the overall impression of respondents at this stage, we conclude that the proclamation is not attractive enough and requires partial revisions to address such a gap.

From table 4 of item 3, we can see majority respondents with mean value of 3.82 rated agree on the existing pension fund regulation needs amendments. It indicates that the existing pension Proclamation have some problems and restrictions on pension fund investment activities. 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 claims.

From table 4 of item 4, majority of respondents with mean value of 3.82 rated agree on existing pension fund regulation minimizes risks. 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.

According to table 4 of item 5, the majority of respondents with a mean value of 4.09 strongly agree on that restriction on PF policies and regulations are important to maintain the sustainability of pension fund management. The findings suggest that existing pension proclamations have a good influence on long-term aims at the expense of short-term ones. It should be mentioned that the big earnings were earned at a high risk. Since the pension fund is a trust, safety should come before profit since, in the event of a loss, the government will have to reimburse the beneficiaries.

According to table 4 of item 6, respondents with a mean value of 2.82 rated undecided on the employer's provision of full information about their employees. The administration is in charge of data gathering and digitalization. Proclamation No. 1268/2022 G.C. Article 7 If a private organization's concerned officer neglects to arrange, maintain, and promptly submit data to the agency for registration as specified under this Part, they will be subject to penalty.

Table 4 of item 7 shows that the majority of respondents, with a mean value of 3.18, rated undecided that most employers are currently able to transfer monthly pension fund contributions on time. According to the response, not all employers transferred their employees' monthly pension fund contributions revenues payments on time due to a variety of unnecessary factors, such as manpower shortages, follow-up pension fund contributions revenues payments, and pension fund contributions revenues payments that were used for other budgeting expenses.

Table 4 of item 8 shows that the majority of respondents, with a mean value of 2.82, rated undecided that nowadays work performance is measured based on standard evaluation methods. It implies that the agency did not appropriately analyze the work performance of its workers using common evaluation techniques. The achievement of organizational goals and employee happiness with everyday job activities are both lowered by not assessing employees' performance.

Table 4 of item 9 shows that employees with a mean value of 4.00 agree that banks are now reducing agency's workloads by offering pension benefit payment services. This was a wonderful

chance for the office because it required a payment center, skilled human resources, and the ability to deliver improved services.

According to Table 4 of Item 10, respondents with a mean value of 3.64 rated agree on that nowadays work performance is measured based on customer service evaluation methods. It indicated that the agency is concerned with service standards, which are vital for improving efficiency in the workplace and customer satisfaction on a daily basis.

From table 4 of item 11, we can see that the majority of respondents, with a mean value of 4.09, agree that the pension fund administration practice at the agency office is excellent. This implies that the majority of respondents agree that the agency gives great attention to human resources capacity and skill development, which may come from training and awareness, which helps them increase their abilities and confidence to achieve organizational objectives effectively.

From table 4 of item 12, we can see that the majority of respondents, with a mean value of 3.91, agree that the agency evaluates the performance of pension fund administration periodically. This indicates that the agency gives attention and value to employers and different stakeholders, and it leads to sufficient performance in the collection of pension fund contributions and revenue payment activities.

From table 4 of item 13, we can see that majority respondents with mean value of 3.55 rated agree on the change in pensioners' salary increment added the agency's work load. Every private employer is required to deduct employee contributions from salaries and pay the amount due within 30 days of the last day of the month in which salary payments are due. Additionally, all pensioners' files must have increment letters attached, and files pertaining to children under the age of majority must be closely monitored and error-free.

