
**REASSESSING PENSION FUND
INVESTMENTS IN NIGERIA: LEGAL
FRAMEWORK, ECONOMIC IMPACT,
AND REFORM PATHWAYS**

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Abstract

Nigeria's pension system has been qualitatively changed since the introduction of the Contributory Pension Scheme (CPS) in 2004. Replacing the underfunded Defined Benefit Scheme, the CPS is now a social security tool as well as a vehicle for the mobilization of long-term capital to drive national development. Pension fund assets now significantly contribute to deepening financial markets, funding infrastructure, and government fiscal resilience. But despite these developments, the issues remain. Inadequate coverage of the informal economy, unsettled accumulated liabilities, excessive concentration of investments in government securities, and breakdowns in regulation enforcement continue to erode the inclusiveness and sustainability of the system. This article re-considers the nature of play of pension fund investments in Nigeria by examining their legal foundation, economic contribution, and emerging reform imperatives. Drawing on comparative international experience, it emphasizes corporate governance improvements, diversification of investment portfolios, leveraging technology, and coverage of informal workers by micro-pension schemes. It argues that systemic change, founded on stronger monitoring, greater participation, and innovative investment strategies, is needed to offer retirement security as well as development leverage. Lastly, the article emphasizes that a properly governed pension industry can deliver a dual mandate: ensuring contributors' standards of living in retirement and serving as a basis for long-term economic development in Nigeria.

1. Introduction

A sustainable pension scheme does not only assure retirement income, but also spurs national growth. Nigeria's 2004 switch to the Contributive Pension Scheme (CPS) was a turning point, freeing up capital for investment and transferring institutional burden.¹ Nigeria's pension system has also evolved over time with significant reforms paving the way for the introduction of the Contributory Pension Scheme (CPS) in 2004. Heavily backed by law, the CPS has transformed pension funds into a strategic tool for promoting an inclusive and sustainable economic growth.² Across the world, investment by pension funds is key in boosting economic sustainability and growth.³ Experience for international standards and global best practices is valuable in Nigeria's further progress in this sector. The development of a strong and reliable pension system is globally accepted as a foundation for good development. A well-designed pension scheme does not merely secure the welfare of pensioners; it also invests long-term funds in productive outlets, thus driving economic growth and enhancing financial resilience for a nation.

This is particularly relevant to developing nations such as Nigeria, which also face structural challenges such as a large and growing working age population, increasing life expectancy, and high levels of financial exclusion, especially among older persons. Historically, Nigeria's pension system has been limited in coverage and plagued by underfunded defined benefit schemes, irregular pension payments, and persistent governance issues.

To address these challenges, the Pension Reform Act 2004 introduced the Contributory Pension Scheme (CPS). The CPS is a mandatory scheme for employees in both the public and private sectors with a minimum staff strength of three. It is fully funded, meaning contributions are made regularly by both employers and employees into individual Retirement Savings Accounts (RSAs), and are invested for long-term sustainability,

1 R.S. Etim *et al.*, 'Influence of Contributory Pension Scheme on Economic Development in Nigeria' (2023) 3(1) *AKSU Journal of Administration and Corporate Governance* 94.

2 Pension Reform Act 2014.

3 O.A. Aliu *et al.*, 'Impact of Pension Fund on Stock Exchange Development: Evidence from Nigerian Contributory Pension Scheme' (2024) 4(1) *Kashere Journal of Accounting and Finance* 1 <<file:///C:/Users/mabubakar-Sadiq/Downloads/KAJAF-2025-01-0001+Aliu+Olanre+=++PENSION+FUND+AND+STOCK+EXCHANGE.pdf>> accessed 14 June 2025; M.Y. Abubakar-Sadiq, 'Investment of Pension Funds in Nigeria: Legal Framework, Economic Impact, and Reform Prospects' (2025) <https://lawpavilion.com/blog/investment-of-pension-funds-in-nigeria-legal-framework-economic-impact-and-reform-prospects/>; accessed June 14, 2025 <<https://sabilaw.org/investment-of-pension-funds-in-nigeria-legal-framework-economic-impact-and-reform-prospects/>> accessed July 3, 2025

rather than relying on future government allocations. Moreover, it is regulated and directed privately by the National Pension Commission (PenCom), which regulates contributions, licensing, and investment practices generally.

