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Pension Administration in the Nigerian Public Sector: Challenges and Prospects for Improved Service Delivery

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Abstract

Nigeria's pension system has undergone significant transformations since its inception in 1951. Initially plagued with malpractices, budgetary issues, weak administration, and a lack of accountability, the system has evolved into a defined contribution scheme for both public and private sector employers and employees. In 2004, the Federal Government enacted the Pension Reform Act 2004 ("PRA 2004"), instituting the Defined Contributory Pension Scheme ("CPS") and establishing the National Pension Commission (the "Commission") as the regulatory authority. Additionally, stakeholders such as Pension Fund Administrators ("PFA") and Pension Fund Custodians ("PFC") were set up to enhance the transparency and efficiency of pension fund management, with specific functions ascribed to both PFAs and PFCs, thereby alleviating the hardship of retirees and bolstering confidence in the system. To improve the performance of pension administration, the Pension Reform Act of 2014 ("PRA 2014") was enacted. Despite these advancements, pensioners are faced with numerous challenges, which most lead to untimely death. This sets the objective of this study to examine the challenges of pension administration in Nigeria. The study is desk research. Data are obtained from secondary sources and analysed using content analysis. after examining perspectives in literature and theoretical discourse, the study concludes that emerging concerns affecting pension administration in Nigeria must be addressed. It recommends, among other things, the need for public enlightening on the pension policy and procedures, institutional review, training, and retraining of public servants, and always monitoring the implementation framework of PENCOM in Nigeria.

Background to the Study

Pension Fund Administration in Nigeria "plays a pivotal role in safeguarding the financial future of millions of workers across the nation. It encompasses the management and oversight of pension funds contributed by both employees and employers, ensuring that these funds are prudently invested and well-maintained" (Oak, 2014). Pension administration in Nigeria is a colonial legacy. Eme & Uche (2014) argued that Nigeria pension's scheme started in 1951 when the then-colonial British administration established a scheme through an instrument called Pension Ordinance. The first private sector pension scheme in Nigeria was set up for the employees of the Nigerian Breweries in 1954, which was followed by the United African Company (UAC) in 1957. The National Provident Fund (NPF) was the first formal pension scheme in Nigeria established in 1961 for non-pensionable private sector employees. It was largely a savings scheme, where both employee and employer would contribute a sum of Four Naira (N4) every month. The scheme provided for only one-off lump sum benefits (Eme, Uche & Uche, 2014).

Between 1961 and 1979, the government instituted enabling legislation on pension administration in Nigeria. The legislation, Ordinance Acts, and Decree are capped up in the Decree No. 102 of 1979, which took effect from April 1, 1974. It consolidated all enactments on pensions and corporate pension and gratuities seals devised for public officers by the Udoji Public Service Review Concision in 1974. In the same way, Pension Act No. 103 of 1979 like its counterpart Decree No. 102, of 1979, on the other hand, dealt with pension benefits, liabilities, and seals devised for the agreed forces (Ahmed, 2006 and 2008, Abubakar, 2014).

Ahmed (2006) further reiterated that the main features of these pension schemes include that civil servants bore no direct responsibility, by way of payroll tax, for the provision of pension; instead, pension benefits were paid through budgetary allocations to be kept in the Consolidated Revenue Fund (CRF). In 2004, the Pension Reform Act 2004 was established. The Pension Reform Act 2004 ushered in a Contributory Pension Scheme (CPS). One of the features of the scheme was a contributory pension scheme for all employees in Nigeria. The Scheme "led to a massive accumulation of pension debt and became unsustainable largely due to a lack of adequate and timely budgetary provisions, as well as increases in salaries and pensions. The administration of the scheme was very weak, inefficient, less transparent, and cumbersome, leading to bureaucracy and highly liable to corrupt practices" (Ahmed, 2008). This shows that the pension scheme was unsustainable.

Currently, "the Pension Fund Administration in Nigeria operates under the framework established by the Pension Reform Act of 2004. This act provides the legal and regulatory foundation for the effective management of pension funds, overseen by the National Pension Commission (PenCom)" (Oak Pensions, 2014). The scheme added that "Pension Fund Administrators (PFAs) are the licensed key players responsible for managing individual Retirement Savings Accounts (RSAs) and making sound investment

decisions on behalf of pension contributors". In the same vein, the publication by Oak Pensions (2014) added that, "A crucial aspect of Pension Fund Administration is transparency and accountability. PFAs are required to provide regular reports to contributors, detailing the performance of their pension funds and the progress made towards achieving retirement goals, adhering to strict investment guidelines set by PenCom. PFAs are mandated to invest pension funds in a diversified portfolio to minimize risk and optimize returns. Investments may include government securities, equities, corporate bonds, and other approved financial instruments".

