

Retirement Benefits and Performance of Public Service in Nigeria

Salish Peace Abdul Raza

Individual Researcher

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*Corresponding Author: Salish Peace Abdul Raza

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Abstract

Retirement benefits are essential for ensuring financial stability and well-being among public service employees in Nigeria. Despite multiple reforms, including the Pension Reform Act of 2004 which introduced the Contributory Pension Scheme, significant challenges such as delayed payments, inadequate pension amounts, corruption, and poor policy implementation persist. These issues continue to undermine the effectiveness and sustainability of the pension system, affecting retirees' quality of life and access to benefits. The adequacy of retirement benefits is closely linked to employee motivation and overall public service performance; an efficient pension system can enhance productivity and commitment, while a flawed system leads to dissatisfaction and reduced morale. This article examines the types of retirement benefits in the Nigerian public service, the legal and policy frameworks that guide them, and the challenges affecting their implementation. It also assesses the impact of these benefits on public service performance and proposes recommendations to improve pension administration for a more motivated and efficient workforce.

Keywords: Retirement benefits; Public service employees; Nigeria; Pension Reform Act 2004; Contributory pension scheme; Delayed payments; Corruption; Policy implementation; Employee motivation; Public service performance.

Original Research Article

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Introduction

Retirement benefits play a crucial role in ensuring financial security and well-being for public service employees after their active years of service. In Nigeria, the public service sector is one of the largest employers, making the administration of retirement benefits a significant aspect of national labor policy. Over the years, the pension system has undergone several reforms aimed at addressing inefficiencies, corruption, and financial mismanagement. These reforms include the introduction of the Pension Reform Act of 2004, which established the Contributory Pension Scheme (CPS) to replace the old Defined Benefit Scheme (DBS), known for its irregular payments and corruption (Duke *et al.*, 2024).

However, despite these efforts, many retirees continue

to face challenges such as delayed payments, inadequate pensions, and poor implementation of retirement policies (Oigbochie & Chenge, 2023). The pension system still grapples with issues like transparency and sustainability, with studies indicating that the current scheme may not guarantee adequate consumption for retirees. Additionally, challenges such as delayed monthly pension payments and difficulties in accessing retirement benefits by survivors of deceased retirees persist (Wanger, 2024).

The effectiveness of retirement benefits is directly linked to the performance of public service in Nigeria. A well-structured pension system can serve as a motivation for workers, enhancing productivity, efficiency, and overall commitment to their duties. Conversely, a flawed pension system, characterized by inconsistencies and delays, can lead to

dissatisfaction, reduced morale, and a lack of dedication among public servants (Oyelude & Unegbu, 2024).

This article explores the different types of retirement benefits available to Nigerian public service workers, the legal and policy frameworks governing them, and the challenges faced in their implementation. It also examines how these benefits influence the performance of public service employees and offers recommendations for improving the pension system to ensure a more efficient and motivated workforce.

1.0 Historical Background of Public Service in Nigeria

The evolution of public service in Nigeria can be traced back to the colonial era when the British established a bureaucratic system primarily for governance, revenue collection, and law enforcement. After gaining independence in 1960, Nigeria expanded its public sector to support nation-building and economic development. The 1980s saw significant changes with the introduction of the Structural Adjustment Programme (SAP), which led to privatization, downsizing of government functions, and economic liberalization. In recent years, reforms have focused on digitization, pension restructuring, and improving service delivery through performance-based initiatives (Fajana & Elegbede, 2022).

1.1 Structure and Functions of Public Service in Nigeria

The Nigerian public service operates at three levels: federal, state, and local government. The federal public service includes ministries, agencies, and parastatals responsible for formulating and implementing national policies. The state public service functions similarly at the state level, addressing governance and service delivery within specific regions. The local government service operates at the grassroots level, focusing on community-based services such as healthcare, education, and infrastructure maintenance. Each tier of government plays a significant role in governance and national development (Oyelude & Unegbu,

2024; Ikhenoba & Atakpa, 2023).

1.2 Challenges Facing Public Service in Nigeria

Despite its importance, the Nigerian public service faces several challenges that hinder efficiency. Bureaucratic inefficiencies, slow administrative processes, and excessive paperwork often delay decision-making and service delivery. Corruption and mismanagement of resources have also undermined the effectiveness of public institutions, leading to financial losses and reduced public trust (Obadiah & Ibrahim, 2024). Additionally, poor remuneration and inadequate retirement benefits contribute to low employee morale, making it difficult to attract and retain skilled professionals. Political interference in appointments and promotions further weakens the merit-based system, reducing overall performance and accountability (Oladipupo, 2024).