Compared to the earlier Defined Benefit Scheme (DBS), which was government budget-based and often led to delays or unforeseen benefits, CPS is a more predictable and reliable scheme. It is transparency-friendly, protects contributors' rights, and ensures timely payment of entitlements. Over time, the CPS has also converted pension assets into a significant pool of long-term capital, deepening Nigeria's financial markets and supporting macroeconomic stability.

On the global stage, pension funds play a crucial role in supporting economic development. Countries with mature pension plans invest these huge capital pools in infrastructure financing, government securities, equities, and other diversified instruments that yield stable returns and promote economic diversification. To illustrate, pension funds in the United States, Canada, and Europe are among the biggest institutional investors influencing capital markets and corporate governance.⁴ Likewise, developing economies such as South Africa illustrate how pension funds may contribute to national development by funding vital sectors.

Learning from such world models, Nigeria can enhance its pension fund investment policy. It means diversification of investment beyond government securities, enhancing the regulatory regime, integrating environmental, social, and governance (ESG) considerations, and expanding pension coverage to Nigeria's large informal economy. Additionally, the adoption of financial technologies can facilitate enhanced transparency, operational efficiency, and financial literacy of contributors.

4 J A Chan-Lau, 'Pension Funds and Emerging Markets' (IMF Working Paper WP/04/181, September 2004) <https://www.imf.org/external/pubs/ft/wp/2004/wp04181.pdf> accessed 16 June 2025

2. Regulatory Framework for Pension Fund Investments

Nigeria enforces careful control of pension fund investment for the sake of integrity of the contributor's fund, accountability, investment purity, and sustainable return on investment by the beneficiaries. The most fundamental law regulating the industry is the Pension Reform Act 2014 (PRA 2014), which constitutes the foundation of the legal and institutional framework on which regulation and investment of the pension funds in Nigeria are based. The PRA 2014 that replaced the regime of 2004 is now the cornerstone upon which Nigeria's pension investment regime is built. The 2014 Act introduced more rigorous regulatory conditions and transformed the pension sector's legal framework towards the goal of making it more transparent, sustainable, and institutionally robust.

2.1 Regulatory Authority– The National Pension Commission (PenCom)

The National Pension Commission (PenCom or the Commission), established by the Act, is the lead regulator with the only mandate to regulate, oversee, and impose compliance in the pension sector.⁵ PenCom is vested with the authority to develop and implement pension-related policies, issue guidelines on investment and licensing, regulate the operations of Pension Fund Custodians (PFCs) and Pension Fund Administrators (PFAs)⁶, and impose compliance with attendant sanctions⁷. The establishment of PenCom and the introduction of the strengthened provisions under the PRA 2014 represent a paradigm shift in Nigeria's pension scheme, showing the commitment of the nation to protect retirees' money in the midst of economic uncertainty. Yet, as much as the regulatory framework is good in terms of formulation, practice is still stumped by recurring issues with its implementation. These issues like spotty compliance by Pension Fund Administrators (PFAs), poor diversification of investments in the funds, and economic uncertainties sometimes hamper the security and growth potential of pension funds. Thus, long-term reforms and strict monitoring are the need of the hour to achieve the whole intention of the PRA 2014.

⁵ PRA 2014, s 1.

⁶ Pension Fund Administrators (PFAs) are licensed entities responsible for managing Retirement Savings Accounts (RSAs) and making investment decisions, while Pension Fund Custodians (PFCs) are financial institutions that hold pension assets in safe custody, ensuring that PFAs cannot directly access or misuse the funds.

⁷ I S Ifenna et al, 'Pension Fund Administrators and Financial Transparency of Retirement Savings Funds in Nigeria' (2020) 58(1) International Journal of Research Publications 34

2.2 Institutional Framework – Administrators, Custodians, and Contributions

One of the key features of the law is distinguishing the roles of Pension Fund Custodians (PFCs), who receive pension funds in safe custody, from Pension Fund Administrators (PFAs), who manage contributors' Retirement Savings Accounts (RSAs) and make investments.⁸ This separation of roles is one of the safeguards against the misappropriation or misuse of pension funds, lessons learnt from the shortfalls of the previous Defined Benefit Scheme (DBS), which existed before the transition to the Contributory Pension Scheme under the Pension Reform Act 2014. This reform is an advancement towards sound financial security and increased transparency in accountability⁹.