Eme, Uche & Uche (2014) disclosed that President Goodluck Jonathan made a bold move to provide a secured future for millions of Nigerian workers by signing into law the amended Pensions Acts. The Act was designed to bring more certainty to the future by ensuring that Nigerian workers have more security in retirement. As such, the Pension Reform Act 2014 made provisions to "improve efficiency and accountability in pension administration in the polity by placing further emphasis on protecting pension contributions" (Eme, Uche & Uche, 2014).

In the words of President Jonathan,
Pension is globally recognized and occupies a strategic place in national socio-economic development. It is not only a vital component of social security; it is also a veritable vehicle for nation-building. Indeed, pension investment has a profound impact on the well-being of pensioners, society, and the economy at large. As such, stakeholders in this life-shaping industry must engage constantly in dialogue to bolster management frameworks and practices in their respective jurisdictions (Jonathan, 2014:2).

Since implementation, Eme, Uche & Uche (2014) acknowledged that not only has the Act provided a platform for a more effective, efficient, and transparent administration of pensions in the Federal Public Service and the private sector, but it has also generated a pool of long-term investible funds that already had a positive impact on the growth of the nation's economy. Oak Pensions (2014) reiterated that, in recent years, "Pension Fund Administration in Nigeria has witnessed significant growth in assets under management. This increase reflects the rising trust and participation of workers in the contributory pension scheme". However, the Pension Reform Act of 2014 is without challenges. This paper is set to examine the challenges and prospects of pension administration in the Nigerian public service.

Statement of the Problem

Nigerian Pensions administration dates to the 1950s. the various reforms are occasioned by the challenges of pension administration in Nigeria. "The Pension Reforms Act of 2004 brought into limelight the new pension scheme in Nigeria which is a defined contributory scheme unlike the old scheme which was largely defined benefits" (Ebere, 2016). The attendant problems associated with pension administration, especially the delays in payment of gratuity and pensions have redefined interest in retirement of public servants. Ebere (2016) also observed that "the delay in payment of persons and

gratuities has brought untold hardship and death to many retirees, thereby making retirement something that is dreaded by workers. This problem is further compounded by lack of planning and management of postretirement epoch and conditions". Adebayo (2010) explained that "the efforts at improving the environment and its natural resources to improve the quality of human life in such a way that the needs of the future generation are not jeopardized".

This problem dates to years before the Pension Reform Act was established in 2014 (Ahmed, 2007). He explained that "The old Pension Scheme has been unfunded and grossly mismanaged, and this consequently brought a lot of untold hardships and sufferings to pensioners. Hence, retirement benefits in the form of pensions and gratuities were not paid to retired workers as and when due. This scenario resulted in the accumulation of huge retirement benefits which were owed to retirees". Anaje (2024) reported that "a decade posts the enactment of the PRA 2014, it is evident that while significant progress has been made in reforming Nigeria's pension system, there remains room for improvement". There are consequences to ineffective pension administration in Nigeria. It is against this concern that this study seeks to examine some of the challenges and prospects of pension administration in Nigeria.

Theoretical Framework

The study adopts the Talcott Parsons (1902-1979), structural functionalism model is adopted in this work (Parsons and Robert 1955). Parsons's primary concern throughout his life was the problem of order in society" (Adams and Sydie, 2001), that is "how, if individuals were separate entities pursuing their self-interest, there could be any order at all: How could there be anything but disorder?" (Johnson, 1993). In practice, people do cooperate, and there is a degree of social integration. For Parsons this comes from the values of society and social actors – the basis of social action can be termed voluntarism. "People act based on their values; their actions are oriented and constrained by the values and norms of people around them; and these norms and values are the basis of social order" (Knapp, 1994).

In the position of Talcott Parsons, every system has four functional imperatives (Parsons, 1951). They are adaptation (A), goal attainment (G), integration (I), latency (L), or pattern maintenance. This is known as the AGIL scheme. Each of these imperatives has implications in this study. According to Nweke (2014), Adaptation represents the ability of the "system must cope with the external situational exigencies. It must adapt to its environments and adapt the environment to its needs" (Nweke, 2014). By implication, Nweke (2014) added that "the ability of pensioners to survive in their external environments depends on their access to good accommodation, nutritious food, good clothes for their household, good health services, good education for their household, and their ability to meet up with other social responsibilities and adapt to the pressures in the socio-economic environment".

