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Pension Reform Act of 2014 In Nigeria: A Comprehensive And Critical Appraisal

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Abstract: *The Pension Act seeks to make funds in the Retirement Savings Account under the Contributory Pension Scheme more easily accessible to retirees. The reason is that the retirees rather than enjoy retirement after selflessly serving their father land have continued to live in misery and pain, leading to diseases and even death as they cannot easily access their benefits. The 2014 Act marks the pivotal role in the development of Nigeria's evolving pension landscape and reflecting the government's commitment to creating a sustainable and equitable system for the country's workforce, means that much is expected to be achieved. The significant challenges which include issues related to the enforcement of compliance, the effectiveness of PenCom's oversight, the transparency of pension fund administration and the adequacy of the benefits provided under the current system still persist. The Act's impact on both the formal and informal sectors raises questions about its inclusivity and long-term sustainability. This critical appraisal seeks to delve into the complexities of the Pension Reform Act of 2014, examining its achievements, shortcomings and the broader implications for pension administration in Nigeria. This study aims to provide a comprehensive evaluation of the Act's effectiveness in meeting its objectives. The methodology adopted by this work is doctrinal method of legal research, adopting analytical approach in examining the extant laws and literature. The source of data collection for this work are primary sources of law such as the Constitution of the Federal Republic of Nigeria, statutes and conventions, case laws and secondary sources of laws such as internet materials, journals articles and textbooks of renowned authors, a comprehensive analysis of relevant statutes, international legal instruments, case laws, journal articles and others.. The work found that the Pension Reform Act of 2014, with some achievements is bedeviled with a lot of shortcomings which have broader implications for pension administration in Nigeria. The legislative intent, the practical outcomes and the ongoing challenges outweigh the gains. The research recommend that the National Pension Commission (PenCom) must enhance its oversight functions by enforcing stricter compliance measures among employers and Pension Fund Administrators (PFAs), ensuring that all parties adhere to the mandatory contribution rates and other provisions. There should be more frequent audits, heavier fines for non-compliance and real-time monitoring of pension contributions to prevent mismanagement and secure the financial future of retirees*

Keywords: Pension, Pension Reform Act, Retirement, Administration

1.0 Introduction

The Pension Reform Act,[1] signed into law by President Goodluck Jonathan, represents a significant overhaul of the pension system in Nigeria. It repealed the Pension Reform Act No. 2 of 2004, with the intent to address the gaps in the previous legislation and strengthen the regulatory framework governing the contributory pension scheme in both public and private sectors.[2] The Act is a critical component of Nigeria's social security architecture, aiming to ensure that employees have a secure retirement through a sustainable and well-regulated pension system.

The Pension Reform Act of 2014 marks a pivotal development in Nigeria's evolving pension landscape, reflecting the government's commitment to creating a sustainable and equitable system for the country's workforce. This Act was enacted to address the systemic flaws and administrative inefficiencies that plagued the previous pension regimes, including issues of mismanagement, corruption and inadequate coverage that left many retirees financially vulnerable. By introducing mandatory contributions, setting stringent regulatory frameworks and establishing the National Pension Commission (PenCom) as a robust supervisory body, the Act aimed to overhaul the pension system, ensuring greater accountability and financial security for retirees.[3]

Despite the ambitious goals of the Pension Reform Act of 2014, its implementation has been met with mixed results. While the Act has succeeded in expanding pension coverage and promoting a savings culture among Nigerian workers, significant challenges

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[1] Pension Reform Act (PRA) of 2014, signed into law by President Goodluck Jonathan on July 1, 2014 which governs and regulate the administration of the uniform contributory pension scheme for both the public and private sectors in Nigeria.

[2] PRA, Act, 2014, s.117(1)

[3] PRA, Act, 2014, s 1

remain.[4] These include issues related to the enforcement of compliance, the effectiveness of PenCom's oversight, the transparency of pension fund administration and the adequacy of the benefits provided under the current system. Furthermore, the Act's impact on both the formal and informal sectors raises questions about its inclusivity and long-term sustainability. It is no longer a child's play that retirees rather than enjoy retirement after selflessly serving their fatherland have continued to live in misery and pain, leading to diseases and even death as they cannot easily access their benefits.[5]

This critical appraisal seeks to delve into the complexities of the Pension Reform Act of 2014, examining its achievements, shortcomings, and the broader implications for pension administration in Nigeria. By analyzing the legislative intent, the practical outcomes, and the ongoing challenges, this study aims to provide a comprehensive evaluation of the Act's effectiveness in meeting its objectives. Additionally, it will explore the potential areas for reform, offering recommendations to enhance the efficiency and fairness of the pension system, thereby ensuring that it adequately serves the needs of Nigeria's growing and diverse population of retirees.