From table 4 of item 14, shows that respondents with mean value of 4.00 rated agree on the social security appeal tribunal examines and decides rights and benefits. This implied that majority of respondents agree on the issues. The findings concur with Proclamation No. 1268/2022 G.C. Article 46 sub article 1, A beneficiary who is aggrieved by the decision of the Administration made pursuant to Article 54 or Article 55 of this Proclamation shall have the right to lodge an appeal to the Social Security Appeal Tribunal established by Public Servant Pension Proclamation No

1267/2022. Tribunal is an independent body composed of members from different and concerned ministries under the direct control of the council. 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 table 4 of item 14, shows that respondents with mean value of 4.09 rated agree on the agency take legal action against those who do not pay their pension fund contribution. This implies that most respondents agree on the issues. The results are in accordance with Article 12 sub-article 8 of the Proclamation No. 1268/2022 G.C. Under this Article, the Administration shall have the authority to supervise, control, and conduct an audit of private organizations and authorized bodies to gather pension contributions in their office or by requesting that they provide pertinent documentation of the pension contributions collected. Should they fail to pay within the allotted time, the administration may also take legal action.

4.2.5. Pension Fund Investment

Pension funds usually have a positive role in society in different ways. Creating employment opportunities, investing in infrastructure, assisting in the development of the capital market, and financing the country's debt are some of the main contributions.

The Social Security Authority (SSA) has the power and responsibility to manage the pension schemes, including the collection of contributions and payment of benefits, as stated in the Social Security Authority Establishment Proclamation (No. 38/1996). In fact, the SSA has been in charge of both benefit payments and contribution collection since July 1998 (ILO 2001). The income gained from the collected and invested reserve funds, as well as employee and employer contributions, is a source of financing for the schemes.

Modern portfolio theories suggest combining various assets that are inversely associated with their risk-return characteristics in order to achieve a high return with a manageable amount of risk. Even though the fund's investment options are restricted, it is clear that the investment activities have positive effects. One example of how the government finances its major projects is through investment in Treasury bills. Also, there is a lack of precise and comprehensive information regarding the utilization of the investment funds. However, the study assesses the nature of

investment activity, the ways in which restrictions have impacted performance, and the implications for the fund's sustainability.

Table 5: Existing of investment Policy and Guideline

Question	Response	Frequency	Percentage
Is there any investment guideline that gives guide how the fund should be invested?	Yes	36	81.82
	No	4	9.091
	Not sure	4	9.091
	Total	44	100

(Source: Own survey, 2023)

As shown in the above table, the majority of the respondents (81.82%) agreed that there is an investment guideline in the agency that gives guidance on how the pension fund should be invested, while 9.09% of the respondents replied that there is no investment guideline in the agency and the remaining 9.09% of respondents didn't have information about the issue. As the director of the department said, it is worthless to have an investment policy while the Treasury Bill is the exclusive investment of the fund. So the fact that some respondents believe the agency has an investment policy suggests that there is a lack of information within the company.

Table 6: The Existing Policies are Detailed and Exhaustive

Question	Response	Frequency	Percentage
The existing policy/guidelines about pension fund investment are detailed and exhaustive.	Agree	28	63.64
	Disagree	4	9.091
	No opinion	12	27.27
	Total	44	100

Source: Own survey, 2023

As indicated in the above table, the majority of respondents (63.64%) strongly agreed that the current pension fund investment policies are detailed and exhaustive. While 9.09% of respondents

were indifferent, neither agreeing nor disapproving of the existing policy of detailed and exhaustive 9.09% of respondents disagreed with the current policy of pension fund investment.

Table 7: Investment according to policies.

Question	Response	Frequency	Percentage
The investment of the fund is according to the existing guidelines/policies.	Agree	32	72.73
	Disagree	8	18.18
	No opinion	4	9.091
	Total	44	100

(Source: Own survey, 2023)

According to the above table, 72.73% of respondents said they thought the fund's investments were in line with the existing regulations guideline and policies. 18.18% of respondents are disagreed with the issue, and 9.09% of respondents were indifferent, neither agreeing nor disagreeing. Considering that POESSA has a specific investment in the Treasury bill that aligns with the current pension fund proclamation. The majority of the respondents agreed with the assertion that the fund is being invested in accordance with the current norms and procedures, which was validated by the organization's management team.

