

# FIGHTING FOR THE FUTURE

NIGERIA'S PENSION  
REFORM JOURNEY

**AISHA DAHIR-UMAR**



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To the staff and management of the National Pension Commission (PenCom), past and present, whose commitment to regulatory oversight has helped Nigeria attain commendable progress in pension reforms

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## *Foreword*

**P**ensions used to be peripheral to the Nigerian financial sector, often discussed in negative tones because of unpaid arrears and the harrowing experiences of pensioners. The situation has changed substantially in the last two decades, thanks to the reforms embarked upon by the administration of Chief Olusegun Obasanjo, President of Nigeria between 1999 and 2007. The enactment of the Pension Reform Act 2004 changed the landscape completely and the role played by the National Pension Commission (PenCom) as the industry regulator since then has been central to the success of the reforms.

I count myself fortunate to have been the pioneer Director General and Chief Executive Officer of PenCom. It was a big challenge because of the novelty of what we were trying to achieve with the introduction of the Contributory Pension Scheme (CPS). The country is fortunate as well because the reform has endured and is yielding results, in spite of the numerous challenges and despite the changes in personnel in almost 20 years. PenCom is one government

institution that has stood the test of time and established itself as a world-class regulator.

The history of the reforms is told in this book by Mrs Aisha Dahir-Umar, the third and current Director General of the Commission. She is in a very good place to tell the story: she was part of the process right from conception to birth and has been part of PenCom from then till date. The institutional memory is evident in the way she recounts her experience in this book. The history of the Nigerian Pension Industry deserves more than a series of academic journals and newspaper articles. The author has written an authoritative, first-hand account. She tells the story from the position of a participant who saw the evolution of the industry from the inside and as a Chief Executive who came up with impactful policies to implement several provisions of the Pension Reform Act and consolidate the growth and development of the subsector.

This book offers an interesting insight into the state of pensions in Nigeria before the reforms, with a lot of background on the history of pensions globally and locally. The author captures the changes that have taken place since the first pension law, named Pension Ordinance Act of 1951, was enacted in Nigeria by the British Colonial Administration. She also explains the structure, the policies and workings of the Pension Industry in Nigeria with the advent of the reforms.

Although this is not an autobiography or a memoir, the author gives us a glimpse into the challenges of leading the PenCom in the midst of pushbacks from those who are yet to fully buy into the reform. The pushbacks usually come with media wars and personal attacks. I can identify with her experience because I once sat on that seat too. Reform may be an economic policy but there

is always a political aspect to it. Understanding how to handle the two simultaneously is often the key to success. She narrates her experience in an encouraging way, letting the reader into how she stands her ground where necessary while also not ignoring the political atmosphere.

I consider this book to be an informative, educative and honest account of the evolution of pensions in Nigeria and I have no doubt that every reader will find it valuable and highly insightful as well.

**Muhammad K. Ahmad, OON**

## *Author's Note*

**I**n 2003 when I was appointed into the Pension Reform Committee, I expected that a major change was about to take place in the country's pension system but I did not have an inkling of how far-reaching the transformation would be. Before then, there had been several committees and numerous recommendations on reforms dating back to more than two decades. Still, the pension crises appeared to have defied all attempts at finding a permanent solution.

President Olusegun Obasanjo finally turned the corner during his tenure. His mantra was that Government had no business running enterprises. He insisted that Government should concentrate on governance by way of regulation and provision of public goods while those better equipped to run businesses should be allowed to do so.

Of course, reform efforts started before Obasanjo became president. The Technical Committee on Privatization and Commercialization (TCPC) had been established by the Federal

Military Government with the promulgation of the Public Enterprises Privatization and Commercialization Decree No. 25 of 1988 to prepare Public Enterprises for privatisation. They were gulping enormous financial resources but delivering little or no results.

However, Obasanjo commendably built on the reform efforts of previous administrations. To drive his agenda, the TCPC was transformed to the Bureau of Public Enterprises (BPE). The Public Enterprises (Privatization and Commercialization) Act No. 38 of 1999 established the National Council on Privatization (NCP) with the BPE as its Secretariat. The BPE took over the assets of the TCPC.

In line with the privatisation timetable of the Obasanjo administration, the BPE advertised the Government agencies slated for privatisation. The Bureau received loads of expressions of interests. Due Diligence rooms were activated. Local and international companies expressed interests, carried out due diligence, left and never returned.

Worried by the radio silence, the BPE sent out a questionnaire to those who expressed interests, especially those who also carried out due diligence. This was to find out why they never returned despite their promises. They were asked to give reasons for not returning and to articulate what would make them come back to continue with the process. They all gave the same answer: the quantum of pension liabilities of the enterprises being offered for sale was too much for them to deal with. They promised to return only if the Federal Government would commit to absorbing the pension liabilities of those enterprises.

That was what gave birth to the Pension Reform Committee, led by Mr Fola Adeola, in 2003. The BPE constituted and funded the Committee. At the time of my appointment as the Secretary

of the Committee, I was Deputy Director and Head of Human Resources Department at the BPE. I later became Deputy Director, Monitoring and Compliance Department at the Bureau. It was the Adeola Committee that recommended the establishment of the National Pension Commission (PenCom) as an industry regulator and proposed the introduction of the Contributory Pension Scheme (CPS) that led to an exponential growth and stability in the pension system.

Looking back, I would say it was part of my destiny to spend the best part of my career at PenCom, where I rose to the top as the Director General, having started as a Deputy General Manager in 2005. I was privileged to be part of the pension reform process. I watched history unfold in the Pension Industry. I witnessed a revolution. I have experienced all the developments and challenges as the industry continues to evolve. On the job, I have learnt and unlearnt theories of change management.

I, therefore, find it most gratifying to be able to document my experience in this book. I have taken the liberty to use my experience to explain some of the challenges and prospects of pension reform in Nigeria. I do not go into the fine detail in some areas to enable me retain the focus of the book — which is to tell the inspiring story of pension revolution in Nigeria. But it is sufficient to conclude that doing the right thing in Nigeria may be challenging but it is not impossible.

One general lesson I have learnt is the need to trust the process. Although not perfect, the Pension Reform Act, which was enacted in 2004 and re-enacted in 2014, is so rich and robust that we can achieve a lot with it through the instruments of regulations, guidelines, policies and other administrative measures. All

relevant stakeholders have to go by the laws and regulations for the reform to progress. Some obstacles that we have had to deal with so far can be skilfully surmounted within the existing laws and regulations.

A raging issue is the campaign by some agencies to opt out of the CPS. There is absolutely no need for that. There are enough provisions within the Pension Reform Act to address the complaints being made by these campaigners. I will explain more in this book as we go along. I am, thus, of the opinion that the political authorities have to be firm so that the CPS is not undermined by the “exit” clamour of some Government officials and some agencies.

This book, in its 10 chapters, provides an excursion into the Pension Industry, the historic journey to reform and the successes brought about by the reform. I have also taken time to explain how the Pension Industry works. I have picked a few policies of the Commission to explain how the scope of pension has broadened over the years in Nigeria. Those who still harbour doubts about the viability of the reform will hopefully be persuaded that it is here to stay. It can only get better. I am confident that the few setbacks we have experienced over the years will be corrected by the political authorities now or later.

The success stories of the reform are very inspiring. The biggest is the exponential growth in the number of pension contributors and the settlement of pension claims as and when due under the CPS. I am positive that the huge Informal Sector will gradually embrace the Scheme through the Micro Pension Plan and agencies lobbying to opt out will have a rethink. I am hopeful too that compliance by State and Local Governments will get better with time. The success stories we have recorded give me hope that

forward is the only direction for us.

By and large, what the Nigerian Pension Industry has witnessed in the last two decades is nothing short of a revolution. The country has got it right and should continue to consolidate on the gains made so far for the sake of a greater future.

**September 2023**



## CHAPTER ONE



# THE OLD ORDER

**P**ension may be a short word but it has a long history, even though it was not called “pension” at the beginning of the human race. Naturally, there is a time to be young and a time to be old. It is also natural that old age comes with constrained ability to work and earn a living, so people would inevitably depend on one form of support or another to survive that stage of life. The support could come from family, community, or returns on what could be described as an investment in the olden days.

Augustus Caesar, the Roman Emperor, was the first to establish what could be called a proper pension scheme. In 13 BC, he started paying retired soldiers a lumpsum that was 13 times their annual salaries after they must have served for a minimum of 16 years in a

legion and another four years in the military reserves. To prevent them from revolting against him, he built on the Roman tradition of giving land grants and appointments to the legionnaires<sup>1</sup>.

In modern times, Germany introduced the first universal pension programme for employees when the Old Age and Disability Insurance Bill was enacted in 1889 under Chancellor Otto von Bismarck's social legislation policy. With the German economy performing well, and having recognised the value of social insurance for the workers, Bismarck sought to improve their well-being and sustain the growth. Germany already had a workers' compensation programme and the "sickness insurance" in place before the enactment of the Old Age and Disability Insurance Bill in 1889. Thereafter, other Western countries, such as the United States (U.S.) and the United Kingdom (U.K.), started passing laws and introducing policies on social protection for employees.

## THE PENSION ORDINANCE IN NIGERIA

In pre-colonial Africa, elderly citizens were usually catered for by extended family arrangements in an informal social protection tradition. Nigeria joined the global pension trend with the advent of the British colonial administration. Via Circular No 19 of 24 March 1945, the Colonial Government kick-started the process of formalising the Old-Age Protection Scheme in which it announced the commencement of a pension scheme for the Native Administrative Staff effective from 1946. Public Servants of that era were called Native Administrative Staff.

Five years later, the Scheme was given a legal backing with the

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<sup>1</sup> Robert L. Clark, Lee A. Craig, Jack W. Wilson, 'The Origins of Western Military Pensions', in 'A History of Public Sector Pensions in the United

Pension Ordinance of 1951, which was applied retroactively from 1 January 1946. The Scheme was extended to revenue-generating government corporations such as Railways, Ports and Power with different funding modalities. The Ordinance defined who was a Native Administration Servant, what his or her entitlements were, how the benefits would be calculated and the thresholds for qualification. The misconducts that could disqualify a potential pensioner or reduce the benefits were also outlined in the Ordinance.

The Ordinance vested the Governor-General with the power to grant pensions and gratuities to officials with the express permission from the Secretary of State for Colonial Affairs in the U.K. The eligibility period was fixed at 10 years of service. While the regulation enshrined the pension system, it was not an explicit right for workers. The power to reduce, withhold or dishonour compensation for any worker rested with the Governor-General.

While the Pension Ordinance of 1951 established the formal processes of pension administration in Nigeria, the Private Sector was not part of it. It was in 1954 that the Nigerian Breweries established the first Private Sector Scheme. It implemented a Defined Benefit Pension and Gratuity Scheme in the Sector. An employee's pension was paid based on the years of service and grade level at the point of retirement. This became the standard in the Private Sector for decades.

The example of the Nigerian Breweries was followed by the United African Company (UAC) which established its own pension scheme in 1957. Only a few companies operated a pension scheme and only some cadres of workers benefited from it.

## THE NATIONAL PROVIDENT FUND (NPF) AND PUBLIC SERVICE PENSIONS

In 1961, a year after Nigeria attained Independence, the Federal Parliament enacted the National Provident Fund (NPF) Act in keeping with Convention No 102 of the International Labour Organization (ILO) on social protection. A year later, the Act was amended to cover only employees in the Private Sector who were outside the purview of the existing pension service scheme. The NPF Act enabled the first formal pension scheme covering the entire non-pensionable employees in the Private Sector, filling a major gap in the Pension Ordinance of 1951 which catered for only Public Sector pensions.

The NPF was a compulsory savings scheme. Employees and employers each contributed three pence on a monthly basis for every complete five shillings of wages, with the maximum fixed at two pounds. Pounds and shillings were the national currencies at the time. The NPF also took into account fortnightly and weekly wages, setting a limit of one pound and ten shillings respectively for this category of workers.

The Act provided for one-off lumpsum benefits for retirees. Retirement age was pegged at 55 years. Contributors, referred to as “members”, could withdraw their savings if they became unemployed for two straight years, emigrate or attain the retirement age. Benefits were also paid in cases of death and “invalidity” — when a worker was incapacitated mentally or physically. The widow or widower (or the named next-of-kin) would be the beneficiary in the event of the death of a member.

There were provisions for sickness as well. A worker who had

been enrolled for at least one year and fell ill for at least one month was entitled to benefits. Women who got as maternity leave pay an amount that was not less than the sickness benefit were excluded. Workers who had received a different sickness compensation from their employers were also excluded.

There were provisions for voluntary coverage. A majority of workers in a company could apply in writing to exit the NPF under certain conditions. Casual workers were not eligible for enrolment, but employees of a contracted company were obligated to participate. Companies that employed less than the specified number of workers for two consecutive years could apply to be exempted, while those who already had a pension scheme in place before the Act was passed — such as the Nigerian Breweries and UAC — did not have to be part of the NPF.

Also excluded were workers in any university or college who were subject to the Superannuation Schemes for universities, and all workers employed as teachers covered by any scheme for superannuation of non-government certificated teachers. The NPF exempted workers who had diplomatic or equivalent status, and those — whether they were citizens of Nigeria or not — whose written terms of service or engagement provided that they were subject to service for any period of not less than one year outside Nigeria. Also excluded were foreign workers employed in Nigeria for six years and below at a time.

Administration-wise, the NPF was headed by a Director who reported to the Minister of Finance. There was also the National Provident Fund Advisory Council (NPFAC) which advised the Minister on matters relating to the Fund. It consisted of 15 members appointed by the Minister. These were: five representatives of the

Federal Government and Regional Governments, another three representatives of the Regional Governments as employers, two representatives of all other employers, and five representatives of Nigerian workers.

The National Provident Reserve Fund (NPRF) was set up to warehouse surpluses arising from fines, penalties and interest payments received by the NPF. NPRF served as the custodians of the surpluses. The National Provident Fund Investment Committee (NPFIC) was also established by the National Provident Act to give directions on how these surpluses should be invested.

Owing to NPF's shortcomings, policy makers continued to make improvements through legislative and administrative measures. These included circulars and regulations. In 1977, the Local Government Pension Scheme was established by the then Federal Military Government. In 1979, the same Administration enacted the Basic Pension Decree No 102 and Armed Forces Pension No 103, retroactively effective from April 1974, to reflect the changes that had taken place in pension administration over time.

For context, there was a precursor to these changes. The Udoji Public Service Review Commission, headed by the late Jerome Udoji, a well-regarded public Civil Servant, had been set up in 1972 by the Gen Yakubu Gowon administration to propose Civil Service reforms. In 1974, the Commission made far-reaching recommendations that altered the remunerations and benefits of Public Servants.

This was taken into consideration in Decree No 102 as the Government consolidated all the laws on regular pensions, war pensions, disability benefits and gratuities for civilian employees of the Public Service of the Federation. Decree 103 was specifically

for military pensions and gratuities while Decree 102 was for civilians.

The Decrees still did not convincingly address the challenges. They provided for a public service scheme that was mostly unfunded and non-contributory. They were based on a defined benefit Pay-As-You-Go (PAYG) scheme, which relied solely on budgetary provisions and releases. Entitlements were based on the country's pension formula on employees' pensionable years and the incomes they earned while they were in service.

The Government still had to pay pension benefits from the Consolidated Revenue Fund (CRF), where all the revenues of the Federation are domiciled. There was a provision in Decree 102 extending retirement age from 55 years to 60 or 35 years in service — whichever came first — subject to a three-month notice in writing or payment of three-month salaries in lieu of notice. A special consideration of up to 65 years was given to those in higher institutions of learning.

Other laws were derived from Decree No 102 of 1979, including the Armed Forces Pension Act of 1979, and Pension Rights of Judges Act of 1985. The Police and Other Government Agencies' Pension Scheme was enacted under Pension Decree No 75 of 1987, followed by the Local Government Pension Edict which led to the establishment of the Local Government Staff Pension Board of 1987. In 1990, the omnibus Pensions Act of 1979 (Decree No 102) was updated through Pensions Act 1990. All these were attempts at improving the public service pension system, otherwise all the law-making and amendments would not have been undertaken at all.

In 1992, the Office of the Head of Service of the Federation prepared the Standard Trust Department and Rules allowing

parastatals to have individual pension arrangements for their staff and to appoint Boards of Trustees to administer those arrangements. The Boards were free to decide whether to maintain an insured or a self-administered scheme. The qualifying period for gratuity was reduced from 10 years to five.

## **THE NIGERIAN SOCIAL INSURANCE TRUST FUND (NSTIF)**

In the Private Sector, the NPF was not delivering optimal results and this was obvious to everybody. After a review of its operations by experts, some of whom were appointed by the Federal Military Government, there was a consensus that Nigeria needed a new direction that would deliver satisfactory outcomes to all stakeholders. It came at a time the Government was preparing for a wholesale reform of the Public Sector through commercialisation and privatisation.

The Technical Committee on Privatisation and Commercialisation (TCPC), which was set up in 1992, recommended that the NPF Act be repealed and that pension management should be partially commercialised to make it self-funded.

That was the beginning of the process that led to the enactment of the Nigeria Social Insurance Trust Fund (NSITF) Decree No 73 of 1993 which repealed the NPF Act of 1961. With the commencement of the NSITF in July 1994, all registered NPF members were automatically moved to the NSITF. The law transferred all the assets and liabilities of the NPF to the NSITF.

Under the new law, all employers in the Private Sector were



mandated to register as members of the NSITF Scheme. All companies or partnerships registered in Nigeria under the Companies and Allied Matters Act (CAMA) fell into this category, irrespective of its number of employees. Sole ownerships with up to five workers were also required to register with the NSITF.

The contribution was based on 7.5% of the basic salary, split between the employee (2.5%) and the employer (5%). It was mandatory for all members of the NSITF Scheme to remit contributions monthly. They were required to provide the following benefits or grants: retirement pension benefit, survivors benefit, retirement grant, death grant, invalidity benefit, invalidity grant and any other benefits that could be introduced later.

NSITF was funded from the returns on contributions which were invested to generate income for the payment of benefits. The Fund also enjoyed some operational autonomy. It was able to implement performance contracts, strengthen accounting controls, ensure financial solvency (through effective cost recovery, cost control and prudent management), as well as remove bureaucratic bottlenecks and political interference through clear role definitions between the supervising Ministry, the Board and the Management.

## **END OF AN ERA**

While the NSITF represented a big leap in the evolution of pension in the Nigerian Private Sector, the situation in the Public Sector was different. Public Sector retirees queued up endlessly for their benefits which were paid from inadequate budgetary releases by the Federal Government. The system did not deliver financial

security for retirement. The challenges in the management of public pensions could be summed up as follows.

**Funding challenges.** The entire pension burden was borne by the Government. Pensions were provided for through the annual budgets and payments were paid from the Consolidated Revenue Fund of the Federation. However, Government often experienced a shortfall in revenue. Competing expenditure requirements for the Government also pushed pension down the list of priorities. Liabilities were growing on Government because of shifting demographics and aging workforce. With no adequate funds from Government treasury, pensioners were often not paid their benefits and arrears continued to accumulate.

**Weak administration.** There was no regulator of Public Sector pensions. This lacuna led to an uncoordinated and disjointed administration of pensions of Public Servants. Most of the Government agencies managed the pension funds by themselves and did not have to be monitored and kept in check by a regulator.

**Lack of commitment.** Public Sector pension was seen as a big liability. Therefore, Government agencies did not show the same level of commitment to compliance. Retirees who had worked for both Federal Government and State Governments did not always get the same level of commitment in the payment of their benefits.

**Fraudulent practices.** There was outright fraud in the management of public pensions before the reform. A lack of a proper identity management system meant there were “ghost”

retirees being paid via bogus accounts. The mounting arrears also created a loophole for manipulation of the payment process. Those who had not been paid were fraudulently recorded to have been paid. Many retirees lost track of the record of payment. Some were paid only after desperately reaching a shady agreement with the paymasters.

**Cumbersome processes.** The management of Public Sector pensions was cumbersome and grossly inefficient. There were delays in processing claims. The process was tiring, confusing and complex. For instance, a pensioner was required to provide dozens of documents to make a claim for payment. This frustrated pensioners who had to endure the process.

For the Private Sector, the situation was only slightly different. The pension arrangement was largely opaque and unregulated. In many private companies, there was no clear distinction between company funds and pension assets. Some of them were in the practice of handling pension funds as part of their assets. This lack of transparency affected the security of the pension assets. Just as the case was in the Public Sector, some Private Sector employers also failed to fund pensions.

With the inefficiencies of the Nigerian pension system, the Federal Government under the leadership of President Olusegun Obasanjo introduced the Pension Reform Act (PRA) of 2004. The landmark law overhauled the pension landscape and created the Contributory Pension Scheme (CPS). The Act unified pension management for both the Public and Private sectors for the first time. It also established a single regulator, the National Pension Commission (PenCom), to supervise, regulate, and ensure the

smooth and effective operation of pension matters in Nigeria. This is discussed in full in the next chapter.

## GLOBAL TRENDS

The reform in Nigeria was inspired by developments around the world. Although it came late, it was inevitable that the Nigerian Government would take a global look at the pension situation and pursue a different path in finding a lasting solution. Nigeria was not the only country facing a serious pension crisis. With some countries having taken radical steps to tackle similar challenges, Nigeria drew lessons from them. Below are examples of countries that carried out pension reforms.

**The United Kingdom.** There had been a shift from the old-age pension scheme introduced by the UK in 1909, funded solely by taxpayers for workers aged 70 and above, to a more contributory scheme since 1925. A new State Pension Age system was introduced on 6 April 2016 to replace the basic State Pension, which was considered complicated. Some could not keep track of what they were entitled to once they reached the former State Pension Age of 65 years. The new State Pension age is 66 years.

Only men born on or after 6 April 1951 and women born on or after 6 April 1953 are qualified for the new State Pension of £203.85 per week. They must have made National Insurance (NI) contributions for at least 10 years. Those born before those dates are entitled to only a full State Pension of £156.20 per week. They must have made NI contributions of between 30 and 44 years depending on when they were born and their gender.

**Canada.** The earliest piece of legislation on pensions was the Government Annuities Act of 1908 which encouraged Canadians to financially prepare for their retirement through the purchase of a government annuity. This was the government-guaranteed benefit scheme. In 1952, the country introduced the Old Age Security (OAS) pension for those aged 70 years and above. Those below the age were not entitled to pension.

In 1965, the Canadian government introduced a landmark social security system based on a contributory system of earnings-related old age, disability, and survivor insurance. The qualifying age for pension was reduced from 70 to 65. In 1987, Canada's pension reform evolved with the introduction of a flexible retirement plan, allowing contributors to receive pensions as early as 60 years of age.

**Chile.** The Chilean government instituted an old age system from 1920 to 1950 for some occupations. This government-run scheme resulted in incomplete coverage as well as low and uneven benefits. Government subsidies for pensions crossed 2% of its GDP by 1970 until General Augusto Pinochet Ugarte's military government overhauled the system. The government, which he headed from 1973 to 1990, raised the retirement age, boosted the contribution rates, and eliminated irregularities in the scheme. In 1981, Chile replaced its government-run PAYG retirement scheme with a private system in which workers funded their own retirements through compulsory savings.

## CHAPTER TWO



# THE TURNING POINT

**B**efore the 2004 pension reform in Nigeria, there were concrete efforts to change the existing system. In 1988, the Federal Military Government, worried about a looming public pension crisis, set up a seven-member committee headed by Chief Ajibola Ogunsola, former Managing Director (MD) of Niger Insurance Ltd, to propose a solution. The committee submitted its report in 1989 with proposals aimed at significantly reducing the cost of paying pension<sup>2</sup> benefits by the Federal Government.

The Committee's most notable recommendation was to continue the Defined Benefit System (DBS) for those already on it and enrol new employees on a contributory scheme. But, according

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<sup>2</sup><http://www.gcimuseum.org/content/life-death-and-money-delivered-chief-ajibola-ogunshola-1956-2005>

to Chief Ogunsola, Government only implemented what resulted in further increases in the cost of pensions. The Government was silent on the far-reaching cost-cutting measures proposed by the Committee.

As the public pension crisis escalated and arrears continued to pile up, the civilian Government of President Olusegun Obasanjo set up another Committee in 2000 to look into the seemingly intractable challenges. The Committee was also headed by Chief Ogunsola. Its remit was to come up with a funded system that would include employee contributions. The Terms of Reference were still far from radical. According to Chief Ogunsola, most Committee members were public servants whose retirement benefits would be calculated using the existing DBS. There was no incentive for them to support (or propose) a drastic change.

The Ogunsola Committee made cost-reduction proposals in line with their mandate. They proposed (1) a replacement of the gratuity system with a contributory scheme whereby the Government and the employee would be obliged to share the burden, with the Government contributing thrice more than the employee (2) the minimum qualifying age for pension should be increased from 45 to 55 (3) for new entrants, recruited from a specified date, the maximum rate of 80% of remuneration to be paid as pension would be reached after 40 years of service in place of the existing 35 years.