Equally significant is the requirement for clearly defined responsibilities within the pension structure, which strengthens accountability and builds contributors' trust in the system. However, even with clear legal functions, there are still some challenges in practice, such as the infrequent delays in the transfer of funds between PFAs and PFCs, and the variable quality of service from custodians. These issues have to be addressed to increase confidence in the system and pension fund administration under the Contributory Pension Scheme. In the Contributory Pension Scheme (CPS), both employers and employees must contribute to the Retirement Savings Account (RSA), with the employers contributing at least 10% and the employees at least 8% of their salary every month. Employers have these contributions, which are under the custody and investment of PFAs to accumulate retirement savings over time¹⁰.

In addition to regulating contributions and institutional positions, PenCom releases concise investment guidelines for pension fund investments, specifying in what assets funds are invested and establishing an upper limit to encourage diversification and risk aversion¹¹. Regulatory guidelines set the nature of assets into which

8 PRA 2014, s 55 PRA 2014

9 J Adewumi, 'The Evolution of Pension Administration in Nigeria' (2020) 12(3) *Journal of Nigerian Pension Studies* 112, 115.

10 O Martina, 'Contribution Pension Regime in Nigeria: Obstacles and Way Forward' (2024) 14(1) *African Journal of Social Sciences and Humanities Research* 206 file:///C:/Users/mabubakar-sadiq/Downloads/ajol-file-journals_753_articles_279251_66f28024d8170.pdf accessed 16 June 2025

pension funds are allowed to invest, including sovereign bonds, company bonds, equities, money market instruments, property, and infrastructure portfolios. Trends in recent times, like more guidelines for investment in Commercial Papers of companies, demonstrate PenCom's ongoing interest in risk management and protection of pension assets¹². These regulatory measures are a progressive model seeking harmony between capital appreciation and careful risk management. Their success in application, however, will be contingent upon the latter's effective enforcement and the capacity of PFAs to adjust their investment strategy to changing market conditions. Diversification is especially imperative in Nigeria's dynamic economic climate, where high concentration in any one asset class serves to magnify risk. Therefore, there needs to be continued regulatory enhancement and industry-specific capacity building in the PFAs towards ensuring contributors' long-term fiscal protection.

3. The Role of Pension Fund Investments in Nigeria's Economic Growth

Pension asset growth under the Contributory Pension Scheme (CPS) has turned the pension industry in Nigeria into a prime driver of economic growth and a vital source of capital formation. Pension assets under management passed N22 trillion as of early 2025, an indispensable pool of domestic capital capable of driving national economic priorities¹³. The massive heap of pension funds is a stable, long-term source of capital required possibly to fund broad-based infrastructure ventures and generate economic growth. Investing pension money in instruments such as government securities, corporate bonds, and other instruments assists pension funds in making Nigeria's capital markets more deep and liquid. The consistent flow of pension assets provides a steady supply of financing to government and private sector projects, generating employment and stimulating economic activity. Owing to consistent contributions, pension

11 National Pension Commission, 'Regulation on Investment of Pension Fund Assets' (PenCom, 2018) https://www.pencom.gov.ng/wp-content/uploads/2017/04/1448884140_Regulation_on_Investment_of_Pension_Funds31.pdf accessed 2 June 2025.

12 National Pension Commission, 'PenCom Strengthens Regulations on Pension Fund Investments in Commercial Papers' (BusinessDay, 21 January 2025) <https://businessday.ng/news/article/pencom-strengthens-regulations-on-pension-fund-investments-in-commercial-papers/> accessed 2 June 2025.

13 M Anaesoronye, 'Nigeria's Pension Assets to GDP Up by 8% in 2024' BusinessDay (1 April 2025) <https://businessday.ng/insurance/article/nigerias-pension-assets-to-gdp-up-by-8-in-2024/> accessed 16 June 2025; Proshare, 'Nigeria's Pension Assets Under Management (AUM) Grew 17% YoY in January 2025' (20 February 2025) <https://proshare.co/articles/nigerias-pension-assets-under-management-aum-grew-17-yoy-in-january-2025?menu=Finance&classification=Read&category=Pensions%20n%20Retirement> accessed 2 June 2025.

assets provide a steady supply of long-term finance for sustainable development. For this to be maximally realized, however, improvement in the manner in which funds are being managed needs to be sustained, and investment diversified beyond traditional areas. The positive impact of pension investments becomes extremely evident in several significant sectors:

