IIARD International Journal of Banking and Finance Research E-ISSN 2695-1886 P-ISSN 2672-4979
Vol 10. No. 6 2024 www.iiardjournals.org Online Version

Contributory Pension Scheme Second Decade in Nigeria and Expected Reforms for 2024 Amendments

NWANNA, Ifeanyi Onyenwe (Ph.D)
Department of Banking and Finance, Nnamdi Azikiwe University,
Awka, Anambra State, Nigeria.
E-mail: io.nwanna@unizik.edu.ng, ifynwanna@yahoo.co.uk
DOI: 10.56201/ijbfr.v10.no6.2024.pg65.82

Abstract
The most useful old-age benefit in social security is life pension. Pension is a retirement plan that provides regular income in retirement. Pension is an old age security payment system that provides retirement benefits to pensioners. It is a compulsory saving scheme for all employed workers in any economy. The paper had reviewed the enactments, amendments and operations of the Contributory Pension Scheme (CPS) in the last twenty years. Judging from the outcomes, the necessary modifications required in the expected amended Act in 2024,.the paper strongly recommend a Pension Scheme that ensures secure income with inflation linked adjustments. . Reforms are necessary in any good applicable pension scheme to ensure their acceptance with economic trends, strategic positioning and conformity with expectation of all subscribers.

Key Words: *Contributory Pension Scheme, Pension Fund Administrators, Pension Fund Custodian, Underfunding of Pensions, Accrued Rights*

INTRODUCTION

Pension is an old age security payment system that provides retirement benefits to pensioners. It is a compulsory saving scheme for all employed workers in any economy. Broadly speaking Pensions can be categorized into Defined Benefit Scheme (BDS) and Contributory Pension Scheme (CPS). Prior to 2004, the public service in Nigeria operated the Defined Benefit Scheme (BDS) under which retirees were entitled to a life pension based on years of service and hierarchy. However, economic challenges and fiscal crises caused arrears of pension payments to government retirees to pile up. Pensions were budgeted for annually but were only paid if there was funding and this was usually the least on the priority list of governments. Pensioners were dying in penury and frustration while waiting for their entitlements

In 2004, Nigeria embarked upon the Contributory Pension Scheme (CPS), which has been regarded as one of the most successful reforms in the history of Trade Union and Collective Bargain reforms, with the enactment of the Pension Reform Act (PRA 2004). Before then, employers used to have riotous schemes that did not inspire confidence on the employees. In the private sector, there were schemes that were less than beneficial and were often implemented in ways that gave too much room for discretion and short-changed would-be beneficiaries.

Under CPS, it is mandatory for employers and employers in public service and private sector with four numbers of employees to make a minimum contribution towards the retirement benefits of these employees. There is also the contribution by the employees themselves, which is akin to compulsory savings towards retirement. The funds are invested by the Pension Fund Administrators (PFAs) and kept in custody by Pension Fund Custodians (PFCs). As a result, value is added to the savings over the years through returns on investment. These fundamental changes have created a new economy in Pension Fund management. From a negative position of huge unfunded pension liability, pension assets in Nigeria had grown to N20.20 trillion as at the end of December 2023. The total numbers of pension contributors are 10,167,705 as at 31st December 2023, and still growing, after PFAs registered 63,693 new contributors in the second half of 2024. When compared to the labour force number of 69.68 million as per data from the National Bureau of Statistics (NBS), it represents a pension penetration rate of 14.6%,. As at 30th June 2024, we have 27 registered Pension Operators in Nigeria. They are 19 Pension Fund Administrators (PFAs), 5 Closed Pension Fund Administrators (CPFAs), 3 Pension Fund Custodians (PFCs) in Nigeria. The Pension Industry Sector in Nigeria had witnessed since 2019 massive mergers and combinations among entities to withstand regulatory requirements and deployment of technology in their various operations.

Despite the increase, it is however worth noting that a pension penetration rate of 14.6% is still significantly below that of other emerging markets, with South Africa printing over 19% and the United Kingdom with 77% penetration rate. Comparing the nation's pension scheme to the general economy, we also find that the pension scheme only represents about 8.8% of the national annual nominal GDP, using 2020 figures. This is significantly lower than what is obtainable in South Africa at 66%.

Pension funds provide a huge pool of long-term funds available for investments, leading to national economic development. For pension assets, the larger the better, but Nigeria fares poorly by this reckoning. In spite of its N16.76 trillion size in June 2023, Nigeria's pension assets lag far behind in global competitiveness rankings. Nigeria's scheme is rated 64th out of 70 countries (Allianz Group 2021). The fund is 8.8 per cent of GDP and is No. 56 out of 74 jurisdictions, according to the latest tabulations by the Organization for Economic Co-operation and Development (OECD 2020). This demands more pragmatic reforms not defaults in implementations by the Federal Government. In contrast, the OECD lists the United States as recording the largest pension assets globally at $16.2 trillion, followed by the United Kingdom's $2.9 trillion, Australia's $1.7 trillion, the Netherlands' $1.6 trillion and Canada's $1.4 trillion. Pension fund assets had similarly exceeded $1 trillion in Japan and Switzerland as of 2021.

The Nigerian Pension industry is waxing stronger in recent years, with additional categories of funds 1, 11, 111 and IV being created to cater for different ranges of contributors based on their risk appetite. The newly Sharia-compliant pension fund (Fund VI) had added N39.27 billion to the assets of the industry by Q1, 2023. The industry has also grown more competitive, after PenCom opened the transfer window (RTS) in 2020. A total of 268,552 RSAs had been transferred between PFAs alongside the associated pension assets to the value of N1.134 trillion as at March 2024.

