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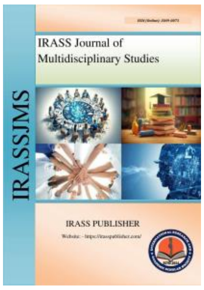

PENSION ADMINISTRATION IN NIGERIA: REFLECTING ON PAST SUCCESSES AND FAILURES, AND CHARTING THE WAY FORWARD

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Abstract: Enacted on June 25, 2004, the Pension Reform Act 2004 aimed to replace Nigeria's criticized and ineffective Defined Benefit Pension Scheme. However, ten years later, the 2004 Act was repealed and replaced with the Pension Reform Act 2014, which primarily amended key sections of the original law. While pension administration has improved, particularly for retirees in the Federal public service, evidence suggests that the Contributory Pension Scheme under the 2014 Act still faces significant challenges reminiscent of the previous system. The research draws inferences from empirical studies, reports, and statutory data on Contributory Pension Scheme (CPS). Findings from reviewed literatures reveal significant improvements, including timely payment of benefits, increased coverage for public and private sector employees. However, challenges such as administrative inefficiencies, irregular remittances, fund mismanagement, and limited coverage for the informal sector persist, impeding the full realization of the pension scheme's objectives. The study also identifies the system's critical role in social security and poverty alleviation among retirees but notes that delays in fund disbursement and inadequate benefits diminish its impact. Recommendations include strengthening regulatory frameworks, enhancing transparency, expanding pension coverage to the informal sector, and integrating digital systems to streamline administrative processes.
Keywords: Pension administration, pension reform act, contributory scheme, benefit scheme, national pension scheme.

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1. Introduction

In retirement, individuals often reflect on their past accomplishments and positions of authority, only to realize that titles and status are fleeting. This truth is vividly portrayed in the story of a retired senior executive who, despite his former prestige, comes to understand that in the broader picture, his past titles hold little significance. The analogy of retirees being like used light bulbs—once bright, now equal regardless of their former wattage—carries a profound message. It highlights the equality of all in retirement, where past distinctions fade, and encourages retirees to embrace peace and contentment in their current state, rather than dwelling on former successes (Onyeka, 2019). The narrative emphasizes the value of humility, living in the present, fostering connections, and finding joy in supporting others. It reminds retirees to prioritize health, freedom, laughter, and meaningful relationships over material wealth or titles. Ultimately, the story urges retirees to live with gratitude, humility, and purpose, recognizing that true fulfillment lies in making the most of each day and positively impacting others. As the saying goes, "Life is just a journey!" Therefore, it encourages embracing life fully, with gratitude and joy.

The history of pensions in Nigeria dates back to the enactment of the Pension Legislation in 1951 by the British colonial administration, known as the Pension Ordinance, which was retrospectively effective from January 1, 1946. This pension system was initially designed for colonial officers transferred across the British Empire. At independence, Nigeria inherited this colonial pension plan. However, in 1979, the Pension Act No. 102 of 1979 came into force, with retrospective effect from April 1, 1974, as a result of the Udoji Public Service Review Commission's recommendations in 1974 ((National Pension Commission, 2004). This act consolidated all previous pension laws and established the following laws:

- Armed Forces Pension Act No. 103 of 1974
- Pension Rights of Judges Decree No. 5 of 1985, effective from January 1, 1985
- Amendment Acts Nos. 51 of 1988, 29 of 1991, and 62 of 1991

In 1993, the National Social Insurance Trust Fund (NSITF) scheme was established by Decree No. 73 of 1993 to replace the National Provident Fund (NPF) scheme, effective from July 1, 1994. It was designed to provide private sector employees with security against job loss, old age, invalidity, or death. By 1997, government parastatals were permitted to establish individual pension plans for their employees and appoint Boards of Trustees

(BOT) to manage these plans, following the Standard Trust Deeds and Rules issued by the Head of Service of the Federation (National Pension Commission, 2019).

Pension issues have recently gained global prominence due to the 21st century being recognized as the "century of aging." Currently, there are over 670 million people worldwide aged 60 and above, accounting for 10.4% of the global population. By 2050, this figure is expected to rise to nearly 2 billion, or 21.7% of the total population (World Bank, 2021). This demographic shift highlights the increasing importance of providing adequate benefits for retirees in both public and private sectors across the globe. In Nigeria, however, various governments at the federal, state, and local levels have struggled to meet their legal obligations to retirees, particularly with regard to the timely payment of pension benefits under the existing pension scheme. According to Eke (2020), under this system, civil servants did not contribute directly to their pensions through payroll taxes; instead, pensions were funded by budget allocations from the consolidated revenue fund. Unfortunately, the funds released were often insufficient to cover the allocated pension amounts, leading to widespread delays or non-payment of pensions. Over time, this issue became normalized, with retirees facing severe financial hardship due to systemic failures in pension administration. As the largest employer in Nigeria's formal sector, the government at all levels played a central role in this pension crisis.