3.1 *Pension Funds and Capital Market Growth*

Pension funds play a significant role in Nigeria's capital market. Their steady investment in long-term assets, particularly in Federal Government Bonds, contributes to stabilising the debt market and enhancing its liquidity.¹⁴ With their investments in government securities, pension funds provide a stable and predictable source of funding for governmental programs, such as infrastructure development and social welfare programs, a de facto domestic lending to the government¹⁵. In addition to government debt, pension funds put money into equities and company bonds, extending essential finance to listed firms and enabling business expansion and job creation. Their investment horizon aligns with the need for patient capital in the capital market, hence contributing to the development of more profound, robust financial systems¹⁶. This secure long-term capital serves to insulate the cyclical swings common with emerging economies such as Nigeria. The pension funds assist in providing stable streams of investment in government and company securities, which stabilise the capital market and reduce its vulnerability to sudden speculative fluctuations. This consistent injection of funds stimulates investor confidence. But in order to effectively realise that stabilising role, regulators must continue to support, and fund managers must possess enhanced competence for effective risk management and the capacity to evaluate a more diverse range of investment possibilities.

3.2 *Pension Investments in Infrastructure*

One of the very successful areas for investing pension funds in Nigeria is

14 A Odujinrin, 'Pension Funds and the Nigerian Capital Markets' (2024) <https://odujinrinadefulu.com/wp-content/uploads/2024/10/Pension-Funds-and-the-Nigerian-Capital-Markets.pdf> accessed 16 June 2025.

15 Pension Fund Operators Association of Nigeria (PenOp), 'How Pension Funds Support Government Financing' (PenOp, 29 October 2023) <https://www.penop.com.ng/research/how-pension-fund-keeps-the-government-running> accessed 2 June 2025.

16 International Monetary Fund, Pension Funds and Financial Stability, Volume 2025, Issue 001 (IMF, 2025) <https://www.elibrary.imf.org/view/journals/065/2025/001/article-A001-en.xml> accessed 16 June 2025; F Stewart, R Despalins and I Remizova, 'Pension Funds, Capital Markets, and the Power of Diversification' (World Bank Policy Research Working Paper 8136, 2017) <https://documents1.worldbank.org/curated/en/217121499259303193/pdf/Pension-funds-capital-markets-and-the-power-of-diversification.pdf> accessed 16 June 2025

addressing the country's enormous infrastructure gap. In acknowledgment of this, PenCom regulatory guidelines provide for investing pension funds in infrastructure bonds and funds, the acknowledgment that long-term pension funds are well-suited to fund important, large-scale developmental initiatives¹⁷. Though pension fund investment in infrastructure overall was low in the past, because a large percentage of investment of pension funds was in government securities, pressure has mounted to evolve intervention in this critical sector. Sensible investment of pension funds in key sectors, such as power, transport, and other basic infrastructure, can help increase the size of the economy, enhance efficiency, and enhance the quality of life. This is a win-win scenario that sees the pension funds earn continuous returns on investment while simultaneously spurring economic development. Infrastructure still attracts a comparatively low share of pension investments despite the provision for it. This is, in part, due to the fact that there are limiting factors such as insufficient well-defined projects, ambiguous regulations, and concerns with regard to investment risk. To allow Nigeria to unlock the complete potential of pension funds in this sector, it needs focused policy reforms, successful partnerships among the private and public sectors, and better instruments to manage risk.

3.3 *Fostering Employment and Economic Diversification*

Pension fund investments across multiple sectors of the economy contribute indirectly but meaningfully to job creation. When funds are directed into companies through equities and corporate bonds, it enables business growth, which in turn leads to increased employment opportunities. In addition, moving beyond a heavy reliance on government securities enables pension funds to support the development of new industries, thereby broadening the country's economic base. Although still in its early stages, the growing interest in private equity and venture capital presents promising opportunities to

17 N Umar, 'Pension Fund Investment Strategies and Infrastructure Finance in Nigeria' (2025) 5(1) *Kashere Journal of Accounting and Finance* 45; PwC, 'The Nigerian Pension Industry: Securing the Future' (PwC, 2014) <https://www.pwc.com/ng/en/assets/pdf/nigerian-pension-industry-publication-securing-the-future.pdf> accessed 2 June 2025.

drive creativity and support small and medium-sized enterprises (SMEs), which are crucial to long-term job creation in Nigeria¹⁸. Pension funds make significant contributions to employment generation by directing capital into various segments of the economy. By redirecting investments into industries and businesses, thereby creating employment opportunities. Stepping away from the over-concentration in government securities and adopting a more diversified investment trend can unlock new sectors for growth in line with Nigeria's economic diversification agenda on the pipeline. Though private equity and venture capital represent only a limited percentage of pension fund portfolios today, their growing application is a measured step toward fostering innovation as well as funding small and medium-sized enterprises (SMEs). Given the crucial role of SMEs in generating employment and enhancing economic stability, this trend redefines pension funds as not only instruments for retirement security but also as a driver of inclusive and continued development.