Table 8: Risk and return

Question	Response	Frequency	Percentage
Does the agency take the risk-return trade-off analysis into account when making investment decisions?	Yes	4	9.091
	No	28	63.64
	Not sure	12	27.27
	Total	44	100

(Source: Own survey, 2023)

The above table shows that the majority of respondents (9.09%) said they thought the agency took risk-return trade-off analysis into account when making investment decisions. Of the respondents, 27.27% were neither in favor of the statement nor against it, while 63.64% disagreed with it. A source who spoke with the agency's investment director claimed that because the agency's investment outlets are well-known and consistent and because it uses a significant amount of its investment fund on Treasury bills, it is unable to take risk-return trade-off analysis into account when making investment decisions. As a result, the agency does not always take this into account. In addition to the massive amount of fund investment in Treasury bills, the majority of deposit investment is on secured government banks, leaving it with no alternatives to evaluate other banks' offers, and the remaining investment asset is a government bond, which is not subject to analysis. This fact means that, as investment directors believe, investing solely in Treasury bills helps to reduce risks. In the same conversation, it was said that the existing rule allows funds to reduce risk by limiting the investment area to Treasury bills and that the fund's concentration on investing in Treasury bills contributes to the safety of the committed funds. Furthermore, the agency highlights Treasury bills as a risk-free asset, making them ideal for pension funds. However, this reasoning ignores a key fact. That is, while the Treasury bill is less risky, it is not free of all risks, such as inflation risk.

Table 9: Measure the investment performance

Question	Response	Frequency	Percentage
Does the agency measure the performance of its investment activities periodically and disclose to the public?	Yes	28	63.64
	No	4	9.091
	Not sure	12	27.27
	Total	44	100

(Source: Own survey, 2023)

As indicated in Table 9, the majority of respondents (63.64%) disagreed with the statement that the agency measures the performance of its investment efforts and discloses them to the public on a regular basis. The respondents stated that the information was made public by the agency through a variety of channels, including newsletters, publications, and other unpublished items. 27.27% of

respondents were unsure whether the agency measures the performance of its investment activities periodically and discloses the results to the public. Of the respondents, 9.09% disagreed that the agency periodically measures its investment performance and then discloses it to the public.

However, interviewees for the director of the investment department explained that, because the agency investment funds are in assets that are considered risk-free government securities, it is unlikely that it does not attempt to evaluate every type of asset. Despite the fact that the agency does not measure the investing operation, because the majority of funds are invested in risk-free government securities, the rate of return is very low, and the fund is receiving a very low return.

Table 10: Earns a sufficient yield

Question	Response	Frequency	Percentage
The invested fund so far earns a sufficient yield?	Agree	8	18.18
	Disagree	36	81.82
	No opinion	0	0
	Total	44	100

(Source: Own survey, 2023)

As shown in Table 10, majority of respondents (18.18%) argued that the invested pension fund has provided a sufficient yield, whereas 81.82% of respondents disagree. Those who disagree explain that the agency's high portfolio concentration in short-term assets, which yield low returns, is the reason behind its insufficient investment yield, as is its tendency to prioritize safety over profitability. They also point out that the agency's investment areas are limited and that the investment is made on Treasury bills, which have a low return.

Table 11: Current financial market and diversification potential

Question	Response	Frequency	Percentage
The current financial market development of the nation constraint the diversification potential of the agency.	Agree	20	45.45
	Disagree	12	27.27
	No opinion	8	18.18
	Total	44	100

(Source: Own survey, 2023)

As it is shown in Table 11, twenty (45.45%) of the respondents agreed on that the current financial market development of the nation constraint the diversification potential of the agency. As the respondents replied, if there were a more organized financial market, specifically the securities market, it would be easy for the agency to participate and diversify its portfolio. They added that the agency would not concentrate on short term assets that yield low returns if there were various investment outlets. Twelve (27.27%) of the respondents disagree that the current financial development of the nation has the potential to meet the investment capacity of the agency. They also said that, the financial sector has the potential for providing assets like demand deposits and, shares, therefore it's agency investment strategies and, government intervention that constraint the diversification potential of the agency. 8 (18.18%) of the respondents not sure about the statement. Even though the respondents had given different responses regarding the current financial market development of the nation constraint the diversification potential of the agency, all of them agreed on the advantages brought by developing the financial market of the nation. They said that it would increase the asset types available for investment and increases the liquidity of the already invested assets.