For Goal Attainment, Nweke (2014) explained that "the system must define and achieve its primary goals. The political structures and systems established in the society, in which the civil service is a part have the mandate of setting target goals for the society. These goals are geared towards the maintenance of decent lifestyles and the dignity of the human person. The government also makes provision for the protection of retiree's welfare through the establishment of the pension scheme with its budgetary allocation to sustain the system". This means that "it is the government's responsibility to protect and provide for the dignity of life for both retirees and civil servants". This means that the government has failed to achieve these set goals, thus the need to reform and enhance the effective implementation of reform measures.

The other element is Integration. Integration means that the system must regulate the interrelationship of its parts. It must also manage the relationship among the other three functional imperatives (A.G.L). The government's failure to protect fundamental human dignity and other set goals triggers off, among individuals, behaviour that runs contrary to social order and social justice. Also, Latency (Pattern Maintenance) means that "a system must furnish, maintain, and renew the motivation of individuals and the cultural patterns that create and sustain this motivation. Through education, social norms and values are inculcated into the lives of members of the society" (Nweke, 2014). The inability of the government to provide public servants with the right motivation, as revealed in the non-implementation of Pension Policies draws the attention of experts to investigate the challenges and prospects of implementing effective Pension policies in Nigeria.

Literature and Theoretical Framework

Concept of Pension and Pension Administration

Pension is defined as the amount paid by the government or company to an employee after working for some specific period, considered too old or ill to work, or having reached the statutory age of retirement. According to Adam (2005), "it is monthly sum paid to a retired officer until death because the officer has worked with the organization paying the sum" Ebere (2016) stated that, "Pension is also the method whereby a person pays into pension scheme a proportion of his earnings during his working life". A pension is usually a regular payment made by the government or by private companies or organizations to their retirees as a form of social security against old-age risks and uncertainties (Ebere, 2016). "Pension is a periodic income, or an annuity payment made at or after retirement to an employee who has become eligible for benefits through age, earnings, and length of service (Bailey, 1968)". Payments are usually in monthly installments. In the last few years, several pension reviews have been carried out by the Federal Government. These reviews which adjusted pensions and gratuity of retirees upwards without the provision of funds to back them up are another major problem of pension administration in Nigeria.

Ebere (2016) added, "A pension is a retirement account that an employer maintains to give you a fixed payout when you retire. It's a kind of defined benefit plan. It is also a

mechanism by which employers of labour agree to alleviate the sufferings, impoverishment, and dependency of its employees in the long run by putting in place a welfare package that would take care of them when they are labour-inactive, retired, or have changed jobs". Furthermore, Olaniyan (2004) sees "pension to be a systematic plan by an employer to give benefits to their employees when they decide to leave the job either through retirement or change of job". Ugwu (2006) stated that there are four main classifications of pensions in Nigeria. These are:

1. Retiring Pension: This type of pension is usually granted to a worker who is permitted to retire after completing a fixed period of quality service usually30 to 35 years or on attaining the age of 60 to 65 years for public service in Nigeria and 70 years of age for professors and judges.
2. Compensatory Pension: This type of pension is granted to a worker whose permanent post is abolished and the government is unable to provide him with suitable alternative employment.
3. Superannuating Pension: This type of pension plan is given to a worker who retires at the prescribed age limit as stated in the condition of service.
4. Compassionate Allowance: This happens when a pension is not admissible or allowed on account of a public servant's removal from service for misconduct, insolvency incompetence, or inefficiency (Amujiri, 2009:140).

There are other types of pensions and may be used from time to time depending on the terms of labour engagement. Some of them are Employment-based pensions, social and state pensions, disability pensions, etc. However, pensions aim to address the challenges of post-service or work life, which may be emotional, psychological, as well as financial challenges that workers must prepare well ahead of time. In most developing countries and Nigeria in particular, "government restrict working age of public civil servants to prevent an aging labour force by allowing entrants of young-able-bodied labour for increasing efficiency" (Ebere, 2016).

On the other hand, pension administration is a service that involves carrying out the strategic decisions and actions required of defined benefit (DB) pension plan sponsors. Pension plan administrators manage pension census data, educate plan participants about the pension plan, and ensure that payouts to plan participants and beneficiaries are performed accurately and delivered promptly.

Pension scheme and pension reform

A pension scheme is a transfer programme that serves as a channel for redistributing income to the elderly or retirees, after a stipulated number of service years (Ebere, 2016). He reiterated that there are two types of pension schemes: private and public. He maintained that "A public pension scheme is a social welfare security payment made to the retired, elderly and those that have changed jobs in the public sector of the economy. According to Heller, the aim of a public pension programme is not to raise the savings rate, but rather to provide income security, or at least a minimum income for the elderly. A private pension scheme is a social security scheme managed and administered by the

private sector to provide succor and relief to elderly and retired employees at a time when they are not economically active" (Ebere, 2016). This scheme is defined as benefit in nature, as employees save part of their income to receive it with the returns of their investment by the time they have retired or changed jobs (Adebayo, 2010).