The recommendations were not implemented.

With President Obasanjo pursuing an expansive privatisation programme about the same time, the pension liabilities of public enterprises slated for sale were a source of concern. How would the pensions of the workers be managed after privatisation? This was a big question. Opposition to the privatisation by labour unions

was partly based on the accumulated staff pension liabilities, in addition to fears that workers would be laid off.

## THE FOLA ADEOLA COMMITTEE

In 2003, there was a successful drive for a new beginning. The Bureau of Public Enterprises (BPE), which is the secretariat of the National Privatisation Council (NCP) — the body responsible for the privatisation exercise of the Federal Government — was critical to the drive for a wholesale pension reform as several entities were being privatised or slated for privatisation. Mallam Nasir el-Rufai was the Director-General of the BPE at the time. I was the Bureau's Deputy Director, Monitoring and Compliance Department, after serving as Deputy Director and Head of the Human Resources Department.

President Obasanjo decided to set up the Pension Reform Committee, which was chaired by Mr Fola Adeola, co-founder of Guaranty Trust Bank (GTB) and a corporate heavyweight. I was appointed the Committee Secretary. The BPE drove and funded the Pension Reform Committee, with the full support of President Obasanjo, who was clearly determined to finally address the endemic pension crisis.

The Committee was mandated to come up with a system that would be financially sustainable, stable and enduring. After doing extensive work, the Committee decided to propose that the Public Sector should adopt the Contribution Pension Scheme (CPS) which was already in operation in the Private Sector. The Committee reasoned that it would allow for efficient service delivery to employees in the Public Sector since it would be a fully funded Scheme.



These are some of the key features of the CPS: there should be compulsory contributions by employers and employees; pension assets should be managed privately by a third party; and employees should open individual Retirement Savings Accounts (RSAs) where contributions from both an employee and the employer would be remitted monthly. Significantly, the custody and management of pensions funds were separated.

There were many benefits that were immediately obvious. The first was that, as it was in the Private Sector, Public Sector employees would start contributing towards their own pensions. This would lessen the financial burden on Government. It had become an embarrassment as public pensioners suffered endlessly because of hitches, the most notable being the inadequate budgetary provisions and releases for the payment of pensions. With employees saving towards retirement, public budgets for pension payments would be more manageable.

Another benefit was that separating pension assets from the common pool would allow capital to be built up for long-term investments in specified sectors that are considered low risk. This was expected to drive economic development. Investing the funds would also yield interests that would boost the savings of contributors in the long run and allay their fears about the inflationary impact on the assets.

There were, expectedly, reservations on the part of workers about the radical shift to a system where the benefits would be based on accumulated contributions and interest earnings on the savings to be invested by third parties. Their biggest reservation was having to contribute towards their pensions. For Government employees, they were used to being guaranteed their gratuities, in

addition to receiving pensions for life. They were not excited about a contributory system that meant shared responsibility and reduced perks, even though it was going to be more stable compared to the defined system.

Employees in the Private Sector were worried about the security of their funds if they were managed by third parties rather than their trustees/employers as it used to be. They were also worried about the quantum of returns on their savings vis-a-vis time value of money. Public servants were of the view that not getting defined benefits from Government could further lower their pensions because third parties would charge operational costs on the maintenance of the RSAs.

## **PENSION REFORM ACT: A NEW BEGINNING**

With the work of the Fola Adeola Committee done, the Federal Government prepared the Pension Reform Bill and submitted it to the National Assembly in September 2003. After passing through legislative processes, the Bill was passed by the Federal Lawmakers on 23 June 2004. The Pension Reform Act, 2004 (PRA 2004) was signed into law by President Obasanjo on 25 June 2004 with a commencement date of 1 July 2004. The official title of the PRA 2004 was: “An Act to establish Contributory Pension Scheme for Employees in the Public Service of the Federation, Federal Capital Territory and Private Sector in the Federal Republic of Nigeria.”

Ten years later, the PRA 2004 was repealed and re-enacted with new provisions and modifications. The new Bill was passed by the House of Representatives on 27 May 2014 and the Senate on 3 June 2014. It was signed into law on 1 July 2014 by President Goodluck

Jonathan. The official title was: “An Act to Repeal the Pension Reform Act No. 2, 2004 and Enact the Pension Reform Act, 2014 to Make Provision for the Uniform Contributory Pension Scheme for Public and Private Sectors in Nigeria; and for Related Matters.”

The Pension Reform Act marked the beginning of a new pension system for the financial sector, employees, employers and Nigeria as a whole. The creation of the National Pension Commission (PenCom) as the single regulator of the Pension Industry solved the age-old problem of multiple regulators. The Commission became the body to approve, license, regulate and supervise all institutions involved in pension matters in Nigeria. PenCom was also empowered to establish standards, rules and guidelines in exercising its mandate.

The objectives of the Pension Reform Act were to:

- (1) ensure that contributors received their retirement benefits as and when due;
- (2) assist “improvident” individuals to save for old age, thus reducing old age poverty;
- (3) establish a uniform set of rules, regulations and standards for the administration and payments of retirement benefits to those covered by the law.

I will hereunder outline the pivotal provisions of PRA 2004 along with the alterations effected by PRA 2014.

**Compulsory coverage.** The Scheme, under PRA 2004, applied to all employees in the Public Service of the Federation, the Public Service of the FCT and the Private Sector. Private organisations in

which there were five or more employees were mandated to join the Scheme. The PRA 2014 added the Public Service of State Governments and the Public Service of the Local Governments. It altered the compulsory participation bar for Private Sector organisations, reduced the minimum number of employees from five under PRA 2004 to three while also allowing for Voluntary Contributions by employees of companies with fewer than three employees.

**Monthly contributions.** The defining feature of the CPS is that it takes more than the employer to plan for post-retirement life. Before, it was just the Government (employer) that was bearing the entire responsibility for Public Servants. The Government did not always put money aside for pensions. It was after retirement that Government started budgeting for the pension liabilities — usually without adequate cash backing — even as the demography changed and more people were retiring.

By the provisions of the PRA 2004, employers were required to contribute at least 7.5% of an employee's monthly emolument to the employee's RSA, while the employee would contribute a minimum of 7.5%, to achieve a total of 15%. This was increased to 10% for employers and 8% for employees in the PRA 2014 when the Act was repealed and re-enacted. All these are minimum requirements. Employers can contribute more.

**Fully funded.** One of the most significant features is that the funds are already saved up with a third party on a monthly basis as salaries are paid. Therefore, there is no need for separate budgetary releases to pay pensions. Also, the savings are ploughed into interest-yielding investments, thereby adding value over time. In

addition, employees that would ordinarily spend all their salaries are now saving towards retirement.

While the contribution formula for the Private Sector is the same as that of the Public Sector, there was a different arrangement for the military under the PRA 2004. For the military, the employer contributed at least 12.5% of the monthly employee salary while the employee contributed 2.5%. The military was treated separately because of its peculiarities. This is consistent with global best practices. In 2011, the military was exempted and the PRA was slightly altered to reflect the exemption of the Armed Forces, the intelligence services. In May 2023, the National Intelligence Service (NIA) was also granted an exemption.

Recognising that all employers (and employees) are not equal, the Act states clearly that the prescribed contribution was just the minimum. Employers (and employees) could do more. An employer might decide to make the whole contribution on behalf of its employees, thus taking the whole responsibility for the employee's 7.5%. The PRA 2014 prescribes 20% as the rate for the employer who wishes to take full responsibility for the employee.

Employers were mandated under the PRA 2004 to maintain a "Life Insurance" policy in favour of the employees for a minimum of three times their annual total emoluments. The PRA 2014 renamed it "Group Life Insurance". Employees are allowed to make Voluntary Contributions to augment their savings if they so wish. Voluntary Contributions are non-obligatory contributions made by any employee in the formal sector through the employer who has three or more employees and who is making mandatory contributions under the CPS.

**Retirement Savings Accounts.** An employee is required to open a Retirement Savings Account (RSA) with a Pension Fund Administrator (PFA) of their choice. The RSA shall be in the employee's name, unlike before when Private Sector employers ran their own schemes. To create competition among the PFAs, PenCom released guidelines in November 2020 to create a Transfer Window so that an RSA Holder can transfer account from one PFA to the other not more than once in a year without having to justify the decision. All the employee needs to do is notify the employer on the choice of a new PFA.

To address a situation where contributions are not remitted, the law stipulates that within seven working days of payment of salaries, employers must remit all contributions to the Pension Fund Custodian (PFC). The PFC would inform the PFA of the remittance and the funds would be credited to the RSA of the employee by the PFA. Employers who fail to remit within the specified time frame are liable to be penalised by PenCom, besides the recovery of the debt.

As it had been since the first public pension law in Nigeria, Government contribution to the pension of its employees is charged to the Consolidated Revenue Fund (CRF). It is the duty of the Accountant General of the Federation to effect the deductions of all contributions of treasury-funded Federal Government employees.

**Age qualification.** Against the backdrop of previous changes in the age qualification for pension, the law puts the cut-off age at 50. No person below 50 years shall make any withdrawal from their RSAs. An exception is made for employees who retired on the advice of a qualified physician or a properly constituted medical board certifying that they are no longer mentally or physically capable of carrying out the functions of their jobs. Those who retire

because of a disability either of mind or body are exempted from the age restriction. Employees who retire before 50 in accordance with the terms and conditions of their employments are allowed to make withdrawals of 25% from their RSAs.

**Retirement Benefits.** Under Section 7.1 of the PRA 2014, an RSA holder upon retirement or clocking 50 (whichever comes first) is allowed to utilise the balance in their account in two ways: through programmed monthly/quarterly withdrawals calculated on the basis of the expected life span; or through annuity for life purchased from a life insurance company with monthly/quarterly payments.

There is a lump sum to be paid from the account on retirement, provided that the balance is sufficient to procure an annuity or fund Programmed Withdrawals that will produce an amount not less than 50% of the employee's annual remuneration at the date of retirement. An RSA holder who becomes unemployed before 50 may withdraw 25% as lump sum, but this must be at least four months after they fail to secure another job.

For employees who die, their entitlements under the life insurance policy will be paid into their RSAs. The named beneficiary — spouse and children, next-of-kin, or anyone appointed by the Probate Registry as the administrator of the estate — will receive the benefits.

If a missing employee is not found within one year of being so declared, PenCom will set up a Board of Inquiry. If the Board concludes that it is reasonable to presume the missing employee dead, the benefits shall be paid to the named third party.

Generally, retirement benefits are not taxable. All interests, dividends, profits, investment and other income accruable to pension funds and assets are tax-exempt. Same applies to any

amount payable as a retirement benefit. However, any withdrawal made before the end of five years from the date a Voluntary Contribution is made is taxable.

**Exemptions.** The PRA 2004 recognised that some employees were already on one pension plan or the other before the enactment of the reform law. Some categories were granted exemptions, such as employees who were entitled to retirement benefits under any pension scheme existing before the commencement of the PRA 2004 but had three or less years to retire.

The law exempts those mentioned in Section 291 of the 1999 Constitution. These are judicial officers in the Supreme Court and the Court of Appeal whose retirement age is 70. For the High Courts, Sharia Courts of Appeal and Customary Courts, the retirement age is 65 years. The Constitution stipulates how the pensions of judicial officers would be regulated and no Act of Parliament can override it. They continued under their existing defined scheme.

The PRA 2014 expressly exempts from the CPS the National Intelligence Agency (NIA) and Department of State Services (DSS), in addition to Armed Forces and political appointees whose conditions of employment entitled them to retirement with full benefits. It returns them to the DBS. The military pension is funded through the annual statutory budgetary allocation managed by the Military Pension Board. Professors are allowed to retire on full benefits if they have served for at least 20 years. If their RSA savings are not enough to cover the full benefits, Government is to cover the shortfall. This same applies to Permanent Secretaries.



## **TRANSITIONAL PROVISIONS FOR THE PRIVATE SECTOR**

Pre-2004 Private Sector pension schemes were allowed to continue. If it was a defined scheme, pre-2004 contributions in favour of each employee together with the attributable income were to be computed and credited to an RSA opened for the employee under the CPS. However, the pension funds and assets must be fully segregated from the funds and assets of the employer. The pension funds and assets are held by a Pension Fund Custodian (PFC). Employees who were on pre-PRA 2004 schemes were allowed to move to the CPS and their contributions and attributable incomes earned to date computed and credited to their RSAs under the CPS.

## **THE NIGERIA SOCIAL INSURANCE TRUST FUND (NSITF)**

Prior to the reform, the NSITF was involved in pension management. It was established by the Federal Military Government in 1992 to take over the functions of the National Provident Fund (NPF). The transition to CPS in 2004 altered its functions as it was thereafter only allowed to regulate “social security insurance services other than pension”. It was mandated to establish a company to undertake the business of a PFA.

In 2004, the NSITF established Trustfund Pensions Plc in partnership with MainStreet Bank (formerly Afribank), Niger Insurance, Denham Management Limited, the Nigeria Employers Consultative Association (NECA), the Nigeria Labour Congress (NLC) and Trade Union Congress (TUC). The NSITF owns the

majority shares of the Trustfund Pensions Plc which was licensed by PenCom in December 2005 and commenced operation in January 2006. The NSITF transferred assets of N54 billion to Trustfund Pension Plc.<sup>3</sup>

The NSITF members were allowed to transfer their savings and attributable income to their RSAs subject to certain thresholds and conditions. Contributors or beneficiaries under the NSITF Act were given at least five years after the commencement of the PRA 2004 to select a PFA for the management of the pension funds standing to their credit.

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<sup>3</sup> <https://www.nsitf.gov.ng/html/AboutUs.cfm>

## CHAPTER THREE



# INSIDE THE PENSION INDUSTRY

**T**he Nigerian Pension Industry today is unrecognisable from what it was pre-2004. The reform has been nothing short of transformative. In place of a somewhat rudderless system, we now have a single, efficient industry regulator in PenCom. In place of incoherent practices, we now have industry standards that are in tune with global norms. In place of undeveloped, underfunded or opaque pension plans, we now have a fully funded and efficient contributory scheme that has eliminated uncertainty and post-retirement stress.

The structure of the Pension Industry is now well defined. Individuals and companies who are obligated to contribute are easy to identify: those in the Public Service of the Federation,

the Federal Capital Territory (FCT), the Public Service of States, the Public Service of Local Governments, and Private Sector companies with three or more employees. Those in the Informal Sector who voluntarily choose to participate are allowed to do so. The exempted are personnel of the military, National Intelligence Agency (NIA) and Department of State Services (DSS), as well as other Public Servants, such as judges whose pensions are governed by the Nigerian Constitution and not the Pension Reform Act.

Companies that take custody of the funds and the ones that administer them are specified, having been licensed by PenCom. Individual pension accounts, known as Retirement Savings Accounts (RSAs), are opened by the contributors. All contributions and interests accruing therefrom are domiciled in the RSAs. Since the contributory scheme is fully funded, pension payments for Public Sector retirees are no longer subject to budgetary allocations. While there are still a few things to be perfected about the new scheme, the ship of change has visibly sailed into a new horizon and is definitely irreversible.

In this chapter, we shall discuss in full the structure and operations of the Pension Industry under the CPS.

## **THE NATIONAL PENSION COMMISSION (PENCOM)**

As already noted, Nigeria did not have a single regulator for the Pension Industry before the enactment of the PRA 2004. Regulations were done by:

- (1) the Securities and Exchange Commission (SEC) through the licensing of pension fund managers
- (2) the National Insurance Commission (NAICOM) which

- licenses and regulates insurance companies in the country
- (3) the Joint Tax Board (JTB), which approves and monitors all private pension schemes with enabling powers from Schedule 3 of Personal Income Tax Decree No 104 of 1993.

The PRA 2004 created the National Pension Commission (PenCom) as a corporate body with perpetual succession and a common seal. It may sue and be sued. Its principal duty is to regulate, supervise and ensure the effective administration of pension matters in Nigeria. Its Governing Board has a part-time Chairman. The PRA 2004 prescribed for the office of the Chairman someone with a university education or its equivalent, with at least two decades of work experience, but the PRA 2014 does not stipulate any prerequisites.

The Director General is the Chief Executive and Accounting Officer responsible for the day-to-day administration of PenCom. The DG is required to keep the books and records of the Commission. He or she is appointed for a period of five years, which is renewable once. The DG must have relevant and adequate professional and cognate experience in pension matters for at least 15 years. Before the PRA 2004 was re-enacted in 2014, the requirement was a minimum of 20 years cognate experience relating to pension matters and/or insurance. The PRA 2004 also stipulated a tenure of four years for the DG and the Chairman.

The four full-time Commissioners must have professional and cognate experience in finance and investment, or accounting, pension management, actuarial science, business administration or any other related field. They are all members of the Board. The Commissioners may only hold office for a term of four years each,

renewable for another four years and no more. The Chairman, four Commissioners and the Director General of the Commission shall each represent the six geo-political zones.

Other members of the Board, who serve part-time, are institutional representatives from the Head of the Civil Service of the Federation (HCSF), the Federal Ministry of Finance, the Nigeria Labour Congress (NLC), the Nigeria Union of Pensioners (NUP), the Nigeria Employers Consultative Association (NECA), the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC). In 2014, the Board was expanded to include representatives of the Trade Union Congress (TUC), NAICOM and the Nigerian Stock Exchange (NSE) which is now known as the Nigerian Exchange Group (NGX).

A Board member ceases to hold office upon resignation, bankruptcy, insanity, impropriety, corruption, infirmity of mind or body, or if the President is not satisfied with their performance in the interest of the Commission or in the public interest.

## THE COMMISSION'S POWERS

The Commission approves, licences, regulates and supervises Pension Fund Administrators (PFAs), Pension Fund Custodians (PFCs) and other institutions involved in pension matters. It establishes standards, rules and guidelines for the management of the relevant pension funds. It likewise ensures the maintenance of a National Data Bank on all pension matters and carries out public awareness and education on the establishment and management of the CPS.

The Commission promotes capacity-building and institutional

strengthening of PFAs and PFCs. It receives and investigates complaints of impropriety levelled against any pension administrator, custodian, employer or any of their staff or agents.

PenCom may impose administrative sanctions and fines on erring individuals and organisations where necessary. It has the power to charge and collect fees, levies or penalties. The Commission formulates, directs and oversees the overall policy on pension matters. It has the authority to call for information from any employer, PFA, PFC or any other person or institution on matters relating to retirement benefits.

### **THE PENSION TRANSITIONAL ARRANGEMENTS DIRECTORATE (PTAD)**

The PRA 2004 established the Pension Transitional Arrangements Department to handle pension matters for Public Servants who would still be operating under the Defined Benefit Scheme. The Department was placed under the supervision of PenCom at the beginning but it was renamed Pension Transitional Arrangement Directorate (PTAD) in the PRA 2014 and became an extra-Ministerial Department under the Ministry of Finance. The PTAD Management Team, led by an Executive Secretary (ES), is appointed by the Minister of Finance.

PTAD is made up of representatives of the existing pension boards or offices in the Public Service of the Federation and FCT. These are: the Civil Service Pension Department (CSPD), Police Pension Department (PPD), the Customs, Immigration and Prisons Pension Department (CIPPD), the Treasury Funded Parastatals Pension Department (PaPD), the Pensioner Support

Services Department (PSSD) and the Finance and Accounts Department (FAD). Two pension departments were exempted from the consolidation and management of PTAD: Military Pension Department and Security Agencies Pension Department.

The functions of PTAD are to make budgetary estimates for the existing pensioners and officers exempted from the CPS; prepare and submit monthly payroll of pensioners to the Office of the Accountant General of the Federation for the direct payment from budgetary allocation maintained with the Central Bank of Nigeria (CBN) to the pensioners' accounts; issue payment instructions to the Office of the Accountant General of the Federation; and maintain a comprehensive database of pensioners under their respective jurisdictions.

Its other functions are: to ascertain deficits in pension payments to existing pensioners or categories of officers that are exempted from the CPS; to carry out such other functions aimed at ensuring the welfare of pensioners as the Commission from time to time may direct; and to render monthly returns to the Commission on existing staff, pensioners, deceased pensioners, details of next-of-kin of deceased pensioners and in any other issue as may be required by the Commission from time to time.

There is a sunset clause for PTAD. The Directorate is expected to cease to exist in 2039. The PRA 2014 states that PTAD shall cease to exist when the last pensioner under the DBS dies. PenCom uses 2039 as a basis for the termination of the Accrued Rights liability of the Government. An employee who entered service in 2004, just before the enactment of the PRA 2004, will retire in 2039 after 35 years of service. This implies that Government's Accrued Rights liability prior to the PRA 2004 would terminate in 2039.



## THE PENSION FUND OPERATORS

On pension assets, the law makes a distinction between physical custody and administration. While PFCs keep the assets, PFAs serve as investment fiduciaries on behalf of RSA holders. The operations of the industry are strictly regulated. PenCom licenses, regulates and monitors the activities and operations of both the custodians and the administrators.

Separating custody of funds from management is a way of checkmating the practice in the Private Sector, pre-reform, when companies did not usually draw a line between their assets and employees' funds. This led to a culture of recklessness and employees were always at the receiving end. Other safeguards put in place by PenCom are strict licensing requirements, stringent checks of "fit and proper" persons for top management positions, tight regulation of investment of pension assets as well as the annual and special examination of the pension operators.

All Licensed Pension Fund Operators (LPFOs) are expected to conduct their investment activities in line with the requirements of the Regulations on Investment of Pension Fund Assets (Investment Regulations) issued by PenCom. The Investment Regulations are the reference document on all investment activities carried out by LPFOs and set out rules and standards for investing pension funds. The Regulations provide the allowable markets, allowable instruments, quality requirements, rating requirements and general principles for investing pension fund assets by LPFOs.

**The Pension Fund Administrators (PFAs):** From the commencement of the CPS in 2004, pension funds have been

managed by the licensed PFAs. They open RSAs for employees with a Personal Identity Number (PIN) for each account. They are authorised to invest and manage pension funds and assets within the provisions of the law. They maintain books of account on all transactions, provide regular information on investment strategy, market returns and other performance indicators to PenCom and RSA holders. The law mandates PFAs to provide customer service support to contributors, including giving them access to their account balances and making statements available on demand. They do the calculations and payments of retirement benefits.

There are strict conditions to be met by any company that wants to be licensed as a PFA. It must be a limited liability company incorporated under the Companies and Allied Matters Act (CAMA) specifically to manage pension funds. This is mandatory: it cannot engage in any other business. It must meet the minimum capital requirement set from time to time by the Commission, which currently stands at N5 billion following a recapitalisation exercise in 2022.

Professional capacity to manage pension funds and administer retirement benefits is a requirement, as well as having a good pedigree. Any of the promoters, directors and subscribers must not have been a manager or administrator of any fund which was mismanaged or had been in distress due to any fault, either fully or partially, of theirs.

As for companies and institutions who were already into pension fund management but without being licensed by the Commission, they were required to compute all contributions to the RSAs opened by them for each contributor, including distributable income, and transfer to PFAs and PFCs as determined by the Commission.

**The Pension Fund Custodians (PFCs):** All pension funds and assets are held by licensed PFCs. The employers remit the total contributions to the PFCs. The Custodians receive the funds on behalf of the PFAs. Within 24 hours of receiving the funds, PFCs must credit the accounts of the PFAs in their care and notify them. They hold the assets in trust for the employees and beneficiaries of the RSAs. They settle transactions and undertake activities relating to the administration of pension fund investments including the collection of dividends, bonus, rental income, commissions and related activities — on behalf of the PFAs.

They are required to report to PenCom regularly on the assets in their custody, undertake statistical analysis on the investments and returns on investments, provide data and information to the PFA and the Commission, and execute in favour of the PFA relevant proxy for the purpose of voting in relation to the investments.

Intending custodians must be licensed by the Commission based on laid-down conditions. Like a PFA, a PFC must be a limited liability company incorporated under the CAMA. However, a PFC must be wholly owned by a financial institution and licensed for the sole purpose of keeping custody of pension funds and retirement benefits. Minimum capital is prescribed for the parent company by PenCom as may be necessary. The current requirement is a net worth of a minimum of N25 billion.

The PFC's parent company must have issued a guarantee to the full sum and value of the cash float of pension funds and assets held by the subsidiary, as may be determined by the Commission, from time to time. The PFC must undertake to hold the pension fund assets to the exclusive order of the PFA on trust for the respective employees as may be instructed and must never have

been a custodian of any fund which was mismanaged or had been in distress.

## REVOCATION OF LICENCE

The Commission has the power to refuse to license a PFA or PFC and has the sole right to revoke the operating licences as well. Refusal to license is possible where an applicant has presented false or misleading information, is subject to an insolvency proceeding or is likely to be wound up or dissolved. If a licensee violates the laws and regulations licensing it, or breaches the rules governing the licence, the Commission has the power of revocation. PenCom will notify the PFA/PFC seven calendar days ahead, stating the specific reasons for the impending action. The licensee has a right to fair hearing.

