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The Pension Reform Bill 2026:

What Nigeria's proposed pension overhaul means for employers

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Introduction

The long-awaited reform of Nigeria's pension framework has taken a significant step forward with the introduction of the Pension Reform Bill 2026 (the "Bill"). If enacted, the Bill will represent a significant overhaul of the Pension Reform Act 2014 (the "Principal Act") and Nigeria's Contributory Pension Scheme (the "CPS" or the "Scheme") in over a decade.

The Bill comes against the backdrop of growing scrutiny of the adequacy and sustainability of retirement benefits under the CPS, including the House of Representatives' December 2025 resolution calling for reforms, as well as ongoing regulatory initiatives spearheaded by the National Pension Commission ("PenCom" or the "Commission").[1]

The proposed reforms are far-reaching, particularly for employers. For this reason, this insight focuses on the provisions of the Bill that create, expand, or intensify employer obligations, considers their practical implications for businesses, and examines the lacunae in the Principal Act that the Bill seeks to address, including gaps that have previously fueled employer-facing disputes before the National Industrial Court of Nigeria ("NICN").

Focus of this insight

"The proposed reforms are far-reaching, particularly for employers."

Some Notable Provisions

Expansion of mandatory coverage:

A significant reform of the Bill is the expansion of mandatory participation in the CPS. Under the Principal Act, only private-sector employers with 15 or more employees must participate. However, the Bill aims to reduce the threshold to three or more employees, implying that the Scheme will apply to small and medium-sized enterprises.[2] Although employees of organisations below the mandatory threshold and other persons not mandatorily covered under the Scheme may voluntarily participate in the CPS, such participation must comply with the published guidelines.

Mandatory employee threshold

~~15~~→**3**

Employers with three or more employees will fall within the Scheme — the first time SMEs are brought within reach of the CPS.

Lowering the participation threshold would be the first time a substantial number of Nigeria's small and medium-sized enterprises come within the reach of the CPS, thereby greatly increasing the Scheme's coverage. Where several employers simultaneously employ a person, the Bill stipulates that each employer is responsible for complying with their respective obligations under the Act as it concerns the employee,[3] thereby addressing the potential issue of who bears the obligations.

The Bill also updates the exemption categories under section 5 of the Principal Act, by including the following persons outside the CPS: persons with Presidential approval or covered by an extant Federal Establishment Circular, and employees who were already entitled to retirement benefits under a pre-existing scheme as of June 25, 2004, and had three years or less to retire at that date, remain outside the CPS. Employers with long-serving legacy staff should confirm which employees fall within these categories.

It is also important to note that the Principal Act expressly exempts persons covered by section 291 of the Constitution (which guarantees pension rights to certain judicial officers) from the CPS, whereas the Bill substitutes this with a reference to persons with Presidential approval or those covered by an extant Federal Establishments Circular. It remains to be seen whether this amendment is intended to alter the basis of their exemption from the CPS or to affect their constitutionally protected pension entitlements.[4]

Higher Employer Contributions

The Bill proposes to increase the minimum employer pension contribution from 10% to 12% of an employee's monthly emoluments, raising the aggregate statutory minimum contribution under the CPS from 18% to 20%.[5] Employers should begin assessing the potential payroll and cost implications of this increase, particularly those that would become subject to mandatory participation under the proposed three-employee threshold.

01 · **Standard employer minimum**

~~10%~~ → **12%**

of an employee's monthly emoluments.

The Bill also introduces an apparent change to the elective arrangement under the Scheme. Under the existing section 4(4) of the Principal Act, it is the employer who may elect to bear full responsibility for the Scheme, in which case the employer must contribute at least 20% of the employee's monthly emoluments. The Bill retains the same structure but substitutes "employer" with "employee" while increasing the employer's minimum contribution to 25%.

02 · **Aggregate statutory minimum**

~~18%~~ → **20%**

combined employer & employee monthly emoluments.

Where such an election is made (i.e., to assume the entire monthly contribution obligation), the employer's contribution must be at least 25% of the employee's monthly emoluments, which is more than double the standard rate. Whether this represents a deliberate policy shift or a drafting inconsistency in the Bill remains unclear. Employers should nevertheless watch for such elections in employment contracts or staff communications, as they carry a materially higher cost than the default 12% arrangement.

03 · **Elective employer arrangement**

~~20%~~ → **25%**

where an employer elects to bear full responsibility.