Key Provisions and Changes

1. Objectives

By virtue of Act[6], the objectives of the Act are to establish a uniform set of rules, regulations and standards for the administration and payment of retirement benefits for those in the public service of the Federation, Federal Capital Territory (FCT), State Government, Local Government Councils and the private sector; also make provisions for the smooth running of the Contributory Pension Scheme; ensure workers of all sectors receive their retirement benefits as and when due; assist improvident individuals by ensuring that they save so as to cater for old age.[7]

2. Scope and Applicability

The 2014 Act[8] expanded the mandatory participation in the Contributory Pension Scheme (CPS) to include all employees in the public sector and those in private organizations with 15 or more employees. This is an increase from the previous threshold of five employees.[9] For private organizations with fewer than three employees, participation is voluntary, guided by regulations from the National Pension Commission (PenCom).[10] Certain categories of person are however exempted from the scheme; the members of the Armed Forces, the intelligence and secret services of the Federation[11] and any employee who is entitled to retirement benefits under any pension scheme existing before the 25th day of June and as at the date had 3 years or less to retire.[12]

In the same light, Professors covered by the Universities (Miscellaneous Provisions) (Amendment) Act 2012 and category of political appointee entitled by virtue of their terms and conditions of employment are to retire with full benefits.[13] I personally do not see a reason why these categories of persons are deemed special and have to retire with their full benefits.

However, the Act is silent on private organizations with more than three but fewer than 15 employees, creating a gray area that requires clarification.

3. Establishment/Functions of the National Pension Commission

Section 17 establishes the National Pension Commission (PENCOM)[14]; the Commission is a body corporate which has perpetual succession and a common seal; it can sue and be sued in its own corporate name. The head office is located at the FCT and it can open branches in other parts of Nigeria. The Commission reports directly to the President of the Federal Republic of Nigeria. This section highlights the fact that PENCOM is a body that has statutory backing, as it does not exist in isolation; thus, has the full force of the law.

The principal objects of the Commission are to enforce and administer the provisions of the Act, coordinate and enforce all other laws on pension and retirement benefits; regulate, supervise and ensure the effective administration of pension in Nigeria.[15] This

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[4] *National Pension Commission v Kaduna Electricity Distribution Company*, NICN/KD/37/2023 delivered on 16th July, 2024, where the question is whether by the combined effects of the provisions of section 11(3)(a) and (b) of the PRA,2014,the employer can deduct its employees monthly contributions and refuse to remit same the respective RSAs. See also, *National Pension Commission v Fradro Internal Ltd*, in NICN/ABJ/384/2019, delivered on 28th June, 2022.

[5] National Assembly of Nigeria, News Post, https://nass.gov.ng The National Assembly made a move here considering the difficulties retirees encounter to raise the bulk withdrawal to 50%

[6] Pension (PRA) Act,2014, s 1

[7] Ibid.

[8] *Ibid* s2

[9] Pension Reform Act 2004, s1(b)

[10] P R Act 2014, s2(3).

[11] PR Act, 2014, s 5, Constitution of the Federal Republic of Nigeria 1999 as amended, s 291.

[12] *Ibid* Section 5(b).

[13] Section 6(2).

[14] It was first established under the 2004 PRA by virtue of Section 14(1).

[15] P R Act 2014, s18.

shows that PENCOM is the apex regulatory body as far as pension administration in Nigeria is concerned and the question arises, how well is PENCOM fairing is the major reasoning for this research.