The revocation of a licence will not affect the entitlements of the RSA holders. PenCom may appoint administrators with relevant qualifications to superintend the transfer of the assets and funds held or administered by the offending company and exercise the powers of the Board where necessary. The funds and assets will then be transferred to another PFA/PFC.

## ACCOUNTABILITY AND TRANSPARENCY

One of the most transparent sectors in Nigeria is the Pension Industry. The reporting requirements are stringent and are in the open. The Commission is required to publish at the end of every year a list of all PFAs and PFCs with valid licences. The operators must have met all the necessary conditions, including keeping

proper books of account and records of the pension funds and company operations which must have been audited by qualified external auditors not later than three months from the end of the calendar year.

The audited accounts must be submitted to the Commission for approval not later than four months from the end of the operator's financial year. For the benefit of all stakeholders, particularly the RSA holders and beneficiaries, the operators must publish the audited accounts in at least two widely circulated daily newspapers. They must conspicuously display, throughout the financial year, the accounts in each of their offices and branches within 30 days of PenCom approval.

A PFA cannot keep pension funds or assets with a PFC in which it has any business interest, shares or any form of relationship with. A PFA employee is barred from engaging in any business transaction with the PFA as a counterpart or with the subsidiary in matters relating to pension funds. PFAs and PFCs are restricted from diverting or converting pension funds and assets as well as any income, brokerage or commission arising from the investment of pension funds or assets or by any other means.

## **INVESTMENT OF PENSION FUNDS**

This is a critical part of the pension reform. Before 2004, there were issues of mismanagement of pension savings by private companies, some of which bordered on poor or selfish investment decisions. This was noted by the Adeola Committee which made recommendations on strict regulation of the investment of pension funds. This is very important in building contributors' confidence

in the new dispensation.

The PRA 2014 mandates PFAs to invest all contributions with focus on the safety and maintenance of fair returns on amount invested. The investment guidelines and regulations are issued by the Commission and reviewed from time to time, as the law provides. The pension funds could be invested in bonds, bills and other securities issued or guaranteed by the Federal Government, the CBN, States and Local Governments. They can also be invested in bonds, debentures, redeemable preference shares and other debt instruments issued by corporate entities and listed on a Stock Exchange registered under the Investments and Securities Act.

Additionally, the funds can be invested in ordinary shares of public limited companies listed on a Securities Exchange as well as in bank deposits and bank securities, investment certificates of closed-end investment fund or hybrid investment funds listed on a Securities Exchange with good track records of earning, and units sold by open-end investment funds or specialist open-end investment funds registered under the Investments and Securities Act. Other permitted investments are real estate development and specialist investment funds.

There are no-go areas. A PFA cannot invest pension funds or assets in shares or other securities issued by itself or in which its PFC is a shareholder. A PFA is barred from selling pension fund assets to itself, any shareholder, director, affiliate, subsidiary, associate, related party or company of the PFA, any of its employees, and their spouses and relatives. A PFA cannot invest in affiliates of any of its shareholders or the PFC holding pension fund assets to the order of the PFA and any related party to the PFC.

## **DISPUTE RESOLUTION**

Disputes are inevitable in business relationships. Hence, the mechanism exists for prompt resolution of disputes in the Pension Industry. A dissatisfied employee or RSA holder may request for a review of a decision taken by the employer or PFA by writing to the Commission. A copy of the request must be served on the PFA or employer. PenCom has the power to review the decision to make sure it is compliant with the PRA 2014.

A party that is not satisfied with PenCom's decision may further refer the matter to arbitration in line with the Arbitration and Conciliation Act or to the National Industrial Court (NIC). The Commission may be the party that has taken a decision that a person or body corporate is aggrieved or dissatisfied with. In that case, the aggrieved party may refer the matter to arbitration. Any arbitration award is binding on the parties and shall be enforceable by a court of competent jurisdiction.

The Commission strives to ensure an excellent relationship with all its stakeholders. It ensures that all complaints are channelled to its relevant departments and resolved promptly. It monitors service delivery activities of all the PFAs by reviewing and analysing the reports on complaints and enquiries forwarded to the Commission by them every month. The Commission also reviews its Service Charter to keep pace with developments in the Pension Industry.

There is an e-mail address through which stakeholders and the general public may send complaints and enquiries to the Commission. Those are forwarded to the relevant departments for further necessary action. The Commission analyses the complaints

and enquiries that it receives monthly from the Departmental Complaints Officers (DCOs) and ServiCom Desk Officers (SDOs) in the Zonal Offices of the Commission. Similarly, SDOs are responsible for handling complaints and enquiries from the Commission's stakeholders in their Zones.

## STATES AND LOCAL GOVERNMENTS

State Governments seeking to access pension funds must meet minimum requirements.

- (1) They must enact a law to establish the CPS which must give pension contributions the same priority as salaries.
- (2) They must establish a State Pension Bureau and a Local Government Pension Bureau to coordinate the implementation of pension.
- (3) The subnational Governments must open and fund a Retirement Benefits Bond Redemption Fund Account with the CBN or any PFA from the date they remit pension contributions.
- (4) They must also execute an Irrevocable Standing Payment Order (ISPO) to mandate the Accountant General of the Federation to deduct at source and remit monthly pension contributions from the State's share of the Federation Account Allocation.
- (5) They must provide Group Life Assurance coverage for their workers.

State Governments may access pension funds through bonds or other securities issued by them. However, they must comply



with the provisions of the PenCom Investment Regulations, which provide that issuers must fully implement the CPS by opening RSAs for their employees and remitting their pension contributions. Also, the States must procure a Group Life Insurance cover that guarantees a minimum of 300% of emoluments for its employees as stipulated in the PRA 2014.

## CHAPTER FOUR



# POLICY PILLARS

**T**he National Pension Commission (PenCom), as the body responsible for the regulation of the Pension Industry in Nigeria, establishes the standards and rules which are critical to the exercise of its powers to approve, license, regulate and supervise the institutions in the industry. The PRA 2014 lays out provisions empowering the Commission to introduce policies, frameworks and guidelines from time to time. The Act recognises the dynamism of the human society and the need to keep up with developments.

PenCom has been executing this mandate dutifully as evident in its policies and guidelines that have shaped the industry since 2004. Some of the defining policies are Digital Capture, Transfer

Window, Recapitalisation of PFAs, the Micro Pension Plan, Residential Mortgage, Multi-Fund Investment, and Voluntary Contribution. There are several others which, put together, have contributed in no little way to the exponential growth of the Pension Industry in Nigeria.

## **DIGITAL TRANSFORMATION**

Before 2004, retirement benefits were always a subject of dispute largely because of the cumbersome nature of administering and managing them. The system was entirely analogue. There were usually long queues for verification of pensioners as well as manual computation of their benefits and requests for old files, documents and credentials. However, pension reform has made the system seamless with the help of technology. Today, PFAs and PFCs compete by acquiring the latest technology and resources for efficient service delivery. This has helped instil transparency and engendered trust in the system.

In 2018, PenCom introduced the Data Recapture Exercise (DRE). The exercise was aimed at solving issues surrounding incomplete data, loss of vital information, and multiple registrations. The exercise enhanced the computation and timely release of benefits for retirees. It also helps to protect RSAs, prevent data manipulation, and eliminate annual physical enrolment for those due to retire. The introduction of the DRE formalised the process of recapturing RSA holders in the National Databank maintained by PenCom. In the Guidelines, the Commission mandated the use of National Identification Number (NIN) for all existing RSA holders. The Commission directed all PFAs to update the records of RSA holders,

both active and retired, by also providing their Bank Verification Numbers (BVNs) as well as other mandatory biodata information.

The physical data recapture exercise was specifically for RSA holders who started pension contributions before July 2019 when the Enhanced Contribution Registration System (ECRS) was introduced. The ECRS replaced the old Contribution Registration System (CRS). The enhanced system is an e-platform for the submission of requests by PFAs for the registration of contributors and issuance of Personal Identification Number (PIN). The platform facilitates the electronic submission and full automation of pension-related activities between PenCom, pension administrators and pension custodians. It also enables electronic registration and issuance of employer codes.

Apart from capturing RSA holders' data on the ECRS, the platform further allows the registration and onboarding of Micro Pension participants from the Informal Sector or individuals in self-employment who want to make additional Voluntary Contributions.

The Guidelines set minimum ICT requirements for licensed PFAs and PFCs to provide multichannel platforms for registration, collection, customer service, and benefit administration. The introduction of biometric technology has helped to increase contributors' confidence in the industry. It has facilitated bringing more people into the financial system, including the informal sector, through the Micro Pension Scheme. The ECRS has also made pension payments seamless as contributors can meet with their PFAs after retirement to discuss the mode of payment, submit relevant documents, and get credited when payments are due. Payments are easily accessible through ATM withdrawals monthly.

PenCom ensures that PFAs have sufficient branches to serve locations with a significant number of registered RSAs under their management. The PFAs are also mandated to have the necessary technology to facilitate access to their services for RSA holders. To make the recapturing exercise seamless and expedite the process, PenCom approved two agents recruited by the PenOp to carry out a recapture exercise at various centres if RSA holders could not visit their PFA offices. In 2022, the PenOp developed an industry Shared Service Initiative (SSI) solely for the recapturing exercise with a term-fixed contract between the two agents.

Also on the digital front, the Nigeria Inter-Bank Settlement System Plc (NIBSS) and the Pension Fund Operators Association of Nigeria (PenOp) developed an electronic information repository that coordinates pension remittance processes and information for all stakeholders through the Electronic Pension Contributions Collection System (EPCCOS). The user-friendly self-service platform makes for easy upload and transfer of remittance schedules to PFCs and PFAs by employers. To enhance collections for PFAs, employers use it to remit and schedule obligations. Pension operators have also introduced mobile applications to improve services.

Digitalisation paved the way for the implementation of other critical policies and actions previously hampered by poor contributors' data, identity theft, abuse of contributors' funds, large-scale fraud, and tedious processes. The ECRS brought about data integrity, enhanced transparency in the management of contributors' information and ensured adherence to the RSA Transfer Window policy.

## RSA TRANSFER WINDOW

Another policy of significance is the RSA Transfer System which was introduced by the Commission in November 2020. As the name suggests, it is a window that allows RSA holders to move their accounts from one PFA to another, expectedly out of a desire for better services and returns. All RSA holders whose details have been recaptured and uploaded to the ECRS are eligible for RSA transfer. Active contributors and retirees on Programmed Withdrawal are eligible. Same for retirees on annuity who make Voluntary Contributions under the CPS. However, retirees on annuity cannot transfer their funds from an insurance company to a PFA.

Transfers are allowed only once in a year for each account holder. The PenCom regulation outlines the procedures that PFAs need to follow for the seamless transfer of RSAs. The procedures were released in November 2020 in line with the provisions of the PRA 2014. The Transfer Window regulation outlines the criteria for determining the eligibility of RSA holders for a transfer and lists the sanctions to be applied to PFAs if they violate the processes.

An RSA holder initiates a transfer through the PFA to which the account will be transferred. The PFA is called the “Receiving PFA”. The “Transferring PFA” is where the RSA is being moved from. Transfers are processed through the RSA Transfer System (RTS), a computer-based application deployed by the Commission for the purpose of initiating, processing and monitoring the transfer process. The personal details of the RSA holder, specifically the biometrics and biodata, must have been recaptured and updated on the ECRS. Contributors that registered before 1 July 2019 must

provide their NINs to the current PFA.

Those seeking to transfer their RSAs must go to the receiving PFA where they will initiate the transfer request by providing the vital information required, including the RSA PIN. Once the validation is successful, all it takes to conclude the request is for the RSA holder's fingerprint to be captured to authenticate their identity. A confirmation slip is issued at the end of a successful transfer for record purposes. A copy will be given to the RSA holder while the receiving PFA will keep a duplicate copy.

To avoid the transferring PFAs from resorting to extraordinary means to retain customers, the regulation stipulates that the RSA holder does not need their authorisation. The RSA holder seeking a transfer does not have to inform the PFA from which they are transferring. That will be treated on the RTS. The only hinderance is if the RSA holder has not done the required data recapture. As stated already, it is compulsory that the data recapture process is completed for any transfer to be successful.

All transfers are done at no cost to the RSA holder. Although transfers are limited to once a year consistent with the PRA 2014, they can be at any time within 365 days and not necessarily during a particular time of the year.

Transfer requests may be received daily, but they are processed in quarterly batches — February, May, August and November. Requests tendered within the first two months of a year are processed within the quarter. The requests towards the end of a quarter are treated in the next quarter. The RSA holder will be kept informed of the progress of the request via e-mail, where available, or by SMS on the registered phone number. A transfer request cannot be cancelled after it has been initiated. Once the transfer is completed,

it is incumbent on the RSA holders to inform their employers of the new PFA for subsequent remittance of their contributions. It is also their duty to check that the accurate balances were transferred to the new PFA.

The system is secure and fully automated. The platform has inbuilt controls that ensure that it is only legitimate RSA holders that can initiate the RSA transfers. The RSA holder's fingerprint is verified live on the database of the National Identity Management Commission (NIMC). Any data infractions by PFAs are severely punished as the Commission monitors and audits the system regularly.

## CAPITAL REVIEW

Dynamism has been an organisational culture at PenCom right from its inception. This is reflected in the regulations and guidelines that the Commission issues from time to time to address changing realities as permitted by the PRA 2014. One of such is setting the minimum capital requirement for PFAs. Pension assets have been growing and the capital requirement for the PFAs needs to be reflective of this fact so as to improve their capacity and resilience.

At its 48th meeting on 27 April 2021, the Board of the Commission approved the increase of the Minimum Regulatory Capital (also known as Shareholders' Fund) requirement for PFAs, from N1 billion to N5 billion, unimpaired by losses. The objective was to improve the capacity of PFAs in terms of operational efficiency and effectiveness as well as service delivery. The Board approved a 12-month transition period within which PFAs were to



meet the new requirement. The deadline was set for 27 April 2022.

The first time a new capital requirement was set for the PFAs by the Commission was in 2012. It was set at N1 billion. At the time, the total pension assets were in the region of N3 trillion. By 2020, the pension assets had grown to N12.29 trillion. That was four times over. The growth inevitably came with higher risks and bigger pressure in service delivery. That was why the Executive Management and Board of the Commission began to explore the need to strengthen the industry in view of its rapid growth.

The Executive Management saw the urgent need to bring up the capacity of PFAs to manage the increasing number of registered contributors and value of pension fund assets under management. Sustained growth in assets comes with greater fiduciary responsibilities. It demands more operational capacity. This was a big factor in the Commission's decision to increase the minimum capital requirement in 2021.

As at 31 December 2021, 10 out of the 22 PFAs had met the new regulatory capital requirement. At the deadline on 27 April 2022, all PFAs had complied. A couple of them went into mergers and acquisitions, reducing the total number of PFAs from 22 to 20. The Commission approved the acquisition of AIICO Pension Managers Limited by FCMB Pensions Limited. Tangerine Pensions Limited and APT Pension Funds Managers Limited merged, with the name changing to Tangerine APT Pensions Limited. PenCom also approved Norrenberger's acquisition of IEI-Anchor Pension Managers Limited. Norrenberger had acquired the interest of the majority shareholder, IEI Plc, in IEI-Anchor Pension Managers Limited.

## THE MICRO PENSION PLAN

Unlike the mandatory pension scheme for employees and employers in the Formal Sector, the Micro Pension Plan (MPP) is voluntary and solely funded by the contributor. Contributors must be Nigerians aged 18 and above with a legitimate source of income from self-employment or belonging to trade or professional groups. Prospective contributors are required to open an RSA by completing a physical or electronic registration form with a PFA of their choice.

The targeted MPP participants are petty traders, members of the National Union of Road Transport Workers (NURTW), members of the National Union of Textile, Garment and Tailoring Workers of Nigeria (NUTGTWN), Keke Napep and Okada Riders Associations, Butchers Associations, workers in the movie and performing arts industry, barbers, shoe shiners, car washers, mechanics, and other workers in the automotive industry. Self-employed professionals such as lawyers and accountants are covered by the MPP as well.

The contributors may make contributions daily, weekly, monthly or as may be convenient for them. Every contribution is split into two, comprising 40% for Contingent Withdrawal and 60% for Retirement Benefits. The contributors may, based on their needs, periodically withdraw the total or part of the balance of the contingent portion of the RSA, including all accrued investment income.

Every Micro Pension contributor may access the contingent part of the fund three months after the initial contribution to the account. Thereafter, withdrawals from the contingent fund could be made once a week. The contributor may also choose to convert the

contingent portion of the contributions to the retirement benefits portion at the end of every year. The MPP Guidelines allow up to a 48-hour timeframe for the processing and payment of contingent withdrawals to contributors by PFAs. Section 10(4) of the PRA 2014 makes provisions for the tax deduction on contingent withdrawals.

The balance in the RSA will be available to the contributor upon retirement, illness or attaining the age of 50 years. The retiree will also select the mode of accessing retirement benefits based on two modes: Programmed Withdrawal and Life Annuity. Programmed Withdrawal is an option where Micro Pension retirees receive pension on a periodic basis, either monthly or quarterly. An annuity is a method of receiving a pension through life insurance. This provides steady income for retirees for 10 years.

The MPP gives contributors options to select the best option that suits their purposes and life patterns. In this instance, retirees and insurance companies agree on the terms and conditions of the annuity contract and payments are made only to the retiree's designated bank account through channels approved by the CBN.

On 28 March 2019, the Commission unveiled the MPP at an event attended by then-President Muhammadu Buhari. The growing number of enrollees on the CPS and the exponential growth of pension assets often attracted news coverage, but the inclusion of the Informal Sector and self-employed professionals should be major headlines too.

Most Nigerians work in the Informal Sector, either as self-employed or employees. The Pension Reform would not be complete if this critical segment remained out of the Contributory Pension Scheme. The PRA 2014 recognises this by providing for the sector in the Scheme. The Commission developed a product to give teeth

to the legal provisions.

The MPP is the first window of opportunity opened to self-employed Nigerians and those in the Informal Sector to participate in the CPS. It is a unique financial product which democratises the saving culture in Nigeria in a systematic and efficient manner. The product also perfectly aligns with the social empowerment programmes of the Federal Government as it seeks to ensure, in the long term, the sustainability of the benefits of the programmes for the participants who would like to use the opportunity to save for their old age.

Before the product was developed, the Commission engaged extensively with relevant stakeholders and obtained their inputs so that the Plan would suit their needs and requirements. The MPP is flexible with respect to the contribution amount and the channel of remittance to the respective pension accounts. Access to accumulated contributions is also flexible, seamless and facilitated by technology through varied payment system platforms. All these were factored into the Plan to encourage adoption.

We issued the Guidelines in line with the provision of Section 2(3) of the Pension Reform Act 2014 which states that: “Notwithstanding the provisions of subsection (2) of this section, employees of organisations with less than three employees as well as self-employed persons shall be entitled to participate under the scheme in accordance with guidelines issued by the Commission.”

We spelt out the legal, institutional and operational frameworks for the administration of the product by licensed pension operators from the point of enrolment to the point of accessing benefits from the pension accounts by participants. The licensed operators were required to put in place the appropriate structure, infrastructure

and trained manpower to ensure adequate coverage and the provision of excellent customer service to the MPP participants.

The Commission established a separate Department dedicated to the supervision of all matters relating to the MPP, including enforcement of compliance with the Guidelines as well as handling and resolution of customer complaint. The objective is to ensure efficiency and effectiveness in service delivery as well as transparency and accountability in the administration of the product by licensed pension operators.

With what we saw in the formal launch already and subsequent implementation, Micro Pension is expected to significantly expand pension coverage to greater number of Nigerians and further generate additional long term funds for Nigeria's economic development. The Commission collaborates with relevant stakeholders to sensitise and enlighten the target participants and members of the public on the features and benefits of Micro Pension.

## **RESIDENTIAL MORTGAGE**

The best known aspect of pensions in Nigeria is the payment of post-retirement financial benefits. However, there are other aspects of the reform that the Commission has been developing with policy instruments. One of such is the Residential Mortgage Scheme.

Section 89 (2) of the PRA 2014 provides that: "A Pension Fund Administrator may, subject to guidelines issued by the Commission, apply a percentage of the pension assets in the retirement savings account towards payment of equity contribution for payment of residential mortgage by a holder of Retirement Savings Account".

Section 11(1) of PRA 2014 also provides that every employee to whom the Act applies “shall maintain an RSA in his/her name with any PFA of his choice”. Section 16(2)(d) of the 1999 Constitution (as amended) stipulates that “the State shall direct its policy towards ensuring that suitable and adequate shelter are provided for all citizens in line with the fundamental objectives and directive principles of State Policy”. Pension is borne out of social security. Access to housing is also borne out of social security.

Shelter is a basic human need. The knowledge that when you retire, you don’t have to worry about where to live or how to maintain your home can give you comfort. The desire of an average worker is to own a home so that he or she would not have to keep paying rent in old age or in post-retirement life with the resources he or she can better utilise elsewhere.

In September 2022, the Commission attained another milestone by releasing Guidelines on how RSA holders can access their balances to make equity contributions towards their mortgage. Before issuing the Guidelines, the Commission engaged stakeholders in the housing development and mortgage financing sectors. The Commission also engaged stakeholders in the Pension Industry. The engagements always help the Commission draw up robust regulations with the support of stakeholders.

In coming up the Guidelines, PenCom was guided by certain objectives. One, there was a need to set the eligibility criteria for RSA holders to participate in the mortgage scheme. Two, there was a need to establish the documentation standards and implementation modalities for Pension Operators to process the requests. Three, it was important to provide access to equity finance for RSA holders under the CPS.

Among other objectives is the need to improve the standard of living of RSA holders under the CPS by facilitating their ownership of residential homes during their working life. The Commission wanted to, as well, improve enrolment in the CPS by providing incentives to employees who were yet to open RSAs. Access to mortgage can be a good incentive. The Commission was also intent on providing a sustainable source of long-term finance to the mortgage sector, thereby spurring development in the housing sector. All these objectives are stated in the Guidelines.

The mortgage scheme is open to all active employees and self-employed persons who make making monthly or periodic contributions to RSA Fund I, II, III, V or Active Fund VI. They must be registered with a licensed PFA and meet the eligibility criteria. All PFAs and PFCs licensed by the Commission to manage or keep custody of pension assets are eligible to participate in the scheme. Mortgage lenders licensed by the CBN are also eligible.

So as not to lose sight of the primary purpose of mortgage, the Commission decided to put a ceiling to how much could be applied as equity contribution. The Commission set an upper limit of 25% of the total RSA balance as at the date of application. This is irrespective of the percentage of equity contribution required by the lender. PenCom also recognised the fact that RSA holders are not equal financially, so it needed to even things up.

Therefore, where the value of 25% of RSA balance is more than the required equity contribution, the limit is set at an amount equivalent to what is required by the lender. For example, if the required equity contribution is N10 million and 25% of RSA balance is N15 million, only N10 million can be drawn. On the other hand, where the value of 25% of the RSA is lower than the required equity

contribution, the RSA holder shall deposit the difference with the lender before 25% of the savings can be applied.

Only RSA holders who are in active employment, either as a salaried employee or self-employed, can apply. Anyone who wants to benefit from the scheme will have to enrol on the CPS. It is hoped that this requirement will help improve enrolment and contributions as well as boost the pension industry. Those registered before 1 July 2019 must have updated their records through the RSA data recapture exercise. Application by proxy is not allowed. All applications must be in person. An RSA holder can access the account only once for mortgage purposes. There is no provision for multiple mortgages.

To protect the PFAs, the Guidelines specify that the RSA holder and the lender must indemnify them on the exclusive use of the released funds for payment of equity contribution. For holders who have already accessed their RSA balance for residential mortgage and 25% due to loss of job, they can access lump sum at retirement. Where holders have already accessed their balances for residential mortgage, they will sign a consent with their PFAs before accessing 25% due to loss of job. Conversely, where they have already accessed their balances due to job loss, they will sign a consent with their PFAs before accessing balances for the mortgage.

The starting point in the application for the mortgage scheme is an Offer Letter. The RSA must have an Offer Letter signed by the property owner and verified by the lender. Besides, the mandatory contributions of the employer and employee must have been for a cumulative minimum period of 60 months prior to the application. The applicants are allowed to utilise the contingent portion of their Voluntary Contributions for equity contribution as stipulated in



the Voluntary Contribution Guidelines.

For those who were enrolled on the NSITF, their pre-CPS contributions may form part of the RSA balance in determining the 25% of equity contribution. There is, however, a requirement for consent to be signed with PFAs where holders wish to include their VC contingent portion, NSITF and pre-CPS contribution to pay the 25% equity.

Those on the Micro Pension Plan are eligible if they meet the minimum 60-month contribution requirement prior to their applications. They too are allowed to utilise the contingent portion of their contributions after meeting the 60-month provision. Where they wish to include their contingency portion as equity contribution, they shall sign a consent with their PFAs.

Those who are not allowed to participate in the mortgage scheme are RSA holders that have less than three years to retirement. Also, retirees on CPS and exempted persons under the PRA 2014 are ineligible. However, couples who are RSA holders are eligible to make a joint application as long as they, as individuals, have satisfied the eligibility requirements.