Table 12: Opportunity for the pension fund investment

Question	Response	Frequency	Percentage
Do you think that there will be more opportunity for the pension fund investment in Ethiopia in the future?	Yes	36	81.82
	No	0	0
	Not sure	8	18.18
	Total	44	100

(Source: Own survey, 2023)

As indicated in the above table, majority of the respondents (81.82%) expressed their perception that there will be more opportunity for the pension fund investment in Ethiopia in the future, while 18.18% of respondents had expressed their disagreement on the statement. Interviewees from the director of the investment believe that there are untouched investment alternatives such as time deposits, government bonds, real estate, bank shares, and so on. As she stated, it was tested in the

agency some years ago and no problems were seen; however, it was revoked by Ministry of Finance directions and the investment was made on Treasury bills for safety reasons. This has implied that the government desires to fund itself.

When determining an unutilized investment opportunity, especially for pension fund investment, assess the most significant fund investing principles: safety, yield, liquidity, and interest. Because the fund is raised from ordinary citizens and is, after all, a trust fund, the subject of safety should be emphasized. Though no investment is fully risk-free, investing in assets such as treasury bills and government bonds is preferable to minimizing risk factors. However, risk may be reduced not only by investing in risk-free assets, but also by diversifying (ISSA, 2005).

To obtain a high yield, funds must be invested in a high-returning sector, which is usually associated with a high level of risk. As a result, investors expect a large return. Liquidity is another consideration for selecting investment portfolios that may be quickly converted to cash. Therefore, in order to find unutilized investment possibilities, the researcher asked selected POESSA workers and the POESSA investment directorate to identify unutilized pension fund investment prospects. Time deposits in banks, real estate development, purchasing government bonds, forming commercial banks or insurance firms, purchasing shares from existing companies, and building a residence to rent are among the options proposed. As a consequence, when asked why they chose the investment alternatives they proposed, respondents stated that assets such as real estate and time deposits have lower risk and higher returns than the investment portfolios that POESSA now uses. Others feel that there is no greater return without a bit more risk, that it has been attempted, and that it did provide a better outcome.

Chapter Five

5. Summary, Conclusion and Recommendation

After analyzed and interpreted the data secured from questionnaires, documents and interviews the following summary, conclusion and recommendations are made.

5.1. Summary

The main purpose of this study is to assess the current practical challenges and opportunities of pension fund administration in private organization employee's social security agency. In order to achieve the purpose of this study were summarised as follow:

The majority of employees in this organization hold bachelor's degrees (84%) compared to those with master's degrees (16%). Experience-wise, nearly half of them (45%) have five or fewer years of experience, while slightly more than half (55%) have five to ten years of experience. The departmental distribution shows that 73% work in pension benefits and contributions, while 27% are in investments and funds. Overall, there is strong agreement among respondents (mean values of 3.73) regarding the provision of awareness and skill development training for managing pension funds, as well as awareness of policies and guidelines governing pension fund administration. Additionally, employees perceive that training on pension fund investments is adequately provided, with a mean value of 3.55. These findings highlight a well-educated workforce with varying levels of experience, predominantly concentrated in pension management roles, and positive perceptions regarding training and policy awareness related to pension funds.