Nearly half of all private sector employees participate in a retirement plan, and the pension costs are approximately 55 percent of the payroll for the sponsoring firms (Ebere, 2016). The Pension reform refers to a set of actions taken to restructure the administration of old-age security devices for retirees. An important dimension here is its capability to sustain postretirement life (Adebayo, 2023). On the one hand, it can finance the livelihood of the retiree and his family over a long time; on the other, it could serve as a financing source for further economic activities he may want to embark upon (Ebere, 2016). Ebere (2016) revealed that the Pension Reform Scheme of 2004 aims to ensure that an individual who has worked either in the public or private sector receives his retirement benefits as and when due. This scheme aims to help indigent people by ensuring that they save to cater for their livelihood during old age; to establish a uniform set of rules and regulations for the administration and payment of retirement benefits in both the public and private sectors; and to stemming the growth of outstanding pension liabilities.

Perspectives on Pension Reforms in Nigeria

According to Anaje (2024), "Nigeria's pension system has undergone significant transformations since its inception in 1951. Initially plagued with malpractices, budgetary issues, weak administration, and a lack of accountability, the system has evolved into a defined contribution scheme for both public and private sector employers and employees". In 2004, the Federal Government enacted the Pension Reform Act 2004 ("PRA 2004"), instituting the Defined Contributory Pension Scheme ("CPS") and establishing the National Pension Commission (the "Commission") as the regulatory authority. Additionally, stakeholders such as Pension Fund Administrators ("PFA") and Pension Fund Custodians ("PFC") were set up to enhance the transparency and efficiency of pension fund management, with specific functions ascribed to both PFAs and PFCs, thereby alleviating the hardship of retirees and bolstering confidence in the system.

A decade later, recognizing the need for further improvements, and realising that the PRA 2004 no longer adequately addressed the key challenges that the sector was confronted with, new legislation was proposed and ultimately culminated in the enactment of the Pension Reform Act of 2014 ("PRA 2014"). The PRA 2014 established more stringent penalties for the violations of its provisions, expanded coverage of the CPS to include informal sector participation, and adjustments to the rate of pension contributions, as well as provisions for accessing benefits in the event of job loss. Despite these advancements, it was found that the vision achievement index by the Commission was below average after 14 years of operation. Issues of uncredited pension contributions, delays in the payment of pension benefits to retirees, non-compliance, and

a lack of synergy between PFAs, PFCs, and the Commission persist, 10 years later. Therefore, questions remain about the efficacy of the current system and whether additional reforms are necessary to ensure its long-term sustainability and effectiveness.

According to Ebere (2016), “The Nigerian social security scheme came into being in 1961 by the Act of Parliament, which established the National Provident Fund. The Nigerian Provident Fund was a compulsory social security saving scheme to which both the workers and their respective employers contribute in equal proportions for the benefit of the workers. The scheme provided for lump sum cash payment to a member when his employment ceases due to old age or disability”. He explained that “To have an in-depth knowledge and understanding of the direction of changes in pension reform, it would be germane to first of all understand the antecedents of the pension system in Nigeria”. Furthermore, In the public sector, (both civil and public services, statutory bodies), pensions were governed by the Pensions Act of 1979, later the Pensions Act of 1990 as amended by the Pensions Regulations of 1991”. Citing Ebere further, he stressed that “the Act provided for benefits in terms of gratuity and pension payments. Gratuity is a single, lump sum payment while pension is a periodic payment, normally every month for life. Before April 1974, gratuity and pensions for public servants were not treated as rights but as privileges. Under the Pensions Act of 1979, both gratuity and pension were salary rate related and were financed wholly by the government without contribution by the workers. Originally, the National Provident Fund (NPF), a contributory scheme, which was established in 1961, also covered public servants” (Ebere, 2016).

According to Alo (2004), “Many countries of the world are currently grappling with pension reforms in the face of pressures from aging populations. In most cases, the reform is either to increase the length of contribution to qualify for full pension or to reduce the rate of pension or both. But virtually in all cases, the trend is towards the adoption of tiered systems in which public pensions are complemented by private pensions and individual savings”. Ebere (2016) maintained that “It should therefore be mentioned at this juncture that Nigeria's Pension Reform Act 2004 is in line with global practice. It is heartening to observe that, while there has been an undercurrent of criticisms towards the reform, none has queried the necessity for a change in our pension system”.