Lenders must be licensed by the CBN to provide residential mortgage before they can participate in the mortgage scheme. Such Lenders are regulated by the CBN. There are minimum capital requirements prescribed by the Bank from time to time which the Lenders have to meet. The CBN sets requirements such as industry uniform underwriting standards, assets and liabilities management policy, foreclosure procedure, liquidity, capital adequacy, overall asset quality, and profitability. The Lenders must be in a good financial standing at all times.

PenCom requires that the Lender should have a valid Pension

Clearance Certificate. The Commission relies on the CBN yearly to determine the Lenders that meet the stipulated minimum requirements in these Guidelines and other conditions as may be specified by the Bank. The Commission published the names of the eligible Mortgage Lenders on its website twice a year or when any new licence is issued by the CBN.

As the regulator of the Pension Industry, PenCom has a duty to keep track of how pensions are managed as regulatory failure will be catastrophic. While PenCom expects the Residential Mortgage Scheme to be a major driver of growth in the industry sooner or later, the success rate will be monitored to ensure that any concerns are addressed and relevant Guidelines are finetuned.

The PFAs and PFCs are mandated to forward details of payments made in respect of equity contribution for residential mortgage monthly and yearly to the Commission. They are also expected to forward returns on the records of rejected applications with reasons monthly and yearly. Records of equity contributions refunded by the Lender are forwarded to PenCom with the same frequency. The Commission shall reconcile its records on all approvals with the same frequency.

## **RSA MULTI-FUND STRUCTURE**

Effective from 2 July 2018, PenCom began the implementation of the RSA Multi-Fund Structure under the CPS. It is a Life-Cycle Investment Structure designed by PenCom to align contributors' risk appetite with their investment horizon at each stage of their life cycle. RSA holders will be able to enjoy optimum returns following the alignment of pension savings with their individual risk-return

profiles. The contributors, under the Multi-Fund Structure, have investment portfolio choices. Pension assets will also be safer through portfolio diversification.

The initial Guidelines created four Funds before two more were added.

**Fund I:** This is for contributors who are 49 years and below. They have a right to choose whether or their savings should be invested under this portfolio or under Fund II.

**Fund II:** This is the default fund for all active contributors 49 years and below.

**Fund III:** This is for active contributors who are 50 years and above.

**Fund IV:** This is for retirees.

**Fund V:** This is those on the Micro Pension Plan, which is restricted to the Informal Sector. RSA holders cannot transfer to Fund V, neither can those on Fund V transfer to any other Fund because the Fund is for Micro Pension Plan only.

**Fund VI:** The Commission introduced this Fund as the non-interest portfolio for pension participants who have a disinclination towards interest banking.

Those who want to move from Fund II to Fund I must formally apply. The Naira value of the balance in their RSAs (the active

Fund II) will be transferred to buy units in Fund I at the Value of an Accounting Unit (VAUF) of the preceding day. Fund II will continue to maintain the VAUF of the current RSA 'Active Fund' which is computed on the basis of the Net Assets Value and the total number of Accounting Units outstanding. Appropriate fees will be computed by PFAs and forwarded to PenCom for review and approval every month.

For all the Funds, eligible migration is allowed only twice in a calendar year. The first transfer in a calendar year is free, but a subsequent transfer in the same calendar year attracts a flat rate of N1,000. All important information is expected to be passed to contributors by the PFAs, who are mandated to conduct pre- and post-implementation sensitisation on the RSA Multi-Fund Structure. PFAs are required to provide RSA Statements to all RSA holders who automatically default to Fund III upon the implementation of the MultiFund Structure. The statements should reflect the RSA balance as at the day after the transfer to the new Fund.

The Non-Interest Fund (Fund VI) offers a viable alternative to the conventional interest-based financial instruments for the investment of pension funds. It was launched in September 2021 to expand the investment portfolios and cater for the cultural and religious diversity of contributors. It complies with the provisions of Islamic commercial jurisprudence and other established non-interest principles. The Commission's operational framework was certified by the Financial Regulation Advisory Council of Experts (FRACE), the advisory body to the CBN on Islamic banking and finance. Fund VI was well received by contributors.

## **VOLUNTARY CONTRIBUTIONS**

As the name implies, the Voluntary Contributions Scheme is at the discretion of contributors who want to save more towards their pensions above the minimum required by the law. It is an ambitious policy to deepen a savings culture among workers.

At the beginning of the CPS, one common complaint was about the requirement for workers to save towards their future. The prevailing pension scheme then, especially in the Public Sector, was Defined Benefit in which the employer took full responsibility for pensions. This was more acceptable to most employees, even though the employer was not meeting the pension obligations as and when due. Yet, some considered CPS as tasking because it requires the employees to contribute and accumulate savings towards their retirement.

It could, therefore, be considered a big ask to expect those on the CPS to make more contributions aside the compulsory savings they are already having to do monthly. But that is the idea behind the Voluntary Contributions Scheme. The aim is to enhance retirement benefits. The Voluntary Contributions Scheme opens a door for employees in the Informal Sector who might want to save for the future as well.

The categories of persons who are allowed to make Voluntary Contributions are as follows:

- (1) Any employee in an organisation with two or less workers;
- (2) Any worker/retiree in an organisation that operates a Closed Pension Fund Administration and was

employed prior to June 2014;

- (3) Employees/retirees in an organisation with Approved Existing Scheme (AES;
- (4) Any person who retired, disengaged or whose employment was terminated and is currently receiving pension under the CPS but secures a contract-based employment;
- (5) Any retiree under the defunct Defined Benefit Scheme, who secures another contract employment;
- (6) Members of the Armed Forces and the Intelligence and the Secret Services of the Federation;
- (7) Any person who is appointed by the President of the Federal Republic of Nigeria, State Government and elected officers to hold office for a stipulated tenor and who is not a career civil servant;
- (8) Any foreigner residing and working in the Formal Sector in Nigeria.

Voluntary Contributions can be made only in Nigerian currency, the Naira, and must be remitted into and withdrawn from a duly registered RSA, managed by a licensed PFA. All eligible contributors shall maintain their existing RSAs, while the new contributors shall open RSAs with any PFA. Eligible contributors must notify their employers in writing of their intention to make Voluntary Contributions and state the amount to be deducted from their emoluments and remitted accordingly.

Voluntary Contributions, which must be from legitimate income, cannot be more than a third of a month's salary in line with the Labour Act, 1990. The frequency cannot be more than

once a month for all categories of contributors. As required by the Money Laundering Act (MLA) 2011 and Nigerian Drug Law Enforcement Agency (NDLEA) requirement, a PFC shall report to the relevant authorities any single Voluntary Contribution lodgement of N5 million and above. The PFC shall forward a copy of the report on such lodgement to the concerned PFA.

PFAs have to segregate the Mandatory Contributions from Voluntary Contributions. Voluntary Contributions must be separated into two: 50% as contingent and available for withdrawal, and 50% fixed for pension which shall only be utilised at retirement to augment pension. PFAs cannot transfer funds in the mandatory section of the RSA to Voluntary Contributions section without prior approval of the Commission. The PFAs must render monthly returns to the Commission on all Voluntary Contributions received. At the point of withdrawal, all Voluntary Contributors are required to fill the Voluntary Contributions Withdrawal Form.

Voluntary Contributions shall be taxable in accordance with relevant tax laws where a withdrawal is made before the end of five years from the date the contribution was made. The tax deductions shall be based on both income earned and principal amount at withdrawal. The relevant tax law applicable is the Personal Income Tax Act (PITA). PFCs shall remit all tax deducted to the relevant tax authorities within 21 days following the end of month and shall also render returns of such remittances to the Commission twice yearly.

## CHAPTER FIVE



# THE PUSHBACKS

**O**ne mistake reform agents must avoid is assuming that because a policy is good and the benefits are there for all to see, then everybody will embrace it and become its advocate. In every reform, there are always gradients of reactions and attitudes among the stakeholders because some will “lose” and some will “gain”. It is more complicated for the reform agents when what is regarded as a “loss” by the opponents of reform is really not a loss but rather a different way of assessing what should be considered as a “gain”. Those opposed to the reform may try to throw away the baby with the bathwater.

Despite the glaring successes of the pension reform, there has been one pushback or the other by those who think they are



better served by the Defined Benefit Scheme (DBS) that the Public Sector used to operate. They are not in tune with the system of contributing towards their own pensions or getting a lump-sum payment at retirement. They believe the Contributory Pension Scheme (CPS) reduces their take-home pay. They do not see their own contributions as a form of savings too. The old system of getting a guaranteed pension for life from their employers is more attractive to them.

There are issues that need to be understood better by the contributors and the general public. As explained earlier, the old system did not work efficiently, especially in the Public Sector, because pensions needed to be budgeted for by the Government. A budget is essentially a statement of intentions based on expected income. When the Government revenue does not match its projected expenditure, some budgetary items will suffer. Having to choose between paying those still in active service and those who have retired is not always a hard call for Government. That was why pensioners suffered for decades when the Nigerian economy faced serious challenges. The system was unsustainable and complicated.

While the CPS has faced some challenges since inception, attempts by some governmental bodies and senior officials to exit the Scheme are unhelpful to the system. The successful exit of one will encourage the other to do same. We may soon be faced with an exodus if serious efforts are not made to put a stop to this trend. Head of the Civil Service of the Federation (HCSF) and Permanent Secretaries have exited via a presidential fiat while the National Assembly Service has been exempted by a law. In May 2023, a bill was passed by the National Assembly exempting the Nigeria Police Force (NPF).

## HEAD OF SERVICE AND PERMANENT SECRETARIES

In the opinion of the Commission, the exemption of the HCSF and Permanent Secretaries from the CPS via a presidential directive contravened the provisions of the 1999 Constitution of the Federal Republic of Nigeria as well as other statutes. A presidential directive cannot override a law. It is not in dispute that Section 6(2) of the Pension Reform Act 2014 empowers only PenCom to establish a uniform set of rules, regulations and standards for the administration and payments of retirement benefits for the Public Service of the Federation.

In seeking exemption from the CPS, the HCSF and the Permanent Secretaries had classified themselves as “appointees” and not “employees” of Government. That would mean their retirement benefits should not be regulated by PenCom. The glaring loophole in this argument is that before they attained the peak of their public careers, they were classified as civil servants and enrolled on the CPS. But on reaching the peak of their careers, they argued that they should be classified differently.

A similar example would be for the Chief of Army Staff to argue that he is no longer a military officer having attained the highest position in the Nigerian Army. Indeed, if the HCSF and the Permanent Secretaries were appointed from outside the Civil Service, as is the case with the Secretary to the Government of the Federation (SGF), Ministers, Special Advisers, and Special Assistants, etc, their argument that they are purely political appointees would have been defensible.

The HCSF and Permanent Secretaries started the lobby in 2015. On 24 February 2015, the HCSF wrote to the Attorney-General

of the Federation (AGF) to seek clarification on the categories of political appointees who could retire with “full benefits”, including “pension for life”. PenCom, along the same line, wrote to the AGF for clarification as to the “political appointees” referred to in Section 6(2) of the Pension Reform Act 2014 that are, by virtue of their terms and conditions of employment, entitled to retire with full benefits. The Commission said it was seeking the clarification in order to be able to issue Guidelines to regulate the administration of the retirement benefits of the affected officers as required by law.

In his response dated 16 March 2015 and addressed to the HCSE, the AGF quoted several provisions of the law before reaching a conclusion: that the HCSE and Permanent Secretaries are civil servants and their pensions are to be regulated by PenCom. First, he referred to Section 173(1) of the 1999 Constitution which says that the right of a person in the Public Service of the Federation to receive pension or gratuity shall be regulated by law.

He also quoted Section 2 and the Schedule to Certain Political Public and Judicial Office Holders (Salaries and Allowances etc.) Act 2002 (as amended) which requires that payment of retirement benefits to the office holders enumerated in the Act shall only be made to those entitled to it based on the scheme of service. He referred to Rule 020810 of the Public Service Rules 2008 which stipulates the compulsory retirement age of all pensionable officers in the Public Service.

The AGF then summarised: “I am of the view that by the combined effect of the above provisions, the ‘Political Appointees’ referred to in section 6(2) of PRA 2014 do not include Judicial Office Holders, Elected Officers or Political Appointees that are not entitled to retirement benefits under any law. Consequently,

the only Political Appointees that can be accommodated under this provision are those contemplated by Rule 020810 of the Public Service Rules as being subject to retirement upon attaining the prescribed retirement age or length of service, namely Head of Civil Service of the Federation and the Permanent Secretaries.”

The AGF said the purpose of the Guidelines required to be issued by PenCom under Section 6(2) of PRA 2014 was only to regulate the administration of the retirement benefits of the affected officers in line with the objective of the Act in Section 1 (a) “namely, to establish a uniform set of rules, regulations and standards for the administration and payments of retirement benefits for the Public Service of the Federation”. He said it was not for the Commission to prescribe the benefits for the HCSF and Permanent Secretaries since they have already been defined by Section 7(1)(e) of the Act.

With the legal advice, the Commission issued the Guidelines for the Administration of Retirement Benefits of Heads of Service, Permanent Secretaries and University Professors pursuant to Sections 6(2) and 7(1) (d) & (e) of the PRA 2014. Although they were covered by the CPS, they were allowed to retire with “full benefits” in line with the terms and conditions of their service. This positions was straightforward.

PenCom’s Guidelines stipulated that the HCSF and Permanent Secretaries were legally obligated to open RSAs and make pension contributions. Since their retirement benefits are defined, which means their pensions shall be 100% of their terminal salary, the Commission said the employer (the Federal Government) is statutorily obligated by Section 6(2) of the PRA 2014 to fund any gap that may arise by making a budgetary allocation. If their RSA savings do not cover 100% of their terminal salaries when they

retire and there is no budgetary allocation, an interim measure through the PTAD would cover the shortfall.

Regardless, a new round of lobbying started in 2018. Then in 2019, the Ministry of Finance, Budget and National Planning directed the domiciliation of the pension entitlements of retired HCSFs and Permanent Secretaries in the Office of the Head of Civil Service of the Federation (OHCSF). The Ministry also directed the payment of their full salaries as pension via the Integrated Payroll and Personnel Information System (IPPIS) platform. IPPIS, by design, is only for workers who are still in service, not retirees. The directive was a dent on the mandate of PenCom as provided for by the law. It undermined the Commission in no little way and opened the door for other categories of Public Servants to step up their agitations to be exempted from the CPS too.

It was not surprising that same year, the Office of the AGF (OAGF) issued a new legal opinion countering the one given in 2015. In a letter to the HCSF dated 17 April 2019, the new AGF said the HCSF and Permanent Secretaries were not “employees” but “appointees” of the President and declared that they were not subject to contributory pension. Thereafter, the late Mr Abba Kyari, Chief of Staff to the President at the time, asked PenCom for comments on the conflicting opinions from the OAGF.

In a response dated 17 July 2019, the Commission clarified that the HCSF and Federal Permanent Secretaries were governed by Section 171 of the 1999 Constitution, as noted by the AGF, but they are “Public Officers” within the meaning of Section 318 of the Nigerian Constitution and the nature and extent of their right to pension or gratuity must be considered mandatorily in accordance with the provision of Section 173(1) of the Constitution which

expressly and unambiguously addresses the subject of protection of pension rights of persons in the Public Service of the Federation.

PenCom said by virtue of the provisions of Sections 2, 3, 4 and 6 of the PRA 2014, all Federal Public Officers (regardless of whether they are “employees” or “appointees”) are covered by the CPS except those officers that are expressly exempted under Section 5(1) of the Act. These exempted officers do not include appointees of the President who are still in active service. Those exempted are:

- (a) *the categories of persons mentioned in section 291 of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) including members of the Armed Forces, the intelligence and secret services of the Federation;*
- (b) *any employee who is entitled to retirement benefits under any pension scheme existing before the 25th day of June 2004 being the commencement of the Pension Reform Act, 2004, but as at that date had 3 or less years to retire.*

PenCom further stated that the PRA 2014 regulates matters of pensions for both “employed” and “appointed” Federal Public Officers, noting: “While Sections 2 and 3 of the PRA 2014 deal with retirement benefits of ‘employees’ of the public service, Sections 6(2) and 7(1)(e) of the PRA 2014, on the other hand, recognise and deal with, among other groups, the pension rights of ‘political appointees’ who, by virtue of the Terms and Conditions of their employment or appointment, are entitled to retire with full benefits. There is, therefore, absolutely no contradiction between the appointive nature of the employment of Heads of Service and Permanent Secretaries as encapsulated under Section 171 of the

Constitution and the provisions of the PRA 2014, which, by virtue of Section 173(1) of the Constitution, regulates matters of pensions for all federal public officers.”

The Commission maintained that it was empowered by law to issue the Guidelines for the administration of the retirement benefits of the HCSF and Permanent Secretaries without touching the quantum of their benefits since that is already defined by law. We suggested that the enabling law needed to be amended for a presidential directive to be legally footed.

Aside the illegality of the presidential directive, we were also concerned that the pension reform might be jeopardised if senior civil servants were allowed to exit. Others might begin to campaign to be moved to life salaries on IPPIS as well. The fundamental objective of relieving the Government of heavy pension burden was going to be dented if people found their way back to life pensions under the DBS. For a Government that was facing deficit budgeting, its finances would only get worse if it returned to taking back full pension liabilities.

Despite PenCom’s position, Professor Ibrahim Gambari, the Chief of Staff to the President, wrote to the Commission on 30 August 2021 to communicate the approval of the President for the annual budgetary allocation for the payment of these entitlements to continue to be appropriated under budget line “Entitlement of Retired Heads of Civil Service of the Federation and Federal Permanent Sec” in the OHCSF. It was also directed that the balance in the accrued RSAs be refunded to the contributor upon his/her appointment as Permanent Secretary or HCSF and that the contributions by employees and employers under the CPS should cease upon their appointment as Permanent Secretaries or HCSF.

The HCSF was instructed to set up a dedicated unit to cater for the welfare and pension benefits of former HCSFs and retired Permanent Secretaries. The Minister of Finance, Budget & National Planning, the Attorney-General of the Federation and Minister of Justice and the Director General of PenCom were copied in the letter. In effect, PenCom lost the bid to make sure the laws guiding the regulation of the pensions of the HCSF and Permanent Secretaries were obeyed.

The Commission informed the SGF of the development and started the process of implementing the exemption policy. The Commission computed the contributions of the first batch of 155 Heads of Service and Perm Permanent Secretaries, both serving and retired, and forwarded a breakdown of the amounts to be refunded to them to the OHCSF. It was indeed a big blow to the pension reform.

The OHCSF wrote to the Commission in December 2022 requesting that we convene an interactive forum for the retired HCSFs and Permanent Secretaries who had collected retirement benefits in excess of their employee contributions and the associated investment income. Unfortunately, that task was beyond our remit. We replied and expressed our regrets that we did not have the authority to convene such a forum. We asked for further directives from the OHCSF. In February 2023, the OHCSF informed us that it would convene the interactive forum and would invite us to explain how the amounts to be refunded were computed.



## **NATIONAL ASSEMBLY SERVICE**

With exemption granted to the HCSF and Permanent Secretaries, the ground became open and governmental bodies and agencies started nursing their own exit plans. The police revived their own agitations. The Commission was still trying to get the National Assembly not to amend the PRA 2014 to exempt the police from the CPS when another Bill emerged in the legislative chamber seeking to further deplete the coverage of the Scheme in the Public Service of the Federation.

“A Bill for the Creation of the National Assembly Service Pension Board and for Related Matters” was tabled before the National Assembly. It was passed by the Federal Legislators and signed into law by former President Muhammadu Buhari on the eve of his departure from office in May 2023. There was just one purpose: to take the employees of the National Assembly off the CPS and return them to the DBS. This would be at the expense of the public treasury.

Everything about the Bill was rushed. Before Nigerians knew what was happening, it had reached the final stage of being passed into law. It took the outcry of critical stakeholders in the Pension Industry to slow down the pace, although it was passed all the same. The Bill was remarkably initiated and passed with speed at the House of Representatives. It was then referred to the Senate, where it was also passed with speed. Curiously, the Bill was passed by both Chambers of the National Assembly without a Public Hearing to obtain the inputs of stakeholders, contrary to its tradition, processes and procedures.

Among other provisions, the law increases the retirement age

of staff of the National Assembly Service from 60 to 65 years and makes their pension benefits a statutory charge on the Consolidated Revenue Fund (CRF). The law is in direct conflict with the decision of the Federal Government to retain the personnel of Federal Government under the CPS as contained in the 2012 White Paper on the Report of the Presidential Committee on the Restructuring and Rationalisation of Federal Government Parastatals, Commissions and Agencies. The economic, fiscal, social and public policy implications that we highlighted in the quest to exempt the personnel of the NPF from the CPS are also indisputably relevant to the staff of the National Assembly Service.

There are other provisions of the law that were radical. The National Assembly Service would be removed from the purview of the OHCSF. But in line with the decision of the National Council on Establishments — which is the highest policy body set up to ensure uniformity and standardisation in the Nigerian Civil Service on matters pertaining to staff establishments, salary structure, grading, conditions and schemes of service — the OHCSF is the office that advises on the statutory retirement age for employees of the Federal Civil Service through the Public Service Rules. The new law has upturned this. It is not just the pension scheme that is facing the challenge of being undermined.

There was an immediate uproar when the Bill for the Creation of the National Assembly Service Pension Board was passed. The Pension Operators Association of Nigeria (PenOp), the umbrella body of Pension Fund Administrators (PFAs), Pension Fund Custodians (PFCs) and Closed Pension Fund Administrators (CPFAs), condemned the Bill. PenOp issued a statement saying it wished to state “unequivocally” that “the passage of this bill sets

a dangerous precedent that will not augur well for hardworking Nigerians, working across the private and public sector, who depend on the CPS for retirement security and stability”.

PenOp said the introduction of the CPS in Nigeria marked a departure from the unsustainable pension schemes the country had been operating in the past, and that the CPS brought transparency, international best practice and guaranteed peace of mind to millions of pensioners. The Bill, it said, was unfathomable and unjustifiable. The association also wondered why the passage of the Bill “seemed to have been unnecessarily expedited and shrouded in secrecy with very little engagement and input from critical stakeholders as it was passed during the National Assembly’s recess”.

“Indeed, it is disturbing that this Bill did not go through any public hearing, a key component of the legislative process that allows stakeholders to have their voices and opinions heard for possible inclusion in the process. If this was done, pertinent issues such as the amendment of retirement age, funding of pension liability, and the potential debt burden on government — all of which are affected by this Bill — would have been debated and brought to the fore,” PenOp said, calling on “well-meaning Nigerians” to join in calling on the National Assembly to reconsider its decision.

PenOp also enjoined the Executive and the Judiciary to reject the move. Nevertheless, it was signed into law by the then President.

## THE NIGERIA POLICE FORCE

PenCom's concerns that the pension reform was endangered were heightened when the Police renewed their campaign to be exempted from the CPS. In 2022, there was an attempt to make a single amendment to Section 5(1) of the Pension Reform Act 2014 (PRA 2014) by inserting the phrase "The Nigeria Police Force" so they would be part of the categories of those exempted from the CPS. The House Committee on Pensions decided to hold a Public Hearing on the proposed amendment.

In February 2022, PenCom attended the hearing to present its position. First, the Commission pointed out that the proposal was nothing new and had been recurring since 2007 when the pension reform was still in its infancy. The Committee told the House Committee at the Public Hearing that all previous attempts had failed.

Under the 6th National Assembly (2007-2011), a Private Member's Bill was tabled to exempt the Police and other Paramilitary Agencies of Government from the CPS. The major reason given for the bill (which is still leading to pushbacks today) was the quantum of benefits payable to such personnel under the CPS. They wanted to be paid the equivalent of their full salaries as pension for life upon retirement under the DBS. The pushback is almost always about the quantum of benefits.

The 6th National Assembly examined the issues and resolved that quantum of benefits could be addressed by an upward review of the rate of pension contribution under the CPS rather than through an exemption. That marked the end of the move to amend the law at the time.

The matter came up again between 2011 and 2012 when the Nigeria Police High Command renewed its case to the Federal Government. This was referred to the SGF, whose office constituted a Joint Committee made up of representatives of the National Salaries, Income and Wages Commission (NSIWC), the Nigeria Police and PenCom. The brief was to consider the submission by the Police and present a position to the Federal Government. The recommendation of the Joint Committee was that Police personnel should continue to be covered under the CPS.

The NPF was asked by the Federal Government to work with PenCom to draw up the modalities to address their concerns. A compromise was reached, with the NPF allowed to register a PFA, named the NPF Pensions Limited. It was granted a licence in August 2014. In seven years, the NPF Pensions Limited registered 537,848 police personnel and recorded total assets of N685.53 billion. This is commendable. Still, the agitations continued.