It is important to note that the provision, as worded, appears counterintuitive. An employee electing to "bear full responsibility" for the Scheme would ordinarily be expected to increase their own contribution, not the employer; yet, the clause raises the employer's minimum contribution to 25% in that scenario. While it may be premature to consider this a deliberate policy or a drafting error, employers need to be aware of this development, pending clarification from the National Assembly or PenCom guidelines.

Harsher enforcement for employers:
Employers should treat the Bill's enforcement provisions as its loudest warning bell:

- **Non-remittance now criminal:** Failure to remit deducted contributions attracts a penalty of 6% of the unremitted contribution for each month of default, recoverable as a debt owed to the employee's RSA, and the employer may also be liable, upon conviction, to a term of imprisonment of one year.[6]

- **Group life insurance defaults:** Where an employer fails to maintain the mandatory group life insurance policy, the employer becomes directly liable for the payment of death benefits equivalent to three times the deceased employee's total emoluments. In addition, if the required premium remains unpaid for more than 90 days after its due date, the employer incurs a penalty equal to 5% of the employee's annual total emoluments.[7]

- **Catch-all penalty provision:** the Principal Act already prescribes a general penalty under section 99(1) for contraventions for which no specific penalty is provided, consisting of a minimum fine of ₦250,000 or imprisonment of not less than one year, or both. The Bill increases the minimum fine to ₦1,000,000 (One Million Naira), while retaining the minimum one-year imprisonment term, thereby significantly raising the financial consequences of non-compliance.[8]

- **Exposure during PenCom examinations:** the offence of refusing to produce documents or giving false or misleading information to a PenCom examiner already applies under the Principal Act to PFAs, PFCs, and "any person or body", which is broad enough to catch an employer under a compliance audit.

The Bill's material change lies in the substantial increase of the applicable fines — from ₦200,000 to ₦20,000,000, and from ₦100,000 to ₦1,000,000 for each day the offence continues, while retaining the minimum three-year imprisonment term, thereby significantly strengthening the deterrent effect of this provision.[9]

PenCom examinations

Fines raised by orders of magnitude.

~~₦200k~~ → **₦20M**

Plus **₦1M / day** for each day the offence continues. Minimum **3-year imprisonment** term retained.

Some Judicial Lacunae the Bill aims to address:

Several of the Bill's reforms track gaps that the NICN, Nigeria's specialised court for pension and labour disputes, has repeatedly had to work around under the current framework. A review of recent NICN decisions illustrates why these amendments matter.

- **Group life insurance:** The enforcement gap is well illustrated in *Collins U. Okeke & Anor v Delog Medical Services Ltd & Anor*,[10] The NICN held that the Principal Act required the Employer to maintain a group life policy, rejecting the employer's argument that the deceased staff member was an unconfirmed contract worker who had waived the benefit.

  While section 4(6) of the Principal Act already requires a defaulting employer to make arrangements for death claims, and the NICN in Collins U. Okeke expressly held such an employer "solely and fully liable" for the employee's group life entitlement, the provision does not prescribe a specific quantum of liability, leaving dependants to rely on costly and time-consuming litigation to establish the extent of the employer's obligation.

  The Bill addresses this gap in clause 5 (proposed section 4(6)) by expressly prescribing the quantum of the employer's liability at three times the total emoluments of the deceased employee, together with a fixed penalty of 5% for unpaid premiums, thereby ensuring that redress does not depend on having to litigate the issue of duty, waiver, or quantum.

- **Non-remittance:** A continuing difficulty in enforcing the Pension Reform Act has been the fact that employers have failed to remit pension contributions deducted promptly. While the Act mandates employers to make such remittances promptly, the system available to enforce this duty under the Act has proved inadequate where employers fail to comply.

  This deficiency was brought to light in *National Pension Commission v Exclusive Stores Ltd*,[11] where the NICN held that it was only a court, not the Commission, that could determine liability and assess the statutory penalty; separate legal proceedings were required to sanction erring employers, leading to delays and reducing the deterrent effect of the enforcement system.

The Bill addresses this problem in clause 11 (proposed section 11(7)) by substantially strengthening the consequences of non-remittance: the monthly penalty is increased from 2% to 6% of the unremitted contribution, and an express term of imprisonment is introduced upon conviction. However, it should be noted that the amendment does not appear to remove the requirement for judicial determination where criminal liability or a penal sanction is to be imposed, as identified in the Exclusive Stores decision.

