

PENSION 411

News, Information and Facts on the Nigerian Pension Industry..Vol 13

The Silent Economic Power of Nigerian Pensioners



Pension arrears ballooned, corruption thrived, and retirement became a nightmare.

In 2004, Nigeria introduced the Contributory Pension Scheme (CPS) and the Pension Act 2004, later strengthened by the Pension Reform Act of 2014. Under the CPS, both employer and employee contribute monthly into an individual Retirement Savings Account (RSA) owned by the worker. These funds are professionally managed, invested, and strictly regulated. The difference was structural and transformative!

Two Workers, Two Realities: Consider two fictional but familiar Nigerians: Mr. Ade and Mrs. Bello. Mr. Ade joined the public service in the 1990s under the old Defined Benefit Scheme. He served diligently for over 30 years. When he retired, he was hopeful until months turned into years. His pension file moved

from one desk to another. Verification exercises came and went. His gratuity was delayed. His pension payments were irregular. Retirement brought stress, not rest. Mrs. Bello, on the other hand, joined the workforce in 2006 under the Contributory Pension Scheme. Every month, contributions were deducted transparently into her RSA. She could track her balance, see her investment returns, and choose a preferred fund based on her age and risk appetite. When she retired, her benefits were processed promptly. Payments came on time, she slept better.

Today, Nigeria's pension assets under management, managed by the CPS, are approaching ₦27 trillion, one of the largest pools of long-term domestic capital in Africa. These are not idle funds, they are invested across government securities, corporate bonds, equities, infrastructure funds, real estate, and alternative assets.

For many Nigerians, the word pension still carries a sense of fear, frustration, and distrust. It evokes memories of elderly retirees queuing endlessly under the sun, unpaid entitlements, missing files, and broken promises. For decades, retirement in Nigeria was more a burden than a reward. Yet, quietly, and almost unnoticed Nigeria's pension system has undergone one of the most significant reforms in the country's economic history. It is a story of transition, discipline, innovation, and resilience. And, it is a story worth telling.

Before 2004, Nigeria operated a Defined Benefit Scheme (DBS). Under this system, retirees were promised pensions funded directly by government budgets. In theory, it sounded noble, but in reality, it was unsustainable. Payments depended on annual budget releases, bureaucratic processes, and political will. Many retirees waited years, sometimes decades without receiving a single kobo.

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Beyond growing wealth, the system is doing what pensions are meant to do: pay retirees when due. Benefit payments, whether through programmed withdrawal or annuity are being made on time, restoring dignity to retirement.

Under the CPS, contributors are not locked into a one-size-fits-all structure. Workers can move across multi-fund portfolios based on age and risk tolerance. Younger contributors may opt for higher-growth funds, while retirees shift into more conservative portfolios. This flexibility empowers contributors, it also reduces anxiety. Retirees under the CPS are largely stress-free, knowing their benefits are structured, predictable, and protected.

It is, however, important to note that one of the toughest legacies of Nigeria's pension reform has been the issue of accrued rights: benefits earned by workers on the old DBS, who transitioned into the CPS. Funding these legacy obligations has been challenging. Yet progress is undeniable. In Q3 2025 alone, ₦34.64 billion was paid in accrued rights to retirees and in Q4 2025, the federal government approved a further ₦758 billion for the settlement of these accrued rights. While gaps remain, each payment represents a promise honored and a system steadily cleaning up the past.

Reform is not only about money; it is also about data. Years of incomplete records, mismatched biometrics, and outdated information slowed benefit processing. To fix this, the industry introduced data recapture initiatives, including Pension Boost 1, aimed at cleaning, validating, and updating contributor records. The Pension Fund Operators Association of Nigeria (PenOp) has played a central role in this process, working closely with PenCom to drive industry-wide compliance. The launch of a dedicated data recapture platform allows contributors to update their records seamlessly, reducing delays, disputes, and errors.

Another silent revolution is happening behind the scenes: technology. The introduction of Payment Solution Service Providers (PSSPs) has transformed pension remittances. With 11 licensed PSSPs, pension contributions are now remitted faster, more accurately, and through a unified system. This reduces errors, shortens timelines, and improves transparency. Once again, PenOp has been instrumental in housing and coordinating this framework, ensuring that pension payments flow smoothly from employers to RSAs.

In 2023, only six states had adopted the CPS. By the end of 2025, that number rose to eight. It may not sound dramatic, but each state that joins represents thousands of workers gaining pension security. Engagement with other states continues, incremental progress is still progress and in pension reform, patience matters.

Nigeria's pension funds were once heavily concentrated in government securities. While safe, this limited long-term returns. Today, investment guidelines have been reviewed, allowing additional asset classes that promote diversification while maintaining safety. Pension funds are gradually reducing overexposure to government instruments and increasing allocations to alternative investments, infrastructure, and productive sectors. The goal is clear: better returns without compromising safety.