Worried by the propensity of certain categories of retirees to opt out of the CPS, the Federal Government issued a White Paper on the Report of the Presidential Committee on the Restructuring and Rationalisation of Federal Government Parastatals, Commissions and Agencies, in 2012, accepting the Committee's recommendation that this practice should be stopped. Government maintained that only the Military, Intelligence and Security Services remained exempt, as provided for by Section 5 of the PRA 2014.

Like a cat with nine lives, the lobbying continued in 2017 during the 8th National Assembly. Another Private Member's Bill was introduced seeking to exempt the Nigeria Police Force, the Nigeria Security and Civil Defence Corp (NSCDC), the Nigeria Customs Service (NCS), the Nigeria Prison Service (NPS),

the Nigeria Immigration Service (NIS) and the Economic and Financial Crimes Commission (EFCC) from the CPS. The National Assembly took the view that there would be dire consequences not only for the pension reform but also for on other reform initiatives of Government in the socio-economic sphere if the Bill was passed. It was rejected again.

The Association of Retired Police Officers of Nigeria (ARPON) agreed with the National Assembly that the issues raised in the proposed amendment could be addressed within the ambit of the CPS. PenCom saw this as a welcome development. The National Assembly commended the ARPON for dropping its proposal for the exemption of Police retirees from the CPS. The Senate, on 1 December 2020, passed a resolution endorsing the revised position of the ARPON. The Legislators urged the President to approve an enhanced benefit/pension for the retired personnel of the Police, including allowing the continuation of any additional fringe benefits enjoyed by them prior to the introduction of the CPS. This appeared to be a fair deal.

Nevertheless, the agitations resurfaced once more in 2022. As PenCom said at the Public Hearing, nothing had changed since the first attempt was made to exempt the Police in 2007. The Commission said the Bill under consideration was indefensible because it had not presented any new or superior ground that would necessitate a review of the previous parliamentary and executive decisions on the matter. The argument against the proposed exemption was, rather, more compelling and reinforced by economic, fiscal, social and public policy reasons given the times Nigerians were living in.

The exemption of the personnel of the NPF would pile additional financial burden on the Federal Government through

unsustainable pension obligations. For the House Committee and Nigerians at large to get a full picture of the implications, we informed the Hearing that as at September 2021, there were 304,963 Police personnel based on IPPIS data. An actuarial valuation showed that the yearly retirement benefits (pension and gratuity) liability of these personnel would amount to about N1.84 trillion. This liability would significantly increase with the proposed yearly recruitment of 10,000 personnel into the NPF.

It was more worrisome given that the Federal Government was already carrying a heavy liability. Under the CPS for the NPF personnel, the Government already has a liability made up of N213.4 billion as accrued pension rights and about N2.2 billion monthly employer pension contributions. The accrued pension rights are retirement benefits of Federal Government employees who were in service before July 2004 prior to the enactment of the PRA 2004. This liability would only cease by the year 2039 when the last employee entitled to such benefits is expected to retire.

More so, the Federal Government was already overburdened with the payment of pensions under the defined scheme. In the 2022 Appropriation Act, there was a provision under the Service Wide Vote for the sum of N577.3 billion as total allocation for pension and gratuity, broken down thus: military (N263.3 billion), NIA (N9.2 billion) and DSS (N12.1 billion), representing 41.8%, 1.6% and 2.1% respectively. These allocations represented 45.5% of the total proposed allocations for pension and gratuity. Meanwhile, only N125 billion was proposed for payment of accrued rights under the CPS for the 2022 prospective retirees of Federal Government treasury-funded MDAs.

There is no denying that returning to the DBS is not sustainable.

The decision to exempt the military, NIA and DSS had led to huge allocation of resources to fund their retirement benefits. From the various Appropriation Acts for 2013 to 2022, the combined allocations to these Agencies ranged from 41.9% to 49.4% of total allocations for pensions. It would be fiscally imprudent to balloon this category of retirees under the defined scheme. It would also make the retirees financially vulnerable and insecure.

As pointed out already, the total allocation for settling pension liabilities under the CPS in the 2022 Appropriation Act was N125 billion out of total pension liability of N577.3 billion. This was just 21.6% of the total allocation proposed for pensions. The rest was for defined benefits, a big burden Government is already carrying mostly because of the exemptions. The total allocation for pension and gratuity under the CPS in the Appropriation Acts from 2018 to 2021 ranged from 12.1% to 23.8% of total allocations for pensions. The DBS took as much as 88% of the budget for pensions.

The Commission further argued at the Public Hearing that exempting the NPF from the CPS would result in the dismantling of the institutions, systems and processes that Government had put in place over the years towards the implementation of the pension reform programme. This would also negatively affect the culture of national savings towards pensions as well as efforts to eradicate the structures that encouraged corruption under the old scheme.

Federal Government's fiscal policy and financial system stability was also going to be negatively impacted with these exemptions. We made it clear at the Public Hearing that about 63.17% of the N13 trillion pension assets were invested in Federal Government securities. Exempting the NPF would lead to material divestment from Federal Government's securities before maturity,



which would have ripple negative effects on not only the finances of Government, but on the entire financial system. This was the bigger picture many of the agitators did not see.

We emphasised that the exemption of the NPF and any other Agency from the CPS would erode the pool of long-term investible funds accumulated under the scheme. That would inevitably affect funding the huge infrastructure gap in the country. The pension industry had significantly contributed to providing finance for infrastructural development in Nigeria through investments in infrastructure bonds to the tune of N184.03 billion and real estate to the tune of N234.2 billion as at 30 September 2021.

We argued further that the exclusion of NPF from the CPS would also affect existing retirees under the Retiree Life Annuity, which would negatively affect the flow of capital into the insurance industry thereby undermining the Economic Recovery and Growth Plan (ERGP) of the Federal Government.

With the successful implementation of the pension reform, the discipline with which the industry players discharge their responsibilities and the resultant impact on the Nigerian economy have combined to impress foreign investors, who have invested heavily in some big PFAs.

Nigeria needs as much foreign investment as possible and the pension industry has increasingly become attractive to investors who continue to express interest in buying stakes in the business. Policy reversals will dent their confidence.

The Private Sector, including these foreign investors in the financial and other sectors of the economy, would question the commitment of the Federal Government to pension and other economic reforms because of these policy reversals. Investors run

an ecosystem. They talk to each other before taking decisions. This is going to be a bad signal.

It is true that as the case is with every human endeavour, the pension reform has had its own share of challenges. However, these challenges can be addressed within the framework of the CPS. In fact, on 13 June 2017, a tripartite Committee was constituted comprising representatives of the NPF, PenCom and NPF Pensions Limited to identify concerns expressed by the NPF on pension as well as other retirement benefits and proffer solutions to them.

The Committee observed that the resolution of some of the issues were within the purview of PenCom while others were to be taken up by NPF with its employer, the Federal Government of Nigeria. Most of these resolutions have already been treated by the respective parties.

Nonetheless, the National Assembly, despite the overwhelming opposition to the establishment of the Police Pension Board and exemption of the Nigeria Police Force from the CPS, still went ahead to pass the Bill in the first week of June 2023. The timing of the passage of the Bill, which was just a few days to the end of the 10th National Assembly, suggested that the Lawmakers were determined to return the police to the DBS irrespective of the strength of the case against it.

It is not unusual that reforms would be opposed but a lack of perspective can be a major stumbling block rather than a fault in the new order. If the Defined Benefit Scheme was a success, there would not have been any need for reform. Since the CPS is reliable and sustainable, why seek to undo it?

When all the facts and figures are put on the table and all things are considered, it is unimaginable that anyone would seek

to go back to the old ways because of the perceived advantage of the unsustainable “pension for life”. These pushbacks will hurt us not just today but also tomorrow. PenCom is only fighting for the future on behalf of hundreds of millions of Nigerians.

## **PENCOM EARLY DAYS...**



**With some of the pioneer members of PenCom staff in 2005**

A I S H A   D A H I R - U M A R

## MILITARY PENSION BOARD IN 2018





## **JIGAWA LG AND STATE PENSION BEREAX VISIT IN 2018**



## **NECA COURTESY VISIT IN 2018**



## LAUNCH OF MICRO PENSION PLAN IN 2019



On 28 March 2019, the then President Muhammadu Buhari enrolled the first contributor on the Micro Pension Plan for the self-employed and informal sector . Sagir Shawai (first right), a Keke NAPEP operator and the first enrollee, receiving his registration slip from Buhari. Mr Boss Mustapha, then Secretary to the Government of the Federation, is first from left.





## NLC ROUND TABLE 2019



## NECA VISIT IN 2019





A I S H A   D A H I R - U M A R

## LONG SERVICE AWARD



Hadiza Wale-Oniyangi, Head of Human Capital at PenCom, presenting a plaque to me on the 15th anniversary of my employment at PenCom in 2020

## LAUNCH OF TRANSFER OF RETIREMENT SAVINGS ACCOUNTS IN 2020



## **SIGNING OF THE REGULATION ON RETIREE LIFE ANNUITY & GUIDELINES ON GLI BY PENCOM & NAICOM IN 2020**



**With Thomas Sunday, Chief Commissioner of National Insurance Commission (NAICOM), who signed on behalf of NAICOM**

## **LAUNCH OF ABUJA PENSION SCHOOL**



**With Dr Musa Ibrahim, founder of the School of Pension and former PenCom Commissioner of Inspectorate**



## **PENCOM BOARD INAUGURATION MEETING IN 2020**



## **SENATE OVERSIGHT COMMITTEE VISIT TO PENCOM IN 2021**



## **BOARD STRATEGY MEETING IN 2021**



## **BOARD RETREAT IN GHANA IN 2022**





## PENSION ACT REVIEW COMMITTEE



The Pension Act Review Committee meeting was attended by stakeholders from PenCom, PenOp, NLC, TUC, NUP, Senate Committee on Establishment and Public Services, and House Committee on Pensions

## MEETING OF CHAIRMEN OF PENSION CUSTODIANS IN 2022



## OPERATORS FORUM IN 2022



## TUC OUTSTANDING FEMALE EMPLOYEE OF THE YEAR 2022



## PENSION OPERATORS CHAIRMEN FORUM IN 2022



## NANS' ICON AWARD 2023



## CHAPTER SIX



# THE MEDIA WARS

**M**y phone rang and I instantly glanced at the screen. It was a call from a friend, a Minister. I picked it. He was not sounding upbeat. He appeared worried. He said he was seeing too many negative stories about me in the backwaters of the media and would want me to be proactive so that my image would not be soiled.

On this occasion, he had just seen a publication accusing me of involvement in what was called “corruption scandal”. It was the major headline in that newspaper, based entirely on a fictitious and libellous petition by one of the many NGOs operating in cahoots with other blackmailers in Abuja. It was reckless falsehood.

In Nigeria, there is an industrial complex built around



blackmailing and intimidating Public Servants. There are usually insiders working with outsiders and extortion is often the ultimate goal. The outsiders are in some of the so-called anti-corruption NGOs — many of them run by one or two hustlers who are available for hire by aggrieved parties.

It is a huge racket. They take a document that says virtually nothing and cast it as evidence of impropriety through twisted interpretations. They cook up a petition to blackmail you into negotiating a ransom, otherwise they will threaten to hold a “World Press Conference” to disparage you. They threaten to submit the spurious petition to the Economic and Financial Crimes Commission (EFCC), the Independent Corrupt Practices and Other Related Offences Commission (ICPC) or some legislative committee.

For the blackmail to be effective, there must be a media outlet to give it oxygen. That is if the media outlet itself is not the orchestrator of the blackmail. Some of these fraudsters masquerading as anti-corruption agents have their own media outlets, mostly online, or they go into partnership with some journalists with whom they share the ransom.

Many times, the blackmail works. Some agency heads panic and succumb. Some are guilty and would do anything to kill the story. They fall into the hands of the blackmailers who are never satisfied because extortion is what they do for a living. Some public officers may not be guilty of the allegations but fall for the bait all the same and offer financial inducements just to avoid the embarrassment of negative media.

Media trial is a big part of the Nigerian culture. Your own side of the story is often buried or ignored. Unfortunately, paying the

blackmailers keeps them afloat. They never know when to stop. They will never stop. Some Agency heads told me how they had been held captive by websites that specialise in blackmail and extortion. To them, they had to tag along because they were dealing with a bull in a china shop.

For me, I was determined never to be blackmailed.

In fairness, the mainstream media are more professional in their journalism, even though many of them are also pursuing their own agenda. The mainstream media most often make attempts to get your side of the story before going to town. They are also aware that you can choose the legal option if you are defamed. So, there is some gatekeeping. The biggest problem is usually from the one-man media outfits, mostly operating online and usually without physical addresses. They feast on blackmail and extortion.

Overall, there is a cynical circle of insiders and outsiders all interested in extortion rather than anti-corruption. How can the full-time job of anybody be petition-writing and holding “World Press Conferences”? When you discover that some of the full-time anti-corruption campaigners are sending their children to school abroad and building mansions in choice areas of Abuja and Lagos, you know something is not right. There are too many of them on the loose.

I explained to my Minister friend that I did no wrong and that the books of PenCom under my watch are always open to scrutiny. Although he agreed with me, he still believed I needed to have a discussion with the media outfit in question so that the negativity would stop. I was reluctant. By this time, I had passed the stage of caring about whatever was being written about me in the media.

There were too many half-truths and outright lies. I believed I

would be wasting my time trying to engage with the blackmailers. There were so many of them coming at me from different angles, most of them doing the bidding of those who never wanted me to be DG of PenCom in the first place.

When I was nominated as the substantive DG of the Commission in 2020, I came under fire in sections of the media as some faceless groups began to attack me on a regular basis. First, they said I was a Northerner and that the Southerner who was there before me did not complete her tenure. Therefore, I was not qualified to be DG in their own books.

A body calling itself “Pension Reform Advocacy Group” petitioned the Senate to kick against my confirmation. Senator Enyinnaya Abaribe, then Minority Leader, also said my appointment would contradict federal character. For me, I was not really bothered because appointments are at the discretion of the President. If he did not nominate me, I could not have nominated myself. There are enough appointments to go round if the real interest is federal character.

Second, there were many irrational insinuations being circulated about me. The federal character argument was even a decent one, although weak. I was being cast as a novice who was not suitable for the job, yet I was a pioneer member of staff of the Commission in 2005. I rose through the ranks to become a General Manager. This is to say nothing about the fact that I was the Secretary of the Pension Reform Committee that birthed the Commission in 2004.

It was clear to me from the fierce and desperate media attacks that I was not going to have a fair hearing. I really did not know there were so many vested interests in matters regarding PenCom until I was nominated for the top job. The opposition to my nomination

was a blessing in disguise: it prepared me for what was ahead. It toughened me up.

After my appointment was confirmed, I started facing regular attacks from the purpose-built NGOs and media outlets. Many of the attackers would later confess privately that they were sponsored. They named names. When some were questioned by the security agencies for writing threatening letters to me, they disclosed how much they were paid, usually in dollars, to do the hatchet job.

One of them confessed to being given money to recruit protesters, lodge them in hotels on the outskirts of Abuja, bus them to the city, occupy the premises of PenCom and declare that they would not leave until I was fired by the President. These were the “anti-corruption activists” who took over the pages of newspapers maligning me all the time.

I managed to ignore the dirty campaigns but I must admit that I was riled in September 2022 when false news went round that the average employee of PenCom was being paid N3 million per month. Coming at a time Nigerians were experiencing grave economic hardship, this could turn the public against us and make us look like an insensitive, greedy and selfish lot. The allegation that a driver, the most junior employee on the payroll, was being paid N3 million monthly was too serious to be ignored. That amount can take at least 100 youths off the labour market on the National Minimum Wage of N30,000.

The unfortunate claim emanated from a House Committee hearing which I had attended. A Lawmaker had taken the budget of the Commission, divided it by the number of staff and arrived at the conclusion that N3 million was the least take-home pay. For effect, he appeared angry and patriotic. It was one of those occasions when

you would genuinely believe people said or did things because of their love for Nigeria. The video went viral on WhatsApp, Twitter, Facebook and other social media channels. We became Public Enemy No. 1 overnight. Who else to blame and call a “thief” but the DG who presided over the implementation “jumbo pay”, as the media tagged it?

The truth which many did not try to find out was that the highest paid official of the Commission earns less than N1 million a month. What was calculated as “take-home pay” were all staff costs, including training, staff exit benefit scheme, and employer’s pension contribution. There is a world of difference between staff costs and staff salaries. All MDAs and private companies budget for these items. There is nothing peculiar or untoward in that. But because there was an agenda targeted at me, it was inevitable that some people were going to feast on it.

Even if the N3 million allegation was true, there was no way I could be held responsible for fixing it. Right from the inception of the Commission in 2004, the Federal Government had mandated the Board, and not the DG, to adopt an employee compensation policy that favourably measures up to comparator Government bodies in the financial services sector, such as the Central Bank of Nigeria (CBN), the Nigeria Deposit Insurance Corporation (NDIC) and the Securities and Exchange Commission (SEC). Section 25(2) (b) of the Pension Reform Act 2014 empowers the Board of the Commission to fix the remuneration, allowances and benefits of the employees.

Indeed, the Presidential Committee on the Consolidation of Emoluments in the Public Sector headed by the late Chief Ernest Shonekan, former Head of the Interim National Government,

made the recommendations which guide the PenCom Board in its compensation review exercises.

One of the recommendations was that the pay structure of self-funded agencies should be benchmarked against their Private Sector comparators so as to ensure relativity in such agencies as well as attract and retain high-calibre professionals.

The Shonekan Committee, which was set up by then-President Olusegun Obasanjo in 2005, also recommended that the pay structure of regulatory agencies should be benchmarked against sectors they monitor to avoid regulatory capture. The Committee recommended that an annual increase in emolument should be undertaken to account for inflation/cost of living adjustment and that establishments may strive to attain 50th percentile and above their comparators in the Private Sector.

We made all these facts known in the submission to the House of Representatives Committee on Finance over the compensation package of the Commission. We also stated that the last compensation package review was done in 2017 with the approval of the Office of the Secretary to the Government of the Federation (OSGF). No review had been done since then. We told the House Committee that this lacuna had affected the ability of the Commission to attract, hire and retain staff with competitive skills.

The “jumbo pay” claim opened a cheap floodgate. Those who had been waiting for an opportunity to blackmail and denigrate me suddenly found a weapon. All manner of activists started using me as chewing stick. Suddenly, it was recast as a “N14 billion personnel cost scandal”. This would sell any day, most especially among the gullible.

The so-called activists were daily issuing statements threatening

me and demanding my removal. Some said, outright, that I stole N14 billion and that they would address a “World Press Conference” to expose me to the whole world. They accused me of “abuse of office”, without any evidence, and said I had desecrated my Oath of Office. Another association issued a statement asking the President to sack me for “corruption, abuse of office and embezzlement”.

If they were expecting us to roll over, they targeted the wrong customer. For every lie they pushed out, the Management of the Commission countered with a statement of facts. I also took the unusual step of writing to relevant Agencies to come and scrutinise our accounts. I sent an official complaint to the Inspector General of Police over the constant harassment. I was determined not to succumb to blackmail.

I would not be the DG of PenCom forever, so I am not worried about those eyeing the position and recruiting agents from everywhere to scandalise me. Being DG is an opportunity to serve my country. I take the attacks as a hazard of public service. But I am determined not to allow the campaign of calumny go unchallenged.

When some of the activists said they had petitioned the EFCC, we issued a press statement asking them to go ahead. They got the tissue of lies, which they called a petition, published on some websites. That is their *modus operandi* in any case.

In the press statement which I personally signed, I said again that PenCom was ready open its books for scrutiny because we had nothing to hide. I declared that the Commission was aware of a co-ordinated plan to bring it into disrepute with frivolous petitions to the anti-graft agencies in collaboration with disgruntled insiders. I added that these elements, some of whom were yet to come to terms with the fact that PenCom was no longer at their beck and

call, had been sponsoring negative media reports and getting faceless groups to write frivolous petitions to the EFCC. I noted that although some low-level media outfits were giving a voice to these defamatory petitions, those who know how we conduct our affairs at PenCom were not bothered.

I told them the era of “anything goes” at PenCom was long dead and buried and that those who thought they could use the Commission to make money or that they should be the ones calling the shots were bitterly disappointed and were sponsoring false publications and trumped-up petitions. I promised we would co-operate fully with the anti-graft agencies.

I reiterated that “our message to the disgruntled elements today is exactly as it was yesterday: we will not allow anyone to pilfer pension funds for self-aggrandizement. It will never happen under my watch”. I concluded that if there was anything to hide, I would have surrendered to the agents of blackmail who had been on my case since 2017 when I became acting DG.

After this, the “activists” went quiet about PenCom for a while, but we were not deceived. They were still harassing many other agencies and getting what they wanted, so why should PenCom be different? After all, they were hearing of pension assets growing in trillions of naira. They must have thought the money was in my handbag and they would get an imagined piece of the action. I knew PenCom was only enjoying the “peace” of the graveyard and that the “activists” would still be cooking something to serve unsuspecting Nigerians.

It happened eventually. On 29 July 2023, one of the notorious websites published an article alleging that I collected millions of dollars as estacode during the COVID-19 lockdown of 2020. To



make the fiction look credible, they manufactured documents in the most amateurish way and listed bank accounts that do not belong to me. How many people would take the pain to ask questions on the documents? How many would try to confirm the genuineness of the account numbers?

The fiction was well timed. A new administration had just come to power and it would, inevitably, appoint new heads, managements and boards for most agencies. Chief Executives who were not too sure of themselves were going round lobbying to be retained. The least thing any sitting Director General, Executive Secretary, Executive Chairman or Managing Director would want was negative media. The “activists” understood this and had turned the situation into another branch of their business, threatening to embarrass many Chief Executives so that they would not be retained or re-appointed.

By seeking to scandalise me, the blackmailers thought they would finally get me. They thought I also wanted to remain DG of PenCom by all means. They caused the story to be published and had already produced T-shirts and face caps with messages calling me corrupt and asking President Bola Ahmed Tinubu to fire me. It was to be the second step in their miscalculated campaign to extort me. They then sent third parties requesting that we give them some millions of naira so that they would back out. They met a brick wall.

Anybody who took time to go through the allegations would know that it was all trash. Absolute trash. There was no redeeming feature. During the COVID lockdown, most airports across the world were shut down. International travels were grounded. In Nigeria, people were working mostly from home and holding virtual meetings as part of efforts to slow down the spread of the

virus. Does it accord with common sense that any sane person would be claiming to have travelled abroad and collected estacode during the same period? What would be the justification anywhere in the world?

What the blackmailers also didn't know is that there is a documented process for claiming foreign travel allowances. You must show evidence of travel, including stamped passport pages, return tickets and stubs of boarding passes. How would anyone make that up when airlines were not flying to or from Nigeria? What conferences would I say I attended physically when the whole world was holding virtual meetings? These are questions that rational people would ask. These are the questions expected of journalists who are professional and thorough, not the hired goons doing a dirty job for cowards.

There was yet another important question: how could I have claimed "millions of dollars" as estacode? By Public Service rules and guidelines, the rates are fixed for various categories of officers. No agency fixes travel allowances by itself. Even then, if I were to spend the whole of 2019 and 2020 abroad without coming back to Nigeria for one second, my total estacode would still not be "millions of dollars".

More so, I did not travel and could not have travelled during the lockdown. I could never have claimed any estacode. These are the basic facts. But the blackmailers know that many people in their community do not have the capacity to ask questions. The gullible swallow every juicy lie served to them.

They capped their falsehood with a claim that I built a house in Abuja with stolen funds from PenCom. While I was working with the Bureau of Public Enterprises (BPE), all Management staff

applied for and were allocated plots of land in the Federal Capital Territory in 2002. I got a plot. It is in my name. There is no secrecy around it. I made all the necessary payments. Sometime in 2013 when Ms Chinelo Anohu was the DG of PenCom, the Commission gave a housing grant to all General Managers. I was a General Manager then. I got the grant and built my house. I declared it to the Code of Conduct Bureau (CCB). It has now been desperately classified as building a mansion with stolen pension funds!

The whole drama ended abruptly yet again as the accusers did not provide a shred of genuine evidence to the anti-graft agencies to back their allegations. All their documents proved to be fake as I knew all along. They retreated, perhaps to go and cook more mischief at the behest of their paymasters. For as long as truth will overcome falsehood, they can continue with the sponsored campaign of calumny. The end result will be the same thing: failure upon failure. Hopefully, they will face the full weight of the law one day.

## CHAPTER SEVEN



# MANAGING STAKEHOLDERS

**E**verything PenCom does is ultimately targeted at delivering excellent service to one person: the pensioner. That is the most critical stakeholder. Every other stakeholder exists because of the pensioner. Take away the pensioner and there is no Pension Industry.

The stakeholder community covers a wide range of actors — contributors, who will eventually become pensioners; government, which is responsible for policies and regulations; employers of labour, who must remit the contributions; operators, who are the fund administrators and custodians; and PenCom staff, who supervise the industry through regulation.

Managing the interests of all stakeholders is the major responsibility of the Commission. We must ensure timely payment of pension, security of pension assets, compliance by employers, effective service delivery by operators, effective communication across board, efficient regulation and supervision, prompt regulatory and supervisory intervention on issues affecting operators, effective capacity development for the industry, and collaboration with all related agencies, bodies and individuals.