Furthermore, pension debts in the public sector continued to grow, partly because some state governments failed to provide the necessary counterpart funding to complement the federal government's contributions, particularly for retirees who had worked for both federal and state governments (Adeoye, 2021). State governments across Nigeria, in particular, faced a significant burden due to unpaid pensions for retirees in the civil and public sectors. Even retired military personnel were not exempt, as many former officers and soldiers occupied military pension offices, effectively turning them into their homes. This situation became a national embarrassment. The People's Democratic Party and members of the House of Representatives eventually brought the issue to President Obasanjo's attention, focusing on the N20 billion unpaid military pension crisis (Abdulazeez, Bala & Mohammed, 2015). Similarly, Okafor (2019) highlighted the degrading and inhumane conditions faced by many retirees who, after dedicating the most productive years of their lives to serving the nation, are left without the security they need in retirement. At all levels of government, retired public servants are largely neglected.

The plight of Federal Government retirees was starkly illustrated by the ongoing presence of former service members at the army pension office in Ikoyi, Lagos, where many had been residing for months. Over the years, this issue persisted, and Nigerians witnessed the tragic, avoidable deaths of former national heroes as they stood in long lines, waiting to receive meagre pension benefits. Retirees were frequently called from distant regions across Nigeria for biometric verification and documentation, supposedly to collect their pensions (Akinwale & Ogunwale, 2018). Elderly men and women, many over sixty years old, often wait for weeks or even months in harsh weather conditions. Weary, ill, hungry, and disheartened, they are left feeling frustrated and hopeless as they recall their years of service and contributions to the Nigerian economy. In the final stage of their lives, they are burdened by the overwhelming hardship of the nation's ongoing crisis of unpaid pensions. This situation is exemplified by the tragic case of Gidado Ayanda, a retired employee of the Kwara State Ministry of Commerce and Industry. In October 1996, he visited the state pension office to receive his pension, along with more than 2,000 other retirees. After waiting in line since 7 a.m., Ayanda complained of dizziness around 11 a.m. and was given a seat. Sadly, 25 minutes later, Ayanda passed away, leaving his N547,000 pension unpaid (Dozie, 2009). In response to such deplorable and shocking events, Nigeria took a bold step to con front this massive injustice by enacting the Pension Reform Act (PRA) of 2004, which later evolved into the PRA of 2014. According to Olaniyan and Bankole (2019), pension reform involves revising the current pension system to make it more cost-effective, efficient, targeted, and beneficial for retirees.

2. Literature Review

2.1 Clarification of Concepts

Pension

The term "pension" refers to regular payments a worker receives after retiring from employment, whether in the public or private sector. It is typically part of the employment agreement. In the early days of public service in Nigeria, pension benefits were a key factor that attracted individuals to civil service careers. According to Ogunbameru and Bamidele (2019), a pension is defined as a series of periodic payments made to an individual who retires due to age, disability, or the completion of a required service period, with payments generally continuing for the remainder of the recipient's life. Beyond the financial aspect, pensions symbolize a connection between the retiree and their former employer, designed to enable retirees to maintain the lifestyle they had during their working years.

Olaniyan and Bankole (2019) describes a pension as a fund into which money is contributed during an employee's working years, from which periodic payments are drawn to support them in retirement. Adeniji and Akinnusi. (2017), define pension as a sum paid by the government or a company to an employee after a specified period of service, either due to reaching retirement age or being too old or ill to continue working. Ojo (2021), classifies pensions into four types: Retiring Pension, Compensating Pension, Superannuating Pension, and Compassionate Allowance. Retiring Pension is granted to an employee who retires after completing the required years of service, usually 30-35 years, or reaching the retirement age. Compensating Pension is provided when an employee's post is abolished and no suitable alternative employment is available. Superannuating Pension is given to those retiring upon reaching the prescribed age limit as specified in the conditions of service.

Defined Benefit Pension Scheme

This pension plan operates primarily on the pay-as-you-go (PAYG) system, where a benefit formula determines what each participating employee will receive upon retirement. Retirement benefits are usually provided as annuities, offering retirees periodic payments for the remainder of their lives. The formula outlines the amount of these periodic payments (Baker, Logue, and Rader, 2006). Similarly, Olaniyan and Bankole (2019) explains that a Defined Benefit plan specifies retirement benefits based on a predetermined formula, rather than relying on investment returns. A common example is the final salary plan, where the pension is calculated by multiplying the number of years worked by the employee's salary at retirement and a set accrual rate. The total accrued benefit is then paid out as a monthly pension. Defined Benefit pension plans are largely employer-driven and, in many cases, funded by the government. The employer is responsible for managing the fund and ensuring pensions are paid to retired employees. Abdulazeez, Bala and Mohammed (2015) noted that in Nigeria, the benefit consists of two payment components: a lump sum gratuity based on years of service, and a monthly pension guaranteed for life, with the payment amount depending on the length of service.