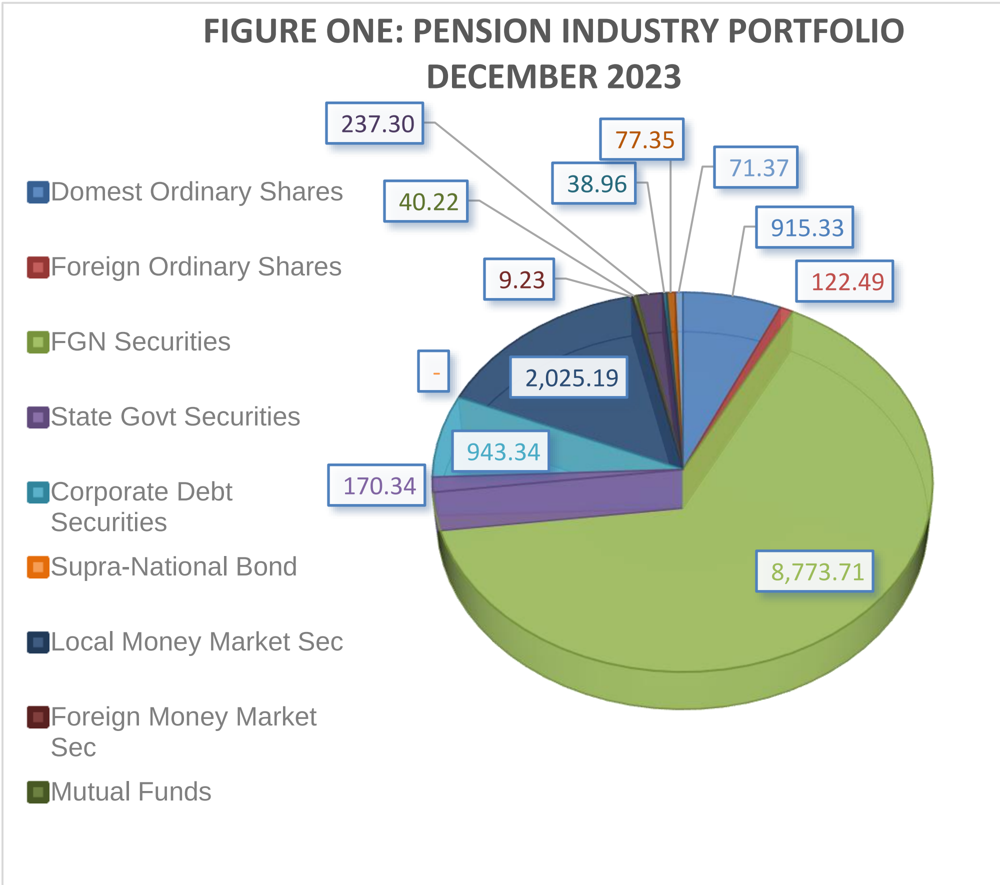
TABLE 1: AGE AND GENDER REGISTRATION COUNT AS AT 31st DECEMBER 2023

AGE	FEMALE	MALE	TOTAL	PENCENTAGE (%)
Less than 30 Years	1,117,774	2,335,364	3,453,138	36.2
30 – 39 Years	1,054,077	2,446,202	4,100,279	36.7
40 – 49 Years	513,230	1,263,269	1,776,499	18.6
50 - 59 Years	164,456	542,739	707,195	7.4
60 - 65 Years	7,711	57,019	64,730	0.7
Above 65 Years	3,529	23,757	27.286	0.3
TOTAL	2,860,777	6,668,350	9,529,127	100.0
Percentage (%)	30.00	70.00	100.00	

Source: **National Pension Commission Annual and Quarterly Publications.**

From the information on Table 1, the Age Registration count presents a favorable demographic structure (more than 72% of the contributors to Nigerian Pension Fund are less than 40 years old). This is good for pension funds to be able to support the long term growth infrastructural needs of Nigeria.

The data from figure 1 showed that N9.05tn of the total funds was invested in Federal Government securities, comprising bonds and treasury bills. Other investment portfolios where the funds were invested included: domestic and foreign ordinary shares; corporate debt securities comprising corporate bonds, corporate infrastructure bonds, corporate green bonds, and supranational bonds. This is quite a conservative move by Nigerian PFAs given the less risky nature of FGN securities to investors; however, its yields are usually in the single-digit region.



The Pension Reform Act, led to the Contributory Pension Scheme (CPS). It provides a contributory arrangement in which the employer and employee contribute to the workers' Retirement Saving Accounts (RSAs). The CPS is helping Nigerian workers to save for retirement and provide funds for infrastructure development. We require increase in statutory deductions; this will raise the aggregate savings balances over time. It is pertinent to note that the Contributory Pension Scheme in its current state has in no small way fostered a savings culture in Nigeria. Prior to the enactment of the Act, Nigeria did not have large pools of domestic savings. Many Nigerians do not have any other form of savings, except through this contributory pension scheme. What we should be doing as a nation is to encourage more of these savings rather than looking to dismantle the system. This is probably the only form of savings most Nigerian workers are able to put aside for their retirement year

TABLE 2: NIGERIAN PENSION REGISTRATION, CONTRIBUTION AND ASSETS (2004-2023)