3.4 *Enhancing Fiscal Resilience and Promoting Poverty Reduction*

A financially sustainable pension system lowers government fiscal pressure over the long term by moving away from a government-assured non-contributory scheme to a contributory arrangement. When pensioners are well-off, it allows the government to invest more of its spending in other critical areas, such as healthcare, education, and infrastructure. The movement helps not only achieve greater public spending efficiency but also increase fiscal sustainability. Secondly, by ensuring the financial security of older persons, a well-functioning pension system contributes significantly towards poverty alleviation in this group¹⁹. A well-funded pension scheme is a significant shift in the financial responsibility of the government away from the former non-contributory to a contributory system in which individuals save for retirement. The reform reduces the long-term pension liability for the state, thereby releasing public resources for investment in critical areas

18 Zenodo, 'An Analysis of Nigeria's Pension Industry: Growth, Challenges, and Resilience from 2008 to 2020' (Zenodo, June 2024) <https://zenodo.org/records/15157906> accessed 2 June 2025; LawPadi, 'What You Should Know About Pensions in Nigeria' (22 December 2022) <https://lawpadi.com/known-pensions-nigeria/> accessed 2 June 2025

19 A G Ezeanolue and E E O Chukwuemeka, 'Pay As You Go (PAYG) Pension Scheme and Employee Performance in Anambra State Local Government System (2012–2021)' (2024) 16(2) *Journal of Policy and Development Studies* 145; PwC, 'The Nigerian Pension Industry: Overcoming Post Reform Challenges' (PwC, 2016) <https://www.pwc.com/ng/en/assets/pdf/the-nigerian-pension-industry-overcoming-post-reform-challenges.pdf> accessed 2 June 2025.

such as health, education, and infrastructure. By offering the financial resources to pensioners, the contributory scheme reduces reliance on generally poor and unsustainable social welfare schemes. This, therefore, boosts fiscal resilience through the reduction of exposure of pension-related fiscal stress. In addition, sustainable pension financing is an excellent method for poverty reduction among the elderly, through a guaranteed pension income and increased living standards.

4. Pathways for Reform and Future Growth

Although Nigeria's Contributory Pension Scheme (CPS) has registered considerable progress in enhancing pension management and asset growth, some of the major issues persist. These include poor coverage of most of the employees working in the informal sector, loopholes in the regulatory enforcement, and operational inefficiencies. To achieve the full potential of the scheme, concerted and focused reforms must be evaluated. Drawing an inspiration from international best practice, Nigeria must expand coverage, enhance regulation, and promote more diversified and long-term investment patterns. The recommendations that follow attempt to respond to these significant issues and optimize the contribution of pension funds towards social protection and more inclusive economic growth.

4.1 *Broadening Access for Informal Sector Workers*

The Contributory Pension Scheme (CPS) has one of its main disadvantages as it covers just Nigeria's massive informal economy that constitutes a significant percentage of the working-age group due to the rate of unemployment. The majority of the self-employed individuals and workers of micro, small, and medium-sized enterprises (MSMEs) fall out of the coverage of any form of retirement savings and hence become economically vulnerable at retirement. This is filled in by reforms that seek to extend and deepen micro-pension programs. The programs need to be structured to accommodate the needs of earners in

the informal sector, e.g., irregular income and limited financial security. Characteristics including variable contribution rates, minimal entry barriers, mobile money, and convenient onboarding can make it more attractive and affordable to save under the pension program. Countries like Ghana have made progress through the use of digital technologies, collaborative systems, and focused education campaigns. Such models can be replicated in Nigeria, supported by grassroots participation and programs of financial literacy, to enhance trust and enhance enrolment within the pension system.