Respondents expressed concerns and perceptions across various aspects of the agency's operations related to pension fund administration. They strongly believe (mean value of 4.0) that the lack of modern information and communication technologies significantly impacts their regular job activities. There's a mixed view on clarity regarding the agency's execution of pension fund administration, with a mean rating of 3.18 indicating some uncertainty. Respondents also perceive (mean value of 3.18) that international regulations, such as those from ISSA, directly influence decisions regarding pension fund administration. There's uncertainty (mean rating of 2.73) regarding the potential impact of the absence of experienced personnel on daily operations. However, internal personnel turnover (mean rating of 3.64) and the influence of instructions and

manuals (mean rating of 3.55) are seen as significant factors affecting daily operations. The functional support of software in the pension administration system (mean rating of 3.64) and the direct impact of banks (mean rating of 3.50) and private employers (mean rating of 4.00) on daily operations are also acknowledged by respondents. Furthermore, there are concerns about the accuracy of personal information handling by businesses (mean rating of 3.64) and issues with pension benefit payment services provided by banks (mean rating of 3.73). These findings reflect a nuanced perception of challenges and influences within the agency's operational environment related to pension fund management.

Respondents provided a range of opinions and perceptions regarding various aspects of pension fund administration and related practices. They strongly agreed (mean rating of 4.27) that pension benefit payments should not exceed 70% of the average employee wage due to concerns it creates. There was uncertainty (mean value of 2.91) among respondents regarding whether providing benefits for accidents (incapacity benefits) is desirable. Many respondents agreed (mean rating of 3.82) that current pension fund regulations need amendments and that these regulations effectively reduce risks (mean rating of 3.82). There was strong agreement (mean rating of 4.09) that strict restrictions on pension fund rules and regulations are essential for maintaining the viability of pension fund administration. Respondents also noted positive impacts from banks in lightening the agency's workload through pension benefit payment services (mean rating of 4.00). Additionally, there was consensus (mean ratings ranging from 3.64 to 4.09) on the importance of effective management practices, regular assessments, and legal actions to ensure compliance and efficiency in pension fund administration. These findings highlight varied perspectives on policy, regulation, operational effectiveness, and external influences within the agency's pension management practices.

Respondents provided insights into various aspects of the agency's pension fund investment practices and perceptions. The majority (81.82%) acknowledged the presence of investing guidelines that outline how pension funds should be invested. Additionally, a significant proportion (63.64%) strongly agreed that the existing pension fund investment policies are comprehensive and precise. Most respondents (72.73%) expressed confidence that the fund's investments adhere to current guidelines and rules, while a similar majority (63.64%) believed that the agency considers risk-return trade-offs in its investment decisions. Respondents noted that the

agency communicates investment-related information through multiple channels, including newsletters and periodicals. However, a substantial majority (81.82%) expressed dissatisfaction with the returns generated by the invested pension fund. Furthermore, nearly half of the respondents (45.45%) felt that the agency's ability to diversify investments was constrained by the development of the nation's financial markets. These findings underscore perceptions regarding transparency, policy effectiveness, investment strategies, and market constraints within the agency's pension fund management.

5.2. Conclusion

- According to the majority of respondents, a lack of modern information has had a significant effect on regular job tasks. According to them, the old software reduces the ability to employ other system features for efficient service delivery and data exchange quality, which are expected to improve both the efficiency and quality of interactions between pension providers and their members.
- The study shows that the agency's everyday operations are directly challenged by internal personnel turnover, and the agency's everyday operations would be adversely affected by the absence of experienced professional personnel. A lack of competent individuals is a barrier to pension fund administration, which is closely related to economic issues such as insufficient payments, benefits, overtime, and reward plans. On top of that, they require credible benefits and higher job security to drive customer satisfaction and effective pension fund administration performance. In addition, the majority of respondents uncertain about work performance measurement methods and highlighted that considering the scarcity of experienced investment specialists, particularly given the directorates' staff's lack of financial sector investment experience.
- The finding shows that banks have challenge on the agency's day-to-day operations. Currently banks are lightening agency's workloads by providing pension benefit payment services. However, there are problems with banks' efficient pension benefit payment services.