We also have to keep PenCom staff motivated by providing a good learning environment and opportunities for career advancement as well as promoting team spirit for quality service delivery.

## **PROTECTING CONTRIBUTORS**

It is said that the customer is king. For us at PenCom, the contributor is the king. We must do everything to protect the interest of everyone enrolled under the Contributory Pension Scheme (CPS). We must secure the pension assets, ensure that employers comply with the rules, and that there is effective service delivery by operators.

Anything short of achieving these objectives would mean we are failing in our duties. The consequences would not only erode confidence in us as regulators but also jeopardise the entire Pension Industry. That is why most of the measures we take at the Commission revolve around the interest of the contributor.

For instance, there is always the potential for scams. We try to make sure we do not give a room, no matter how little, to anyone or any organisation to lure contributors into fraudulent schemes which could be quite enticing, especially in a country where the desire for

quick and big returns is endemic. If contributors are scammed, the consequences for the Pension Industry and the Nigerian economy are better imagined.

In 2022, an entity emerged from nowhere claiming to have the authority to collect and remit pensions. The message was circulated to members of the public. This was strange. Under the law, the collection of pension contributions is the exclusive function of the Pension Fund Custodians (PFCs) licensed by PenCom. Monthly contributions are remitted by employers directly to the PFCs. The remittance is accompanied with schedules containing relevant information about the employees such as names, RSA PINs and PFAs.

We had not authorised any unlicensed organisation or agent to perform this function but the scammers were very brazen. We had to issue a statement reiterating that contributors should always visit our website for accurate and reliable information on our activities. The Commission must be alive to its responsibilities at all times to protect the contributors.

We were jolted once more in April 2023 when an association announced that it could assist contributors to get paid their pension and retirement benefits early. Where was this coming from again? Only PenCom has the power to license and regulate bodies operating in the Pension Industry. We were totally unaware of the claims and promises of this association. We were forced to issue a statement again to warn the public to be cautious in seeking guidance on retirement benefits, especially from an association that had no affiliation with the Pension Industry nor authorisation of any kind from the Commission. The Licensed Pension Fund Operators (LPFOs), who are statutorily mandated to undertake the

processing and payment of retirement benefits, had no business with the association.

We issued an advisory to workers, retirees, pension desk officers, and everyone approached by the association with claims of consulting with PFAs and PenCom for guidance and assistance in respect of retirement benefits to beware of the risk. We took an extra step of reporting the activities of the association to the security agencies for investigation.

As part of initiatives to cater for the interest of contributors, the Commission introduced the RSA Transfer Window in November 2022. Through the system, the RSA holders can switch their accounts from one PFA to the other once a year. This is to encourage competition in the industry so that operators would not rest on their oars thinking they have guaranteed funds from contributors.

We enlightened the RSA holders that they needed to do due diligence so that they would make informed decisions in picking PFAs, otherwise they could be victims of misrepresentation. We expanded the minimum disclosure requirements of PFAs by providing more statistics on Pension Industry performance. We strengthened the Code of Ethics and Business Practices for Licensed Pension Operators to ensure the sustenance of the high ethical standards in the industry.

We created a special section on our website containing relevant information on the RSA Transfer in order to sufficiently guide RSA holders. The minimum information disclosure requirements would enhance the high level of transparency required for the effective operation of the RSA Transfer System to be adopted by all licensed PFAs. In addition, we ramped up the public enlightenment campaign.

## KEEPING OPERATORS IN LINE

It goes without saying that licensed pension operators can make or mar the industry. They are, in practice, the engine room of pensions. The Commission understood this from the beginning and established platforms for regular conversations with the Pension Fund Operators Association of Nigeria (PenOp).

The oldest forum is the Conference for Directors of Pension Operators, where we rub minds and discuss issues with policy implications that are useful to regulation. The Conference is organised by PenCom in line with its statutory mandate of promoting capacity building and institutional strengthening of Licensed Pension Operators, as stipulated by Section 23(g) of the Pension Reform Act, 2014.

The Conference serves many purposes. It constantly updates members of the Boards of Directors of PFAs and PFCs on topical issues in our operating environment. It also provides an opportunity for the directors to discuss and share ideas on areas of common interests or concerns within the industry. We find the conferences useful essentially because operators ask questions freely and we also answer freely and clear their minds on many things. This eliminates the room for speculation and misconception.

Before the seventh conference in October 2019, for instance, there were many proposals flying around and being promoted in the media about how the pension assets could be invested in certain areas. We told the operators that the upsurge in the clamour for deployment of pension funds to support new initiatives in both the Public and Private Sectors needed to be addressed squarely. The enabling law only empowers PenCom



to issue regulations on investment of pension funds and assets to guide the investment activities of the licensed operators. The law does not allow us to approve any specific instrument for mandatory investment by operators.

We expressed regrets that we were increasingly being inundated with requests for “clearance” of several business proposals to enable PFAs finance these new initiatives with pension funds. While the developments might be indicative of the high level of acceptability and robustness of the pension reform, it was also a call for increased vigilance by both the regulator and operators against derailment from the main objectives of the reform: the payment of retirement benefits as and when due.

We have a joint responsibility not only to consolidate on the successes of the reform but also to build a sustainable Pension Industry that can effectively deliver on its primary social mandate of prompt payment of retirement benefits. We implored the directors to be guided by the principles that would assist the industry to remain focused on the delivery of the objectives of the pension reform.

The Conference discussed the new National Code of Corporate Governance as it applies to the Pension Industry. We also discussed the merits of incorporating the Economic, Social and Governance Principles (the ESG Principles) in pension fund investment. We used the opportunity to discuss our new baby, the Micro Pension Plan, for the Private Sector, which was launched by then-President Muhammadu Buhari on 28 March 2018.

The PenCom/Operators Consultative Forum in 2022 was virtual because of flight disruptions. There were unending issues around unsatisfactory service delivery in the Pension Industry

which came to the front burner again. We had tried to address these issues through some measures and policies, including the increase in the minimum regulatory capital of PFAs, from N1 billion to N5 billion effective April 2022. Our thinking was that the injection of additional capital in PFAs would partly address the prevalent service delivery issues and enable the PFAs to expand their clientele base by pursuing new business frontiers, for example the Micro Pension Scheme and Non-Interest Fund.

We had a fruitful meeting, which we followed up with a physical gathering a few months later. This afforded us the opportunity to discuss the reconciliation exercise in respect of pension contributions erroneously remitted to operators between January 2013 and December 2017 through the Integrated Personnel and Payroll Information System (IPPIS) platform of the Federal Government. This reconciliation exercise resulted in the refund of N2.45 billion erroneously remitted to IPPIS/Office of the Accountant General of the Federation.

It was worrisome that most PFAs did not have adequate documentation of their clients' records, as the reconciliation exercise revealed. We placed an administrative sanction of N100,000 per account on the PFAs that opened RSAs without complete documentation, as stipulated in Section 7.3.1 of the Revised Guidelines on RSA Registration. This was a clear warning to the PFAs that we meant business. We showed them we were going to be strict with the enforcement of compliance in line with the laws, rules and regulations guiding their operations.

The issue of service delivery always dominated our conversions. At the annual meeting with the Chairmen of the Boards of Licensed Pension Fund Operators in August 2022,

I was particular about staff capacity and operations of branch offices, including the manning levels and provision of adequate infrastructure for these branch offices.

We celebrated the fact that the PFAs met the new minimum capital requirement of N5 Billion, but it would be a waste if it did not bolster their capacity to manage the increasing number of registered contributors and pension fund assets. We let it be known that the additional capital was meant to be deployed to enhance operational efficiency and effectiveness, to improve service delivery at all levels. We challenged their Boards of Directors to prioritise this objective in their decisions and oversight functions.

We also sought to push the PFAs to step up the data recapture exercise for RSA holders. It was meant to ensure a clean and reliable database for effective fund management and benefits administration by the operators. We were uncomfortable that the exercise did not appear to be priority for them. We believed some urgency was needed and I told the directors so. We reiterated the deadline of 31 May 2023 and warned that the Commission would impose severe administrative sanctions on PFAs that did not recapture their registered contributors.

Another issue that worried us at the Commission was the dismal performance of pension operators in driving the Micro Pension Plan. The MPP was developed with a desire to capture the expansive Informal Sector in Nigeria.

However, registration of participants in this market had been marginal since its launch in 2018. While we could blame the COVID-19 pandemic of 2020 for slowing down the tempo of marketing, there was a lack of enthusiasm on the part of pension operators to drive the MPP. Perhaps, they did not see a future in it

or they considered the Informal Sector as complex. We implored the Boards to nudge their PFAs to drive it.

There was also a trend we asked the boards to nip in the bud: directors and shareholders of PenOp were in the habit of seeking the assistance of influential government officials to subvert PenCom's regulatory and supervisory processes and decisions. Their lobbying could impinge on the authority and independence of the Commission. We informed them that we would not hesitate to take appropriate regulatory actions to halt this trend. It would appear some people are averse to a system that works or a system that applies the same rules to every operator.

Keeping the operators in check is no child's play, so we had to be on the alert constantly. When we launched the RSA Transfer Window, we knew we would be taking on another challenge. PFAs started enticing RSA holders with gifts to keep them from switching pension administrators. On the surface, giving gifts to clients is a common practice in the financial sector in Nigeria. However, ours is a sensitive sector where we wanted to encourage healthy competition and get maximum value for contributors.

Holding contributors down with gifts could becloud their judgment and undermine what we were trying to achieve with the Transfer System. We issued a circular in October 2022 placing a ban on this gifting practice which we considered unhealthy. Improved service delivery was our preferred option to keeping account holders. Giving them bribes in disguise would be counterproductive.

Another matter of concern was the unethical and unprofessional conduct by staff of some PFAs. We were getting complaints of de-marketing and fraudulent transfers of RSAs by staff of PFAs in a bid to meet their targets. It became a matter of dog eating dog.

When we got the information, we investigated and sanctioned the offending PFAs. Such unscrupulous activities were totally unacceptable, and we told the Boards as much at one of our meetings. We would not sanction without evidence but we would not hesitate to come down heavily on offenders.

We warned the PFAs to call their staff to order. We also directed the PFAs to put in place the necessary mechanism to guard against unethical conducts and practices capable of undermining the integrity of the CPS. For us at the Commission, it is not an acceptable way of competing. We must always be guided by the Code of Ethics. Some operators were violating the rules so regularly that it was not surprising that the staff would equally fall foul.

The PFAs were appointing management staff in acting and substantive capacities, publishing adverts and engaging external consultants without the prior approval of PenCom. We punished them but added at some point that we were going to be naming and shaming them to act as a deterrent to others. No corporate body worth its salt would want to be publicly named for doing the wrong thing.

While some infractions could be described as minor, some were unacceptable and unpardonable. There was the issue of unreconciled and uncredited balances in the Contributions Reconciliation Account and the Transitional Contributory Fund. They continued to increase owing to the inability of operators to promptly reconcile them. The CPS would be endangered without the timely remittance of pension contributions to contributors' RSAs. This was not a minor infraction. The old system failed partly because of the lapses that were never addressed. These lapses must never creep in again.

Wherever we needed the support of the operators, we did not hesitate to ask. It was not just about dishing out rules and regulations to them. We have a common goal and we needed to work hand-in-hand to hit the target. We also have common “enemies”, as it were. Some actors were working round the clock to weaken the CPS by pulling all kinds of strings to opt out and open a floodgate for others to follow suit.

Fighting this common cause of defending the CPS and keeping it alive was a subject of one of the conferences we had, where I urged the Boards of the pension operators to actively take the lead in engaging with and managing the National Assembly, the media, the Presidency and other stakeholders related to the Pension Industry through coordinated advocacy, public awareness campaigns on the CPS and activities aimed at showcasing its benefits.

Sometimes, people take or support positions because they do not have the full information at their disposal. At the Commission, we were trying all we could to make people understand that the CPS should be strengthened not weakened. The operators could add their own voices as well.

## **DIALOGUING WITH LEGISLATORS**

Just as operators are subject to the supervision of PenCom, so also is the Commission subject to oversight by the National Assembly. Our budgets are approved by the Lawmakers. We have to render accounts of our activities and finances as stipulated by the governing laws. We also have to engage constructively with the Federal Lawmakers because they make the laws that guide our policies. If there is a misalignment, our work will be jeopardised or

hindered. We have to make our case to them regularly, despite the difficult circumstances we find ourselves from time to time.

The National Assembly has played an important role in saving the CPS as it was almost falling into the same foibles of the old system. The fundamental objective of pension reform is to ensure that every worker receives his or her retirement benefits as and when due. But there was a time a large number of Federal Government retirees under the CPS were yet to receive their pension benefits. The challenge started since 2014 and was essentially triggered by the appropriation of insufficient amounts as Accrued Pension Rights of Federal Government retirees. It got aggravated by late or non-release of the full appropriated amounts.

The Senate Committee on Establishment and Public Service helped get the National Assembly to intervene in 2017, leading to the release of N54 billion out of the outstanding liabilities to pay the pension arrears. However, that was not the end of it. Because pension liability is a moving target that increases on monthly basis as employees retire, the Federal Government kept falling into arrears. Things improved gradually over time after several interventions and appeals, but we kept working with the Legislators to address the issue as much as they could.

Federal Government failed to fulfil some of its obligations, apparently because of economic challenges. It did not meet the new minimum statutory rate of pension contribution of 18%, and this dated back to 2014. It also did pay the approved 15% and 33% pension increases to pensioners under the CPS. It recorded a shortfall in payment of full retirement benefits of retired Heads of Service and Permanent Secretaries. It did not pay the Pension Protection Levy. These created a negative impression on the full realisation of the

objectives of the CPS in Nigeria. It started bringing back memories of the pre-reform era, even when it is clear that the CPS is a better model. It, all the same, opened our eyes to the challenges that we did not envisage before then.

## ENGAGEMENT WITH EMPLOYERS

We also have to protect contributors from employers who default in pension remittance. This is a big issue. Some employers are in the habit of deducting employees' contributions without remitting to the PFCs, in addition to failing to remit their own contributions. These are infractions that damage contributors' confidence and impact negatively on the Pension Industry. On a regular basis, we go on recovery missions, using the legal instruments at our disposal by engaging recovery agents to make the employers fulfil these obligations. We take administrative and legal actions against them as appropriate.

From the inception of the CPS, we have recovered over N20 billion from employers who deducted monthly pensions from staff salaries without remitting to their RSAs. This sordid practice was double jeopardy for the employee. It is as good as not having a pension at all. Why would you deduct without remitting, much less making your own matching contributions? There are enough laws and measures to deal with this infraction, but some employers are notorious.

Some of their excuses would appear genuine on the surface: economic challenges. They paint the picture that the option is to lay off the workers in order to be able to balance the books, but even when the economy was not going through a rough weather,



the practice of non-remittance was still common.

There was an avalanche of complaints against employers over non-remittance of pension contributions, the Nigeria Social Insurance Trust Fund (NSITF) pension payment, other benefits and pension payment under the pension transitional arrangement. Some of the employers are not used to doing things the right way. It is borne out of a culture of impunity. Some business owners and shareholders would first make themselves comfortable before thinking of the future of the employees.

What we usually do is to issue demand notices to the defaulting employers as provided for under Section 11 of the PRA 2004:

- (6) An employer who fails to deduct or remit the contributions within the time stipulated in subsection (3) (b) of this section shall, in addition to making the remittance already due, be liable to a penalty to be stipulated by the Commission.*
- (7) The penalty referred to in subsection (6) of this section shall not be less than 2 percent of the total contribution that remains unpaid for each month or part of each month the default continues and the amount of the penalty shall be recoverable as a debt owed to the employee's retirement savings account, as the case may be.*

We engage recovery agents to establish the outstanding contributions. From inception to 30 June 2023, we recovered contributions of N12.80 billion and imposed penalties of N12 billion. Before slamming the hard penalties, we deploy our soft powers which are always effective. We usually wait for the defaulting organisations when they apply for Pension Clearance

Certificate (PCC), which is critical to some of them because the certificate is important for other regulatory clearances and their business undertakings. We turn down applications down owing to non-remittance of pension contributions for the appropriate period and/or non-provision of Group Life Insurance policy for their staff.

## CHAPTER EIGHT



# SUCCESS STORIES

**N**igeria's pension reform can be summarised in two stats. One, in July 2004 when the reform was kickstarted, national pension deficit was N2.4 trillion. Two, by February 2023, accumulated pension assets had grown to N15.45 trillion. It was miserably in the red and now abundantly in the black. That is the Nigerian pension revolution in summary.

In the history of economic reforms in Nigeria, pension easily ranks among the most definitive and successful. It has opened up a new economy, creating a cluster value chain, expanding the financial markets and providing funding for infrastructural development. Only the telecoms reform can lay claim to producing

more results during the same period.

Less than 20 years after the landmark pension reform, the success stories are phenomenal, putting a lie to the notion that it is impossible to make a fundamental policy change in Nigeria. All it takes to achieve success is the formulation of feasible policies and a fidelity to implementation by the relevant institutions. Compared to the previous pension system when pensioners went through an unpleasant experience while trying to claim their entitlements, the turnaround is worth celebrating and, most importantly, sustaining.

The success stories of the pension reform are manifest not only in the vital statistics but also in the increasing confidence shown in the CPS by employers and employees, even at a time of economic hardship and recession. The CPS has stemmed the growth of outstanding pension liabilities of the Federal Government. It has also reduced fiscal cost to Government, stimulated domestic savings, generated a pool of long-term funds for developmental projects and increased private investments in Nigeria.

Below are some of the remarkable success stories.

**Retirement benefits.** The fundamental reason for the pension reform was for retirees to get their benefits without tears. With the CPS, that is the biggest success story to celebrate. From December 2007 to 30 April 2023, 327,681 retirees received their benefits through Programmed Withdrawal. There were 132,060 from the Private Sector and 195,621 from the Public Sector. The Commission approved the payment of N948.76 billion as lumpsum to the retirees and a monthly pension payment of N14.76 billion. Under Retiree Life Annuity (RLA), 109,280 received their benefits

during the same period. There were 35,204 from the Private Sector and 74,076 from the Public Sector. The retirees on RLA accessed N219.12 billion as lumpsum while N647.87 billion was approved by the Commission for payment as premium for a monthly annuity of N6.59 billion during the timeframe.

In the period under review, N348.03 billion was paid to the legal beneficiaries of 89,755 deceased RSA holders. In the Private Sector, there were 22,436 beneficiaries. There were 67,319 beneficiaries from the Public Sector. An en bloc payment of N41.97 billion was made to 150,488 retirees whose RSA balances could not provide a monthly pension of at least one third of the prevailing minimum wage of N30,000 at retirement. There were 138,654 beneficiaries from the Private Sector and 11,834 from the Public Sector.

For temporary job loss during the same period, 469,141 RSA holders who were less than 50 years old were paid N203.51 billion, being 25% of their RSA balances. Those from the Private Sector were 447,172, while 21,969 were from the Public Sector. Also, 48,292 RSA holders from the Formal Sector were paid the sum of N37.27 billion being the contingent portion of their Voluntary Contributions. Out of the eligible RSA holders, 45,189 were from the Private Sector, while 3,103 were from the Public Sector.

**Growth of contributors.** The number of contributors has been steadily increasing — another sign of the acceptance of the reform. In 2006, registered contributors were 932,435. Six years later, they were close to six million. At the end of February 2023, contributors were just short of the 10-million mark. These huge figures happened in spite of the fact that not all the 36 States of the Federation have adopted the CPS and the Micro Pension Plan for the Informal

Sector is yet to penetrate the critical mass. It is important to note that the Nigerian economy faced serious challenges along the way, including slipping into a recession.

**Pension assets.** A clear demonstration of the impact of the reform on the Nigerian economy is the phenomenal growth in pension assets. The assets have been blossoming every year. In 2006, the value was N265 billion. It more than tripled the following year, hitting N815 billion. It crossed the N1 trillion mark in 2008, growing to N1.072 trillion. While this was considered massive back then, it paled into insignificance within 10 years. In 2017, pension assets were already over N7 trillion. Precisely, the accumulated assets were N7.51 trillion as at 31 December 2017. As at 28 February 2023, the assets were N15.45 trillion.

**Stronger PFAs.** The growth of the Pension Industry, or any industry for that matter, also comes challenges. There is a tendency to be caught up in the euphoria and lose sight of the need to strengthen the institutions that can make or mar the success stories. One element the Commission identified was the need to improve the capacity of PFAs for optimal efficiency and service delivery.

After taking several factors into consideration, we increased the Minimum Regulatory Capital (Shareholders' Fund) requirement for PFAs from N1 billion to N5 billion unimpaired by losses. This would enable PFAs employ and retain skilled staff and ensure the adequacy of resources to fund operational requirements, such as ICT infrastructure and branch expansion. All the PFAs met the April 27, 2022 recapitalisation deadline and now have a robust capital base.

**Remittance by employers.** Unlike in the past when the Federal Government bore 100% responsibility for the pension of its employees, the contributory scheme has shared the burden. This has enabled the Government to be more consistent in meeting its obligations. It has consistently remitted the monthly contributions of its employees. The blurry lines around liabilities that used to exist have been wiped off by the CPS which makes budgetary estimates straightforward for the Federal Government and the State Governments that have adopted the CPS. In place of unfunded pension liabilities and unpaid arrears, the new structure has engendered consistency.

**Transparency and accountability.** The nature of the CPS has resolved several issues with pension management in Nigeria. Separating custody of pension assets from management and supervision created a mechanism that makes transparency and accountability imperative. In the past, employers were mostly in charge of the pension assets, including the investment of the assets. With the reform, the PFAs manage the funds but do not have access to them because that is the remit of the PFCs, which keeps custody of the funds. PenCom, as the regulator, ensures that PFAs and PFCs keep to the regulations and guides the investment of the funds in safe and structured financial instruments.

In the 2022 Transparency and Integrity Index ranking for Ministries, Departments and Agencies (MDAs), PenCom was one of the top three organisations in the ranking done by the Centre for Fiscal Transparency and Integrity Watch (CeFTIW), an organisation supported by the MacArthur Foundation.

Over 500 MDAs were assessed across six broad variables aimed

at preventing corruption in public office. The variables were: procurement, budget, human resources, inclusion and website integrity, according to CeFTIW. The body said it used these criteria to check the level of transparency with regards to public finances, especially in procurement, how the MDAs spend their money, generate taxes, and recruit people. CeFTIW also assesses the MDAs on efficiency.

**Bonds and securities.** The growth of pension assets has been felt outside the industry as well. Assets are invested in treasury bills, Federal Government of Nigeria bonds, Sukuk, green bonds, corporate debt and local money market securities and mutual funds. The funds have been utilised to support Federal Government's socio-economic development programmes. As at 28 February 2023, investment in Federal Government securities amounted to N9.98 trillion. That was 64.58% of the total pension funds under management. Pension funds accounted for 46.31% of Federal Government's domestic debt as at 30 September 2022.

There was a resurgence in the bond market, with pension funds providing liquidity and relatively cheaper working capital for companies to invest in long-term expansion and drive down cost of capital. Pension funds have supported Nigeria's infrastructure development through a combined investment of N350.30 billion. Transparent opportunities have been provided for the deployment of the funds for infrastructural projects such as rails, roads, power, and energy.

**Stock markets.** As at 28 February 2023, pension fund investments in the Nigerian equities market were over N1 trillion.



This has helped the stock market cushion the losses arising from the periodic exit of foreign portfolio investors, in addition to improving access to capital for private companies and providing market liquidity. Without a doubt, the Pension Industry has contributed immensely to deepening the Nigerian capital market through its investment activities. This was unthinkable before the reform.

**Mortgage access.** Owning a home is big deal anywhere in the world but having the means to fulfil the desire is often a challenge, particularly in countries where Lenders tend to focus on only high-net-worth individuals. In September 2022, we began to unlock the potential of the pension funds in that regard. We issued the “Guidelines on Accessing Retirement Savings Account Balance Towards Payment of Equity Contribution for Residential Mortgage by RSA Holders”, as provided for by Section 89(2) of the PRA 2014.

As at 22 March 2023, PenCom had processed and approved 13 applications submitted by RSA holders for deployment of a total sum of N134,056,243.12, being part of their balances, as equity contributions towards payment for residential mortgage. Applications are expected to grow over time as RSA holders get to understand the benefits more. We also expect the Licensed Pension Operators to put more resources into marketing the Residential Mortgage Scheme.

**Pension for everyone.** The age-old notion that pension is only applicable to Public Sector and big corporate organisations in the Private Sector has been dispelled by the pension reform. With the Micro Pension Plan, organisations with less than three employees can be accommodated under the CPS. Self-employed persons are

also eligible. They can enrol to make financial contributions towards the provision of pension at their retirement or incapacitation. The MPP guarantees steady income and reduces old-age poverty.