For a long time, pensions in Nigeria were largely associated with formal employment, leaving millions in the informal sector outside the safety net of retirement planning. That narrative is changing. The Personal Pension Plan (PPP), which evolved from the Micro Pension Plan framework, is designed specifically to include workers in the informal sector: traders, artisans, freelancers, entrepreneurs, and self-employed

individuals, ensuring they are not left out of the pension system. Under the PPP, contributors have the flexibility to save based on their income patterns. Contributions can be made at convenient intervals and across different tiers, allowing individuals to choose options that suit their financial capacity and long-term goals. Importantly, these contributions are professionally managed and invested, just like those of formally employed workers, ensuring growth over time. A key feature of the PPP is contingent withdrawal, which allows contributors to access a portion of their savings to address unforeseen needs, while still preserving the core purpose of retirement security. This balance between flexibility and discipline makes the PPP particularly attractive to informal sector participants whose incomes may be irregular.

Nigerians in the diaspora can contribute to the pension system under Fund VII, denominated in U.S. dollars. These contributions are invested professionally, offering diaspora Nigerians a structured way to save for retirement back home. This inclusion reflects a more global, forward-thinking pension industry. None of this means the system is perfect. Challenges remain. Awareness is still low. Trust is still being rebuilt. But the facts are clear: Nigeria's pension industry is working. It is paying benefits. It is investing wisely. It is embracing technology. It is expanding inclusion.

These are the silent wins, the kind that do not trend on social media but change lives quietly and permanently.

As PenOp continues to work with regulators and industry stakeholders to shape and promote the system, one thing is certain: Nigeria's pension story is no longer just about failure avoided, it is about success being built. And perhaps it's time we talked about it.



TIMELY & PRACTICAL FINANCIAL Tips FOR 2026



We are half-way through the year, here are some timely and practical financial tips for 2026 that are relevant for individuals looking to build financial resilience and long-term wealth:

1. Build an Emergency Fund

Aim to save 3–6 months of essential living expenses in an easily accessible account. This provides a cushion against unexpected events such as job loss, medical emergencies, or urgent repairs.

2. Review Your Budget Regularly

With prices continuing to fluctuate, review your spending each month. Distinguish between needs, wants, and savings goals, and adjust your budget as your income or expenses change.

3. Prioritise Paying Down High-Interest Debt

If you have credit card balances or other high-interest loans, paying them down can provide a guaranteed financial benefit by reducing interest costs.

4. Invest for the Long Term

Rather than trying to time the market, focus on investing consistently in a diversified portfolio that aligns with your financial goals and risk tolerance.

5. Diversify Your Income

Explore opportunities for additional income through freelancing, consulting, digital products, investments, or a small business. Multiple income streams can improve financial stability.

6. Increase Your Retirement Contributions

Whenever possible, increase your pension or retirement savings. Even small, regular increases can have a significant impact over time due to compound growth.

7. Review Your Insurance Coverage

Ensure you have appropriate health, life, and asset insurance. Adequate coverage protects your finances from unexpected shocks.

8. Beware of Investment Scams

Be cautious of schemes promising unusually high or guaranteed returns. Always verify investment opportunities through reputable financial institutions and regulators.

9. Invest in Your Skills

Developing new skills or earning professional certifications can increase your earning potential and career opportunities.

10. Set Clear Financial Goals

Create specific goals for the next:

- 12 months (e.g., build an emergency fund)
- 3–5 years (e.g., buy a home or start a business)
- Retirement (e.g., achieve financial independence)

Pension Related Trainings in Quarter 2

In the fourth quarter of 2025, PenOp held several knowledge-sharing sessions with industry practitioners, including a 2-day Virtual Induction Academy Program, an orientation for new hires within the pension industry.



Cross session of participants at the Induction Academy



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Q2 Medical Knowledge Sharing Session



Cross session of participants at the Foresenci Audit training held for the Pension Industry



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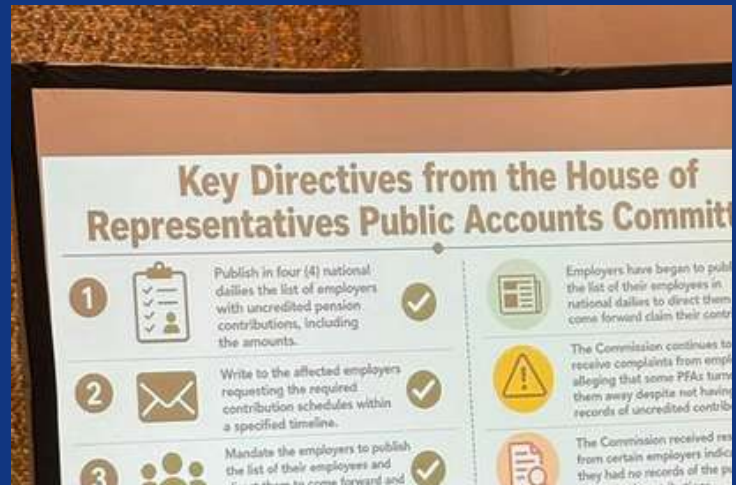


Cross section of participants at the Strengthening Board Oversight of Digital Governance, AI, Cybersecurity, and Technology Risk in Pension Fund Administration

Pension Related Trainings in Quarter 2



Compliance Forum in Kano



Cross Section at the Industry Consultative Forum in Lagos



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A cross section of participants at the PenOp x SoCap knowledge sharing session



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