- A majority of respondents agreed that, in order to avoid raising concerns, pension benefit payments should not exceed 70% of the average employee income. Also, respondents were undecided on the desirability of providing accident benefits (also known as incapacity payments). Furthermore, the majority of respondents believed that several of the regulatory directives lack clarity to carry out certain obligations successfully and the present pension fund regulation needs to be revised.
- Externally, the private employers have challenges on the agency's day-to-day activities. Respondents were uncertain about private employers' capacity to provide accurate information about their employees and their ability to make timely monthly pension fund payments. According to the answer, the change in pensioners' wage increased the agency's burden since certain private firms commonly make mistakes while organizing and filling out employees' personal information.
- Majority of respondents reject the idea that the invested pension fund has generated an adequate return and agreed that restrictions on PF rules and regulations are crucial to preserving the viability of pension fund administration also they felt that the agency's capacity for diversification was constrained by the nation's existing financial market development. The finding indicates that high concentration of fund on treasury bill which showed low market return and agency prioritizing on safety more than profitability and could be the reason for the insufficient yield on pension fund investment.

5.3. Recommendation

- The research recommended the Agency to expand its IT infrastructure, digitalize pension records, and introduce information technology for both collection and payment, which will help improve daily work activities. Modernized its software to increase its capacity to use other system functions for efficient service delivery and data exchange quality. Providing standardized software could form a basic database system that gives reporting functions and collects basic information from private employers, including beneficiary information, length of service information, and salary and contribution information.

- To decrease professional and experienced staff turnover, the agency must select the right candidates and be clear about the organization's culture, clarifying potential employees how the firm truly runs and assigning adequate cash for training and development programs. As a result of this, the agency must understand its employees' needs and implement specific strategies to improve employee performance and reduce turnover, such as providing training, job involvement, job satisfaction, rewards and benefits, high job engagement, good management systems, and high employee participation. It is more beneficial for the human resource system to develop employee competence, motivation, and opportunity in order to produce long-term employee performance.
- Banks should also be informed and communicated with in order to work diligently toward providing quality services and their customers' satisfaction. In particular, the provision of reserved places for weak and handicapped people, humanity, honor, and dignity for pensioners, and the verification of pension benefit payments in accordance with payday lists should be the focus of the bank branch's attention. Together with giving the bank the responsibilities for lightening pension fund administration processes, the agency should give special attention and value to pensioners concerning pension fund payments and other services provided by banks.
- It is suggested that there should be comprehensive and detailed pension fund regulation, so that the agency shall collaborate with concerned bodies and various concerned stakeholders to bring some of the article's amendments to the existing pension fund regulation and address various types of claims.
- To build strong links, the agency should be given specific attention and value for employers, pensioners, and other interested parties. It is suggested that effective tools for pension fund administration be implemented, such as interactive websites that allow users to share information with other participants and check the status of their accounts. It would also serve as a line of communication between POESSA and its clients, potentially saving time by eliminating the need for staff members to repeatedly answer the same questions.
- Even in its present condition, the agency might think about making real estate, private equity, and government-owned businesses like airlines and telecoms investments. As the

pension fund's responsible administrator, the POESSA should make diversity one of its guiding principles when making investment decisions because it allows the agency to consider assets with reasonable risk and a high return.

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Appendixes

Addis Ababa University College Business and Economics

Questionnaire to be filled by Employees working at POESSA

Dear respondents:

The information obtained will be used to complete a research paper that will be submitted to Addis Ababa University College of business and economics, as a partial fulfillment of the award master's degree of Business Administration. 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.

General Information

1. Educational background

Diploma Degree Masters PHD and above

2. Current position

Managerial Professional

3. How long have you worked for the Organization?

1-5 years 5-10 years 11-20 years above 20 years

5. Which Department are you working in?

Administration and Finance ICT Internal Audit

Pension benefit payment, contribution and registration

Others (specify) _____

6. What is your position in the department?

Pension contribution revenue expert Registration expert

Administration and Finance expert pension benefit payment expert

Others _____ (specify)

Research Related Questions

The following questions have 5 options of stands which '5' for strongly agree, '4' for agree, '3' for undecided, '2' for disagree, and '1' for strongly disagree.

