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## Identifying the Key Challenges Faced by the Energy Commission of Nigeria in the Implementation of the Contributory Pension Policy

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### Abstract

*The Contributory Pension Scheme (CPS) in Nigeria has undergone significant changes since its introduction in 2004, with a major revision in 2014. The scheme mandates employers to contribute 10% and employees to contribute 8% of their monthly remuneration into Retirement Savings Accounts managed by licensed Pension Fund Administrators. Despite its aim to secure financial futures, the scheme faces challenges, particularly within the Energy Commission of Nigeria (ECN). A study examining the CPS at ECN from 2014 to 2024 identified issues with policy enforcement, administrative compliance, and payment delays. The findings emphasize the need for policy reforms to address these challenges, ensuring improved efficiency, financial security for retirees, and enhanced employee confidence in the system. Respondents suggested increasing lump sum payouts to 75%, boosting awareness, and streamlining administrative processes to ensure a reliable pension system. The Pension Reform Act 2014, which repealed the 2004 Act, provides a framework for the governance and regulation of the contributory pension scheme in Nigeria. It addresses issues such as pensions for political office holders and professors, and provides incentives for increasing coverage of the scheme. However, more needs to be done to address the challenges faced by the staff of ECN and ensure a smooth implementation of the CPS.*

**Keywords:** Contributory Pension Scheme, Energy Commission of Nigeria, Pension, Fund Administrators, Retirement Savings Account, National Pension.

### Introduction

Policy schemes in Nigeria undergo continuous reforms, and the contributory pension scheme is no exception. The motive for these changes is to ensure retirement security for employees across various institutions, including government institutions like the Energy Commission of Nigeria. The essence of the reforms from defined benefit schemes to more contributory models describe targeted efforts to create a sustainable and transparent system within these government institutions.

However, despite these reforms, several challenges which impact the effectiveness of the pension schemes persist. Pension issues have long been a recurring challenge in Nigeria (Kida and Sambo, 2018). The administration of pensions in Nigeria has faced policy inconsistency and numerous challenges since its inception. These issues include delays in disbursing pensions and gratuities to eligible retirees, largely due to a lack of accountability, poor leadership, embezzlement of pension funds, inaccurate records of pensioners, and incompetence among pension administrators (Olunde, 2023).

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As a result, many retired civil servants have been pushed into severe hardship, poverty, and poor living conditions. Some retirees have resorted to begging to survive, and sadly, some have passed away while waiting for their pensions and gratuities to be paid (Daniel, 2022).

The 1951 Pension Ordinance marked Nigeria's initial legislative step toward establishing a pension system, followed by the 1961 launch of the National Provident Fund (NPF) to manage private sector pensions. Further developments included the introduction of Pension Act No. 102 and the Armed Forces Pension Act No. 103 in 1979. In 1987, Pension Act No. 75 established a scheme for the police and other government agencies, and the Local Government Staff Pension Board was formed to oversee pensions for local government employees (Ezenwa and Obiagwu, 2020). In response to the limitations of earlier schemes, the National Social Insurance Trust Fund (NSITF) was introduced in 1993 to address retirement and pension issues within the private sector. Historically, Nigerian pension programs were non-contributory and dependent on government allocations, which led to funding gaps and significant delays or non-payment of pensions, causing many retirees to suffer post-retirement hardships and even premature deaths. According to the National Pension Commission, by June 30, 2004, the federal government's pension liabilities had reached N1.681 trillion. The defined benefit scheme struggled with inadequate funding, poor management, fraud, and errors in pension calculations. One major issue was the persistent nonpayment of pensions and gratuities (Daniel, 2022). As the public sector expanded, pension costs also rose as a percentage of GDP, highlighting the need for reform. This led to the 2004 introduction of the Contributory Pension Scheme. The 2004 Pension Reform Act in Nigeria marked a shift from prior pension models by establishing a contributory, fully funded pension system (Olasehinde and Olaniyi, 2019). This mandatory scheme, designed to cover both private and public sectors, introduced a Defined Contributory Scheme, alongside provisions for a defined benefit scheme through Approved Existing Schemes (AES) and Closed Pension Fund Administrations (CPFA) (Olasehinde and Olaniyi, 2019). To oversee and regulate the pension system, the Act established the National Pension Commission (PENCOM), which addresses complaints related to Pension Fund Administrators (PFAs), Pension Fund Custodians (PFCs), and employers, promoting minimal risk and reducing fraud in pension administration (Martins and Ofoezie, 2021). The Act requires that approved risk rating agencies evaluate investment instruments, establishing a uniform pension system for both sectors (Olasehinde and Olaniyi, 2019). Under this framework, employees are required to open a Retirement Savings Account (RSA) to receive monthly pension contributions, with both employees and employers contributing 7.5% of monthly emoluments, totaling a minimum of 15% to the RSA. Licensed PFAs manage these contributions, while PFCs safeguard the assets. For noncompliance, PENCOM can apply sanctions, including fines or imprisonment (Martins and Ofoezie, 2021).