YEAR	TOTAL REGISTRATION	PENSION CONTRIBUTION (N' Billion)			Growth Rate of Contribution (Year on Year)	TOTAL PENSION ASSETS (N'Billion)	GDP AT CURRENT BASIC PRICES (N' Billion)
		Public Sector	Private Sector	TOTAL			
2004		15.60	-	15.60	-	N/A	17,321.30
2005	932,435	34.86	-	34.68	122.3%	N/A	22,269.98
2006	1,313,600	37.38	23.03	60.41	74.2%	361,350	28,662.47
2007	2,593.204	80.63	68.34	148.97	146.6%	815,190	32,995.38
2008	3,317,183	99.28	80.81	180.08	20.9%	1,098,990	39,157.88
2009	3,869,152	137.10	91.21	228.31	26.8%	1,529,630	44,285.56
2010	4,415,611	162.46	103.03	265.49	16.3%	2,029,770	54,612.26
2011	4,825,449	228.92	119.53	348.45	31.2%	2.084,880	62,980.40
2012	5,278,065	331.14	174.43	505.57	45.1%	3,728,430	71,713.94
2013	5,787,493	278.50	225.42	503.92	-0.3%	4,058,087	80,092.56
2014	6,263,352	237.76	343.97	581.73	15.4%	4,611,290	89,043.62
2015	6,754,114	200.05	358.91	558.96	-3.9%	5,302,879	94,144.96
2016	7,238,300	169.25	197.45	488.20	-12.7%	5,961.580	101,489.49
2017	7,708,177	257.11	353.73	610.84	25.1%	7,515,353	114,899.25
2018	8,410,184	266.84	340.72	607.55	-0.54%	8,637,744	129,086.91
2019	8,891,236	331.56	369.13	700.69	15.3%	10,215,915	145,639.14
2020	9,215,788	536.97	371.12	908.09	29.6%	12,306,151	154,252.32
2021	9,529.127	492.43	388.23	889.66	-2.0%	13,424,813	173,527.66
2022	9,866,000	533.81	504.17	1,037.98	16.7%	14,262,552	N/A
2023	10,191,895	714.88	604.28	1,319.16	27.1%	18,360,000	N/A

SOURCES: National Pension Commission Annual and Quarterly Publications, Various Issues CBN Statistical Bulletin, Real Sector Statistics for the GDP figures

Problem of the Scheme

The Federal Government is not complying fully with its remittances under the Contributory Pension Scheme. Instead of the 18 per cent stipulated by the Pension Reform Act 2014, the Federal Government has been remitting 15 per cent since the law came into effect. As expected, this has denied newly retired federal workers their pension benefits. Also affected are retirees in some federal parastatals. This is a gross violation of the CPS law, which has mitigated the devastating havoc wreaked on retirees under the defunct Defined Benefits System.

The default is outrageous more so as the chief initiator of the new pension scheme is now reckoned among the major culprits. From 2004, when the Federal Government enacted the PRA to public acclaim, it has been playing a leading role in the success story of the country's pension reform. Through fresh amendments in 2014, some of the flaws in the original law were expunged, especially in jacking up the combined contribution by the employer and employee to 18 per cent. The increment addressed the growing agitation that the original 15 per cent was inadequate for pensioners to survive on. Disturbingly, the Federal Government is reneging on its part of the deal to give its workers a secure future. Conversely, its default is jeopardizing the future of public sector workers that have been retiring lately. There are depressing implications of this. Not only that the pension payments of this category of workers are delayed, there will be limited return on their Retirement Savings Accounts with their administrators. With no other social benefits to fall back on, poverty in retirement, which the scheme aimed at squashing, beckons. These retired workers and the elderly, who have put in the best parts of their lives to public service, do not deserve such shabby treatment.

Inexplicably, the Federal Government, which has also borrowed up to 70 per cent of the pension fund through bonds and other instruments, is about to return the system to the better-forgotten past. The labour unions and all workers should jealously guard their retirement savings so that they would enjoy their pension ultimately. On a wider scale, the future of the pension fund could enter into murky waters. This will be dangerous, a return to the tragic chaos of the past when pensioners slumped in queues, waiting endlessly for their peanuts. Rightly, that prolonged mess provoked a new thinking in government. The outcome was a brand new pension law. It eradicated the endless verification queues, the need for periodic biometric data capturing, delayed payments and premature deaths. Pensioners hailed the new era in which retirees first received a lump sum and monthly benefits promptly.

Familiar Scenes of Nigerian Pensioners and Retirees queuing for Verification of their Terminal Benefits

Unremitted Pensions

The National Pension Commission recovered N2.55bn pensions deducted by employers from employees' monthly emoluments in 2021 but not remitted to the Retirement Savings Accounts with their respective Pension Fund Administrators. PenCom through legal action and issuance of demand notices to defaulting employers whose pension liabilities were established by the recovery agents, the sum of N984.m representing principal contribution (N406.42m) and penalty (N577.87m) was recovered from 36 defaulting employers during the last quarter of 2021.

PenCom has to boost compliance, through sensitization workshops, capacity-building programmes, and stakeholder engagement meetings on the developments in the Contributory Pension Scheme for a number of public and private sector organizations across the six geopolitical zones of Nigeria.