2.0 Overview of Retirement Benefits in Nigeria

Retirement benefits refer to the financial and welfare provisions granted to employees after they retire from active service. These benefits are designed to ensure income security, provide financial stability, and support retirees in maintaining a decent standard of living. In Nigeria, retirement benefits are particularly crucial for public service employees, as they serve as a form of reward for years of dedicated service. The administration of these benefits is guided by pension laws and schemes, with contributions made by both employees and employers. A well-structured retirement system not only protects retirees from financial hardship but also enhances the motivation and efficiency of workers while they are still in service.

2.1 Types of Retirement Benefits in Nigeria

Pension Payments: A periodic income paid to retirees, usually on a monthly or quarterly basis. In Nigeria, pension payments are structured under the Defined Benefit Scheme (DBS) and the Contributory Pension Scheme (CPS). The DBS is fully funded by the government, whereas the CPS requires contributions from both employees and

employers (Abere *et al.*, 2023).

Gratuity: A one-time lump sum payment given to employees upon retirement. The amount received depends on the years of service and the final salary (Okolie & Idibra, 2022).

Health Benefits: Some public institutions provide government-funded medical services or health insurance schemes to retirees. However, inadequate coverage remains a major issue (Morakinyo *et al.*, 2024).

Severance Packages: Granted in cases of redundancy, organizational restructuring, or voluntary early retirement, depending on the terms of employment (Nnabuike & Saidu, 2024).

Welfare and Social Security Benefits: These include housing schemes, cooperative savings, or subsidized services to ease financial burdens on retirees (Morakinyo *et al.*, 2024).

Survivor Benefits: These ensure that pension payments or entitlements are transferred to the dependents of deceased retirees (Oigbochie & Chenge, 2023).

2.2 Legal and Policy Framework Governing Retirement Benefits in Nigeria

The legal and policy framework governing retirement benefits in Nigeria has undergone significant transformations to address inefficiencies and corruption in the pension system. The Pension Reform Act (PRA) of 2004 marked a shift from the Defined Benefit Scheme (DBS) to the Contributory Pension Scheme (CPS), ensuring financial security for retirees and improving pension fund management. Despite these reforms, challenges such as delayed payments, inadequate funding, and administrative inefficiencies persist, necessitating further policy adjustments and enforcement measures.

2.3 Historical Context and Reforms

Before the 2004 reforms, Nigeria's pension system operated on a pay-as-you-go model, fraught with delays and corruption. The PRA 2004 introduced a contributory system managed by

Pension Fund Administrators (PFAs) and regulated by the National Pension Commission (PENCOM) (Duke *et al.*, 2024; Okoh & Ayaegbunem, 2022). This reform aimed to enhance transparency and efficiency in pension administration.

2.4 Challenges and Criticisms

Despite reforms, retirees continue to experience significant difficulties, including delayed pension payments, bureaucratic inefficiencies, corruption, and poor record-keeping. The pension system also faces inadequate funding, making it difficult for states and private organizations to meet obligations. Compliance with the CPS varies across sectors due to economic downturns and legislative loopholes (Odo *et al.*, 2019), undermining system reliability.

2.5 Legal and Institutional Framework

The PRA 2004 established the National Pension Commission (PENCOM) as the regulatory authority overseeing compliance and pension fund management (Duke *et al.*, 2024). The 2014 amendment to the PRA aimed to strengthen regulation, enhance service delivery, and introduce stricter penalties for non-compliance. However, enforcement remains a challenge across public and private sectors (Odo *et al.*, 2019).

3.0 Relationship between Retirement Benefits and Public Service Performance

Retirement benefits play a crucial role in ensuring financial security and well-being for employees after years of dedicated service. In Nigeria's public service, these benefits are essential for motivating workers, improving job performance, and ensuring a stable post-retirement life (Egye & Ramli, 2024). However, delays in payments, mismanagement of pension funds, and inadequate support systems for retirees have raised concerns about the impact of retirement benefits on the efficiency and dedication of public servants during their active years of service (Oigbochie & Chenge, 2023).

4. The Impact of Retirement Benefits on Public Service Performance in Nigeria

The impact of retirement benefits on public service performance in Nigeria is multifaceted, involving the adequacy of pension schemes, the administration of these schemes, and the socio-economic implications for retirees. The Contributory Pension Scheme (CPS), introduced in 2004, aimed to address the inefficiencies of previous pension systems by ensuring regular and sufficient retirement benefits. However, the effectiveness of this scheme in enhancing public service performance remains contentious due to several challenges.