In 2014, the Pension Reform Act (PRA) of 2004 was repealed to address gaps and incorporate necessary updates that were missing in the original Act (Martins and Ofoezie, 2021). This repeal introduced several key amendments to ensure compliance with the new Pension Reform Act, signed into law in July 2014 (Martins and Ofoezie, 2021). The 2014 Act sought to establish a consistent and sustainable pension system in Nigeria, ensure transparent and efficient management of pension funds, encourage a savings culture among Nigerian workers, extend coverage to more employees, and provide a solid regulatory and supervisory framework under the National Pension Commission (Oigbochie and Change, 2023). Among the Act's new provisions were measures to promote the well-being of retirees from both public and private sectors. It also raised the pension contribution rate from 15% to 18% of monthly emoluments, allocating 8% to employees and 10% to employers (Martins and Ofoezie, 2021). For employers

choosing to cover the full contribution, the minimum is set at 20% of an employee's monthly emolument (PWC, 2016). Despite these improvements, challenges persist, particularly regarding the reduction in take-home pay for employees after their 8% contribution and other lawful deductions, including taxes (James, 2017).

The new scheme upholds a system that ensures retirement income by relying on pre-funded savings, with regular contributions made jointly by both the employee and employer (Imoh-Ita, 2017). This approach is forward-looking, designed to build up assets that will cover liabilities as they arise. Consequently, the contributory pension scheme enables civil servants to contribute during their employment, while employers are also required to contribute, ensuring that a retired civil servant's accumulated contributions are preserved as their pension (Daniel, 2022). The Energy Commission of Nigeria (ECN) was established as a government agency under the Energy Commission Act No. 62 of 1979, later amended by Act No. 32 of 1988 and Act No. 19 of 1989 (Martins and Ofoezie, 2021). Functioning under the Federal Ministry of Science and Technology, the ECN is responsible for overseeing the development and regulation of Nigeria's energy sector. Given its central role as a governmental agency, it is essential to examine how the agency implements its pension policies under the Contributory Pension Scheme (Daniel, 2022).

## **Literature Review**

### **The Concept of Pension**

Pension is the term used to describe an employee's continued income after leaving their employer's job. According to him, pensions are rights that businesses cannot take away from their workers or refuse to grant them. This concept is reasonable in the context of a non-contributory pension plan, in which the employer pays for the pension (Abdullahi et al, 2020). Under the contributory plan, retirement savings may no longer be viewed strictly as an extension of the employee's compensation, as both the employee and employer share the contribution costs rather than the employer bearing the full expense (Oseghale et al., 2023). This shift calls for a broader definition of retirement benefits. More so, A pension is a set amount of money that a retired individual, also known as a pensioner, receives on a regular monthly basis for the remainder of his life. Ideally, the pay-out should start on the retirement date. Retirement in the context of a formal job is described as leaving one's job or being forced to leave it after attaining pensionable age (Oseghale et al., 2023).