Some functions of the Commission such as regulation, supervision of the scheme; issuance of guidelines, rules and regulations for investment and administration of pension funds; approval, licensing, regulation, supervision of PFAs and PFCs; maintenance of national database on pension matters; carrying out public awareness, enlightenment on the scheme; receiving, investigating and mitigating complaints of impropriety against PFAs, PFCs or employers, amongst others are encapsulated in Act.[16] PENCOM can thus, be likened to the General Overseer of pension matters as a pastor is to a church!

The Commission is not only saddled with several responsibilities, it equally has powers[17] to carry out its functions such as formulating, directing, and overseeing the overall policy on pension matters in Nigeria; fixing terms and conditions of service and remuneration of the employees of the Commission. PENCOM can at any time request for information from any employer or PFA or PFC on matters relating to retirement benefits.

Furthermore, the Commission can investigate any PFA or PFC or other partied involved in the management of pension funds; impose administrative and civil sanctions or fines on erring employers or PFAs or PFCs; order the transfer of management or custody of all pension funds from one PFA to another. It can also accredit any person, body corporate or institution that engages in any activity relating to pension matters in accordance with the Act.[18] PENCOM has a lot of powers to achieve its functions and objects; but how well are the powers utilized? Is PENCOM a toothless bulldog?

The PRA 2014 succinctly posits that pension funds shall only be managed by PFAs licensed by PENCOM.[19] This is to ensure that credible people are those administering and managing pension funds. The PFAs are licensed to open RSAs for all employees with a PIN attached thereto; invest and mange pension funds and assets; maintain books of account on all transactions that are pension-related; give periodic information on investment strategy, market returns and other performance indicators to the Commission, employees or beneficiaries of the RSA.

4. Contribution Rates

The Act increased the minimum contribution rates to the pension scheme. Employers are required to contribute at least 10% of an employee's monthly emoluments, while employees contribute a minimum of 8%.[20] The definition of "monthly emoluments" was broadened to include all payments stated in the employee's contract of employment, provided they are not less than the sum of the employee's basic salary, housing, and transport allowances.[21] This broader definition has led to some confusion and calls for further clarification from PenCom.

5. Group Life Insurance Policy

The Act requires employers to maintain a Group Life Insurance Policy for employees, with a minimum coverage of three times the employee's annual total emoluments.[22] This provision ensures that employees' dependents receive some financial support in the event of the employee's death while in service.

6. Penalties and Offenses

The 2014 Act introduced stricter penalties for non-compliance and offenses related to pension fund management.[23] It criminalizes attempts to commit offenses under the Act, with penalties equivalent to those for the completed offenses.[24] For example, misappropriation of pension funds now carries a penalty of 10 years imprisonment, a fine of three times the amount misappropriated, and forfeiture of any property acquired with the misappropriated funds.[25] Additionally, Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs) face hefty fines for violations, including a minimum of N5 million for reimbursing employees who have been fined under the Act.[26]

7. Pension Protection Fund

The Act established a Pension Protection Fund to provide a safety net for contributors.[27] This fund is supported by a 1% annual subvention from the federal government's total wage bill, an annual pension protection levy determined by PenCom, and income

[16] PR Act, 2024, s 23.
[17] Ibid, s 24.
[1818] PR Act, 2014, s94
[19] P R Act 2014, s54.
[20] *Ibid*, s4(1).
[21] *Ibid*, s120
[22] *Ibid* s9.
[23] Ibid,, Part XIV.
[24] *Ibid* s99(2).
[25] *Ibid* s100.
[26] *Ibid*.
[27] *Ibid*, s82(1).

generated from investments.[28] The fund is designed to guarantee a minimum pension and compensate contributors for any shortfalls in pension fund investments, thus providing additional security for retirees.

8. Withdrawal from Retirement Savings Accounts

The Act allows contributors who disengage from employment before the age of 50 to withdraw up to 25% of the balance in their Retirement Savings Account (RSA) if they are unable to secure another job within four months of disengagement.[29] This provision is particularly relevant in a country with high unemployment rates, offering some financial relief to those who are temporarily out of work.

9. Governance and Administration

The qualifications for the position of Director-General of PenCom were revised under the 2014 Act. The required years of cognate experience were reduced to 10 years,[30] expanding the pool of eligible candidates.

10. Tax Exemptions

The Act maintains the tax-exempt status of pension contributions, returns on investments, and benefits.[31] This is consistent with the repealed Act and is intended to encourage savings towards retirement by ensuring that contributors do not lose any portion of their pension to taxation.