Defined Contribution Pension Scheme

The Defined Contribution Pension Scheme is a fully funded and portable plan where both the employer and employee contribute to the pension fund in specific proportions. Unlike Defined Benefit plans, it does not have a formula that guarantees a fixed amount at retirement. Instead, upon retirement, employees gain access to their individual investment accounts, with the account's value determined by the total contributions made and the investment returns earned (Baker, Logue, and Rader, 2006). Contributions are invested, often in markets such as stocks, and the account's performance (whether positive or negative) impacts the funds available for retirement. In some cases, the funds may be used to purchase an annuity, which provides regular income during retirement (Olaniyan & Bankole, 2019). This scheme is highly individualized, participatory, and portable, with the potential for broad coverage and sustainable funding (PRA 2014).

2.2 Historical Evolution

Pension Fund Administration in Nigeria can be divided into two distinct periods: before 2004 and the new era beginning in July 2004. The main goal of a pension scheme is to provide employees with financial security upon retirement, ensuring a standard of living comparable to what they had while employed. Essentially, it involves the planning, procedures, and legal frameworks for setting aside funds to meet the employer's social obligation to its retirees or their beneficiaries in case of death (National Pension Commission, 2004). Effective pension management serves as an incentive for attracting new employees and retaining experienced staff.

Pension schemes in Nigeria date back to 1951 with the enactment of the Pension Ordinance, retroactive to 1946. Initially, this colonial law was intended for British officers serving throughout the British Empire, ensuring continuity of service. When applied to Nigerian staff, the pension was granted at the discretion of the Governor-General, making it a privilege rather than a right. At Nigeria's independence in 1960, the Pension Ordinance CAP 147 of 1958 was in effect until March 31, 1974, when it was replaced by Decree 102 of 1979 (later CAP 346 of 1990). This decree became the foundation for all subsequent pension laws in the Nigerian public sector.

Several specialized pension laws stem from Decree 102, including:

The Armed Forces Pensions Act 103 of 1979

The Pension Rights of Judges Act No. 51 of 1988, as amended by Acts 29 and 62 of 1991.

Pre-2004 Era

Up until June 30, 2004, all pension schemes in Nigeria's public service were non-contributory, meaning employees did not contribute part of their salaries toward their pensions or gratuities. The government funded pensions through its budget, covering both retirees and the current workforce. Over time, this system became financially burdensome, especially after the 1979 law required pensions to be calculated based on an employee's final pay rather than their basic pay. As the number of retirees grew, the government struggled to meet its pension obligations, and by 2002, the national pension liabilities were estimated at N2 trillion (BusinessDay, 2020).

The situation worsened with frequent salary and pension increases that lacked proper financial assessment. Several issues plagued the old pension system, including:

- Public-Private Sector Distinction: The laws differentiated between public and private sector pension schemes.
- Poor Administration: The pension system was inefficient, with a lack of proper payment delivery and no comprehensive pensioner database. Many retirees went unpaid for months due to identification issues, forcing them to travel long distances, often at their own expense, to participate in verification exercises. Some even lost their lives in the process.
- Lack of Investment Opportunities: The system did not allow for the accumulation of investable funds to support national economic development.
- Corruption: Corruption further complicated the administration of pensions.

These challenges highlighted the need for pension reform in Nigeria. In September 2001, the presidency, through the Office of the Head of the Civil Service of the Federation, held a workshop for key public servants and stakeholders in pension matters titled "Pension Reforms: A New Approach to Pension Regime in Nigeria" (BusinessDay, 2020). In his keynote address, the president outlined several objectives for the workshop, including:

- Reducing the disparity in pension benefits between the public and private sectors.
- Establishing a process for inter-sectoral, inter-governmental, and inter-state pension benefit transfers.
- Identifying an appropriate pension scheme, whether self-administered or insured.
- Reviewing the statutory retirement age and qualifying criteria for pensions and gratuities.
- Determining the contribution levels between employers and employees.
- Advising on the creation of a body to manage the new pension schemes.

At the conclusion of the workshop, participants made several recommendations:

- The government should quickly direct the relevant authorities to establish a realistic and comparable living wage to enhance contributions to the pension scheme and reduce the gap between public and private sector benefits.
- Implement a contributory scheme for the entire public service, where employees would share the costs of their benefits, considering their earnings.
- Both pensions and gratuities should be contributory, with government contributions prioritized in the consolidated revenue fund.
- Employers must ensure that all deductions from employees' wages and their contributions are promptly paid into the pension fund.