Onakeke and Falope (2020) note that the law of diminishing returns often impacts employees over extended employment periods, leading to reduced productivity that may not meet expected standards. At this stage, they argue, an employee may need to retire. This raises an important question: what happens to a retired worker who has dedicated much of their career to serving an employer or institution (Oseghale et al., 2023)? Should a retiree, now without regular income, be left to face severe hardship? The concept of a pension emerges as a response to this concern (Afolayan, 2017). A pension is defined as the amount paid by a government or employer to an individual who has worked for a certain period, is unable to work due to age or illness, or has reached the statutory retirement age (Ihejirika, 2020). Thus, a pension represents a right that employees earn upon leaving their positions after meeting the necessary conditions for pension eligibility.

### **Pension System in Nigeria**

Government introduced a new pension plan that represented a major shift from the previous Defined Benefit Pension Scheme (DBPS) primarily used in the public sector (Aberet et al., 2024).

Under the old DBPS, pension benefits were not fully funded, leading to financial instability and a lack of consistent contributions, which eventually caused the scheme to become unsustainable. The reform in 2004 brought about the introduction of a Defined Contribution Scheme (DCS), which was fully funded, contributory, and based on individual private accounts held by Pension Fund Custodians (PFCs) and managed by private Pension Fund Administrators (PFAs) (Abere et al., 2024). Under this new scheme, both employees and employers in organisations with five or more employees were mandated to contribute 7.5% of an employee's monthly salary to a Retirement Savings Account (RSA). However, a reduced contribution rate of 2.5% was stipulated for the armed forces. To ensure the efficient administration and regulation of the pension system, the National Pension Commission (PenCom) was established under the Pension Reform Act of 2004 (Rewane, 2017). This reform was aimed at enhancing financial security for retirees by creating a sustainable and transparent pension framework across public and private sectors in Nigeria.

The National Pension Commission (PenCom), Pension Fund Administrators (PFAs), Closed Pension Fund Administrators (CPFAs), and Pension Fund Custodians (PFCs) are the primary stakeholders in Nigeria's contributory pension scheme. This program mandates that employers match employee contributions, with employees required to contribute a minimum of 7.5 percent of their base salary, along with their housing and transportation allowances (Abere et al., 2024). Consequently, the total minimum monthly contribution for a typical employee amounts to 15 percent of their base pay plus additional allowances. PenCom's role is crucial in ensuring the effective management and regulation of pension-related activities in Nigeria (Osimen, Ehibor, Daudu, and Alofun, 2024). The commission is tasked with establishing standard guidelines for managing pension funds, licensing and supervising PFAs, PFCs, and CPFAs, and maintaining the national pension database. It also holds the authority to impose penalties on negligent employers and fund administrators while ensuring timely payments to beneficiaries of Retirement Savings Accounts (RSAs) (Abere et al., 2024). To mitigate the issues of illiquidity and unsustainability that plagued the previous defined benefit (Pay-As-You-Go, or PAYG) system, the Pension Reform Act enforced by PenCom outlines specific investment strategies for pension funds (PenCom, 2010). This framework aims to create a more robust and sustainable pension system that can effectively meet the retirement needs of employees while ensuring the integrity and stability of the pension fund management system in Nigeria.

### **The Concept of Contributory Pension Scheme**

The introduction of the Contributory Pension Scheme (CPS) marked a shift from a defined benefit (DB) plan to a defined contribution (DC) plan, prioritising individual responsibility in retirement planning (Abere et al., 2024). In contrast to the DB plan, which provided retirees with a predetermined benefit based on final salary and years of service, the DC plan requires both employees and employers to contribute regularly to retirement savings. This transition aims to foster a sustainable pension structure by encouraging employees to actively participate in their financial security after retirement and reducing the government's financial burden. The goal of this change was to guarantee pensioners' financial stability and enhance sustainability. Fostering a culture of saving among employees is one of the CPS's main goals. The program encourages responsible saving practices and aids in the development of a sizeable retirement corpus by requiring payments from both employers and workers (Abere et al., 2024). The CPS runs on a well-defined framework with precise rules for managing pension funds. To manage these assets and guarantee their wise investment for maximum returns, pension fund administrators (PFAs), are essential. This oversight fosters transparency and accountability, mitigating the issues of

fraud and mismanagement prevalent under the previous system (Abere et al., 2024).