11. Dispute Resolution

The Act gives jurisdiction over pension-related disputes to Federal and State high courts, including the National Industrial Court.[32] This broader jurisdiction is intended to facilitate quicker resolution of disputes, ensuring that contributors can enforce their rights without undue delay and to avoid jurisdictional issues that may come up concerning state and local Government pensions.

12. Insurance Cover

When an employee dies,[33] his entitlements under the life insurance policy maintained under this Act shall be paid by an underwriter to the named beneficiary in accordance with the provisions of Section 57 of the Insurance Act, 2003. This provision of the Act brings to limelight that the insurance companies, in particular life insurance companies have a crucial role to play in pension administration in Nigeria because the beneficiaries of the pensioners have a right to claim for cover in the event of death of the contributor.

In addition to the insurance cover, once a valid Will admitted to Probate or a Letter of Administration is received by the PFA, with the approval of the Commission, he is to release the amount in the RSA of the deceased to the personal representative or to a person as may be directed by a court of competent jurisdiction. This ensures that not just anyone is paid but the approved beneficiary is paid.

13. Retirement Savings Account/Pension Fund Administrator

It must be emphasized that every employee is mandated by the Act to maintain an account called the Retirement Savings Account (RSA) and in addition to this, the employee has a right to choose any PFA of his choice. The employee should also notify his employer of his PFA and the identity of his RSA opened.[34] This RSA is where the contributions will be paid into it is similar to a savings account in a bank but different in so many ways, for example, the pensioner cannot withdraw money from this RSA as he likes unlike in a bank savings account where he can.[35]

By Section 13, a holder of an RSA can transfer his account from one PFA to another but not more than once a year. This it must be said is a remarkable improvement upon the CPS because as it gives the pensioner the right to change his PFA, it also makes the PFA to sit up and be more up and doing.

Under this Act, it is also possible for retirement entitlements to be transferred from DBS into the CPS in the case of employees under any pension scheme existing before the commencement of the Act and had over three years to retire. This is a good improvement for as many who wish to benefit under the new scheme.

The PFAs also calculate retirement benefits, pay retirement benefits, to holders of RSA and provide customer service support such as giving employees access to account balances and statements of account.[36]

Before a person can operate as a PFA, the person needs to apply to the Commission for a licence and if the Commission is satisfied that the person has met the requirements in the Act[37], the licence to operate as a PFA shall be granted.[38] The Commission is charged with the responsibility of ensuring proper scrutiny of applicants that will operate as PFAs. If any person acts as a PFA without

[28] *Ibid* s82(2).
[29] *Ibid*s7.
[30] Pension Reform Act 2014s20.
[31] *Ibid* s10.
[32] *Ibid*, s120.
[33] *Ibid* s8(1).
[34] PR, Act 2014, s11.
[35] Section 16 provides adequately for withdrawals from RSA.
[36] P R, Act 2014, s55.
[37] Ibid, s 60
[38] *Ibid* s58.

licence, the person commits an offence and is liable on conviction to a fine of not less than N10,000,000 or to a term of not less than 10 years or to both fine and imprisonment.[39]

All pension funds and assets shall only be held by PFCs licensed by the Commission.[142] This is to prevent unauthorised persons from having access to pension funds. The PFCs play active roles in the pension administration by receiving the total contributions remitted by the employer under Section11 and credit the account of the PFA immediately.[40] Once the PFCs receive contributions, they notify the PFA within 24hours. The PFCs are constructive trustees for the employees because the contributions are not to be used by the PFCs for their personal benefit, rather they are to hold the funds and asset in safe custody on trust for the employees.