Institutional Resistance

Just like the Federal Government, many of the 36 states are making a mockery of the noble intentions behind the CPS. See Table 3. Six states are still in the process of enacting their pension laws. PenCom reports that sixteen states have their own pension schemes. As of December 2023, only workers from Lagos, Delta, Kaduna, Osun, Ekiti, Edo, Jigawa states as well as the Federal Capital Territory are being paid under the CPS/CDBS. Although 25 states have enacted their own versions of the PRA, only ten of them are remitting, twenty years after the scheme took off for federal, state and private sector employees,

TABLE 3: STATUS OF IMPLEMENTATION OF CPS BY STATES AND FCT AS AT DECEMBER 2023

STATUS	No. OF STATES
States at Bill Stage	6
Stated with enacted Laws on CPS	25
States with Pension Bureau/Boards in line with CPS	16
States Remitting ER and EE Pension Contribution	10
States that Conducted Actuarial Valuation	9
Availability of RBBRFA	10
Funding of Accrued Rights	8
Payment of Pensions Under CPS/CDBS	8
Valid Group Life/Sinking fund	6
States Remitting only EE Pension Contributions	2
States with other Pension Schedules	6

SOURCES: National Pension Commission Annual and Quarterly Publications.

Unfortunately, it is not everybody that is excited by the success story if we have to judge by developments. The Nigeria Police Force (NPF) has been making efforts to exit CPS and the League of Federal and State Permanent Secretaries (Retired and Serving) through the Integrated Payroll and Personnel Information System (IPPIS). At first, the NPF compared itself to the military which was granted an exemption by law. Although this comparison is unnecessary since the armed forces are generally treated as separate from civil forces, the legal aspect is that excising the police is against the Pension Reform Act (as amended). The police are part and parcel of the CPS as provided for by the law. At the height of the agitation in 2013 the police were allowed to set up their own PFA as a compromise, supposedly to take care of their peculiarities.

Still, the police are not content. They want to exit the scheme completely and run a totally different pension scheme for whatever reason, without an amendment to the law or presidential approval. According to the research investigations, the determination of the police to exit has gone to the extent that the Deputy Inspectors Generals of Police (DIGs) and Assistant Inspectors General of Police (AIG) have been enrolled on the Integrated Payroll and Personnel Information System (IPPIS) to collect full salaries for life under a defined scheme that was not intended for them. This they did without any permission of anyone, not the president, not the regulatory authority and certainly not in conformity with the Pensions Reform Act. To make matters worse, some are still collecting pensions from the police PFA. That is a classic case of double payment. They are enjoying pension both from the contributory scheme and the defined benefit, which is unlawful and unconstitutional.

There will always be consequences of exiting the police personnel from the contributory pension scheme. If it were to happen, then more government agencies and officials would borrow a leaf from the police and continue to seek exemption from the contributory pension scheme. Recently, the Office of the Head of Service and Permanent Secretaries secured presidential approval to exit the scheme and be placed on full salaries for life via IPPIS. There are reports that the accountants-general and auditors-general are also agitating to join the exempted groups. Gradually, the success of CPS will be undermined and the scheme decimated. When senior government officials are being exempted, it is only logical that the others below them will begin to develop ideas and start agitating to be exempted as well. We may end up returning to the old scheme of defined pensions where government carries the entire burden. Not only are we going to end up ruining the contributory scheme that is working well for us, but we will also return to the era of pensioners queuing up for arrears and suffering untold hardship jostling to be paid anything at all.

In fairness, maybe there are reasonable grounds for senior government officials to want to be exempted from the contributory pension scheme. They probably had looked at the fact of having to contribute 8% their salaries as a disadvantage. However, they can treat that as savings (because that is what it is) especially since the employer is obligated to contribute a minimum of 10%. Also, since the funds in the Retirement Savings Account (RSA) will be invested on their behalf by the PFAs, it will yield significant returns by the time of disengagement from service. This arrangement is definitely a win win situation for the contributors at all levels. The fact that the CPS is a fully funded scheme with assets under the management of the PFAs also means they are available upon retirement. This is unlike the defined scheme where the government may not have the funds readily available to pay the beneficiaries when they retire. More so, pensioners will be getting a bulk sum upon retirement and they can do something substantial with it to ease into their new lives. If they also invest it well, they will be reaping the benefits for life.

Perhaps, it is relevant to mention that the core argument of those seeking exemption is that they will secure guaranteed full monthly salaries in retirement under the defined scheme than what they may take from the PFAs under the contributory scheme. However, this is an erroneous argument because there are other ways of getting more benefits under the Pension Reform Act than taking actions that can ruin the contributory scheme. For instance, what the Pension Act prescribes is merely a minimum contribution rate, which can be enhanced by the employer. Thus, rather than shoulder a burden of unsustainable pension liability, government can decide to do one or two things that are clearly permissible under the Pension Reform Act. Government can increase the rate of its monthly contribution above the current minimum 10%. Government can also have a gratuity package that will be a lump sum paid to the retirees on exit from service, in addition to the contributions remitted to their employees' RSAs. Indeed, when government decides to do both or any of these two benefits improvements under the CPS, the pension system would still be less costly and less volatile for government than returning to the defined benefit scheme through the back door.

Literature Review

Pension Reform Act Supersedes Employee-Employer Pension Agreements

The National Industrial Court in Kaduna has affirmed the superiority of the Pension Reform Act over employee-employer pension agreements. The Pension Reform Act (PRA) of 2004, which governs and regulates the administration of the contributory pension scheme for the public and private sectors in Nigeria, was amended and replaced with the PRA 2014. In the suit marked NICN/KD/06/2019, Ijoma Paulinus (the claimant) dragged Union Bank of Nigeria Plc, the National Pension Commission and Premium Pension Limited (the defendants) to court over his pension entitlements.