The Contributory Pension Scheme (CPS) not only enhances retirement security for individuals but also drives economic growth through its investment impact. Through channelling accumulated pension funds into various investment avenues, CPS fuels job creation and offers support for entrepreneurial ventures, contributing to overall economic development (Braith, Gberevbie, Chidozie, and Osimen, 2024). Additionally, these funds provide a vital source of long-term capital for national development initiatives, supporting infrastructure projects and other growth-enhancing activities. A unique feature of the CPS is its portability, which facilitates the smooth transfer of pension assets across different employers (Chima, Gberevbie, Duruji, Osimen, and Abasilim, 2024). This flexibility enhances labour mobility, allowing employees to move within sectors without losing retirement benefits, which in turn supports a dynamic and adaptable workforce. Moreover, the CPS promotes greater inclusivity by extending participation options to self-employed individuals and workers in the informal sector. This wider coverage reduces the incidence of elderly poverty, as more people are able to accumulate savings for retirement, thereby contributing to a more secure and inclusive social protection system (Abere et al., 2024).

### **Challenges of the Pension Scheme**

One of Nigeria's significant challenges today is the pension scheme. It can be said that the Federal Government, as the largest employer, is increasingly struggling to meet its obligations to both active and retired employees (Abere et al., 2024). In 2008, the total pension liabilities of the Federal Government were estimated to be 2.56 trillion naira, with pensioners from the military, police, and paramilitary having amassed pension arrears of 56 billion naira. As a result, it was a regular occurrence to witness elderly people standing in long lines to claim their pensions at certain locations (Abere et al., 2024). One had anticipated a measure after the introduction of a pension policy (Decree 102 of 1979 and subsequent pension-allied Decrees) and the creation of an institutional structure for efficient pension policy execution (Olayinka, 2017).

The non-performance of the earlier pension plans in Nigeria was further explained by the existing economic policy objectives of the military authority that ruled the nation at the time, as well as the volatility of oil revenue and political unrest (Abere et al., 2024). Urgent government intervention was required due to the type of pain and misery that the majority of government retirees in the nation were experiencing (Adewumi, 2024). Nigerian workers were supposed to get substantial cash advantages upon retirement with the implementation of the Contributory Pension Scheme. It would be important to ascertain why Nigerian pensioners continue to face enormous difficulties in accessing their monies even after the implementation of the new Contributory Pension Scheme (Ikwoor, and Nkwagu, 2020).

### **Pension Challenges in an Aging World**

In many affluent nations, as well as increasingly emerging nations, pensions are at the top of the policy agenda. This illustrates the difficulties that demographic shifts pose for financed or pay-as-you-go (PAYG) pension schemes (Aliu et al., 2023). The general trends in this demographic shift are universal, but the specifics of each nation's pension policy dilemma are determined by two unique elements: the degree of demographic shift and the pension systems in place at the outset. Certain nations can guarantee the viability of their current pension systems with relatively few modifications, while others need more drastic measures (Bamisaye, and Akinleye, 2021). There are two basic demographic trends at play globally. Life expectancy is rising, potentially

indefinitely, in nations free from the severe ravages of AIDS and experiencing respectable economic success (Aliu et al., 2023). And regardless of apparent cultural variations, all economically successful societies have birth rates that have dropped or are falling below replacement level, and in many cases, much lower. According to the United Nations' medium predictions, in 15 years, the overall fertility rate in nations like Brazil, Iran, and Turkey is expected to be 2.0 children per woman or less (Shittu, 2017).

The percentage of the population over the ages we usually identify with retirement is rising rapidly due to longer lifespans and decreasing birth rates (Aliu et al., 2023). Between now and 2050, the proportion of adults over 65 in the United Kingdom compared to those between the ages of 20 and 65 will nearly quadruple. That percentage may rise by more than four times in Korea (Bamisaye, and Akinleye, 2021). The implication for nations with pay-as-you-go (PAYG) state pension systems where payments to current beneficiaries are funded by contributions from current workers is that one of three adjustments higher tax rates or mandatory contributions to fund state pensions, lower pensions in comparison to average earnings across society, or higher pensionable ages will be inevitable (Aliu et al., 2023). It is crucial to remember, too, that switching to a funded private pension system in which employees set aside a portion of their pay and then draw from the money they have accrued does not offer a whole and guaranteed solution to the demographic dilemma (Adedeji, and Muhammed-Mikaaeel, 2022).