The PFCs also report to the Commission on matters relating to assets being held by them on behalf of any PFA and undertake statistical analysis on the investments and returns on investments of the pension funds in their custody. A PFC provides data and information to the PFA and the Commission. All pension funds and assets shall only be held by PFCs licensed by the Commission.[41] This is to prevent unauthorised persons from having access to pension funds. A duty of confidentiality is upon the PFAs and PFCs as regards information received by them.[42] Pension funds and assets are also exempted from liquidation process or garnishee proceedings.[43]

Part XII of the Act provides adequately for the investment of the pension funds in such a manner that safety and maintenance of fair returns on amount invested can be achieved.[44] The various modes of investment of pension funds which range from bonds, bills, securities issued by the Federal Government and the Central Bank of Nigeria; States and the Local Government; bonds debentures, redeemable preference shares and other debt instruments issued by corporate entities and listed on a Stock Exchange; ordinary shares of public limited companies; bank deposits and bank securities; real estate development investment; units sold by open-end investment funds; investment certificates of closed-end investment fund and specialist investment funds and other instruments as may be approved by the commission.[45]

3.5 Trust as a unique Element of the Pension Reform Act 2014

Trust has been defined as a relationship that comes into existence when a trustee holds property (either real or personal) for the benefit of another called the beneficiary or objects of trust and the benefits accrue to the beneficiaries or object of the trust.

Trust has also been judicially defined by Fabiyi JSC(as he then was) in *Anthony Ibekwe* v *Nwosu* [46], as he stated:

> Trust, simpliciter, is the right enforceable solely in equity to the beneficial employment of a property to which another person holds the legal title. It is a property interest held by one person at the request of another (the settlor) for the benefit of a third party (the beneficiary). For there to be a valid express trust, the three certainties must be present that is certainty of intention, subject and object.[47]

The PRA 2014 creates a statutory trust by virtue of Section 57(c) where it provides that a PFC shall hold funds and assets in safe custody on trust for the beneficiaries of the retirement savings account and Section 62(d) which makes a provision that a PFC must undertake to hold pension fund assets to the exclusive order of the Pension Fund Administrator on trust for the employees. It is fundamental that the PFC must avoid all forms of conflict of interests and shall not utilize any pension fund or asset to meet its own financial obligation to any person was clearly provided.[48]

The trust created under the Act is different from the pension trust created under the common law.[49] Under the common law trust, the employer is generally under no obligation to create a pension scheme for the employees.[50] The employer is however, the settlor of the trust, but under the PRA 2014, 'the PFA is the settlor who vests the legal estate to the fund on the PFC by way of a custodial contract'[154]

Also, it must be stated that while the classical trust is based on the contract of employment and the terms of the trust deed[51] this means that the employer exercised lot of discretion as regards the operation of the pension trust; under the Act, the Pension trust is governed by the PRA 2014 and PENCOM Guidelines.[52]

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[39]*Ibid* s59.
[40]*Ibid* s57.
[41]P R, Act 2014, 56.
[42]*Ibid*, s113.
[43] Section 116 (2 & 3).
[44] Section 85.
[45] Section 86.
[46]*Anthony Ibekwe* v *Nwosu* (2011) 9 NLR p 14, paras F-G.
[47]*Charity Commission for England and Wales* v *Framjee* (2014) EWHC p 2507 cited in the case.
[48] Section 70(2). Under section 71, acts capable of jeopardizing the interest of the beneficiaries were forbidden.
[49] This is only used to refer to the rules and nature of pension trust developed by the English courts.
[50] Alastair Hudson, *Equity and Trusts*, (4th Edition London: Routledge Cavandish, August 2005) p993
[51]*Mettey Pension Trustees Ltd* v *Evans* (1991) 2 All ER 513 at 537.
[52]N Oji, *An Appraisal of the Concept of Trust in the Nigerian Pension Reform Act 2014* <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2820246> accessed 14stAugust, 2024.

In addition to the aforementioned points, it must be noted that under the traditional pension trust, the trustees had a wide range of powers, but under the Act, the powers of the trustees (the PFCs) have been reduced. The PFC only has the duty to hold the pension funds and assets in trust on behalf of the beneficiaries (the employees). The PFCs are bare trustees and are also constructive trustees because they are in a fiduciary relationship with the employees and they must not breach their trust.

A good example of a traditional trustee having wide range of powers was exemplified in *Merchant Navy Ratings Pension Trustees Ltd* v *Stena Line Ltd and Ors*[53] One major importance of the element of trust in the Pension Reform Act is that in the event of breach of trust, tracing is possible.