4.1 Adequacy of Retirement Benefits

The CPS was designed to provide sufficient retirement benefits through a pool of savings contributed by employees and employers. However, studies indicate that low-income retirees, particularly those who served 20 to 35 years, often find their pensions insufficient to maintain a basic standard of living (Abere *et al.*, 2024; Abere *et al.*, 2023). The system's reliance on investment returns has also been problematic, as negative real interest rates on government bonds and bank deposits have diminished the value of pension savings. This inadequacy of retirement benefits has led to socio-economic challenges, including poverty among retirees, which in turn affects their well-being and societal contributions (Chidebe *et al.*, 2023).

4.2 Administrative Challenges

The administration of the CPS has faced issues such as delayed payments and miscalculations, which undermine the reliability of the pension system (Oigbochie & Chenge, 2023). Despite reforms aimed at improving transparency and efficiency, pensioners continue to experience hardships, leading to protests and demands for better pension management (Duke *et al.*, 2024; Chidebe *et al.*, 2023). The need for public enlightenment on pension policies and continuous monitoring of the implementation framework is crucial to address these administrative challenges (Duke *et al.*, 2024).

4.3 Impact on Public Service Performance

The CPS has influenced workers' commitment and attitudes towards retirement. A well-managed pension scheme can enhance employee retention and commitment, as workers feel more secure about their post-retirement life. However, the current inadequacies in the pension system may deter potential public service employees and affect the morale and productivity of current workers, thereby impacting overall public service performance.

4.4 Broader Implications and Alternative Perspectives

The debate over mandatory versus flexible retirement age policies suggests that allowing employees to work beyond a fixed retirement age could improve productivity and welfare, as it enables them to support dependents for longer periods. Additionally, the introduction of non-contributory universal social pensions has been suggested as an alternative to expanding basic social security, particularly for those in the informal sector who are not covered by the CPS (Zhukova, 2019).

5. Improving Retirement Benefits and Public Service Performance

Improving retirement benefits and public service performance requires a multifaceted approach that addresses both the sustainability of pension systems and the efficiency of public service delivery. The challenge lies in balancing fiscal responsibility with the need to provide adequate retirement security while maintaining high standards of public service. This involves reforming pension structures, enhancing governance, and leveraging human capital effectively.

5.1 Reforming Pension Structures

Transition to Defined Contribution Plans: Several studies suggest shifting from defined-benefit to defined-contribution pension plans to mitigate fiscal risks associated with public sector pensions. This transition would align public sector pensions

more closely with private sector practices, reducing the burden on taxpayers (Durodola & Gbadebo, 2025).

Jointly Sponsored Pension Models: Adopting a jointly sponsored/jointly governed pension model, as seen in Ontario, can help share the risks between employers and employees. This model ensures a more sustainable pension system while maintaining some level of defined benefits (Durodola & Gbadebo, 2025).

Mandatory Private Pensions: Introducing mandatory private pensions with minimum contributions can enhance retirement security while reducing reliance on public pensions. This approach can help address the inadequacy of current retirement preparations among households.

5.2 Enhancing Governance and Investment Strategies

Improved Governance Structures: Effective governance structures are crucial for enhancing the investment performance and funding status of public pension plans. Implementing best practices in governance can ensure transparency and accountability in pension administration.

Strategic Investment Adjustments: Adjusting investment strategies to improve funding ratios and manage liabilities can help sustain pension plans. A careful balance of risk and return is necessary to ensure long-term viability.

5.3 Leveraging Human Capital for Public Service Performance

Standardized Human Capital Measurement: Implementing standardized human capital performance measurement and reporting can drive improvements in public service efficiency and effectiveness. This involves using common indicators and a balanced scorecard approach to assess and enhance workforce performance (Bennett, 2019).

Flexible Retirement Policies: Promoting flexible retirement options, such as gradual or partial retirement, can help retain experienced workers and maintain a robust tax base. This flexibility can also

accommodate the diverse needs of an aging workforce.

5.4 Broader Perspectives and Considerations

While these recommendations focus on structural reforms and governance improvements, it is essential to consider the broader socio-economic context. Governments play a unique role in eliminating poverty in old age and ensuring equitable retirement benefits across sectors. Additionally, transitioning to new pension models and governance structures requires effective communication and negotiation to address stakeholder concerns and ensure smooth implementation. Balancing these reforms with the need to maintain public service standards and fiscal sustainability remains a complex but necessary endeavor.