- Ministries and parastatals should allow the Board of Trustees to operate independently and effectively.
- Existing pension laws should be reviewed and harmonized.
- A regulatory body should be established for both private and public service pensions.
- Employers should offer training and counseling programs to prepare employees for retirement, focusing on entrepreneurship and post-retirement life.

This discussion highlighted the issues and shortcomings of the previous pension system and set the stage for the government's response, leading to the Pension Reform Act of 2004.

July 2004 to Date

The enactment of the Contributory Pension Act of 2004, also known as the Pensions Reform Act 2004, marked a significant shift in Nigeria's pension administration. Important changes include the consolidation of pension laws for the public and private sectors. and contributions to the pension fund by employers and employees. (National Pension Commission, 2019) The new system guarantees a fully funded pension plan. This provides greater security for retirees. The Act consists of Section 103, divided into 13 sections:

- Part 1 (Parts 1-13): Establish a pension program for employees in the public and private sectors. Part 2 (Section 14-19): Establishes and determines the composition of the National Pension Board. Part 3 (Sections 20-21): Details the duties and powers of the Commission.
- Part 4 (Article 22): Covers the staffing of the Commission.
- Part 5 (Sections 23-28): Summary of financial requirements relevant to pension administration.
- Part 6 (Articles 29-43): Includes transitional provisions for transfers from the old pension scheme to the new pension scheme.
- Part 7 (Sections 44-71): Discusses Pension Fund Administrators and Custodians.
- Part 8 (Sections 72-78): Specifies how pension funds should be invested.
- Part 9 (Sections 79-84): Covers supervision and examination of pension funds.
- Part 10 (Sections 85-91): Addresses offences, penalties, and enforcement powers.
- Part 11 (Sections 92-94): Focuses on dispute resolution mechanisms.
- Part 12 (Sections 95-96): Covers legal proceedings.
- Part 13 (Sections 96-103): Includes miscellaneous provisions.

This law ensures transparency, regulation, and better pension fund management, benefiting both the workforce and the overall economy.

Implementation of the Act

The Head of Service circular clearly outlined the following: After the Pension Reforms Act of 2004 was enacted, President and Commander-in-Chief, Chief Olusegun Obasanjo (GCFR), approved the implementation of the Contributory Pension Scheme for the Public Service of the Federation, effective July 1, 2004 (National Pension Commission, 2019). The main objectives of this scheme are:

- To ensure that individuals who served in the Public Service, the Federal Capital Territory, or the Private Sector receive their retirement benefits promptly.
- To help individuals save for their livelihood during old age.
- To establish uniform rules, regulations, and standards for managing and disbursing retirement benefits across the Public Service, Federal Capital Territory, and Private Sector.

The salient points of the act include are that retirement benefits under the scheme are accessible only upon retirement or reaching the age of 50 whichever comes later; each employee is required to open a Retirement Savings Account; there are three types of benefits: monthly or quarterly withdrawals calculated based on life expectancy; a lifelong annuity purchased from a licensed life insurance company with monthly or quarterly payments; and a lump sum from the Retirement Savings Account, provided that the remaining balance is enough to secure an annuity or fund withdrawals producing at least 50% of the annual pay at retirement.

The contribution rates for pension drawn from the Pensions Reform Act of 2004 includes:

- Public Service: Employee contributes 7.5%, and Employer contributes 7.5%.
- Military: Employee contributes 2.5%, and Employer contributes 12.5%.
- Private Sector (PTE): Both Employee and Employer contribute 7.5%.

2.3 Impacts of Pension Administration in Nigeria

The impact of pension administration in Nigeria is multifaceted. Affecting various dimensions of the economy and society One of the most important impacts is on Social Security. The pension system provides retirees with a reliable source of income. Reduce poverty for the elderly and improve the quality of life after retirement This form of economic security helps individuals maintain a good standard of living. This will help support the well-being of communities and families. Another important benefit of pension management is its contribution to economic stability. By providing stable income to retirees The pension system relieves some of the pressure on social welfare programs. This is because retirees can be more self-reliant. and can participate in the economy through spending and investment This economic contribution helps maintain demand and growth. make the economy more flexible The pension system also plays a role in the efficiency of the labor market. A structured pension system encourages employees to retire at the right time. It is an opportunity for the new generation to have work. It also encourages workers to remain in formal employment. This leads to greater productivity and promotes economic growth through a more engaged workforce.