3.6 Agency relationship under the Pension Reform Act 2014

What is agency? Agency is a relationship between two persons; one called the principal who may expressly or by implication consent that the other person called agent should act on his behalf. The agent on the other hand too agrees to act on behalf of the principal.[54] An agency can be created expressly or impliedly or by agreement.[55]

Under the Act, the PFA is an agent of the employee who is the principal. The PFA as an agent of the employee engages in risk management and investment strategy.[56]

4. Challenges

While the Pension Reform Act of 2014 introduced significant improvements to Nigeria's pension system, it is not without its challenges. The broader definition of "monthly emoluments" and the absence of clear guidelines for small employers (with 3 to 15 employees) create uncertainties that could hinder uniform compliance and enforcement. The employees of organization with less than 3 employees as well as self employed persons can voluntarily participate in the CPS under the Micro Pension Plan (MPP).

Furthermore, while the increased penalties for misappropriation and non-compliance are a step in the right direction, the effectiveness of these provisions depends heavily on robust oversight by PenCom and the judiciary. Where this is not the case, the Pension Administrators will be benefiting at the expense of the pensioners who continue to suffer neglect, for instance, the Director General of penCom once proudly announced that as at 31st July 2021,that they have an accumulated assets of #12.78 Trillion. This announcement came even as the owners, Nigerian pensioners were dying of hunger, disease and deprivation.

The provision of heavier punishment by the legislature was to deter pension partners against mismanagement and discourage corruption in the pension industry in Nigeria. The probe and prosecution of Abdul –Rashed Maina, the chairman of the Presidential Pension Reform Task Team, which was set up to restructure the pension system in Nigeria and the mismanagement of the Police Pension Fund are instances where the grievousness of pension related offences are yet to be established. The option of fine no matter the amount should be removed to send a strong message to the stakeholders.

The creation of the Pension Protection Fund is a positive development, offering a financial safety net for contributors. However, the sustainability and effectiveness of this fund will depend on consistent contributions from the federal government and prudent investment strategies. As it stands today, while safeguarding the future by boosting the retirement benefits of workers there is a neglect of what the employee takes home after making the contribution of 8% and paying taxes among other lawful deductions. Today an average Nigerian worker is experiencing the storm of hyper-inflation and non-compliance by many employers with the current national minimum wage. The burden of employees can be reduced by the reduction of their contribution to a minimum of 5% of their monthly emolument.

The requirement for a Group Life Insurance Policy is commendable as it enhances the social security framework by providing additional protection for employees' families. However, the increased cost to employers might lead to adjustments in employee compensation, potentially affecting take-home pay.

Lastly, the reduction in the required experience for the Director-General of PenCom could be seen as both an opportunity to bring in fresh perspectives and a risk of lowering the standard of leadership in a crucial regulatory body. It is vital that any appointee to this position possesses not just the minimum required experience but also a deep understanding of the complexities of pension administration in Nigeria. Another critical issue that pertains to the administration of pension benefits for retirees is the instance of delay and inefficiency in the payment process. Despite provisions for accessing benefits upon retirement, some retirees face bureaucratic hurdles, documentation challenges and lengthy approval process, leading to prolonged waiting periods before receiving entitlements, this can lead to financial strain for retirees who rely on their pension benefits for their sustenance.

Conclusion

The Pension Reform Act of 2014 represents a crucial milestone in Nigeria's quest for a sustainable and equitable pension system, addressing numerous inefficiencies and systemic flaws that plagued earlier regimes. Its introduction of mandatory contributions, stringent regulatory frameworks, and the establishment of the National Pension Commission (PenCom) reflect a significant advancement in the nation's social security infrastructure. However, despite its ambitious goals and positive strides, the Act's

[53] (2015) EWHC 448 CH. See Oji Nuel, op cit 8.
[54] See: *Idowu* v *Olorunfemi&Ors*(2013) LPELR- 20728 CA p22-24, paras G-H.
[55] *Achoru* v *Decagon Investment Ltd &Anor* (2014) LPELR – 24143 CA p 16, paras E-G.
[56] P R, Act 2024, s78.

implementation has been challenged by issues of compliance, transparency, and inclusivity, particularly in its applicability to the informal sector. Thus, while the Act has laid a solid foundation, ongoing reforms are essential to fully realize its potential in securing the financial futures of Nigeria's retirees.