Makam (2011) disclosed that “Until June year 2004, Nigeria had operated particularly in the public sector, a defined benefit (DB) pension scheme, which was largely unfunded and non-contributory. The system was also characterized as a pay-as-you-go (PAYG) scheme since retirees were to be supported not by their previous contributions but by annual budgetary Provisions”. Ebere (2016) explained further that “Because it was largely unfunded, the Defined Benefit System led to massive accumulation of pension debt, which was estimated at more than one trillion naira. In response to the telling effects of such a system on the lives of our elderly people otherwise known as senior citizens and their families, the Government in 2004 decided to take measures aimed at reversing the situation by developing a system that is sustainable and can achieve the

goal of providing a stable, predictable, and adequate source of retirement income for each participant". He said, "Thus, with the coming into force in June 2004 of the Pension Reform Act 2004, a new pension scheme came to replace the previous Defined Benefit scheme. The new scheme is a defined contribution (DC) scheme, which as the name suggests, is contributory, making it mandatory for employers and workers (in the public and private sector organizations with or more employees) to contribute 7.5% each of the emoluments of the employee into a Retirement Savings Account (RSA)" (Ebere, 2016). However, for the military, Monye (2011) added that, "the contribution rate is 2.5%, with the government contributing 12.5%. This system has several features making it an increasingly vital component of the pension systems of many countries not only in the Organization of Economic Corporation and Development (OECD) countries. The Pension Reform Act 2004 repeals the Pension Act 1990 and establishes a contributory Pension Scheme for employees in the public and private sectors. In both its objectives and features, the Act marks a turning point in Nigeria's annals of pension regime". The objectives of the scheme according to section 2, part 1 of PRA of 2004 include to:

1. Ensures every person who has worked receives retirement benefits as and where due (to reduce old age poverty).
2. Assists improvident individuals to save towards old age (saving grows the economy & deepens financial markets).
3. Establishes a uniform set of rules, regulations, and standards for administration and payments of pension.

The problems of the 2004 pension administration in Nigeria are summarized to include,

1. Pension deficit of about N2.3 trillion in 2004.
2. Pensioners not being paid entitlements regularly.
3. Existence of ghost pensioners in the public service.
4. Pensioners dying in verification queues.
5. Unstructured and unfunded private sector schemes.
6. Diversion and mismanagement of existing pension fund by BOT and Fund managers.

According to Orifowomo (2006), the major problem of the pension fund administration in Nigeria was 'the non-payment or delay in the payment of pension and gratuity by the Federal and State governments. For instance, the pension backlog was put at about N2.56 trillion as of December 2005. Pension fund administration became a thorny issue with millions of retired Nigerian workers living in abject poverty and they were often neglected and not properly catered for after retirement" (Orifowomo, 2006). Sadly, retirees went through tough times and rigorous processes before they were eventually paid their pensions, gratuity, and other retirement benefits. At one time the money to pay their benefits was not available; and at another time, the Pension Fund Administrators were not there to meet the retirees' needs. The old scheme has been beset with a lot of challenges and problems. Besides the "other problems were demographic challenges and funding of outstanding pensions and gratuities, merging of service to compute retirement benefits. These problems coupled with the administrative bottlenecks,

bureaucracies, corrupt tendencies and inefficiencies of the civil service, and the economic downturn have resulted in erratic and the non-payment of terminal benefits as at when due" (Orifowomo, 2006; Ezeala, 2007, Abade, 2004). Other problems were gross abuse of pensioners and pension fund benefits which were politically motivated in some cases (National Pension Commission, 2006).

Another challenge is the embezzlement of pension funds. In this light, Oviomo (2007) and Ajayi (2008) affirm that the situation of retired civil servants or pensioners is generally very disappointing, sad, pitiable, and discouraging because of the high level of corruption in the system. Abu and Musari (2012) state that the Economic and Financial Crimes Commission seized property worth N4.5 billion from the ex-pension boss, Dr. Sani Teidi Shuaibu over a pension scam. In the same vein, Musari (2012) says that the EFCC would seize assets of 31 persons involved in pension fraud of over N4.56 billion. Still writing on pension frauds, Musari (2012) reports on how a task force on Police Pension exposed N1.1 billion monthly frauds in the Police Pension Office. The position of Alli (2012) is not far from this when he observes that detectives at the EFCC interrogated a Federal Permanent Secretary and two others for allegedly stealing N14.3 billion Police Pension cash.

There is also the delay on the part of the Government to Pay Pensioners. The Vanguard Newspaper also reports that over 15,000 Federal Civil Service Pensioners, residing in Lagos sent a save-our-soul message to then President Olusegun Obasanjo to affect the payment of a 142 percent increase in pensions. In a statement issued by the Nigerian Union of Pensioners, 2002 the union expressed its concern over the delay members encounter whenever pension rates are reviewed by a circular which is never paid until one or two years (Vanguard Newspaper, November 22, page 4). Supporting this position, Onwe (2011) states, that my banking Sojourn in four commercial banks had severally brought me face to face with miserable old retirees who crowd the banking halls eagerly waiting for their skimpy monthly pensions.