- **Nominal RSAs and stranded contributions:** Where an employee never nominates a PFA, or a dispute arises over which accounts should receive payment, the NICN has had to improvise. In *Jorge Allende Traquini v ASC Nigeria Ltd*,[12] the Court applied a purposive interpretation of the Principal Act to permit direct payment of unremitted pension funds to a foreign employee who had relocated abroad after his employment ended in a scenario the Act did not expressly contemplate.

  The Bill seeks to reduce the incidence of such disputes by strengthening the existing framework for nominal RSAs. Under section 11(5) of the Principal Act, an employer is already required to request a PFA to open a nominal RSA where an employee fails to do so within six months of assuming duty. The Bill shortens this compliance period from six months to three months, thereby imposing an earlier obligation on employers to ensure pension contributions are remitted into a designated account.[13]

  By imposing an earlier compliance obligation on employers, the amendment is intended to minimise stranded or unclaimed pension contributions and promote the timely remittance and preservation of employees' retirement savings.

Watch especially

> “*Proactive preparation will be critical to managing the cost implications of the reforms and avoiding the significantly harsher sanctions the new framework proposes.*”

Proactive Actions for Employers

- Given the proposed strengthening of criminal sanctions and the introduction of express imprisonment for non-remittance, employers should identify and regularise any outstanding pension contribution obligations before the Bill is enacted.

- Employers with an employee strength of three (3) and 14 should begin planning for potential first-time compliance with the CPS, including engaging a PFA, updating payroll processes and arranging the required group life insurance coverage.

- Employers should model the effect of the proposed increase in the minimum employer contribution to 12% of monthly emoluments and incorporate the potential cst implications into future budgets.

- Employers should verify that premiums for mandatory group life policies are paid as and when due, as direct liability for death benefits arises upon any failure to maintain the required policy. In addition, where the premium remains unpaid for more than 90 days after its due date, the employer incurs the additional 5% penalty.

- Employers should ensure pension compliance records are audit-ready, given the substantial increase in fines for providing false or misleading information to a PenCom examiner or refusing to produce documents , an offence that already applies to "any person or body" under the Principal Act, and for which the Bill proposes fines of up to ₦20,000,000 with ₦1,000,000 for each day the offence continues.

Conclusion

The Pension Reform Bill 2026 marks a major advancement towards the aims that have guided the reform agenda by improving access to retirement benefits, strengthening enforcement on employer defaults, and extending the coverage of the Contributory Pension Scheme. On the other hand, the Bill greatly increases compliance requirements for employers, especially small and medium-sized enterprises joining the Scheme for the first time. He makes all employers liable to criminal penalties for failing to make remittances and for defaults in relation to group life insurance.

Employers should therefore begin preparing early, reviewing their compliance frameworks, payroll systems and group life insurance arrangements as the legislative process progresses. Proactive preparation will be critical to managing the cost implications of the reforms and avoiding the significantly harsher sanctions the new framework proposes.

Key takeaways

- Coverage widens to SMEs with 3+ employees.
- Standard employer contribution rises 10 → 12%; aggregate 18 → 20%.
- Non-remittance is now criminal; group life default triggers direct liability.
- Earlier preparation as the legislative process progresses.

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Endnotes

1. Oscar Yakwen, 'Plenary Highlights: House Passes Key Bills on Merchant Shipping, Climate-Resilient Commerce, Pension Reforms and Professional Regulation' (National Assembly Library Trust Fund, 8 July 2026) https://naltf.gov.ng/plenaryhighlightshouse-passes-key-bills-on-merchant-shipping-climate-resilient-commerce-pension-reforms-and-professional-regulation/ accessed August 21, 2026.
2. Bill, cl 3 (proposed s 2(2) – (3).
3. Bill, cl 3 (proposed s 2(4).
4. Bill, cl 6 (proposed s 5(1).
5. Bill, cl 5 (proposed s 4(1)(a).
6. Bill, cl 11 (proposed s 11(7).
7. Bill, cl 5 (proposed s 4(6).
8. Bill, cl 37 (proposed s 99(1).
9. Bill, cl 39 (proposed s 104).
10. Collins U. Okeke & Anor v Delog Medical Services Ltd & Anor, Suit No. NICN/LA/697/2016 (National Industrial Court of Nigeria)
11. Suit No. NICN/ABJ/385/2019 (National Industrial Court of Nigeria, Abuja Judicial Division, judgment delivered February 23, 2021).
12. Jorge Allende Traquini v ASC Nigeria Ltd, Suit No. NICN/LA/580/2017, judgment delivered March 10, 2021.
13. Bill, cl 11 (proposed s 11(5)).

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