4.2 *Resolving Accrued Pension Liabilities and Securing Retirement Benefits*

The issue of unpaid accrued entitlements consequent upon the migration of civil servants and public sector employees from the defunct Defined Benefit Scheme to the Contributory Pension Scheme remains a daunting challenge²⁰. Excessive delays in the liquidation of the obligation have created enormous backlogs and are still eroding public trust in the pension system²¹. It is of high importance to see that the issue is settled by governments at all levels to instill confidence in workers and retirees. At the same time, pension policy must make sure that those in retirement get an income that is secure and which supports a reasonable standard of living. This requires regular review of contribution rates, investment returns, and inflationary adjustments to make sure that the real value of the pension is preserved²². Such outcomes depend on an interested policy eye, effective monitoring, and also transparent mechanisms that encourage responsibility as well as longevity of the scheme over the longer term.

4.3 *Strengthening Investment Diversification and Risk Management in Nigeria's Pension Funds*

Whereas regulation encourages diversification, Nigerian pension funds are largely still invested in government bonds. To maximize returns and

20 Aisha Dahir-Umar, *Nigeria's Pension Reform Journey: Fighting for the Future* (Cable Books / PenCom 2023) <https://www.pencom.gov.ng/wp-content/uploads/2023/10/Nigerias-Pension-Reform-Journey-Aisha-Dahir-Umar.pdf> accessed October 19, 2025

21 Obinna Darlington Madukwe and Daniel Chukwudi Okeke, 'Effect of Inflation on Pension Fund Investment in Federal Government Securities in Nigeria' https://www.researchgate.net/publication/361646357_Effect_of_Inflation_on_Pension_Fund_Investment_in_Federal_Government_Securities_in_Nigeria accessed October 19, 2025

22 O. Okpaise, *Analytical Review of the Pension System in Nigeria* (National Conference on the Implementation of the Pension Reform, 19 April 2009) https://pencom.gov.ng/wp-content/uploads/2017/04/Analytical_Review_of_Nigerian_Pension_System.pdf accessed October 19, 2025

deliver broader economic value, reforms must stimulate Pension Fund Administrators (PFAs) to invest more money in higher-yielding, but well-executed asset classes, like infrastructure and private equity. This will be done through firm legislative support, a pipeline of bankable projects, and greater institutional capacity among PFAs to consider and execute complex investments. Recent policy actions show direction in this way. In August 2025, the National Pension Commission (PenCom) signaled that it is reviewing its investment guidelines to permit more of Nigeria's some US\$17 billion pension assets to be committed to infrastructure and private equity. The reform, to be finalized in the early part of the third quarter of 2025, seeks to raise the current 5% limit on these non-traditional assets as well as relax the condition of 60% local sponsorship of infrastructure investment. By expanding the range of eligible assets, these reforms are anticipated to add more diversification, yield higher long-term returns, as well as offset the corrosive impact of persistent inflation and depreciation of the naira.²³

Examples of nations such as South Africa are worth noting, where pension funds are used for the active creation of infrastructure under a regulated balance that safeguards contributors' interests while promoting long-term development. Nigeria can follow this example in order to diversify its pension portfolios and promote the role of pension assets as a driver of sustainable economic growth.

4.4 *Leveraging Technology and Digitalisation*

Technology increasingly plays a larger role in enabling greater efficiency, transparency, and service delivery in Nigeria's pension industry. Reforms in the future would entail adopting greater digital technologies, such as Artificial Intelligence (AI) and Blockchain, to simplify administrative work, enable real-time investment management, and offer customized retirement planning. Examples of

²³ For further context, pension fund managers have long sought greater flexibility due to the dominance of fixed-income securities (currently accounting for about 62% of assets). PenCom's spokesman, Ibrahim Buwai, also highlighted the limited availability of eligible investment instruments, with only 86 currently meeting regulatory standards, underscoring the need for reform. PenCom's Director-General, Omolola Oloworaran, further disclosed that ₦5.51 trillion has already been channelled into infrastructure, private equity, real estate, and subnational initiatives, contributing to a 22.65% year-on-year increase in the industry's Net Asset Value (NAV), from N18.36 trillion in December 2023 to ₦22.51 trillion by December 2024. Together with the appointment of Opeyemi Agbaje as the new Chairman of the Commission, these reforms reflect a strong regulatory commitment to reorienting pension funds toward more resilient and impactful investment strategies: Nairametrics, *Nigeria to Expand Pension Investment Scope in Infrastructure and Private Equity* (Nairametrics, 26 August 2025) <https://nairametrics.com/2025/08/26/nigeria-to-expand-pension-investment-scope-in-infrastructure-and-private-equity/> accessed August 27, 2025.