The death of pensioners arising from their exposure to harsh weather conditions also poses another challenge to pension administration in Nigeria: The Vanguard Newspaper on August 4, 2005, reveals that three pensioners of the Nigerian Railway Corporation (NRC) died while waiting for their pension arrears of 20 months. The umbrella body of the Nigerian Railway Corporation Pensioners Welfare Association alleged that 3,000 of its members had died since the pension crisis started. Corroborating this view, Adunwoke (2010) states that there is a high death toll because of the exposure of pensioners to adverse weather conditions. Also, there is the problem of payment of Pensions Funds to Private Accounts or in Fixed Deposit Accounts and Unauthorized Banks. Uwerunonye (2013) states that the Police Pension Reform Task Team was accused of looting N197 billion. The implications of the cases cited above show that pension administration, in Nigeria, is driven by fraud which hurts the lives of pensioners and would-be pensioners.

2014 Pension Reform Acts

Former President Goodluck Jonathan, on 1 July 2014, signed into law; the new Pension Reform Act 2014. The Pension Reform Act 2014 repealed the Pension Reform Act No 2 of 2004, and it governs and regulates the administration and management of the Contributory Pension Scheme (the Scheme) in Nigeria. According to Ughulu and Uwamusi (2023), Below are some basic facts about the Pension Reform Act of 2014:

1. The Act sets out the regulatory framework for the administration of the contributory pension scheme for both the public and private sectors in Nigeria.
2. The Act encourages participation in the contributory pension scheme which applies to all employees in the public sector and those in private Organizations with 15 and above number of employees.
3. The Act requires both employer and employee to make a minimum of 10% and 8% respectively of the employee's monthly emoluments, which is the contributory Pension Scheme.
4. Pension funds can be invested to yield profit or dividends; this includes specialist investment funds and other financial instruments as approved by the Commission. Interests, profits, dividends, investments, and other income accruable to pension funds or assets are exempted from tax (Ughulu and Uwamusi, 2023).

The National Pension Commission (PenCom), which is the sole regulator of pension activities in Nigeria, determines how compensations will be made where the shortfall in payments arises. The Act provides for an employee who disengages from employment before the age of 50 and is unable to secure employment within four months of disengagement to be allowed to make withdrawals from the account not exceeding 25% of the total amount credited to the retirement savings account. There are penalties for offenses of misappropriation of funds, reimbursement, or payment by a Pension Fund Administrator (PFA) or Pension Fund Custodian (PFC). In situations where the PFC fails to hold funds to the exclusive preserve of the PFA and PenCom or where it applies the funds to meet its financial obligations, the Act permits disciplinary actions. The High Courts of the Federal, State, Federal Capital Territory, and National Industrial courts have the jurisdiction to try such offenses. A Pension Protection Fund has been created by the Act to protect the contributors' funds. Profits from this fund are paid to contributors in the form of a minimum guaranteed pension.

Any member of the board, employee agent, or officer engaged by a PFA or PFC is expected to maintain confidentiality concerning information obtained in the course of their duties, failure to comply will be sanctioned. No action can be taken against an officer or employee of the National Pension Commission (PenCom) for any act done in execution of the Act or any other law if not commenced within three months of the act or in the case of a continuous act, within 6 months after the act ceases. Funds Contributed to PFA's shall be computed and credited into the respective retirement savings account opened under the Act. Any individual who has retired before the commencement of the Act shall be entitled to make withdrawals from the account although not exceeding 25%

of the total amount credited to the retirement savings account. Any employee aggrieved with his employer or PFA is required to first approach the Commission for redress before exploring arbitration or initiating action at the National Industrial Court (FRN, 2014). Ughulu and Uwamusi (2023) explained that the Act has increased the rate of contribution for employees and employers to a minimum of 8% and 10%, respectively. This has greatly increased the monthly savings of prospective retirees and will go a long way in ameliorating some of the difficulties inherent in old age for these prospective seniors in the public sector.