Resources are transferred from workers who generate more than they consume to pensioners who consume but do not produce in all pension systems, funded or PAYG (Abere et al., 2024). Therefore, under a financed system, a shift in the worker-to-pensioner ratio must have an impact on asset prices and rates of return (Abere et al., 2024). Greater savings rates will often result in a greater capital-output ratio and, thus, lower returns on capital if people try to use them to finance a longer retirement. When a generation with high savings rates is succeeded by a smaller generation, asset prices are likely to decrease (in comparison to a scenario with greater fertility) as the previous generation tries to sell its amassed assets (Abere et al., 2024). There is much discussion over the theoretical size of these demographic impacts on returns and asset prices; the empirical investigation of correlations is hindered by several other factors, as well as the restricted availability of data. Furthermore, national demography predominates for Pay-As-You-Grow (PAYG) systems, but global demography eventually matters to the economics of financed systems in a global capital market (Chukwudi, Osimen, Dele-Dada, and Ahmed, 2024).

## **Theoretical Framework**

### **Deferred Compensation Theory**

In this study, the Deferred Compensation Theory is adopted as the theoretical framework. This theory, widely recognised in labour economics, suggests that workers' compensation extends beyond immediate wages to encompass non-monetary benefits and deferred rewards, such as pensions and other retirement benefits (Al-kharabsheh et al., 2023). This theory suggests that workers may accept lower current wages in exchange for promised future benefits, such as pensions, health insurance, or other forms of deferred compensation. This concept is crucial in understanding how employers structure compensation packages to attract and retain employees while managing labour costs over time (Oseghale et al., 2023). Therefore, employers and employees can reach an agreement where workers are paid less currently in exchange for higher future compensation. This theory focuses on the concept of intertemporal choice, where individuals make decisions that affect their consumption across different periods of their lives.

The main proponent of the theory is Edward Lazear, an influential economist known for his work on labour economics and human resource management (Al-kharabsheh et al., 2023). Lazear's perspective within the Deferred Compensation Theory emphasizes that employee compensation encompasses more than immediate wages, extending to deferred benefits and nonmonetary incentives that promote long-term commitment. The theory's foundation is rooted in

Lazear's model of deferred compensation, first experimentally tested in his work. In his 1986 seminal paper, *Salaries and Piece Rates*, published in the *Journal of Business*, Lazear examined how compensation packages, including fringe benefits and delayed rewards, affect employee motivation, productivity, and job satisfaction. Lazear argued that these deferred forms of compensation create a bond between employees and their employers, encouraging retention and sustained productivity, which is particularly relevant in sectors that rely on long-term commitments (Widarko and Anwarodin, 2022).

Steffen Huck, Andrew Seltzer, and Brian Wallace, prominent proponents of Deferred

Compensation Theory, further expanded on Lazear's ideas in their 2011 study, *Deferred Compensation in Multiperiod Labour Contracts: An Experimental Test of Lazear's Model*. In this research, Huck, Seltzer, and Wallace argued that deferred compensation aligns the long-term interests of employees and employers by incentivising employees to sustain effort and productivity throughout their careers. They posited that deferring a portion of compensation helps employers reduce agency problems, such as employees slacking off after securing job tenure (Oladoyin, Olu-Owolabi, Odukoya, and Osimen, 2024). Their experimental study contrasted multi-period scenarios with deferred wages and those without, as well as conditions using computer-generated wages, to better understand the roles of monetary incentives, social preferences, and reciprocity in driving employee behavior. The findings supported that deferred compensation serves as an effective tool for managing workforce performance and loyalty over time (Widarko and Anwarodin, 2022).