We made the process easy, simple and flexible. There are several benefits and incentives for the participants. It was launched in March 2019. As at 28 February 2023, over 90,000 individuals had enrolled for the MPP. When people fully buy into the Plan, the enrolment figure will be in millions. It is a matter of time. This will expand pension coverage to a greater number of Nigerians and boost the pool of long-term pension assets.

**Online enrolment.** The introduction of online enrolment has turned out to be a big success, far beyond PenCom's projections. Previously, the Commission's staff travelled all over the country to enrol prospective retirees of the Treasury-funded agencies. This was time-consuming and expensive. The COVID pandemic disrupted this in a positive way. Everyone woke up to the fact that the exercise could be done without the staff leaving their desks. This has saved all concerned from the inconveniences, costs and mishaps associated with travels, as the Commission now meets prospective retirees at the zonal headquarters. The time saved and funds expended are now better utilised elsewhere.

**Transfer System.** The PRA 2014 allows RSA holders to transfer from one PFA to another once in a year. This is to create competition and improve service delivery. The system was launched in November 2020 following the development of the RSA Transfer System (RTS) application by PenCom. The computer-based application is for the purpose of initiating, processing and monitoring the RSA Transfer

process on an online real-time basis.

Contributors can seamlessly transfer their RSAs from their present PFAs to another. The transfer requests are processed and concluded on a quarterly basis. A total number of 143,805 RSAs with the total value of N552,084,849,650.19 pension assets had been transferred as at 31 December 2022. This is an encouraging indication of gradual acceptance. In the past, contributors had no such choice.

**Pension enhancement.** This is one of the significant milestones attained since the commencement of the CPS. To boost receivable pensions, PenCom introduced the Pension Enhancement initiative. The Commission, after examining the balances in the RSAs of retirees on Programmed Withdrawal, concluded that the returns could be better to enhance the periodic payments. We sought and got the approval of the Government to implement the Pension Enhancement initiative. This led to increased monthly pensions for most retirees on Programmed Withdrawal.

The first enhancement was in December 2017, with 64,076 retirees benefitting from an enhanced monthly pension totalling N303 million. We then secured Government approval to do it every three years. The next one, done in February 2020, enhanced the benefits of 86,108 retirees benefitting with N444 million. The third edition in February 2023 was for those who retired between July 2007 and December 2019. As at 24 March 2023, a total of 58,232 retirees had benefited from the enhancement exercise with a total monthly pension rising from N1.96 billion to N2.08 billion.

**Participation by States.** Although the PRA 2014 mandates the States to adopt and implement the CPS, there seemed to be an initial reluctance to embrace it. The Commission continued to make a case for adoption by the States because that would be a statement of confidence in the Scheme. In November 2015, the Commission made a presentation to the National Economic Council (NEC). Governors assured the meeting of their resolve to implement the CPS for the benefit of their workers.

Today, 25 States have enacted laws on the CPS while seven are currently at the stage of discussing the Bills. Five States have enacted laws on the Contributory Defined Benefits Scheme (CDBS), a hybrid of the CPS and DBS. We have been providing technical assistance where necessary. It must be acknowledged that the support of the Federal Government has helped in getting more States to adopt the CPS.

**Simplified documentation.** In April 2022, we carried out a comprehensive review of the regulation on retirement and terminal benefits — the first since 2007. A major feature is the simplification of the documentation process for retirees and their legal beneficiaries to access the benefits. Documentation was a cumbersome exercise before pension reform. While it got better, there was still a need to make it simpler and faster in the interest of the retirees.

The onus is now on the PFAs to ensure that all documentation preparatory to the retirement of the RSA holder is provided and concluded within a period of four months prior to the date of retirement. This will help make sure retirees are not delayed in trying to access their benefits. The revised regulation makes things much easier for retirees.

**Additional lump sum.** In 2022, we revised our regulations to address the payment of additional lump sum to retirees. They are now allowed to access additional lump sum after the payment of an initial lump sum provided that there are additional inflows of funds into the RSA from the employers. However, the additional remittances will first be applied to augment pension up to 50% of the retiree's final salary while the balance may be paid out as lump sum.

Where the retiree's pension is already up to 50% of final salary, the retiree may choose to collect the entire additional remittances as a lump sum. Where the additional inflow into the RSA of a retiree on Retiree Life Annuity (RLA) is not up to N100,000, the amount will be paid directly into the retiree's bank account, subject to PenCom's approval. This goes a long way in helping the pensioners ease into a new life.

**Job loss benefit.** Temporary loss of job occurs when an employee voluntarily retires, disengages or is disengaged before attaining the age of 50 and is unable to secure another employment after four months of the disengagement. Prior to the revision of regulation in 2022, a contributor needed to produce a letter of acceptance of resignation or disengagement from the employer to be able to get the 25% payment from the RSA for temporary loss of job. Some employers, for whatever reason not excluding the circumstances of employee's exit, refuse to issue this letter and this is to the detriment of the contributor.

The revised regulation provides that where the employer fails/ refuses to accept the resignation letter from the employee, the PFA shall write the employer confirming the employee's resignation and

ensure that an acknowledgement copy is kept as proof of receipt. Where the employer fails to respond to the PFA's inquiry within 30 days, this is taken as acceptance of resignation for the purpose of benefits payable.

**Pre-pension reform benefits.** Before the pension reform, some employees in the Private Sector had balances in their pension contribution accounts. For a long period of time, these employees could not gain access to their savings. We revised the regulation in 2022 to make provision for the administration of pre-pension reform benefits on the Accrued Pension Benefits of contributors mainly in the Private Sector in line with the employer's trust deed prior.

Any employee who retires and has pre-pension reform contributions shall notify the PFA of his/her intention to withdraw the balance. A PFA shall request the retiree to provide necessary documents and an application to access the pre-pension reform part of the RSA balance. This can be paid to the retiree separately, prior to selecting either Programmed Withdrawal or annuity modes of accessing retirement benefits.

**Mobility of labour.** The structure of the CPS makes mobility of labour seamless across sectors and tiers of Government. Once an RSA is opened and a Personal Identification Number (PIN) issued to an employee, the number remains same and valid for life. Employees can maintain their RSA in their new job. There is no need to open another RSA. All they have to do is provide the new employer with the PIN and the name of the PFA.

Contributors under the CPS can select any PFA of their choice to open their RSA, transfer their account from one PFA to another

once a year, and choose either the Programmed Withdrawal (PW) or Retiree Life Annuity (RLA) method for payment of benefits upon retirement. Employees used to have a difficult transition over the management of their contributors after a job switch.

**Non-Interest Fund (NIF).** Nigeria is a multi-cultural and multi-religious society. Because of different religious beliefs, some contributors had for long been expressing a desire for their funds to be invested in non-interest yielding instruments. We began a series of engagements with other financial regulators and stakeholders towards creating a Non-Interest Fund to cater for the needs of this category of RSA holders. It is interesting how NIFs have gained ground in financial markets across the world irrespective of religious inclinations.

In October 2021, we released the regulation on investment of Pension Fund Assets in NIFs. We defined non-interest compliant instruments as “financial securities and specialist investment funds that comply with the provisions of Islamic Commercial Jurisprudence (Shari’ah) and any other established non-interest principles, as approved by the Financial Regulation Advisory Council of Experts (FRACE), or any other body, constituted by the Central Bank of Nigeria and/or Securities and Exchange Commission, from time to time”. It was received with great enthusiasm by pension contributors and retirees. From assets of N7.79 billion in September 2021, the fund had grown to N38.41 billion by the end of February 2023, representing a healthy growth of N28.46 billion.

**Missing persons.** A uniqueness of the CPS is the provision for the payment of the benefits of missing persons. We introduced this

through the revised regulation in 2022. It provides that where an employee is missing, the employer, next-of-kin or legal beneficiary of the person will notify the PFA of the disappearance after a minimum period of 12 months. Where the PFA is satisfied with the identity of the next-of-kin/legal beneficiary, documentation and verification will commence.

Upon receipt of the Missing Person Notification Report, PenCom shall within 10 working days constitute a Board of Inquiry (BoI) with members drawn from the Commission, the Police Criminal Investigation Department and other key stakeholders. If the BoI determines that the contributor is truly missing, then the process of benefits payment to the person's next-of-kin/legal beneficiary shall commence. Benefits would not be forfeited if the disappearance is genuine.

Taming 'reappearance' fraud. Fraud was easier under the old pension system, but it did not completely disappear in the new dispensation. The Commission observed that some RSA holders who had been reported dead with all benefits paid to their legal beneficiaries suddenly "reappeared" after additional amounts had been remitted into their RSAs. We revised the regulation to provide that where an RSA holder is reported dead, the PFA shall write to the bank of the deceased informing it of the demise and advise that the deceased's bank account be flagged off. That would counter the actions of such fraudulent persons. Containing this fraud is a win for us.

**NSITF contributions.** The Nigeria Social Insurance Trust Fund (NSITF) caters for all other forms of benefits apart from pensions. Some employees were facing challenges of drawing on their NSITF



contributions. We revised the regulation to establish conditions for Private Sector retirees to draw from the NSITF benefits. Employees who retire and have NSITF contributions shall notify the PFA of their intention to withdraw their NSITF contributions. A PFA will request the retiree to provide necessary documents and application to access the NSITF part of the RSA balance. A PFA will forward all requests to access pre-pension reform portion of the RSA balance to the Commission for a grant of no-objection. The contributors are now getting better value for their savings.

ISO 27001 certification. The Commission prides itself as a world-class institution. It always strives to be able to compete with other regulators across the world. In December 2020, the Commission's Information Security Management System (ISMS) was assessed and certified to be ISO27001:2013 compliant. PenCom designed the ISMS to attain the internationally recognised set of information security standards that govern the security of information assets such as intellectual property, financial information, employee information, as well as information entrusted by third parties.

The certification process requires that an annual Surveillance Audit should be conducted by Management Systems Evaluation and Certification Body (MSECB), the ISO27001:2013 Certification Body. PenCom's ISMS was recertified to be ISO 27001:2013 compliant after the 2021 Surveillance Audit of the information assets, which was conducted by the Professional Evaluation and Certification Board Management System (PECB MS) in March 2022. The ISMS assessment covered the processes in 10 departments that were within the ISMS implementation scope.

## CHAPTER NINE



# CONFRONTING THE CHALLENGES

**I**mplementing the Contributory Pension Scheme (CPS) across the Public and Private Sectors in Nigeria has been challenging. It is an unprecedented large-scale reform of the Pension Industry. It requires doing things in a different way. The orientation of Nigerians on pension matters needs to change. The financial system needs to adjust to accommodate the new order of managing pension funds. In many aspects, the reform has taken all stakeholders through an uncharted terrain.

The pioneer staff of the Commission, of which I was one, experienced the ups and downs of implementing the new Scheme. In a country where pension had become synonymous with

misery, it was a momentous achievement that within a relatively short period, the Pension Industry started blossoming with an impressive number of enrolees and operators. The pioneer Board and Executive Management of the Commission commendably laid a good foundation for the Pension Industry and succeeded in getting the buy-in of critical segments of the society.

Under the old pension system, it was very sad seeing retirees in their old age, some sick to the point of death, struggling to be paid what was their undeniable entitlement. At the time in their life cycle when they were most likely battling with health challenges associated with old age, retirees were getting tossed back and forth as they longed to collect their entitlements which were always in arrears. It was common for pensioners to slump and die while waiting in long queues for their elusive benefits. Yet, pension, as a form of social protection, is supposed to reduce lifelong consequences of poverty, vulnerability, and exclusion in both the formal and informal areas of human activities.

Before the passage of the Pension Reform Action in 2004, workers were sceptical about the prospects of the CPS. The previous troubled schemes and unpaid liabilities gave them a lot of concern. They did not trust that any reform would achieve a different outcome, judging from the not-so-impressive experience of the several reforms embarked upon by different administrations since the 1970s.

The first question the labour unions asked was the constitutionality of the PRA 2004. The Nigeria Labour Congress (NLC) argued that the National Assembly had no constitutional mandate to legislate on pension for the Private Sector. It also raised questions about unpaid public pensions and complained about

the composition of the Governing Board of the National Pension Commission (PenCom), which it said was short on equitable stakeholder representation.

Despite overcoming the initial scepticism, Nigeria's pension reform is still confronted with challenges. The Commission is always working with the stakeholders across board to find lasting measures to address the challenges as they show up from time to time. In a country of over 200 million people, it is in everyone's interest that pension reform succeeds and that the gains are sustained. The impact on socio-economic stability is far-reaching. As things are, Nigeria is still scratching the surface of the potential despite the growing number of enrollees and the enormous value of pension assets.

Although the introduction of the CPS has eliminated some of the harrowing experiences of pensioners, we are not yet at the stage where we can rest on our oars. Some of these challenges keep coming in different shapes and forms. There are issues on many fronts: constitutional, legal, economic, cultural, administrative and political. They are discussed in this chapter.

**Poor practices.** Although the Pension Industry is one of the most tightly regulated in Nigeria, the Commission still discovers and deals with sharp practices. There was a time some PFAs went above the investment limits set by the Commission. Some employers were remitting pension contributions without attaching the appropriate schedules. Customers were lodging complaints with PFAs over service quality but these were not resolved satisfactorily.

We also discovered that there were delays in the payment of retirement benefits, a disturbing development given the fact that

the reform was targeted at solving this particular problem of delays. Some PFAs also failed to implement disaster recovery plans. We tackled these practices with regulations, sanctions or interventions as required. We are constantly on the look-out for infractions.

**Slow adoption.** Despite the huge figures of enrollees and pension assets, they could have been double or even triple if the Scheme covers the vast majority of Nigerian workers. This is not bad news as such — it is a good opportunity for the Pension Industry. It means there is still a vast number of workers that can be part of the Scheme. If States, Councils, and the Informal Sector fully buy into pension reform, the Pension Industry would be much bigger than it currently is and the economy would feel the impact in jobs, capital formation and infrastructural development, in addition to an assured future for contributors.

The Nigerian Constitution defines the role of Federal Government and State Governments in pension matters. Although the PRA 2014 empowers PenCom to regulate the Pension Industry across the Federation, Section 210 of the Constitution vests the powers to make laws regarding State employees in the State Houses of Assembly, not the National Assembly which is limited to Federal Public Servants and the Private Sector. PenCom's powers are thus limited. It cannot force any State to domesticate the PRA 2014. Many States have opted for what they call the Contributory Defined Benefits Scheme (CDBS), which is a hybrid of the CPS and the DBS. The CDBS gives States the leeway to do things they cannot normally do under the CPS.

The provision of the PRA 2014 on the coverage of employees of the States and Local Governments is redundant. It requires

a further State legislation to make it effective, and this is usually difficult to achieve except with the cooperation of all stakeholders at the State level.

As at the first quarter of 2023, a total of 25 of the 36 States had keyed into the CPS. Seven states have started the process by passing the necessary laws and five are practising the CDBS. Of the 25 states that have embraced the CPS, only 15 have established pension bureaus/boards in line with the CPS. Eight are still in the process of enacting the laws to implement the CPS.

**Partial compliance.** Over time, we have been engaging with the States to encourage them to implement the CPS and to help with whatever technical support they might require. Many States that have commenced the implementation of the CPS fail in consistently remitting their monthly pension contributions. Many find it difficult to fund the Accrued Pension Rights for past service prior to the cutover to the CPS. These are usually the outcomes of low revenue and lack of fiscal diligence on the part of the States.

There was a time we met with representatives of the Ekiti State Pension Commission (ESPC) to discuss the challenges in the implementation of the CPS in the State. We also made presentations at the Pension Management Retreat organised by the FCT Area Councils Staff Pension Board (ACSPB) in Akwanga, Nasarawa state. We engaged with the Government of Rivers State over its inability to take steps to fully implement the CPS. We held meetings with the Government of Ogun State on its persistent non-remittance of pension contributions into the State employees' RSAs. All these have implications for employees who are about to retire.

At the end of 2022, only 10 States had started remitting employer

and employee pension contributions, while only seven had started paying pensions to retirees under the CPS. The non-remittance of deductions and payment of pension raised questions on the Scheme at the sub-national level. Default in pension remittances by some employers negatively impacts the growth of employees' RSA accounts and contravenes the provisions of the Pension Reform Act 2014, which stipulates remittance within seven working days of salary payment.

Some Private Sector employers are not remitting employees' monthly pension contributions into their RSAs as and when due. This is being tackled in collaboration with the Bureau for Public Procurement (BPP) to ensure that Pension Compliance Certificate (PCC) is a prerequisite for companies bidding for Government contracts. This has seen many companies improve their compliance levels. We also apply the rules by engaging agents to recover unremitted pension contributions from private sector employers.

**Low accumulation.** The CPS is a fully funded Scheme in which the final pay-out is a function of the total balance in the RSA of each contributor at the time of retirement. However, since the legal framework of the CPS provides only a minimum rate of contribution at the benefits accumulation stage, employers and employees are entitled to do more than the minimum. Unfortunately, employers, especially in the Public Sector, always comply with only the basic minimum. This results in low accumulation and ultimately low pay-out on retirement. This is one reason the Scheme is not that popular among employees of Treasury-funded MDAs.

**Funding shortfall.** Although there is a consensus that the CPS is more efficient and far less expensive than the DBS, we are still faced with the implementation setbacks in the Federal Public Service as a result of the accumulation of huge pension liabilities against the Federal Government. These huge liabilities have eroded the confidence of some stakeholders in the pension reform. The shortfalls usually arise from Accrued Rights and pension increases as a result of upward salary adjustments.

The arrears were almost cleared at a point but new ones were accumulated thereafter. The new rates of contribution under the PRA 2014 were not implemented for a long time, thereby increasing the outstanding liabilities. Nevertheless, if the Federal Government was lagging behind in making budgetary provisions for the CPS, which it partly funds for its employees, what would have happened if it carried entire the pension burden as it was under the DBS? The fact that the Scheme is delivering results in spite of these failings on the part of the Government is a testimony to its robustness.

The funding shortfall became noticeable with the drop in crude oil prices in 2014. This negatively affected Government revenues. Inadequate budgetary provision was subsequently made for the payment of Accrued Pension Rights to Federal Government retirees. Under the 2014 Appropriation Act, mandates for September to December 2014 to the tune of N10 billion were not cash-backed and therefore not released into the Retirement Benefits Bond Redemption Fund (RBBRF) Account maintained with the CBN. This led to the non-payment of the Accrued Pension Rights of some Federal Government retirees.

Also owing to shortfall in the provision for RBBRF under the 2015 Appropriation Act, the accrued pension liability of N11.6



billion for 2,403 Federal Government employees who had retired from service between November and December 2015 could not be settled. The death benefits of 353 deceased employees amounting to N1.5 billion remained outstanding. Thus, as at December 2015, the outstanding accrued pension liability of the Federal Government totalled N13 billion as a result of non-release of N10 billion for September to December 2014 Mandates as well as the shortfall in 2015 Appropriation for Accrued Pension Rights.

The Commission, based on the number of verified and enrolled Federal Government employees scheduled to retire in 2016 under the CPS as well as deceased employees within 2016, requested for the provision of N91 billion in the 2016 Appropriation Bill. However, the National Assembly approved only N50 billion, thereby resulting in a shortfall of N41.7 billion.

In April 2017, the Federal Government intervened by releasing the sum of N54 billion to clear the backlog of Accrued Pension Rights appropriated for 2014 and 2016 budgets. The money was used to pay the affected retirees. Still, the challenge persisted. The Commission had requested for the provision of the sum of N113 billion in the 2017 Appropriation Bill. The National Assembly approved only N50 billion in the 2017 Appropriation Act, thereby increasing the shortfall to N62.8 billion.

In 2018, the National Assembly approved the sum of N110 billion in the Appropriation Act as requested by the Commission. Furthermore, although the National Assembly approved the sum of N74 billion in the 2019 Appropriation Act as requested by the Commission, only N65 billion was released in the year, thereby resulting in a shortfall of N9.3 billion.

In 2021, the Federal Government also approved the release of

over N150 billion for the settlement of Federal Government retirees' outstanding Accrued Pension Rights and other pension liabilities. These approvals had consequentially addressed the challenge of payment of the outstanding Accrued Pension Rights of verified and enrolled Federal Government retirees pension liabilities which had lingered since 2014 owing to the non-provision of sufficient funds to settle pension liabilities over the years.

In addition, the Federal Government ensured that up-to-date remittances were effected into the RBBRF Account in order to ensure the timely payment of benefits to retirees. The Commission, between the period of December 2017 and February 2023, received the total sum of N396 billion from the Federal Government for the payment of Accrued Pension Rights of retirees/deceased employees of Treasury-funded Ministries, Departments and Agencies (MDAs).

The Federal Government also, in 2021, approved the sum of N79.8 billion for settlement of the 2.5% shortfall in the rate of employer pension contribution for employees/retirees of Federal Treasury-Funded MDAs. The shortfall resulted from the increase in the minimum pension contribution for employers from 7.5% to 10% under the PRA 2014. The payment of the 2.5% shortfall in the rate of employer pension contribution for active employees covered the period of July 2014 to March 2017, while that of retirees/deceased employees covered the period of July 2014 to December 2020.

The payment was another significant step in ensuring compliance with the PRA 2014, as it signified the commencement of payment of the reviewed monthly pension contribution rate for employees of Treasury-funded MDAs which was outstanding since 2014.

**NSITF switch.** Following the enactment of the PRA 2014, the Commission was saddled with the responsibility of supervising the transfer of the Nigerian Social Insurance Trust Fund (NSITF) contributions of employees into their respective RSAs under the CPS. As at May 2023, only the contributions of 136,377 NSITF members had been transferred into their respective RSAs. The number of RSAs credited with NSITIF contribution is a far cry from the over 1.2 million workers that transited from the NSITF Scheme to the CPS.

To address the challenge of contributor apathy, the Commission published advertorials in National Dailies requesting NSITF contributors to apply for the transfer of their contributions into their RSAs. Employers need to encourage their employees who have contributed to the NSITF Scheme to liaise with the PFAs and in particular Trustfund Pensions for guidance on how to have their contributions transferred to their RSAs. We also advised members who contributed to the NSITF Scheme to visit the Commission's website for Guidelines on the transfer of NSITF contributions.

**Cultural and extraneous issues.** The Micro Pension Plan, which was developed to cater for the bulk of workers in the Informal Sector and the self-employed, has grown slowly but not at the speed that is required. What we discovered is that the low adoption has a cultural reason. Perhaps because of low income, there is no appetite to participate in a formal system. Most would rather continue with their age-old practices such as thrift collection and esusu (informal saving schemes), among others, where financial activities are done informally and based on communal trust.

The trust gap between the people and the Government is a

major setback. Some workers suspect that Micro Pension was designed so that the Government could capture them into the tax net and tax their incomes. The suspicion, which is unfounded, is a major hinderance to wide adoption of the Micro Pension Plan, although economic challenges might have also contributed to the slow progress. Inflation wiped away the value of incomes and the COVID-19 pandemic also slowed down economic activities. Savings become a luxury for low income earners under such circumstances.

There were also incorrect perceptions of pension and retirement benefits. Many in the Informal Sector do not have a positive view of pension after witnessing the experiences of those associated with the old Defined Benefit Scheme and how pensioners were frustrated with the verification processes. These negative perceptions are still prevalent. The Commission is tackling them with strong public enlightenment and communication through various channels.

## CHAPTER TEN



# FORWARD AND ONWARD

**N**igeria's pension reform may still be facing some challenges but we have reached a stage that we can confidently say its progress is irreversible. The pushbacks and opposition to the CPS are not unexpected when people are convinced they stand to benefit more from a different system.

Some are opposed to the new Scheme because they do not really appreciate how it works. Some are also not used to saving towards their own future. It is a socio-cultural issue that will be addressed with time. It is impossible to completely change a norm overnight.

There are also employees who would prefer that their employers are fully responsible for their pension since that was how the system

used to be. They would want to receive their salaries in full without making any pension contributions and also get their benefits in full for life when they retire. That is a rational choice and probably the ideal of all the options. However, it was because the DBS did not produce optimal and sustainable outcomes that Nigeria undertook pension reform. Otherwise, there would have been no need for the contributory scheme.

In Public Service, the pushbacks and opposition to pension reform might have been motivated by other factors. Pension funds are erroneously seen by some public officers as idle funds that can be managed in a way that only a few individuals — not the contributors themselves — would benefit. But given the level of pension scandals in the public domain for which there have been prosecutions and convictions, the Commission is determined to instil a transparent and accountable system as provided for under the relevant laws, most especially the Pension Reform Act 2014.

In essence, PenCom is fighting for the future. For the contributor, PenCom wants to ensure that when employment comes to an end, income does not cease. There is something to look up to in retirement. The family stands to benefit in the event of death. For the employer, a reliable pension system is a way of gaining and retaining employees' confidence as they know that a provision is in place for them when they retire. The employer should be further encouraged by the fact that the pension burden is shared. A budget that will pay the entitlements of 10 employees under the DBS will probably benefit 30 employees or more under the CPS.