innovations, including PenCom's Pension Contribution Remittance System (PENCOM-CRS), demonstrate how platforms can do away with delays and improve precision in the management of pensions. A notable example of this quest for efficiency is the 1 June 2025 PenCom circular.²⁴ As required by Section 55(f) and (g) of Pension Reform Act 2014, the circular decentralizes the payment of benefits by empowering Pension Fund Administrators (PFAs) to approve and effect some Retirement Savings Account (RSA) withdrawals on their own authority, e.g., programmed withdrawal, annuity, voluntary contribution, mortgage-related payment, and benefits in the event of temporary loss of employment within 2 (two) working days. The Pension Fund Custodians (PFCs), in turn, are also required to pay out within 24 hours upon receipt of instructions from PFAs. With streamlined approval, elimination of bureaucratic delays, and common digital platforms, the reform ensures contributors and retirees are able to access their benefits within a three-workday time frame. Besides improving the efficiency of operations, it also provides assurance of trust and accountability for Nigeria's pension scheme.

Aside from the growth of operations, technology also offers new opportunities for investment. Increased global demand for digital resources like cryptocurrencies and blockchain-backed assets gives a reason to invest in such opportunities with caution. Under clearly articulated regulations and sound risk management controls, such technology-supported assets can diversify pension fund portfolios, maximize long-term yields, and protect Nigeria's pension assets against global monetary shocks. Application of such assets is at the center of determining pension fund management and future industry sustainability.

24 National Pension Commission, 'Circular on Decentralisation of RSA Benefit Withdrawals' (1 June 2025) <<https://www.pensionnigeria.com/pension-news/pencom-introduces-a-circular-which-allows-people-who-want-to-withdraw-from-their-rsas-to-be-paid-within-3-working-days/>> accessed August 26, 2025.

4.5 Enhancing Corporate Governance for a Stronger Pension Industry

Effective corporate governance remains the foundation of a sound and credible pension industry. This necessitates unyielding compliance with transparency, accountability, and ethics by Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs). The National Pension Commission (PenCom), the primary regulator, has a critical role to play in ensuring such compliance by carrying out effective supervision, independent audits periodically, and transparent, effective reportable requirements. Most importantly, regulatory enforcement is to be backed by prompt and proportionate sanctions for violations of governance to ensure confidence in the system.

5. Conclusion

Nigerian pension fund investment is increasingly assuming a leadership function of driving economic development by mobilizing long-term capital into activities that supplement the capital market, encourage infrastructure, and generate employment. Its leadership is sustained through a solid legal and regulatory structure, developed and run by the National Pension Commission (PenCom) for the safeguard of contributors' savings as well as the payment of retiree benefits. As good as progress has been, there are valid challenges ahead. Securing the pensions of Nigeria's large informal economy workers, ensuring retirement pensions are adequate and sustainable, and mobilizing investment into more productive segments of the economy are high-order items that require creative policy solutions.

The Contributory Pension Scheme (CPS) will in the future rely on continued reforms, strong regulation enforcement, and effective application of technology to drive service delivery, efficiency, and resilience. With a strong resolve, Nigeria's pension scheme will evolve from

a retirement security device to a hub of sustainable and inclusive national development.

In the long term, adoption of global experience and global best practice will become vital in crafting a robust, resilient, and future-proof pension architecture. Lastly, pension sector development and stability will depend on regulators, fund administrators, policymakers, and others working together. With visionary reform, rigorous enforcement, and innovative strategies, the industry is capable of to its twin mandate: providing decent retirements and making a huge contribution to Nigeria's economic progress in the long run. The hour is here for bold, imaginative, and progressive action.

AUTHORS



Okechukwu Ekweanya

*Labour and Employment
Practice Unit*



Muhammad Yasir Abubakar-Sadiq

*Labour and Employment
Practice Unit*



Contact

LAGOS

KENNA Place
8, Ogunyemi Road, Palace Way, Oniru
PO Box 73002, Victoria Island, Lagos

ABUJA

1st Floor, Novare Central
Plot 502 Dalaba Street,
Wuse Zone 5, FCT 900285, Abuja

ENUGU

3 Emmanuel Ngwu Street,
Thinkers' Corner,
Enugu, 400001

+234 811 395 1052, +234 811 395 1053
counsel@kennalp.com