Financial market development is another area that is positively affected by pension funds. As a large institutional investor These funds provide a stable source of long-term capital. This drives market growth and stability (Eke, 2020). A well-regulated pension system can strengthen financial markets. by providing investment capital that drives productive enterprises The Pensions Administration is also involved in improving governance and accountability. The establishment of regulatory bodies such as the National Pension Commission (PenCom) has increased transparency in pension management. Deal with corruption and prevents mismanagement of funds (Ogundipe, 2020). This regulatory framework increases confidence in the system. This makes it a more reliable and efficient source of security for retirees. Moreover, economic growth is supported by an efficient pension system. This is because such a system would transmit long-term savings to the productive sectors of the economy. The investment made possible by pension funds stimulates employment opportunities and raises living standards. This contributes to the overall development of the country (Ogu, 2021). Finally, alleviating poverty among the elderly is another important outcome of pension administration. Many retirees face financial instability due to economic fluctuations or health problems. This makes continued pension income vital to their well-being. By reducing financial risk Pensions don't just help support retirees. but also help their dependents. which contributes to the well-being of society at large.

2.4 The Successes of Pension Administration in Nigeria

Pension administration in Nigeria has undergone significant changes over the past few decades. This has resulted in remarkable progress that has affected the economic and social aspects of the country. reform implementation In particular, the Pension Reform Act of 2004 was critical in increasing transparency. Accountability and Financial Safety of Retirees (Olaniyan & Bankole, 2019) This article explores the major achievements of pension administration in Nigeria. This includes creating a strong regulatory framework. Social Security improvements Fundraising for Economic Growth Increase labor market efficiency and alleviating poverty among retirees... One of the most important achievements of pension administration in Nigeria has been the establishment of a structured regulatory framework. The establishment of the National Pension Commission (PENCOM) under the Pension Reform Act in 2004 led to a shift towards a more transparent and accountable system (PENCOM, 2004). Public confidence The computer's robust tracking system was also rebuilt. This makes pension systems more attractive and sustainable (PenCom, 2004).

Pension reform has significantly improved social security for retirees. Before 2004, the Nigerian pension system was largely unsupported. This puts the entire burden on the government. This often causes the payment to be delayed. and puts many retirees at financial risk (Ahmed, 2018) under the reformed pension scheme. Employers and employees contribute money to retirement savings accounts … wages, which ensures retirees have a reliable source of retirement income. Transition from an unfunded pension scheme to a contributory pension scheme. This allows for more predictable retirement benefits. Help reduce poverty rates among Nigeria's aging population (Eke, 2020). In Nigeria, pension funds have emerged as an important source of domestic funding. This has contributed to the country's economic growth. By 2020, Nigeria had accumulated sufficient assets in its pension funds to provide a stable long-term source of capital to invest in critical sectors such as infrastructure, energy, and real estate (Ogundipe, 2020). Excited. |. Raising these funds supports the country's financial markets. This makes pension funds play an important role in the national economy (Adebayo, 2020)

Pension schemes have a positive impact on labor market performance. By encouraging employees to retire at the appropriate age and promoting formal employment. Before pension reform The lack of a reliable pension system creates reluctance to retire employees. This results in a stagnant workforce and limited opportunities for young workers. Structured pensions make workers more likely to retire when they qualify. Thus allowing new entrants to enter the labor force and contribute to production and the economy. growth (Onyeka, 2019) Moving pension plans towards employment also encourages workers to remain in the formal sector. where they can continue to accumulate savings after retirement This increases the stability of the labor market (Okafor, 2019). In Nigeria, pension reform has played a key role in alleviating poverty among the elderly. Support programs help ensure retirees have access to a regular income. Help them maintain a reasonable standard of living when they leave work. Many pensioners previously faced financial hardship due to irregular or insufficient payments. Currently benefiting from a fixed income. This is protected by the structure . It is also operated by the Pension Administration (Ojo, 2021). The option of purchasing an annuity or programmatic withdrawal from a retirement savings account. It gives retirees flexible options for managing their funds. Reduce the chance of falling into poverty in old age (PenCom, 2019).

2.5 The Failures of Pension Administration in Nigeria

Nigeria's pension administration system continues to face significant challenges. Although there are various reforms that hinders efficiency This includes late payments. Incorrect fund management Limited coverage Low contribution rates and widespread corruption All of which affects the financial security of retirees. and undermine public confidence in the pension system. This article examines these core failures in Nigeria's pension administration. A major problem in Nigeria's pension administration is the frequent delays in the disbursement of retirement benefits. Retirees often face long wait times. Sometimes it is months or even years before the pension fund is accessed. This leaves them with no income needed for the critical years after retirement (Adeoye, 2021). This delay is often due to inefficiencies in the administrative process. Insufficient allocation of funds and poor records management As a result, retirees must contend with financial instability. This hampers the system's objective of ensuring a stable and secure retirement life (Osunbayo, 2020). Mismanagement of pension funds remains a recurring issue within the Nigerian pension system. Ineffective governance and poor investment decisions lead to situations where pension administrators misuse funds or invest them in risky, high-return assets with little long-term planning. This mismanagement results in financial losses that deplete the funds available to retirees (Adekoya, 2019). Examples include insufficient monitoring of fund allocations and lack of adequate investment criteria. transparent As a result, the pension fund was violated. This increases financial instability among retirees. and hinders the sustainability of the pension system (Ogunbiyi, 2020).