Paulinus had argued that, in line with his status as a former employee of Union Bank of Nigeria Plc, he was entitled to an upward review of his pension based on the trust deed between Union Bank of Nigeria Plc, Union Trustees Limited and William Street Trustees Limited. Delivering judgment on June 2, 2022, S.O. Adeniyi, the judge, ruled in favour of the defendants. The judge held that a prior pension agreement entered into by an employee and an employer became determined upon the enactment of the Pension Reform Act 2004 and remains "ineffective and unenforceable".

The judge ruled that "section 1 of the PRA (supra) makes it mandatory for any employment in the Federal Republic of Nigeria to establish a contributory pension scheme for payment of retirement benefits of employees to whom the scheme applies under the act, that is, all employees in the public service of the federation, federal capital territory and the private sector. The categories of employees exempted from the provision of section 1 (supra) are listed in section 8 of the act". Adeniyi upheld the above provision of the PRA in the judgment in the suit, which was predicated on a Union Bank of Nigeria Plc staff pension fund-deed of variation of the trust deed. She declared that the trust deed was no longer binding following the PRA 2004. The court's decision implies that without prejudice to all existing pension schemes, the PRA 2014 supersedes other pension schemes which preceded the PRA.

Delegated Monitoring Theory in Pension Industry

The Delegated Monitoring Theory is a fundamental concept in financial intermediation that addresses how financial intermediaries, such as Pension Fund Administrators, Fund trustees and banks, can effectively manage the risks associated with lending. This theory, developed by Douglas Diamond (1984), posits that intermediaries serve as delegated monitors on behalf of savers and depositors, mitigating problems related to asymmetric information between borrowers and lenders.

Borrowers typically have more information about their ability and willingness to repay loans than lenders do. This information asymmetry can lead to adverse selection and moral hazard, where lenders including PFAs cannot differentiate between high-risk and low-risk borrowers or monitor their actions after lending. Financial intermediaries (PFAs) act as monitors on behalf of a large number of small, uninformed savers. By delegating the monitoring task to PFAs, savers benefit from economies of scale in information gathering and processing.

PFAs and Banks can spread the fixed costs of monitoring over a large number of loans, making it cost-effective. They have specialized expertise and resources to assess credit risk, monitor borrowers, and enforce contracts. PFAs and Banks can diversify their loan portfolios, reducing the overall risk of default. Diversification helps PFAs manage individual borrower risk and stabilize returns for savers.

Henri Fayol (1916), explains how intermediaries manage and diversify risk. Risk Management is the core issue in understanding and explaining the behaviour of real-life financial intermediaries. Here they have argued that risk management is the core issue in understanding this behaviour. Transforming risk for the ultimate savers and lenders and risk management by the financial intermediary itself creates economic value, both for the intermediary and for its clients. Accordingly, it is this transformation and management of risk that is the intermediary's contribution to the economic welfare of the society, it operates in.

Theory of Underfunding

The widespread underfunding of private defined benefit pensions has generated concern over the viability of employers' promises of retirement benefits. Years ago, similar concerns led to the creation of pension benefit insurance plans by governments in the United States and a number of other countries. This paper studied the causes of underfunding in an environment without pension benefit insurance. It was discovered that the optimal level of retirement benefits will be offered and fully funded if the employer has sufficient internal funds or is able to borrow all it needs. If laws are not enforceable, an employer with limited resources will generally underfund pensions. Further, if pension investments earn lower returns than other investments, pensions will be underfunded. Thus, the paper highlighted the link between financial markets and the underfunding of pensions.

Some of the statistics should be of concern to us. Of the N577 billion budgeted for pensions in 2022 by the Federal Government of Nigeria (FGN), military pensions and gratuities account for N237 billion. That is close to half of the entire pensions budget. Police pensions and gratuities for certain exempted groups amount to N8 billion of the FGN budget for pensions for the year under discussion. However, if the police authorities succeed in pulling the NPF out of the contributory pension scheme altogether, that alone would have consumed the entire FGN budget for pensions in 2022. The military is just about 25% of the size of the police, so FGN is going to be saddled with a pensions and gratuities budget that will pass N1 trillion. With its current fiscal challenges, FGN will have no other option than to owe pensions. Meanwhile, the contribution of police funds to the pensions sector will shrink and this will no doubt affect the growth and prospects of the pension industry in particular and the Nigerian economy in general.

According to the pension funds industry report for the month of May, Nigeria's pension fund assets hit its highest on record at N20 trillion as of 30th May 2024,

Harmonization of Provisions in Pension Guidelines with the Constitution

A very good intention of a provision of an Act that runs counter to our constitution is always regarded as not applicable in law each time it is tested in law courts. There is therefore absolute need to review all guidelines issued from PENCOM to the PFAs to ensure their conformity with the law. In a celebrated case in 2021, the President of the National Industrial Court, Hon Justice Benedict Kanyip, declared the failure and refusal of the Sigma Pension Limited and National Pension Commission to yield to the legitimate request of a retiree Mrs. Rakiya Girei withdrawal of 50% lump sum from her Retirement Savings Account (RSA), which stood at Twenty Million, Two Hundred and Thirty-Six Thousand, Three Hundred and Twelve Naira (N20,236,312.00) only, having worked in the Federal Republic of Nigeria as a Civil Servant for 35 years and retired meritoriously at the biological age of 60 years, as a violation and negation of the provisions of the 1999 Constitution.