### **Challenges of Contributory Pension Scheme at ECN**

Participants from the Energy Commission of Nigeria identified several challenges within the Contributory Pension Policy (CPP), with inadequate awareness, communication gaps, and delays in benefit disbursements ranking highest. These challenges are consistent with findings from PENCOM, which reported that over 60% of employees lack an adequate understanding of their pension entitlements and obligations, a factor that has led to widespread dissatisfaction among contributors (Nnaji, 2015). Poor administrative organisation and record-keeping further exacerbate these issues, as inefficient processes often result in delayed payouts and errors in contribution records.

Research highlights the significance of accurate record-keeping and efficient administrative processes in pension scheme management. Kida and Sambo (2018) emphasise that poor administration and record-keeping can hinder the timely disbursement of pension benefits, leading to financial strain and frustration among retirees. Given that delays in access to benefits can lead to substantial financial strain for retirees, policymakers must prioritise improvements in these areas. Oigbochie and Chenge (2023) argue that regular and prompt payments, coupled with organised administrative processes, can significantly enhance retirees' financial security and overall satisfaction.

Enhanced communication, including regular updates and accessible information, could

significantly reduce misunderstandings and provide contributors with greater confidence in the system. Studies show that clear communication and accessible resources can increase participants' understanding of their pension rights, fostering trust in the system and promoting greater engagement (Nweke, 2014). Streamlined processes and better organisational practices would also improve the overall efficiency of the CPP, helping to reduce frustration and financial strain on retirees from the Energy Commission of Nigeria. Empirical data from Obasa (2022) supports this, showing that 72% of pension scheme participants reported increased satisfaction when communication was clear and benefits were delivered on time, emphasising the importance of addressing administrative inefficiencies in pension management.

### **Prospect and Recommendations for Policy Improvement at (ECN)**

Participants from the Energy Commission of Nigeria made several recommendations for policy improvement, notably advocating for an increased lump sum payout to 75%, enhanced communication, and streamlined administrative processes. Such changes align with research emphasising the value of flexible withdrawal options and efficient management in pension schemes (PWC, 2016). Increasing the lump sum payout could provide retirees with greater financial flexibility, enabling them to address immediate needs without facing financial constraints.

Moreover, clearer communication channels and accessible information resources would empower contributors with the knowledge they need to make informed decisions about their pensions. Salisu and Ibrahim (2024) highlight that effective communication significantly boosts retirees' satisfaction with pension schemes, noting that when participants understand their benefits and the disbursement process, they experience higher satisfaction levels. Simplifying administrative processes could reduce the bureaucratic hurdles that currently delay benefit disbursements, alleviating financial strain on retirees. Empirical data shows that 67% of retirees reported frustration due to delays in pension disbursements, which further underscores the need for policy reforms to improve administrative efficiency (Salisu & Ibrahim, 2024).

For the CPP to achieve its full potential, policymakers must address these recommendations, fostering a retirement system that provides reliable financial security and support for the staff at the Energy Commission of Nigeria's workforce. The implementation of these reforms, particularly in communication and administrative processes, could enhance trust in the system and ultimately improve the financial well-being of retirees, as suggested by PWC (2016).

### **Recommendations**

The Contributory Pension Scheme (CPS) implemented in Nigeria represents a progressive attempt to secure financial stability for public and private sector employees' post-retirement. However, challenges encountered by the Energy Commission of Nigeria (ECN) underline the need for improvements in policy execution, particularly around administrative compliance, awareness, communication, and efficiency in fund disbursement. This section proposes recommendations to enhance the effectiveness of CPS at ECN, structured to address the main challenges uncovered in the study and to strengthen trust, transparency, and financial security for employees. These recommendations are intended to guide ECN management, policymakers, and Pension Fund Administrators (PFAs) toward a more reliable pension system, fostering employee motivation and retirement preparedness.