Amiens and Abusomwan (2019), examined the challenges of recent pension reforms in Nigeria as well as the vision achievement rate of PenCom. The study reviewed the literature and published annual reports of PenCom. It was found that reluctance and disbelief by workers to register with the Pension Funds Administrator, compliance, benefit inadequacy, low capital formation, non-inclusion of the informal sector, overlapping regulations, and coverage are persistent challenges confronting recent pension reforms in Nigeria. In addition, it was found that the vision achievement index by PenCom is below average after 14 years of operation. The study recommends a synergy between Pension Fund Administrators, Pension Fund Custodians, and PenCom to combat some challenges of non-compliance. In addition, these stakeholders should adopt the best processes and technologies that would influence workers positively and change the unwillingness and disbelief of workers to register with the Pension Funds Administration (PFA).

Anaje (2024) highlighted some of the benefits and challenges of the 2014 Pension Reform Acts to include,

1. **Rate of Employees' Pension Contribution**

Section 4 (1) of the PRA 2014 increased the pension contribution rate from 15% to 18% of monthly emoluments, where 8% will be contributed by the employee and 10% by the employer. Under Section 4 (4) (b) of the PRA 2014, where an employer agrees to pay the full contribution, the minimum contribution is 20% of the employee's monthly emolument. This is commendable considering that it boosts the amount that accrues to employees' Retirement Savings Accounts (RSA). Nonetheless, while fortifying future retirement benefits, it overlooks the net income retained by employees after contributing 8%, remitting taxes, and other lawful deductions considering inflation and reduction of purchasing power. Considering the rampant inflation and widespread non-compliance with the national minimum wage, reducing employees' contributions to a maximum of 5% of their monthly emoluments is necessary to cushion the financial burden placed on employees (Adebayo, 2013). Meanwhile, the system can address the strain on employers by introducing additional incentives and reliefs for full compliance with pension contributions (Anaje, 2024).

b. **Penalties for Unremitted Pensions**

An employer failing to deduct or remit contributions within the stipulated time under the PRA 2014 shall, in addition to the outstanding remittance, incur a penalty not less

than 2% of the unremitted funds by the provisions of Section 11 (6) & (7) of the PRA 2014. Despite this extant punishment stipulated by the law and the Commission's efforts to penalize delinquent companies through recovery officers, a significant number of employers still default in remitting pensions deducted from employee emoluments (Modestus, 2023), yet they do not face enforcement of the penalty against them. Therefore, besides offering incentives for timely remittance, it is imperative for the law to not only prescribe but also enforce stricter penalties for defaulters, including the potential conviction of directors of defaulting companies to ensure compliance. This measure would compel employers to prioritize pension remittances, thereby preventing scenarios where retirees discover their pensions remain unpaid. In the same vein, the Commission has a crucial role to play in addressing the root causes of non-compliance. This could involve providing better education and support for employers regarding their pension obligations, streamlining administrative processes, and ensuring transparency in pension management (Anaje, 2024).

c. **Synergy between Stakeholders**

Since 2004, the custody and management of pension funds were assigned to two separate entities licensed by the Commission. The PFC is exclusively responsible for holding the pension assets in the RSA while the PFAs carry out investment and management functions. Furthermore, under Section 77(2) of the PRA 2014, a PFA is expressly prohibited from holding any pension fund or asset with a PFC with whom the PFA has any business interest, share, or any relationship whatsoever. This segregation particularly assists in ensuring checks and balances in the pension system. In practice, however, it has been found that relying on the provisions of Section 77(2) of the PRA 2014, the Commission has often denied holders of PFCs licenses the approval to set up and operate a PFA within the same holding company ("Holdco"), and vice versa. It is our view that a different perspective, or perhaps a review of this provision of the PRA 2014, is worth considering providing clarity for stakeholders. Allowing PFAs to keep pension funds or assets with a PFC with whom they have a business interest, share, or relationship, or at least permitting operators of a PFC to own a PFA within the same Holdco, could provide several benefits to the pension system (Anaje, 2024).

Firstly, it could foster closer collaboration and synergy between PFAs and PFCs, potentially leading to more efficient management of pension funds. Additionally, it could open opportunities for innovation and diversification in pension fund management, as PFAs may be able to leverage their existing relationships and expertise in certain sectors or markets through strategic partnerships with PFCs. Moreover, it could enhance transparency and accountability within the system by encouraging PFAs and PFCs to maintain robust governance structures and safeguards to mitigate conflicts of interest. Overall, revising this provision could be a positive step towards optimizing the performance and sustainability of Nigeria's pension system (Anaje, 2024).

d. **Flexibility of Investment Opportunities**

Under the PRA 2014, a PFA is prohibited from investing pension funds or assets in shares or other securities issued by: (i) the PFA or its PFC; and (ii) a shareholder of the PFA or its