Justice Kanyip further declared that the action of the Sigma Pension Limited and National Pension Commission on Mrs. Rakiya Girei on gender ground being a female as discriminatory and gross infringement of the 1999 Constitution. The Court therefore ordered Sigma Pension Limited and the National Pension Commission to jointly and severally pay to the claimant the lump sum of "Ten Million Two Hundred and Twelve Naira" (N10,000,212.00) from her Retirement Savings Account within 30 days.

From facts of the case, the claimant- Mrs. Rakiya Girei had submitted that, following her retirement from the Federal Civil Service in 2019, she officially requested that 50% lump sum from her Retirement Savings Account (RSA) be paid to her and that Sigma Pension refused to honour her request but rather proposed 31.3% of her RSA based on her gender.

In defense, the Sigma Pension Limited maintained that the parameter of 'gender' in the Guideline on Programmed Withdrawal Template cannot be said to be discriminatory as envisaged in the constitution that their actions in the circumstances leading to the suit are legally in compliance with the extant laws and Guidelines of the National Pension Commission, and therefore urged the Court to dismiss the case in its entirety.

Furthermore, National Pension Commission also submitted that by virtue of the Constitution and the Pension Reform Act, the expected life span for a woman is longer than that of a male counterpart, and more funds would have to be set aside for programmed fund withdrawals for her to cater for a continuous source of income throughout the remainder of her life.

In opposition, Mrs Girei counsel, Olusola Egbeyinka Esq opined that the Sigma Pension and the Pension Commission cannot place reliance on gender categorization to deprive her client of legitimate pension benefits, that such statutory provisions in the Pension Reform Act cannot get the favour of the court, urged the court to grant the reliefs sought in the interest of justice.

Delivering the judgment after careful evaluation of the submissions of both parties, the presiding Judge, Justice Benedict Kanyip held that the 25% withdrawal threshold allowed by the PRA relates only to those who voluntarily retire, disengage, or are disengaged from employment that the question of the Sigma Pension fixing Mrs. Girei lump sum withdrawal at 25% of her RSA has no basis whatsoever under the Pension Reform Act.

PFAs investments in FG securities

Meanwhile, the profile of PFAs commitment to the FGN securities showed that FGN bonds accounted for a chunk of the investment stake, representing 92.21 percent of the PFAs' investment and 61.7 percent of total PFAs investment in the review period. A total of N7.8 trillion was invested in FGN bonds during the period ended 31st December 2023.

Treasury Bills (TBs) followed, accounting for 6.5 percent of the PFAs investment in FGN securities at N548.13 billion, while FGN Sukuk ranked third in the scale of their investment with N86.1 billion, representing 1.02 percent of PFAs investment in the federal government's securities. Agency bonds (Nigeria Mortgage Refinance Company) and Green Bonds placed fourth and fifth with N13.6 billion and N12.88 billion total investments, representing 0.17 percent and 0.15 percent of FGN securities respectively.

The PFAs' downsizing in States' bonds, according to financial investment experts, was due to the failure of many of the states to key into the CPS as well as the high rate of default by the state governments to fulfill their debt obligations, a situation they linked to their financial stress. According to them while the federal government securities have higher advantage over the state government securities being risk free, the states would need to address their weak financial positions and also comply with the pension laws to be able to attract more investors, including the PFAs.

Investments in FGN securities by PFAs would continue to rise as it remains not only a risk free investment but it also has a low chance of restructuring the repayment obligations. Over the years, we have seen most of the state governments restructure some of their debt obligations because of their inability to make payments as at when due. Furthermore, the PenCom amended investment regulation Note 2.8 under its general principles, restricts PFAs from investing in corporate entities or state/local governments that have not fully implemented the contributory pension scheme. As of today, most states are yet to implement the scheme and this makes it impossible for any PFA to invest in such states. For this to change, state governments must effectively comply with this scheme as well as improve on the states' finances as no PFA will invest funds in any state yet to comply or with a weak financial standing."

Pension fund is invested to generate appropriate profit, meet liquidity parameters and be safe. To attain these objectives, the regulatory body, PENCOM, set rules and guidelines prescribing the maximum exposure of pension funds to various investment assets. Based on risk factors, the safest instruments to invest in are sovereign or national debt instruments like Treasury Bills and FGN bonds. Sub-national instruments like state and local government bonds are much riskier and PENCOM guidelines limit the exposure of pension funds to them. PFAs are shifting more resources to FGN bonds and reducing their exposure to state government debt because of their deteriorating financial fundamentals. Risk of default by state governments in servicing their debt has heightened. Hence, the reluctance of PFAs to invest in Sub-national debt.

Accrued rights

The success story of Contributory Pension Scheme, 20 years after its commencement, is being reversed by the federal government's delay in payment of accrued rights of its workers**.** The CPS shifted government's role to regulation and oversight through the National Pension Commission (PenCom); just as it introduced professionalism on fund management practices to ensure better returns on pension contributions; while the fund managers, PFAs are regulated to maintain transparency and accountability, aimed to protect the interests of contributors. These efforts are gearing towards solving the overall problem of delay in payment of retirement benefits to pensioners. But despite these efforts Nigerian pensioners under the CPS are gradually being subjected to the same sufferings and agony their predecessors suffered under the Defined Benefit Scheme due to government's delay in releasing their accrued rights.