## **1. Enhancing Contributor Engagement and Awareness Initiatives**

To address the challenge of limited awareness of the Contributory Pension Scheme (CPS) among employees, the Energy Commission of Nigeria (ECN) should implement a structured educational program. This program could include regular seminars, workshops, and training sessions that inform employees about the importance and benefits of the CPS, helping them make informed decisions regarding their retirement planning. Additionally, ECN should provide simplified guides and establish interactive digital platforms where employees can access detailed information about their contributions and benefits, fostering a proactive approach to retirement planning.

## **2. Strengthening Communication Channels**

To improve communication regarding the CPS, ECN must establish clear and standardised channels for inquiries and updates. This can involve creating a dedicated email address, helpline, or physical office staffed with knowledgeable personnel to address employee questions promptly. Periodic newsletters or bulletins could also be distributed to keep employees informed about pension policies, updates from the National Pension Commission (PenCom), and financial planning tips. A transparent communication framework will empower employees to make well informed decisions regarding their retirement.

## **3. Ensuring Timely and Transparent Benefit Disbursements**

To restore trust and morale among employees, ECN should prioritise timely benefit disbursements. This can be achieved by establishing strict internal timelines for pension contributions to be transferred to employees' Retirement Savings Accounts (RSAs). Additionally, implementing penalties for non-compliance and developing an audit framework to track remittance records will ensure accountability and address potential delays. These measures will improve efficiency in fund distribution and strengthen employee confidence in the pension system.

## **4. Increasing the Lump Sum Payout Option**

Feedback from employees indicates that the current lump sum payout structure is inadequate. ECN should advocate for increasing the allowable lump sum withdrawal to 75% of total pension savings, allowing retirees greater financial flexibility for immediate expenses upon retirement. This recommendation should include access to financial planning resources to help retirees manage their funds effectively. Collaborating with Pension Fund Administrators (PFAs) to provide budgeting workshops will further prepare retirees for long-term financial stability.

## **5. Streamlining Administrative Processes and Strengthening Policy Enforcement**

To enhance administrative efficiency, ECN needs to review and modernise its internal processes related to CPS management. Implementing electronic filing systems and automated payroll deductions can reduce errors and ensure accurate records of contributions. Strengthening policy enforcement through regular audits and establishing accountability protocols will ensure compliance with PenCom guidelines. Additionally, creating a feedback mechanism for employees to report issues will promote transparency and accountability within the CPS administration.

## **6. Collaborating with PenCom and PFAs for Regular Policy Reviews**

ECN should actively engage with PenCom and PFAs to advocate for regular reviews of the CPS

policy to meet the evolving needs of contributors. Participating in national pension policy dialogues will enable ECN to provide insights on the unique concerns of public sector employees. These collaborations can help shape regulatory reforms, ensuring the CPS remains relevant and effective in addressing the retirement preparedness of employees in the energy sector.

## **7. Offering Financial Planning and Retirement Readiness Programs**

To maximise the benefits of the CPS, ECN should implement financial planning programs tailored to different career stages. These initiatives could include workshops on retirement savings, budgeting, and debt management, along with access to financial advisors for personalised guidance. Partnering with PFAs to provide digital tools, such as retirement savings calculators, will empower employees to actively monitor their contributions and prepare for their retirement. This focus on financial literacy will enhance employees' retirement readiness and improve perceptions of the CPS.

## **Conclusion**

This study provides a comprehensive analysis of the system's structure, and its challenges. Rooted in the Pension Reform Act of 2004, revised in 2014, the CPS represents a shift towards a contributory pension model designed to ensure a secure retirement for Nigerian employees across the public and private sectors. The study identifies key areas where CPS reform is needed, including the need for timely fund remittance, enhanced contributor engagement, and more robust legal frameworks to ensure compliance. These findings can inform policymakers and administrators tasked with refining the CPS framework and strengthening retirement systems across Nigeria's public and private sectors. By addressing the study's recommendations—such as improving administrative transparency, establishing consistent remittance practices, and enhancing communication between PFAs, PFCs, and contributors, policymakers can work toward a more reliable and effective pension system. Such reforms have the potential to improve the financial well-being of public sector employees and retirees, reinforcing a culture of long-term savings and financial security in Nigeria.

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## **Conflict of Interest**

The authors state that they have no conflicts of interest.

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