PFC. The current position appears overly restrictive and lacking in flexibility, potentially hindering PFAs from optimizing investment opportunities for pension funds. The prohibition against investing in shares or securities issued by the PFA's own PFC or its shareholders limits diversification options and overlooks potential synergies or strategic partnerships that could benefit pension funds while maintaining appropriate safeguards. Rather than a blanket restriction of investment options, potentially leading to missed opportunities or reduced returns, it would be useful to outline flexible conditions under which such investment opportunities may be explored. A prerequisite of full disclosure to the Commission by the PFA of proposed investments of pension funds or assets in shares or other securities issued by the PFA, its PFC, or a shareholder of the PFA or its PFC will provide adequate transparency and accountability. Additionally, the Commission can play a major role in scrutinizing proposed investments and ensuring that no loopholes exist upon which conditional approvals or rejections may be granted where applicable. This approach would not only assist in striking a delicate balance between enabling strategic investment choices and safeguarding pension assets but also foster beneficiaries' long-term interests (Anaje, 2024).

e. **Enhanced Payment Processes**

Another critical issue that pertains to the administration of pension benefits for retirees is the instances 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 processes, leading to prolonged waiting periods before receiving their entitlements (Ogundepo, 2023). Such delays can cause financial strain and uncertainty for retirees who rely on their pension benefits for sustenance. To address this gap, there is a need for enhanced efficiency and transparency in the pension benefit payment system. This could involve streamlining administrative procedures, implementing electronic payment systems to expedite disbursements, and establishing mechanisms for tracking the status of pension claims (Anaje, 2024). Additionally, there should be adequate oversight and accountability measures to ensure that pension funds are disbursed promptly and accurately to eligible retirees. By addressing these gaps, PRA 2014 can better fulfill its objectives of providing timely and reliable pension benefits to retirees, thereby enhancing the overall effectiveness of the pension system (Anaje, 2024).

Prospects for Effective Pension Administration in Nigeria's Public Service

Attempts to evolve an effective pension administration in Nigeria's public service have led to several reform/review measures. However, research has shown that these reviews have been done without involving the state government and other stakeholders. The frequent reviews have caused implementation problems such as the inability to secure sufficient funds to meet current rates. Based on these concerns, this paper identifies the following useful measures,

1. Involving of all concerns; state, local government, and stakeholders in the design and implementation of pension administration in the Nigeria public service.
2. Budgetary allocation and other sources of funding for pension schemes should be given a high priority.

3. A technical committee or pension database management commission, working with other relevant stakeholders should be set up by the Federal Government to conduct an accurate pension Information Technology (IT) database for the country. This will facilitate on-time payment of benefits to pensioners. To complement this, there should be equitable representation of all stakeholders in the National Pension Commission (NPC) to ensure confidence and probity.
4. There is a need to train and retrain pension workers in the country across all sectors of machinery. The training should equip them with the necessary IT skills for the job.

Conclusion

The paper addressed the problems and prospects of pension administration in the Nigerian public service. it has been established that the pension fund scheme exists to provide post-retirement benefits to employees. In Nigeria, a pension scheme was introduced during the colonial era to provide old age and has undergone several reforms to enhance effective administration. The appropriateness of the institutional design of the reformed pension system is highly questionable, thus faulty implementation machinery. Nigeria Pension Commission (PENCOM) which is the current body that manages the pension funds system has been weak in enforcing regulatory compliance. This paper calls for the need to enhance institutional review, train and retrain public servants, especially those responsible for pension administration, ensure an effective pension database throughout the country, and guarantee effective funding of the pension scheme.

Recommendations

The study recommends as follows,

1. The government should set up an Independent Central Data Management Authority (ICDMA). The function of ICDMA, should among other things include developing appropriate information technology to connect PENCOM Central Data Authority, employers, PFA, and PAC in a robust information system. PENCOM should only concentrate on regulatory function and ensure compliance of all stakeholders.
2. There is a need to revalidate Service Records in Federal and State Civil Services, military, and paramilitary, validate membership records for other formal and private sector, carry out a census of all informal employers and contributors, and validate records of retirees and accrued rights.
3. There is a need for continuous public enlightenment of civil servants on the provisions and procedures of the Pension Scheme. Concern establishments in Nigeria should be funded and encouraged to organize retirement counseling for their workers to enable them to prepare for the obvious eventuality.
4. Accountability must be the moral and operational principle of pension administration. Pension managers who embezzle pension funds should be prosecuted and punished by the enabling law. This will help to overcome some of the challenges in pension administration, whether contributory or noncontributory pension schemes.

5. There should be the introduction of biometric data-capturing machines. This will help to control the influx of ghost pensioners and ease the process and control of pension fraud.
6. -The adoption of a contributory pension scheme in place of the non-contributory scheme is recommended. This is on the basis that it provides more funds for retirees, and it is beneficial to the government since funds contributed can be invested.

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