Accrued rights, refers to the pension benefits that employees of the Federal Government Treasury Funded Ministries, Departments and Agencies (MDAs) are entitled to based on their service years before the commencement of the contributory pension scheme in 2004. This does not apply to the private sector or MDA's employees who have been offered employment after the CPS. The accrued rights pension benefits arose from employer's obligation of retirement benefits in the defunct Defined Benefits Scheme before the commencement of the CPS. It was converted to bond payable/redeemable at retirement. Section 2.3 of the Revised Regulation on the administration of retirement/terminal benefits specifies that a retiree is entitled to access his or her retirement benefits only upon the consolidation of his or her RSA.

The components of an RSA at retirement shall include accrued pension rights or pre-act benefits (if any) for employees who were in employment before the commencement of the CPS employer/employee pension contributions, returns on investment, and the fixed portion of voluntary contributions (if any). However, checks showed that this particular section of the PRA Act is undermining the success achieved within the 20 years of CPS regime in Nigeria.

It is indeed retrograding the success because from what is happening in the pension sector, the pension fund managers are no longer at ease with the speed at which unpaid pension benefits is resurfacing itself due to failure on the part of government to release workers' accrued right. Our investigations revealed that some retirees, due to excessive sufferings, are ready to forfeit the accrued right and have their fund manager pay them the available contributions. The Pension Act is so sacrosanct that it does not allow the managers to take such action.

Boycotting investing in federal government securities should not be beneficial to RSA holders. What should work is engagement and collaboration. What will be done as an industry is to engage more with the government especially the minister of finance and all the relevant parties that would help to solve the problem and also involve the Nigerian Labour Congress and TUC, bring some level of pressure on the part of the government to do the right thing.

So the right thing is to engage more and collaborate with government. If Lagos state government can get it right, it simply means that with the right type of leadership, and collaboration, we can solve the problem of accrued rights of pensioners in Nigeria."

Pension Funds Involvement in Mortgage Development

Notwithstanding the approved guidelines in 2022 on the use of 25% amount in individual's RSA to support application for residential mortgage loans. The PFAs are expected to evolve a deliberate policy on the use of Pension Fund to create affordable housing units in the National Housing Development.

Social Mass Housing Scheme

Real Estate developers have raised alarm over the housing deficit in Nigeria. As at 2023, Nigeria's housing deficit stands at 28million units, requiring an estimated N21 trillion to rectify the situation, (Adaralegbe 2024). Overall, the country needs to produce 6,300,000 housing units a year over the next five years based on an estimate of 9 dwelling units per 1,000 of population. A very high percentage of the disposable income of the low and medium income groups are used in solving their housing needs in Nigeria (Asuju and Ogunleye 2005). It is interesting to note that growth and development of any nation is bench marked by its ability to provide the citizens with decent, comfortable, safe and aesthetically pleasant accommodation at both accessible and affordable cost on a continuous basis. It is not for free. They come as Mortgage loans and Bonds to property developers for Investment income.

Conversely, a nation's levels of poverty are measured by its inability to adequate and effectively house its citizens. Inspite of its enormous wealth, Nigeria is still unable to meet these civilized standards in housing provisions. The PFAs should use the Development of Cooperative pension scheme as in Ghana to the delivery of housing by engaging in mass purchase of basic building materials provisions like cement, rods, roof sheets, electrical and plumbing items, allocating them to approved building contractors on mass housing schemes to reduce delays in construction and eliminate cost variation in housing developments. A good move will come through aggressive marketing of micro pension scheme.

RECOMMENDATIONS

In this study, we examined how PFAs can continue to grow in strength and relevance for retirees, the overall financial ecosystem,and the Nigerian economy, However, there is room for the improvement in the quantum of retirement benefits due to retirees, especially in the public sector. It is vital to state CPS provides a comprehensive framework that allows employees to plan and save towards pensions. Accordingly, there are several models recognized by the Pension Reform Act 2014 (PRA 2014) to increase the pensions of employees, which are described hereunder:

a. Upward Review Of Employer's 10 Percent Contribution
b. Payment Of Additional Benefits To Employees
c. Implementation Of Pension Increases For CPS Participants

The paper strongly recommend a Pension Scheme that ensures secure income with inflation linked adjustments. This ensures that retirees don't lose purchasing power over time.

CONCLUSION

There was a geometric progression of pension funds assets which saw a growth of N13.82tn from N6.4tn in 2017 to N20.22trn as of May 30, 2024. This shows transparency and accountability in the management of pensioners Contributory funds,

There is an African adage that says if the gods cannot improve your fortune, they shouldn't worsen your situation. If the government cannot make the Contributory Pension Scheme much bigger, far better and more beneficial, then it should at least not seek to ruin it. It should leave it as it is. The surreptitious attempts to exempt groups, when there are other ways of incentivizing them to remain in the scheme, is a looming danger for the pension industry and it must be discouraged by all Nigerians and any revision anticipated in the review process. It is sad to note that rather than maintaining and sustaining what we have, we are now engaging in actions that would decimate it and pave the way for the unraveling of a reform that is clearly one of the most important in our history. We need to have a rethink

REFERENCES

Adadu, Y., Ibrahim, S. (2019). The Performance of National Pension Commission in Relation tothe Management of Retiree's Pension Funds at the Industrial Training Fund (ITF). International Journal of Research and Innovation in Social Science (IJRISS) Volume III, Issue IX, 401–410

Adaralegbe T. (2024). "Housing Crisis in Nigeria" Seminar/Exhibition Paper by T. Pumpy Concept Limited. Abuja, Nigeria

Ahmad M.K (2008) "Contributory pension scheme as instrument for liability controls for the states: issues and prospects" Seminar Presentation by Director General National Pension Commission Abuja

Allianz Group (2021), "Global Pension Report 2020: Ready or not," . A study conducted by Allianz Group, Germany' integrated financial services provider.