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

Part I: Availability of Information about Pension Fund Administration Guideline and Directives.

No.	Item	5	4	3	2	1
1	Awareness and capacity building training are regularly given to employees on how to practices pension fund administration					
2	Employees have awareness and information regarding to pension fund administration policies, guideline and directives					
3	Training and orientation are given on pension fund investments					

Part II: Challenges on Organization of the Pension Fund Administration

No.	Item	5	4	3	2	1
1	Shortage of updated information technologies and software's have great impacts on daily work activities					
2	Pension fund administration implementation in the office lacks clarity.					
3	Some international guidelines like ISSA's has direct effect on the pension fund administration decisions making					
4	There is lack of experienced professional					
5	Employee's turnover has direct challenge on daily work activities of the office.					
6	Directives, manual have internally direct challenges on daily work activities of the office.					
7	Pension administration system software is provided functional services.					

No.	Item	5	4	3	2	1
8	Banks have direct challenge on daily work activities of the office.					
9	Private employers have direct challenge on daily work activities of the office					
10	Some employers have made frequent errors when organizing and filling out employees' personal information.					
11	There are some problems with pension benefit payment services provided by banks and post offices.					

Part III: Operational Knowledge about Practice of Pension Fund Administration

No.	Item	5	4	3	2	1
1	It is reasonable that the amount of pension benefit payments not exceed 70% the average salary for the total service year.					
2	Provision of benefits due to accidents (Incapacity Benefits) is not attractive.					
3	Existing pension fund regulation needs amendments.					
4	Existing pension fund regulation minimizes risks.					
5	Restriction on PF policies and regulations are important to maintain the sustainability of the pension fund administration.					
6	Employer has provided full information about their employees					
7	Most employers currently able to transfer monthly pension fund contributions on time					
8	Nowadays work performance is measured based on standard evaluation methods					
9	Currently banks and post office reduce much workloads by providing pension benefit payment service					
10	Nowadays works performance is measured based on customer service evaluation method					
11	The pension fund administration practice at branch office is excellent.					

12	The Agency evaluate the performance of pension fund administration periodically.					
13	Change in pensioners salary increment added the agency's work load					
14	Social security appeal tribunal examines and decides rights and benefits					
15	The agency take legal action against those who do not pay their pension fund contribution.					

Part IV: Pension fund investment

1. Is there any investment guideline that gives guide how the fund should be invested?
A. Yes B. No C. Not sure
2. The existing policy/guidelines about pension fund investment are detailed and exhaustive.
A. Agree B. Disagree C. No opinion
3. The investment of the fund is according to the existing guidelines /policies.
A. Agree B. Disagree C. No opinion
4. Does the agency consider risk-return trade off analysis in its investment decisions?
A. Yes B. No C. Not sure

If 'No' why?

5. Does the agency measure the performance of its investment activities periodically and disclose to the public?
A. Yes B. No C. Not sure
6. Does the invested fund so far earn a sufficient yield?
A. Agree B. Disagree C. No opinion

If you disagree what is the reason? _____

7. The current financial market development of the nation constraint the diversification potential of the agency.

policies, guideline, and directives?

2. Do you agree the implementation of pension fund administration in the agency lacks clarity on the policy and guidelines? Why? What should be done to improve it?
3. Does the agency conduct a regular follow up to check the implementation of pension fund administration in the organization? How often? When?
4. How do you measure the effective implementation of the pension fund administration in the organization? When (annually, quarterly, monthly)?
5. Is there a necessity of involving stakeholders in the issuing of pension fund administration? If yes, why?
6. Do you agree a lack of strong linkages among different stakeholders such as zonal and woreda municipals' and administers? It may causes improper implementation of pension fund administration. What should be done to improve it in the future?
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?
8. Do you think that the agency will face a challenge in the future related to investment practices? If Yes, please list out all the challenges.
9. 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?