Rather than undermine the pension reform, those who think there are deficiencies and inadequacies should come up with constructive ways of making it better. The future of millions is at

stake. This is a message the Commission has tried to pass on to all and sundry at every opportunity, including at parliamentary hearings and via public statements.

We have tried to get the PRA 2014 updated and amended to address some of its inadequacies and engender greater confidence in the reform. We know reform is not an end in itself and requires dynamic management for better outcome. Some of the moves we have made to improve the pension system are discussed below.

**Raising contributions.** In April 2003, we issued a public statement listing various ways in which employers, both public and private, can boost retirement earnings. This is to address genuine fears by contributors concerning low pensions, especially among retirees in the Public Sector. The Private Sector is doing better in this regard, obviously because the Public Sector wage structure is not as competitive. The PRA 2014 stipulates a combined monthly contribution of 18%: that is, 10% by the employer and 8% by the employee. We usually advise that employers could upwardly review their 10%. What the Law provides is basic minimum. It is not a ceiling. Both parties may mutually review the ratio upwards through a collective agreement.

We made this case at a Public Hearing in the House of Representatives in January 2023 over a Bill to exempt Police personnel from the CPS. The argument of the sponsor of the Bill was hinged on low pension which has consistently been presented as a case in all previous attempts at exempting the personnel of the Police from the CPS. As I have already argued elsewhere in this book, the PRA 2014 has adequate provisions that can resolve this concern without recourse to amending the Act.

The rate of pension contribution was increased by the provision of Section 4(1) of the PRA 2014 from a minimum of 15% to a minimum of 18% of the employee's monthly emolument. The Accountant General of the Federation (AGF) is accordingly mandated under Section 12(3) of the PRA 2014 to effect deductions of the pension contributions based on the new 18% rate and remit same to the credit of the RSAs of Federal Government employees. Compliance is another matter entirely, a worrisome situation I have already touched on. However, this is not a problem with the CPS but with the employers.

At the aforesaid Public Hearing, I said that the contribution rate stipulated under Section 4(1) of the PRA 2014 is only a legal minimum, which can be enhanced through Collective Agreement between employer and employees as provided under Section 4(2) of the PRA 2014. An employer may also take full responsibility for the contribution as provided under Section 4(4)(b) of the PRA 2014. That will allow the employee to receive salaries without any pension deductions and put smiles on their faces at the end of the month.

For the employer, it is still cheaper than the old defined benefit under which employees could be entitled to as much as 100% of their terminal salaries as pension for life. Any employer may choose the option of making the whole contributions. As a benefit, employees may become more productive and improve their affinity with their employers.

Section 4(4)(a) of the PRA 2014 further provides that notwithstanding the pension contributions made by employer and employee into the employee's RSA, the “employer may agree on the payment of additional benefits to the employee upon retirement”. The additional benefits may be in the form of gratuity to employees



after their retirement. This additional benefit is regulated by the Commission under Sections 18(b)&(c) and 24(a) of the PRA 2014.

**Paying Accrued Pension Rights.** Section 15(4) of the PRA 2014 provides for the review of the Accrued Pension Rights and entitlements of the employees of the Public Service of the Federation by the Federal Government from time to time in line with the provisions of Section 173(3) of the 1999 Constitution of the Federal Republic of Nigeria (as amended). The amounts derived from such reviews are to be provided for by the Federal Government and credited directly into the RSAs of individual retirees. This responsibility is to be carried out by the Budget Office of the Federation and the Office of the Accountant General of the Federation.

Government released funds for settlement of pension increases to retirees under the Defined Benefits Scheme for 2007 (15%), 2010 (33%) and 2019 (“consequential adjustment”). Meanwhile, no funds were provided for payment of pension increases for retirees under the CPS.

Implementation of pension increases would substantially address the issue of low pension for Federal Government retirees under the CPS. This issue needs to be addressed for those under the CPS as was done for those who retired under the DBS. Otherwise, those who left service under the CPS would feel cheated and marginalised.

**Multiple social security benefits.** The Commission is of the opinion that social security benefits in Nigeria should not be limited to pensions. Some contributors are genuinely seeking

exemption from the CPS because their pension is all they can look forward to after retirement. They have every reason to worry about their future. PenCom has always advocated that Nigeria needs to institute zero pillar pensions in the form of a social security benefit, which is recognised and provided for under Section 16 (2) (d) of the Constitution of the Federal Republic of Nigeria 1999 (as amended).

A social security benefits system would go a long way to alleviate the sufferings of Nigerians, whether or not they had formal employment. It will also augment earnings from occupational pensions. Exempting a group or an organisation from the CPS will not address the issue of inadequate pensions, contrary to the campaign being mounted based on this assumption. The pension system could still be in jeopardy. Exemption is a shortcut that leads to nowhere. The issues of liabilities will remain unaddressed. That is why campaigners and agitators must see the full picture at all times rather seek to partition the field.

Providing additional retirement benefits has several gains for both employers and employees. It can attract and retain talent, enhance employee morale and loyalty, and improve an organisation's reputation. What people desire is a form of security so that they do not go destitute after retiring from active employment. When people are used to receiving regular income, along with the perks that come with it, the mere thought of survival in retirement is enough to sow fear and doubt into their minds, especially for those in Public Service whose retirement savings are relatively low.

There are options of social security that Government should seriously consider. Health care is a major worry for retirees. They are at that age when certain ailments are common and regular medical attention will be needed. A social security system that

gives free or subsidised medical services to retirees can help in this instance. In some countries, people attaining a certain age are considered as senior citizens and they benefit from subsidised or free health care. Some do not pay full fares on public transport. Countries that provide free and quality basic education make life easier for everybody because the financial burden is lessened on an average citizen.

By and large, we think the pension system will be strengthened if there are other social security systems to support not just the retirees but the general populace. That way, the quest to diminish the pension reform will be better discouraged.

### **AMENDING THE PENSION REFORM ACT, 2014**

Laws are not static because the human society itself is dynamic. To guarantee a future for pensions in Nigeria, the relevant laws need to be improved upon to accommodate new developments and trends. At the Commission, we decided to initiate a review of the PRA 2014 after collating ideas from other stakeholders. We held a retreat with all relevant stakeholders to review the proposals put forward for the amendment. The PRA 2014 itself is a revised edition of the PRA 2004.

Not long after the re-enactment of the PRA in July 2014, the Commission began to encounter some implementation challenges with some sections of the Act. There were also persistent calls from members of the public for the amendment of certain sections. Indeed, several legislative efforts in the form of Bills for the amendment of some sections have either been or are being sponsored in the National Assembly.

There was a need for the Commission, as the regulator of the pension industry, to coordinate and harmonise the various efforts in order to achieve a more comprehensive and constructive exercise for the review of the PRA 2014. Thus, in line with its philosophy of consultation, the Commission sought and obtained inputs of its social partners, Pension Industry operators, financial regulators, legislators and other relevant stakeholders. These inputs were collated, analysed and presented in a document that was considered at the retreat.

Over a period of four days in January 2022, the Commission held the retreat in Abuja. We had two working sessions per day — in the morning and afternoon — to study the proposals. Each working session was coordinated by the designated chairmen who conducted proceedings by calling for comments from participants on recommendations relevant to sections of the PRA 2014 designated for that period. Another document containing the Summary of Acceptable Recommendations was prepared by the Secretariat and circulated to participants. This was meant to simplify the review exercise. At the end of the working sessions, the resolutions were consolidated, reviewed and adopted by the participants.

In conducting the exercise, we were guided by some realities. One, we were mindful of the fact that the PRA 2014 deals principally with occupational pensions, which aim to provide a means of livelihood to workers upon their retirement. Thus, we had to consciously avoid seeking to directly provide other forms of social security, such as housing, healthcare and unemployment benefits, through the instrumentality of the CPS.

Two, our decisions were guided by the primary objective of the PRA 2014, which is to ensure that everyone who works

receives his/her retirement benefits as and when due. Thus, we have a responsibility of ensuring that the CPS remains sustainable and robust enough to deliver on its primary objectives. This consideration inevitably made us to be less emotional or sentimental in our deliberations and decisions.

Three, the overall interest of the contributors and pensioners as well as the safety of the pension assets consistently remained our focal points. They were the yardsticks that determined our decisions in reviewing the PRA 2014.

Some of the proposed amendments might appear to be minor and negligible, but since it is a legally binding instrument, all it takes to upset the pension system is for someone to seek judicial interpretation, even if only for the mischief value. Some of the lapses in the PRA 2014 are open to absurd interpretations.

At the end of the retreat, we came up with a final draft of the following proposed amendments some of which are highlighted below. They are PenCom's proposals. A lot of inputs will still be made by other stakeholders in the lawmaking process.

### **1. SECTION 4(6)**

*Where the employer failed, refused or omitted to make payment as and when due, the employer shall **make arrangement to effect the payment of claims arising from the death of any staff in its employment during such period.***

**Issue:** Deletion of the phrase “make arrangement to”.

**Rationale:** The proposed amendment would emphatically stipulate the obligation of an employer to effect the payment of claims arising from the death of any staff in its employment.

## 2. SECTION 19(2)(D)(IX)

*The Board shall consist of - (ix) Nigerian Stock Exchange*

**Issue:** Deletion of ‘Nigerian Stock Exchange’. The Nigerian Stock Exchange is a regulated entity under the regulatory purview of the Securities and Exchange Commission.

**Rationale:** It is a misnomer to have a regulated entity on the Board of PenCom, the regulator of the Pension Industry. Furthermore, Section 19(2)(d)(ix) of the PRA 2014 already provides for the composition of the Commission’s Board to include the Securities and Exchange Commission. Accordingly, the proposed amendment seeks to remove the Nigerian Stock Exchange from the Board of PenCom.

## 3. SECTION 25

*Functions and powers of the board.*

**Issue:** Insert a new provision as ‘Section 25(2)(d)’ to provide for the power of the Board to approve the Commission’s budget.

**Rationale:** The proposed amendment would be in tandem with subsisting Financial Regulations.

## 4. SECTION 42(2)

*The Federal Government Pension Transitional Arrangement Directorate shall be an extra Ministerial Department under the Federal Ministry of Finance with **management team to be appointed by the Minister.***

**Issue:** Amend to read that the appointment of the Executive Secretary of the Pension Transitional Arrangements Directorate shall be made by the President.

**Rationale:** Section 42(2) stipulates that the Management Team

of the Pension Transitional Arrangements Directorate shall be appointed by the Minister. It is noted that the appointment of the Executive Secretary, who is the head of the Agency, cannot be made by the Minister as the power to appoint a Permanent Secretary in any Ministry or Head of any Extra-Ministerial Department of the Government of the Federation howsoever designated vests exclusively in the President in line with Sections 171 (1) and 171(2) (d) of the 1999 Constitution (as amended).

## **5. SECTION 89(1)(A)(VI)**

*A Pension Fund Administrator shall not - (a) sell pension fund assets to - (vi) the Pension Fund Custodian holding pension fund assets to the order of the Pension Fund Administrator and **any related party to the Pension Fund Custodian.***

**Issue:** Deletion of the phrase “and any related party to the Pension Fund Custodian”.

**Rationale:** The addition of the phrase “and any related party to the Pension Fund Custodian” appears to be unduly restrictive and denies investment opportunities to the pension fund. Furthermore, the risk in sale of pension fund assets to a related party to the Pension Fund Custodian holding pension fund assets to the order of a Pension Fund Administrator is clearly non-existent.

## **IT IS ALL ABOUT THE FUTURE**

By way of summary, the Commission has done an enormous work since inception in 2004 to advance the pension reform. Our success stories notwithstanding, we cannot rest on our oars. That is why we keep coming up with practical solutions to address the

concerns of those who are still in doubt about the desirability of the CPS and the future of the Pension Industry in general. There is an assured, sustainable and predictable future for pensions in Nigeria but it is a future we must all fight for by all reasonable means.

Going forward, the Federal Government must show commitment by paying outstanding pension liabilities. It has tried given the economic circumstances, but pension is an obligation. It is a right. The Commission will have to keep up the constructive and sustained engagement of relevant arms and agencies of the Federal Government to ensure adequate appropriation and timely release of sufficient funds to clear outstanding liabilities and pay retirement benefits as and when due. The Private Sector will need constructive and sustained engagement as well to improve on its performance.

There is the need to combine efforts to expand the coverage of the CPS to include more Nigerians, with special focus on the Micro Pension Plan product expansion and enrolment, and getting all the States and Local Governments to improve the rate of their adoption and/or level of implementation of the CPS. They need to enact the appropriate State Pension Laws on the CPS.

Over all, we have to keep improving service delivery to breed confidence in the system. As the Pension Industry continues to grow, it becomes increasingly imperative to improve the level of service delivery to contributors by pension operators. It is vital to retaining the confidence of contributors and Nigerians in general. The Pension Industry itself will benefit tremendously.

We at the Commission will also have to consistently scale up public enlightenment and education. This must continue to receive uninterrupted attention by all stakeholders. It is a duty we take



seriously because we believe information is power.

Hopefully, all hands will be on deck to increase the level of participation in the national initiatives on financial literacy and financial inclusion. We will, on our part, seek to sustain constructive engagement and partnership with the organised labour and other social partners for advocacy and effective reach out on the CPS throughout Nigeria.

## *Acknowledgements*

**I**t is said that the journey of a thousand miles starts with a step. Former President Olusegun Obasanjo deserves accolades for his foresight when he took the first step in reforming Nigeria's pension in 2004. The remarkable progress recorded over the years is a tribute to his audacity in addressing the various crises around pension once and for all.

The role of Mallam Nasir el-Rufai in pension reform is often undercelebrated, but it was when he was Director-General of the Bureau of Public Enterprises (BPE) that the pension crisis got the essential attention because unpaid liabilities were a major clog in the wheel of progress of the privatisation programme. The BPE was the major force behind the setting up of the Fola Adeola Pension Reform Committee in 2003 and whose report led to the far-reaching and enduring reform of pension.

I sincerely acknowledge the role of Mallam MK Ahmad, the first Director General of PenCom, and the ExCo he led for setting the tone for us at the Commission. They did the ground work and

led a team that built the industry from ground zero. Ahmad has been a source of support for me over the years. Ms Chinelo Anohu, who took over from Ahmad, also put in her shift as DG along with the Board, the ExCo and the staff. They deserve commendation for keeping the ball rolling despite the mounting tasks.

I succeeded Anohu under complex circumstances but with the help of members of the Board, ExCo and staff, we have been able to record landmarks in the ever-growing pension industry. My appreciation to each and every one of them.

I am particularly indebted to Comrade Ayuba Wabba, former President of the Nigeria Labour Congress (NLC), who served as a member of the Board of the Commission in that position. He was also in the Fola Adeola Committee and this is very glaring in his commitment to the sustenance of pension reform over the decades. He did, and still does, everything within his power to help PenCom through the most challenging moments. He is extremely supportive. He is always fighting in our corner as long as it is about keeping pension reform on track.

The National Assembly has been helpful over the years, notably in moments when the Federal Government was lagging behind in its financial obligations. I am grateful for the support I received from the Senate Committee on Establishment and Public Services as well as the House Committee on Pensions. Senator Ibrahim Shekarau, as chairman of the Senate Committee on Establishment and Public Services, helped keep PenCom moving forward in discharging its mandate. I am grateful.

I must thank former President Muhammadu Buhari who believed in me, ignored negative campaigns and nominated me to be Director General of PenCom in 2020. Otherwise, I would not

have been in a position to lead the Commission to this height. It is a privilege to serve your country. I do not take the opportunity for granted.

I wholeheartedly appreciate the love and care of members of my family who have stood solidly by me to make sure I serve my country conscientiously and successfully. The support means a lot to me.

Above all, I am grateful to the Almighty Allah (SAW) for his merciful and benevolent hand towards me. It has been very demanding leading the Commission but I stand strong today because of the will of Allah. I am eternally thankful to him.



# GLOSSARY

**Accrued Rights Benefits:** A retiree's benefits for the years of service up to 25 June 2004, when the Pension Reform Act (PRA) became effective.

**Active/Mandatory Contributor:** An employee signed on to the Contributory Pension Scheme (CPS) and who is accruing benefits under the Scheme.

**Additional Voluntary Contributions:** Non-obligatory CPS contributions made by workers towards securing additional retirement benefits.

**Annuity Plan:** A fixed amount of money paid to a retiree for the rest of his/her life by an insurance company. It is one of the two ways retirees can choose to receive their pension under the CPS. The other is Programmed Withdrawal.

**Closed Pension Fund Administrator (CPFA):** A company licensed by the National Pension Commission (PenCom) to continue to manage its existing pension scheme before the enactment of the Pension Reform Act in 2004. A CPFA cannot open or manage RSA for employees other than its employees or, if it is a subsidiary, employees of its parent company.

**Contributory Defined Benefit Scheme (CDBS):** A hybrid of the Defined Benefit Scheme (DBS) and Contribution Pension Scheme (CPS) adopted by some Nigerian states. Periodic contributions are made either by the employer or the employee or both. The amounts contributed are remitted into a Fund and invested by an appointed Fund Manager. The Fund Manager is supervised by a Board of Trustees. The CDBS is guided by a Law and operated by a Trustee Deed (similar to the PenCom Guidelines and Regulations). The Trustee Deed provides guidance on size of benefits, eligibility, sanctions, etc. Benefits under the CDBS are defined. If the Fund (contributions and investment income) cannot pay all benefits due, the sponsor (Government) must provide the funds to make up the shortfall. Sponsors are required to conduct actuarial valuation every year or as required to determine the possibility of a shortfall due to current or future liabilities. Budgetary provisions are expected to bridge any gaps that come up.

**Contributory Pension Scheme (CPS):** An arrangement where both the employer and the employee contribute a portion of an employee's monthly emolument towards the payment of the employee's pension at retirement. The CPS is mandatory for any person employed in the Public Service of the Federation, Federal Capital Territory, State or Local Government, or organisations with three or more employees. The basic features of the CPS are: it is contributory; it is fully funded; it is based on individualised Retirement Savings Account (RSA); it is privately managed by Pension Fund Administrators (PFAs) under the custody of Pension Fund Custodians (PFCs); and there must be a provision of Group Life Insurance by the employer. The minimum rate of contribution is 18% of the employee's monthly emoluments where 10% is contributed by the employer and 8% is contributed by the employee. However, the employer may decide to bear the full responsibility of the contribution provided it is not less than 18% of the monthly emolument of the employee. The constituent of monthly emoluments is as may be defined in the employee's contract of employment but should not be less than the total sum of basic salary, housing and transport allowances.

**Data Recapture Exercise (DRE):** An exercise conducted by PFAs or appointed agents to recapture the personal data, including biometrics, of registered RSA holders. The RSA holders are required to provide their National Identity Number (NIN). It is only applicable to those who opened Retirement Savings Accounts (RSAs) before July 2019. Those who opened RSAs after July 2019 do not need to do a DRE: they have been captured under the Enhanced Contributors Registration System (ECRS). RSA holders not captured cannot process retirement benefits under the CPS.

**Defined Benefit Scheme (DBS):** A pension scheme operated by the Public Sector until it was replaced with the Contributory Pension Scheme (CPS). Pension obligations are borne in full by the Government under DBS, unlike under the CPS where responsibility is shared between the employer and the employee. The DBS was not dependent on actual funds available but on yearly budgetary provisions which were often insufficient, leading to the accumulation of pension arrears. Under the DBS, entitlements are calculated based on the retiree's Grade Level and number of years spent in service.

**Electronic Pension Contributions Collection System (EPCCOS):** A web-based self-service pension management system that aids seamless pension contribution remittances and timely crediting of employees' RSA, minimises reconciliation issues, and eliminates the burden of generating multiple schedules.

**Enhanced Contributor Registration System (ECRS):** An electronic platform for the submission of requests by PFAs for the registration of contributors and issuance of Personal Identification Numbers (PINs).

**Exempted Persons:** Categories of persons mentioned in Section 291 of the Constitution of the Federal Government of Nigeria, 1999 (as amended), members of the Armed Forces, the Intelligence, and Secret Services of the Federation. Also exempted are persons entitled to retirement benefits under any pension scheme existing before 25 June 2004 (when the CPS become effective) but as at that date had three or less years to retire.



**Gratuity:** A lump sum benefit paid by an employer to an employee as a reward for long service, usually upon retirement, termination, resignation, superannuation or death. It is usually stated in the employee's contract.

**Informal Sector:** Employees in business entities, organisations and/or persons that are not mandated to implement the Contributory Pension Scheme as provided in Section 2 (1) of the PRA 2014.

**Integrated Personnel and Payroll Information System (IPPIS):** An information system solution for human resource management adopted by the Federal Government. It provides a central payroll and personnel database on active employees of the Federal Government with their data and biometrics captured electronically. It tackles duplication of employee identity and payroll fraud.

**Micro Pension Plan:** An arrangement under the Contributory Pension Scheme (CPS) that allows the self-employed and persons working in organisations with less than three employees to make financial contributions towards the provision of pension at their retirement or incapacitation. The contributor must be a Nigerian, not below 18 years of age, have a legitimate source of income, belong to a trade association or profession and may be self-employed or an employee of an eligible organisation, with or without a formal employment contract.

**Minimum Pension Guarantee:** The minimum amount paid as pension to all retirees under the CPS. Even when a retiree has

withdrawn all the balance in his/her RSA, the retiree will continue to receive a minimum amount as pension for life. The Pension Protection Fund (PPF) guarantees the payment.

**National Databank:** A repository of biodata and other personal information maintained by the National Pension Commission (PenCom) on all contributors under the CPS. Section 23 of the PRA 2014 empowers the Commission to maintain a National Databank on pension matters.

**Pay-As-You-Go:** An arrangement under which retirement benefits are paid out of current budget/revenue and no provision is made for future liabilities. This was what obtained under the defunct Defined Benefit Scheme (DBS).

**Pension Fund Administrator (PFA):** A company licensed by the National Pension Commission (PenCom) to manage and administer pension funds and assets in Nigeria. Contributors under the CPS open Retirement Savings Accounts (RSAs) with a PFA.

**Pension Fund Custodian (PFC):** A company licensed by the National Pension Commission (PenCom) to keep custody of pension funds and assets in trust for employees as well as beneficiaries of the RSA and other retirement benefit schemes in Nigeria. A PFC must not have any ownership relationship with a PFA.

**Pension Fund Operators Association of Nigeria (PenOp):** An independent, non-governmental body established to ensure that international best practices relating to the Pension Industry are

observed by the operators registered in Nigeria. PenOp membership currently covers 19 PFAs, three PFCs and six CPFAs.

**Pension Protection Fund (PPF):** The Fund is managed by PenCom in line with Section 82(1) of the Pension Reform Act 2014 for the funding of the Minimum Guaranteed Pension, payment of compensation to eligible pensioners for shortfall or financial losses arising from investment activities, and any other purpose deserving protection with the Pension Protection Fund as the Commission may, from time to time, determine. The PPF consists of an annual subvention of 1% of the total monthly wage bill payable to employees in the Public Service of the Federation towards the funding of the minimum guaranteed pension; annual Pension Protection Levy paid by the Commission and all licensed pension operators at a rate to be determined by the Commission from time to time; and income from investment of the PPF.

**Pension:** A benefit plan for an employee upon disengagement from active employment following retirement, resignation, retrenchment or death. Retirees under the Contributory Pension Scheme receive pension through Programmed Withdrawal or Retiree Life Annuity. Retirement benefits include the total RSA balance at retirement date comprising of accrued rights (if any), accumulated pension contributions, Voluntary Contributions (if any) and return on investment.

**Programmed Withdrawal:** A pension payment option under which retirees receive benefits on a periodic basis, either monthly or quarterly. It is one of the two ways retirees can choose to receive their pension. The other is Life Annuity.

**Retirement Savings Account (RSA):** A retirement account opened by an employee or contributor under the CPS into which all his/her contributions and returns on investment are paid.

**Statutory Contributions:** The mandatory contributions made based on rates which shall not be less than the minimum stipulated in Section (4) (1) of PRA 2014.

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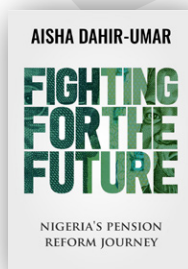




**N**igeria's pension reform can be summarised in two stats. One, in July 2004 when the reform was kickstarted, national pension deficit was N2.4 trillion. Two, by June 2023, accumulated pension assets had grown to N16.76 trillion. It was miserably in the red and now abundantly in the black. That is the Nigerian pension revolution in summary.

In the history of economic reforms in Nigeria, pension easily ranks among the most definitive and successful. It has opened up a new economy, creating a cluster value chain, expanding the financial markets and providing funding for infrastructural development. Only the telecoms reform can lay claim to producing more results during the same period.

The phenomenal journey to the success stories of the reform is told authoritatively in this book from a pioneer insider's perspective.



**AISHA DAHIR-UMAR** was the Secretary of the Pension Reform Committee that produced the blueprint for the birth of the Pension Industry in Nigeria in 2003. At the time, she was the Deputy Director, Monitoring and Compliance at the Bureau of Public Enterprises (BPE) after serving as its Deputy Director, Human Resources.

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