The embezzlement of pension funds in Nigeria is a grave issue that undermines the financial security of retirees and erodes public trust in the pension system. In 2024, the Independent Corrupt Practices and Other Related Offences Commission (ICPC) recovered over ₦20 billion linked to pension fraud involving ghost workers, highlighting systemic vulnerabilities in the management of pension funds [.\(thisdaylive.com\)](https://thisdaylive.com), [Peoples Gazette Nigeria](https://www.peoplesgazette.com)

5.5 Systematic Operations of Pension Organizations

Nigeria's pension system operates under the Contributory Pension Scheme (CPS), established by the Pension Reform Act of 2014. Under this scheme, both employers and employees contribute to individual Retirement Savings Accounts (RSAs), which are managed by Pension Fund Administrators (PFAs) and overseen by the National Pension Commission (PenCom). PenCom's role includes regulating and supervising the pension industry to ensure the safety and sustainability of pension assets. [.\(punchng.com\)](https://punchng.com)

PFAs are responsible for investing pension contributions in accordance with guidelines set by PenCom, which emphasize safety, fair returns, and liquidity. These investments are typically in government securities, corporate bonds, and other

low-risk financial instruments. The structure aims to protect contributors' funds and ensure that retirees receive their benefits as and when due.

5.6 Recent Developments: Federal Government's Plan to Utilize Pension Funds

In May 2024, the Federal Government announced plans to access approximately ₦20 trillion from pension funds to finance infrastructural projects across the country. The Minister of Finance and Coordinating Minister of the Economy, Wale Edun, stated that the initiative aims to drive economic growth by investing in sectors such as housing, power, transportation, and technology. (Vanguard News, Peoples Gazette Nigeria)

This proposal has sparked significant concern among stakeholders. Organized labor, including the Nigeria Labour Congress (NLC) and the Trade Union Congress (TUC), has strongly opposed the plan, citing the lack of transparency and potential risks to workers' retirement savings. They emphasized that pension funds are not government assets to be utilized at will and warned against compromising the financial security of retirees. (guardian.ng)

Experts in the pension sector have also raised alarms. They argue that pension funds are not liquid assets readily available for government use and that a significant portion is already invested in government securities. Diverting these funds to infrastructure projects could pose risks to the stability of the pension system and the welfare of retirees. (Vanguard News)

6.0 Recommendations

- 1. Adherence to Legal Frameworks:** The government must strictly comply with the Pension Reform Act and PenCom regulations, which set clear guidelines on the investment of pension funds. Any deviation could undermine the integrity of the pension system and lead to legal challenges. (thisdaylive.com)
- 2. Stakeholder Engagement:** Before making decisions that affect pension funds, the government should engage with all relevant

stakeholders, including labor unions, PFAs, and contributors, to ensure transparency and build consensus.

- 3. Alternative Funding Sources:** The government should explore other avenues for financing infrastructure projects, such as public-private partnerships, foreign direct investment, and infrastructure bonds, which do not compromise pension assets. (guardian.ng)
- 4. Strengthening Oversight Mechanisms:** Enhancing the capacity of regulatory bodies like PenCom and anti-corruption agencies can help prevent the mismanagement and embezzlement of pension funds.
- 5. Public Awareness and Education:** Educating the public about the importance of safeguarding pension funds can foster greater accountability and pressure on policymakers to act responsibly.

7.0 Conclusion

Improving retirement benefits and public service performance requires a strategic balance between financial sustainability, pension security, and workforce efficiency. By transitioning to defined contribution plans, adopting jointly sponsored pension models, and implementing mandatory private pensions, governments can ensure a more resilient and sustainable retirement system. Enhancing governance through improved investment strategies and accountability measures further strengthens pension fund stability.

Additionally, leveraging human capital through standardized performance measurements and flexible retirement policies can enhance public service efficiency while addressing the challenges of an aging workforce. However, these reforms must be implemented within a broader socio-economic framework that prioritizes equity and stakeholder engagement.

Ultimately, the success of these initiatives depends on careful policy design, effective communication, and a commitment to balancing fiscal responsibility with social welfare. A well-structured pension system and a highly efficient public service sector

will not only secure the financial future of retirees but also contribute to the overall economic and social development of the nation.

While addressing Nigeria's infrastructure deficit is crucial, it should not come at the expense of the financial security of retirees. Ensuring the integrity and sustainability of the pension system must remain a top priority. (thisdaylive.com)

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