This is despite efforts to expand pension coverage. But Nigeria's pension system is struggling to accommodate workers in the informal sector. Nigeria's labor force is largely informal. With many self-employed and unpaid workers excluded from the pension system (Ejiofor, 2020), this exclusion leaves millions of workers without any form of retirement savings, which undermines The goal of the pension system is to provide universal coverage. As a result, a significant proportion of Nigeria's elderly population remains at risk of economic hardship after retirement. This increases social dependency on extended family support or government assistance (Olatunji, 2019). The relatively low pension fund contribution rates also affect the Nigerian pension system. This is due to low wages in some sectors. Employees and employers often pay minimum contributions that are not enough to meet retirees' financial needs. Resulting in limited retirement benefits. which cannot adequately assist retirees (Ogu, 2021). The inadequacy of these contributions also affects the system's ability to generate returns on investment. This limits the growth of the pension fund sector (Adebayo, 2019). Corruption is a deep-seated problem in Nigeria's pension administration. There are cases of misuse of funds. pension embezzlement Pension fraud and the widespread cases of former pensioners Unauthorized withdrawals and false circles, transfers of funds intended for legitimate beneficiaries (Omole, 2020), this corruption drains pension resources. Causing the payment to be delayed further. and undermine public confidence in the system As a result, retirees often face financial hardship due to lost funds or fraudulent behavior that depletes pension reserves(Dada, 2021).

The regulatory framework for pension administration in Nigeria lacks sufficient rigor. This has led to inconsistent enforcement and inadequate supervision of pension funds. Although the National Pension Commission (PenCom) was established to oversee pension administration, But gaps in governance measures lead to widespread mismanagement and corruption (Adeoye, 2021). This ineffective governance allows administrators to circumvent regulatory standards. This puts pensioners at financial risk. and reduce the reliability of the system

2.6 Challenges Faced by Pension Administration in Nigeria

There are a number of challenges in pension administration in Nigeria which impair its efficiency and ability to provide adequate financial assistance to retirees. These challenges include insufficient funding; Regulatory inefficiencies Poor data management, corruption and lack of universal pension coverage This article explores these important limitations. It highlights the wider implications for pension administration in Nigeria. A major challenge in Nigeria's pension administration is underfunding. This leads to delayed or irregular pension payments. This problem affects retirees who often face financial difficulties due to lack of benefits (Adeoye, 2021). Inadequate government allocation. coupled with the lack of a sustainable capital structure causing delays in disbursement It undermines the reliability of the pension system. For example, studies show that payment delays are common in public and private pension systems. This puts retirees in a precarious position (Osunbayo, 2020). A weak regulatory framework exacerbates the challenges facing Nigeria's pension system. while the National Pension Commission (PenCom) is responsible for overseeing pension administration. Discrepancies in enforcement can allow mismanagement and fraud within the system to continue (Adekoya, 2019). Lack of strict compliance and accountability hampers the ability of pension administrators to Fund management has weakened effectively. As a result, stakeholders often take advantage of regulatory gaps. This leads to inefficiencies in the system and erosion of the financial security of retirees (Olatunji, 2019).

The lack of reliable data management and record keeping within Nigeria's pension administration is another major challenge. Accurate records are essential for managing pension liabilities and ensuring timely payment of benefits. However, in Nigeria, inaccurate information often leads to errors in benefit calculations and delays in payments (Ejiofor , 2020) Poor data management also complicates beneficiary tracking and verification efforts. This causes further delays and increases the risk of fraudulent transactions. "ghost pensioners" who leave the system and continue receiving their pensions This challenge highlights the need for improved digital systems and better record-keeping practices (Dada, 2021) - Corruption is a prevalent problem in Nigeria's pension administration. Fraud, embezzlement and manipulation are rampant in pension funds. This results in the diversion of funds for legitimate pensioners (Omole, 2020). The existence of “ghost pensioners” or fictitious beneficiaries receiving pensions reveals systematic corruption within. system These practices undermine public confidence in pension administration. and directly affects the funds available to actual retirees (Adeoye, 2021).