The Pension Reform Act of 2014 has undoubtedly strengthened Nigeria's pension system by expanding coverage and enhancing regulatory oversight. The establishment of PenCom and the introduction of protective measures such as the Pension Protection Fund demonstrate the Act's commitment to safeguarding the interests of retirees. Nevertheless, the Act's success is tempered by persistent challenges, including gaps in enforcement, administrative inefficiencies, and ambiguities in its provisions. For the Act to fulfill its intended objectives, it is imperative that these issues are addressed through continuous evaluation and targeted reforms, ensuring that the pension system remains robust, transparent, and capable of meeting the needs of all Nigerian workers.

5. Recommendations

1. Strengthening Regulatory Compliance: The National Pension Commission (PenCom) must enhance its oversight functions by enforcing stricter compliance measures among employers and Pension Fund Administrators (PFAs), ensuring that all parties adhere to the mandatory contribution rates and other provisions of the Pension Reform Act of 2014. This could include more frequent audits, heavier fines for non-compliance, and real-time monitoring of pension contributions to prevent mismanagement and secure the financial future of retirees.
2. Clarifying Ambiguities in the Act: PenCom should work towards eliminating ambiguities within the Pension Reform Act, particularly regarding the coverage of employees in private organizations with fewer than 15 employees and the definition of "monthly emoluments." Clear guidelines and amendments should be introduced to address these gray areas, ensuring that the Act is inclusive and that all employees understand their rights and obligations under the pension system.
3. Improving Pension Fund Transparency: To foster trust and ensure the security of retirement savings, PenCom should implement measures to increase transparency in pension fund administration. This could involve mandating PFAs to provide more detailed and accessible reports to contributors, enhancing public awareness of the pension scheme and establishing a central database where employees can easily track their contributions and the performance of their Retirement Savings Accounts (RSAs).
4. Expanding Pension Coverage to the Informal Sector: To ensure inclusivity, PenCom should explore strategies to expand the pension scheme to include the informal sector, which constitutes a significant portion of Nigeria's workforce. This could involve creating tailored pension products, offering incentives for participation and conducting extensive outreach programs to educate informal sector workers on the benefits of joining the contributory pension scheme.
5. Enhancing the Role of Life Insurance in Pension Plans: PenCom should strengthen the integration of life insurance policies within the pension framework, ensuring that employers comply with the requirement to provide adequate life insurance coverage for their employees. Additionally, mechanisms should be put in place to simplify the claims process for beneficiaries, guaranteeing that the dependents of deceased employees receive timely financial support. This could be possible with the introduction of modern technology.
6. Ensuring Adequate Retirement Benefits: There is a need to re-evaluate the adequacy of the current pension contributions and the resulting retirement benefits under the Pension Reform Act. PenCom should consider revising the contribution rates or introducing additional saving schemes to ensure that retirees receive sufficient income to sustain their post-retirement life, taking into account inflation and the rising cost of living.
7. Strengthening Dispute Resolution Mechanisms: To ensure swift and fair resolution of pension-related disputes, PenCom should reinforce the jurisdiction and capacity of federal and state high courts, as well as the National Industrial Court, to handle these cases. Streamlining dispute resolution processes will help in protecting contributors' rights and maintaining confidence in the pension system.
8. Optimizing PenCom’s Governance Structure: PenCom should enhance its internal governance and operational efficiency by recruiting highly experienced professionals with a deep understanding of pension management to lead the commission. This includes revising the qualifications for leadership positions and ensuring that the commission is equipped with the expertise needed to navigate the complexities of the pension system and meet its regulatory responsibilities effectively.
9. Strengthening Penalties for Non-Compliance: To deter non-compliance and ensure the integrity of the pension system, PenCom should impose stricter penalties for violations of the Pension Reform Act. This includes not only increasing fines and extending prison sentences for offenders but also ensuring that the penalties are enforced consistently across the board, thereby enhancing accountability within the pension sector.
10. Reviewing and Enhancing the Pension Protection Fund: PenCom should conduct regular assessments of the Pension Protection Fund to ensure it is adequately funded and capable of providing a safety net for contributors. If necessary, the government should increase its annual subvention and PenCom should explore additional funding sources to guarantee that retirees are protected from potential shortfalls in pension fund investments.