Amusan, L., Ajibola, K. S. (2019). Adoption of contributory pension scheme and its influence on employees' commitment among Nigerian Civil Servants. African Journal of Public Affairs, 10(4), 231–242.

Anyim, F. C., Olusanya, O. A., Okere, R. C. (2014). A critique of pension reform act, 2004 in Nigeria. Journal of Arts and Humanities (JAH), 12(2), 78–84.

Asaju, A and Ogunleye M.(2005) "Housing Sector in the Private/Public Partnership' in FADARE. W, et al (Eds) Globalization, Culture and the Nigerian Built Environment; Vol.12; Proceedings of a National Conference of the Faculty of Environmental Design and Management, Obafemi Awolowo University. Ile-Ife, p,116-121

Chizueze, I. N., Nwosu, U. A., Agba, O. A. (2011). Contributory pension scheme, workers commitment, retention and attitude towards retirement in the Nigerian Civil Service. Global Journal of Management and Business Research, 11(4), 51–67.

Chukwuemeka, E. O., Okechukwue, R. O., Onwuchekwa, F. (2019). The Floating Bridge: Praxis and Prospects of the Contributory Pension Scheme in Nigeria. International Journal of Academic Multidisciplinary Research, 3(2), 49–65.

Cosmas, O. O., Okeke, C. (2016). The contributory pension scheme and the financial system development in Nigeria. Innovative Marketing, 12(2), 16–22

Diamond, D W.(1984) Financial intermediation and delegated monitoring . The Review of Economic Studies, Vol. 51, Issue 3. Pp 393-414

Ekwunife, F. C., Egunlusi, F. B., Chikwe, G. C. (2019). Contributory pension scheme and academic staff commitment In private tertiary institutions In South-East, Nigeria. International Journal of Academic Research in Progressive Education and Development, 8(2), 349–360.

Kalu, C. U., Nicholas, A. (2015). Impact of Contributory Pension Scheme on Workers' Savings and Investment in Nigeria: Anambra State Case Study. IOSR Journal of Economics and Finance, 6(2), 9–20.

Ikeji, C. C. Nwosu, U. W., Ogaboh, A. M. (2011). Contributory pension scheme, workers commitment, retention and attitude towards retirement in the Nigerian civil service. Global Journal of Management and Business Research, 11(1), 51–60.

Ivor Takor (2022) "Is the exemption of HOS, Federal Permanent Secretaries from CPS legal" In Pension Matters, Centre for Pension Right Advocacy, September 5, 2022

Kotun, A. I, Adeoye, A. O., Alaka, N. S. (2016). Effects of contributory pension scheme on employees' productivity: Evidence from Lagos state government. African Journal of Business Management, 10(16), 384–396.

Lachman, J. (2013). Pension: It's Impact on the World Economy. International Journal of Business and Commerce, 3(2), 14–25.

National Industrial Court (NIC). (2022) Pension Reform Act, **Court ruling;** Suit No. NICN/KD/06/2019, Ijoma Paulinus (the claimant) ,Union Bank of Nigeria Plc, the National Pension Commission and Premium Pension Limited (the defendants)

Nwanna, I.O and Ogbonna, K. **S. (2019) "**Pension Reform Act 2014 and the Provision of Infrastructures for Sustainable Development in Nigeria" EPRA International Journal of Research and Development. Vol-4 and Issue-7, July 2019 Paper Index DPI 201906-02-003389 www.eprajournals.com

Nwanna, I.O and Ogbonna, S.K. **(2019)** "Evolution of Pension Management in Nigeria and its Importance to the Economy" IOSR Journal of Humanities and Social Sciences (IOSR-JHSS) , VOL. 24 Issue. 5 Ser.1(May 2019) Pp 28-38 DOI: 10.9790/0837- 2405012838 www.iosrjornals.org

OECD, (2014). Pension at a Glance 2014. Available at www.oecd.org.

Okechukwu, E. U., Nebo, G., Eze, J. (2016). Strategic Management of

Pension Scheme in Selected Private Manufacturing Organizations in South
Eastern Nigeria. European Scientific Journal, 12(34), 338–357.

Oluyeju, S. O. (2017). Pension Funds' Assets Investment in Nigeria: A Case for Change in Regulation to Promote Stock Market Development. Unpublished Master Thesis of University of Pretoria.

Sajuyigbe, A.S., Eniola, A.A., Ayeni, A., And Sanusi B, M. (2021). Moderating effect of employees' retention on the influence of contributory pension scheme on employees attitude. Organizational Psychology, 2021, Vol. 11, No. 3, P. 62–77.www.orgpsyjournal.hse.ru

Umoren, F. (2006) "The Role of FMBN in the new Social Housing Scheme"; A paper presented at a seminar organized for stakeholders in the National Social Housing Scheme held in Uyo, Akwa lbom State in July