This is despite efforts to expand pension coverage. But the majority of the Nigerian labor force, the informal sector, remains outside the formal pension system. The informal sector is largely unregulated. with limited access to employer-sponsored pension schemes This leaves millions of people without a structured retirement savings plan (Adebayo, 2019). This exemption reduces the ability of pension systems to provide comprehensive social security. and increases the likelihood of economic vulnerability for older people in the informal sector. The lack of universal pension protection limits the system's social safety net. and undermines the system's role in poverty reduction (Ejiofor, 2020). Nigeria's pension administration is also affected by political and economic instability. This poses challenges to sustainable pension funding and effective policy implementation. Economic downturns and inflation cause pension funds to decrease in value. This makes it difficult for retirees to maintain their purchasing power (Adekoya, 2019). Additionally, changes in political leadership often result in inconsistent policies and shifts in priorities. delaying the implementation of reforms and causing uncertainty within the pension system.

Lack of awareness and financial literacy regarding the pension system also poses challenges in pension administration in Nigeria. Many workers, especially those in the informal sector, are not aware of the importance of pension contributions or lack understanding about how the system works (Ogunbiyi, 2020). This knowledge gap limits participation and hinders efforts. to expand coverage Financial literacy initiatives are critical to improving engagement with the pension system. and ensuring that various people Ready for retirement.

3. Review of Empirical Literature

Salisu and Ibrahim (2024) assess the satisfaction of contributory pension scheme among retired staff of Abubakar Tafawa Balewa University and Federal Polytechnic Bauchi. The data for the study were generated from primary and secondary sources. The instruments of the primary data collection used were questionnaire and interview, while secondary sources made use of reports, books, magazines, gazettes, journals, research theses and dissertations and the internet. Using descriptive and inferential statistical tools the result revealed that, compliance with the contributory pension scheme significantly improved prompt payment of lump sum benefits and implementation of CPS has significantly improved easy and timely access to pension benefits in RSA by retirees in ATBU and FPTB.

Studies have assessed the effectiveness of Nigeria's pension reforms in improving retirees' welfare. For instance, Abdulazeez et al. (2015) examined the impact of the Pension Reform Act of 2004, highlighting its achievements in creating a contributory pension system that is inclusive of both private and public sector workers. The findings showed that, while the Act was an improvement over previous schemes, it was constrained by issues such as non-remittance of pension contributions by employers and administrative inefficiencies, which undermine retirees' access to timely benefits. This is in line with the findings of Balogun (2006), who emphasizes that although the reform was aimed at ensuring quick and fair allocation of pensions, But inconsistent remittances prevent many retirees from receiving these benefits as intended. Mismanagement of funds is a key issue in pension administration.

Okeke and Eze (2017) examined the prevalence of fund misuse in Nigerian pension administration. It was found that there was corruption. poor supervision and insufficient financial transparency Because this is the main limitation They noted that a lack of accountability and a weak regulatory framework foster an environment in which pension funds are often mismanaged and undermine retirees' financial security: becoming. This research confirms previous observations. This page is by Ahmad (2008), who notes that pension funds have become targets of abuse due to inadequate control and monitoring mechanisms.

Studies have also documented the social security impact of pension systems, with Akinwale and Ogunwale (2018) finding that well-managed pension schemes play an important role in alleviating poverty among the elderly. Their study found that pension benefits greatly support retirees' well-being. This is especially true for reducing the risk of poverty in old age. But their findings also found that many pensioners are still living below the poverty line due to delayed payments and inadequate benefits. This has a greater impact on their quality of life. This study reinforces the view that although pension systems can create economic stability, But their effectiveness depends heavily on timing and fairness. distribution of money Ogunbameru and Bamidele (2019) examined the effectiveness of pension administrators in managing retiree benefits. It concludes that administrative delays and bureaucratic bottlenecks cause serious inefficiencies. Their study indicates that a lack of technology integration in pension administration also contributes to delayed benefits. The authors suggest that using a centralized digital system can improve the process. Improved accuracy in records and reduce the time it takes to process pension payments... There is an increasing focus on integrating Nigeria's large informal sector into the pension system. Olanian and Bankole (2019) study the barriers that prevent informal workers from accessing pension benefits. and noted that the existing structure was designed primarily for formal workers. They emphasize that voluntary pension schemes designed for informal participants, such as micro-pension schemes, can fill this gap. Their study supports the World Bank's (2021) position that pension coverage be extended to the informal sector.

Another focus in empirical studies is the role of pension funds in economic development. Oguche and Omar (2016) analyze how pension funds as institutional investments contribute to economic growth by supporting infrastructure projects. and how to stimulate the financial market Research shows that pension funds are an important source of funding. This allows for investment in sectors such as agriculture, infrastructure, and energy. This view is in line with research by Asuquo and Effiong (2015), which emphasizes the importance of pension funds in providing long-term financing for needs. in the development of Nigeria.

4. Findings

The findings from these studies give a clear idea about the successes and challenges of pension administration in Nigeria: Salisu and Ibrahim (2024) found that the implementation of the Participatory Pension Scheme (CPS) in institutions such as Abubakar Tafawa Balewa University (ATBU) and Federal Polytechnic Bauchi (FPTB) markedly improved the early payment of lump sum benefits. clearly and reduce the availability of pension services. Retirees will benefit through Retirement Savings Accounts (RSA) - this suggests that following CPS guidelines has a significant impact on improving retirees' access to benefits. Abdulziz and colleagues (2015) emphasized that the Pension Reform Act of 2004 had a positive impact on retirees' welfare by integrating public and private sector employees into the pension system. However, the issue of For example, failure to make employer contributions prevents retirees from continuing to receive benefits. This is a problem that is consistent with the findings of Balogun (2006), who emphasizes that irregular contributions do not reap the full benefits of retiree pension reform. Okeke and Eze (2017) noted important points regarding corruption. bad inspection and lack of transparency This leads to mismanagement of pension funds. Ahmed (2008) also noted that without adequate controls, Pension funds will be victims of abuse. This undermines the financial security of retirees. These findings highlight the importance of strengthening the accountability framework to preserve pension funds. Akinwale and Ogunwale (2018) reported that pension benefits play an important role in alleviating poverty among the elderly. Create financial stability and reduce the risk of poverty. But the payment was delayed and the funds were insufficient. It reveals that many retirees still live in poverty.

Ogunbameru and Bamidele (2019) identified inefficiencies in pension administration such as bureaucratic delays and lack of technology integration. This causes delays in processing benefits. They suggest that a centralized digital system can improve the process. This ensures that retirees receive their payments on time. and improve the accuracy of record keeping. Olanian and Bankole (2019) identify key barriers to accessing pension benefits for informal workers. They suggest that micro-pension schemes can fill this gap. by expanding pension coverage to large informal sector workers This is in line with World Bank guidelines (2021), which supports participatory pension schemes to improve social security in all sectors. Oguche and Omar (2016) found that pension funds, which are the main source of long-term funding, play an important role in supporting infrastructure and other development projects that drive economic growth. This view is supported by Asukwo and Efiong (2015) who emphasize the importance of pension funds in promoting economic development. Especially in sectors such as agriculture and energy... These studies collectively reveal that although Nigeria's pension reform has improved retirees' welfare and contributed to economic stability, But issues such as improper fund management administrative inefficiency and limited integration of the informal sector. It's still a challenge. Removing these barriers can strengthen the pension system. increase social stability and economic growth

5. Conclusion and Recommendation

5.1 Conclusion

This study examines the complexities of pension administration in Nigeria. It highlights ongoing successes and challenges. Nigeria's pension system Particularly after the Pension Reform Act of 2004, progress has been made in providing a more structured and comprehensive retirement savings mechanism. which involves both the public and private sectors under an integrated framework. including insufficient funding These challenges including weaknesses in regulatory oversight data management problems corruption and limited protection for informal workers. It not only affects the economic security of retirees. But it also hinders the system's ability to be a tool for social welfare and economic growth... The study emphasizes the need for further reforms to maintain the sustainability and effectiveness of Nigeria's pension system. Improving the data management system Promoting strict regulatory compliance Expanding coverage to informal workers is an important step towards a more comprehensive and reliable pension framework. Addressing these challenges will require political commitment. Public responsibility and a strong financial foundation for Nigeria's pension administration to meet its responsibilities into retirement and also support its phenomenal economic goals. Strengthening these areas will improve retirees' welfare. Reduce poverty in old age and contribute positively to the development of the country

5.2 Recommendations

From the results of this research Several key recommendations have been made to increase the efficiency, sustainability and comprehensiveness of pension administration in Nigeria:

The National Pension Commission (PenCom) should increase regulatory oversight to reduce mismanagement and corruption. More frequent inspections and stricter penalties for non-compliance can prevent malpractice and ensure that pension funds are managed responsibly. To solve the problem of record keeping and beneficiary verification, Pencom will implement advanced data management technology. This includes biometric verification and database integration. To create a reliable and accessible database for all participants. This will improve administrative processes and help pensioners access their benefits without unnecessary delays. Increasing public understanding of pension schemes is important.

Public awareness campaigns and financial literacy programs can help workers. Especially in the informal sector Understand the benefits of pensions Voluntary donations are encouraged. and promote continuous participation.

To address funding challenges Governments should prioritize pension obligations in their budgets. This will ensure timely disbursement of funds to retirees.

Establishing a dedicated pension reserve fund would further enhance the sustainability of the system. It provides a financial buffer against economic fluctuations

Emphasis should be placed on transparency in pension fund management to build public confidence. Regular public disclosure of pension fund management and performance can promote accountability. It guarantees that funds will be used strictly for their intended purposes.

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