**IOPS COUNTRY PROFILE: NIGERIA**

**DEMOGRAPHICS AND MACROECONOMICS**

<table>
<thead>
<tr>
<th>Nominal GDP (EUR bn)</th>
<th>314</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP per capita (USD)</td>
<td>1,450</td>
</tr>
<tr>
<td>Population (000s)</td>
<td>193,393</td>
</tr>
<tr>
<td>Labour force (000s)</td>
<td>90,471</td>
</tr>
<tr>
<td>Employment rate (%)</td>
<td>76.87</td>
</tr>
<tr>
<td>Population over 65 (%)</td>
<td>3</td>
</tr>
<tr>
<td>Dependency ratio¹</td>
<td>7</td>
</tr>
</tbody>
</table>

Data from 2016 or latest available year.

1. Ratio of over 65-year-olds the labour force.
2. Source: OECD, various sources.
   - Population Data (NBS National Population Estimates as at 2016)
   - GDP Data (NBS 2017)
   - GDP per capita (USD) (World Bank, 2017)

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**NIGERIA: COUNTRY PENSION DESIGN**

**STRUCTURE OF THE PENSION SYSTEM**

*Private pensions: mandatory*

- The Contributory Pension scheme: (established since 2004) fully funded, individual accounts and privately managed
- The scheme is mandatory for public sector and private sector employing at least 3 persons
- The 2014 Pension Reform Act closed the Legacy Funds (established before 2004) to new employees

*Private pensions: voluntary*

- Participation in the Contributory Pension Scheme is voluntary for self-employed and private sector employing less than 3 persons

Source: OECD Global Pension Statistic.
NIGERIA: THE PENSION SYSTEM’S KEY CHARACTERISTICS

PUBLIC PENSION

Some State (Subnational) Governments operate the public pension schemes, but they are currently reforming the schemes into the private pension in compliance with the Pension Reform Act, 2014 that made Contributory Pension Scheme mandatory for public sector including the Subnational Governments. In addition, Federal Government employees who had retired before July 2007 are receiving their pension benefits under the old public pension arrangement.

PERSONAL MANDATORY

Coverage

Membership in the contributory pension scheme (CPS) is compulsory for all public sector employers (except diplomats) and for those private sector employers with 3 or more employees. Retirement Saving Accounts (RSAs) are set up for all covered employees under the CPS. Some groups of employees are exempted from the contributory pension scheme, for example those who, at the coming into force of the Pension Reform Act 2004 were covered by a different pension scheme, which existed before the commencement of the Pension Reform Act 2004 and who had 3 years or less to retire.

Contributions

Public services employees and private sector employees pay a minimum of 8% of their gross monthly earnings. Employers also pay a minimum contribution of 10% and may pay the full 18% themselves. The gross monthly earnings comprise basic salary, housing allowances and transportation allowances. Voluntary contributions are allowed. Contributions may be revised upwards by agreement between the employer and the employee. The National Pension Commission must be notified of this revision.

Benefits

Upon retirement the member has a choice as to how to receive his retirement benefits:

- programmed monthly or quarterly withdrawals, based on life expectancy;
- annuity for life purchased from a life insurance company (with monthly or quarterly payments);
- a lump sum, provided that the amount left after that lump sum withdrawal is sufficient to permit an annuity or programmed withdrawals of at least 50 per cent of the employee’s annual pre-retirement salary.

In the case of the employee retiring before the age of 50 according to the terms and conditions of his employment contract, the level of the lump sum that he can withdraw is no more than 25% of his retirement savings. The lump sum can only be withdrawn four months after the employee’s retirement and the retired employee cannot in the meantime take up employment again.

All retirement savings account holders who have contributed for 20 years shall be guaranteed a minimum pension as specified by the Government on recommendation from the Pension Commission. Where an employee makes additional or voluntary lump sum contributions into the RSA, he can withdraw part of such money before retirement or attainment of the age of 50 years.
**Taxation**

Contributions to the new pension scheme are tax free. Investment income is taxed. Benefits are exempted from tax. Early withdrawals (withdrawn from voluntary additional contributions) are taxed.

**MARKET INFORMATION**

**Personal mandatory**

Pension funds can only be managed by pension fund administrators who have obtained a licence from the National Pension Commission. The employee is free to choose an administrator. Custodians hold the employees assets and execute transactions for the employee.

**POTENTIAL REFORM**

The Pension Reform Act 2014 was signed into law on July, 2014. This Act repealed and replaced the Pension Reform Act 2004. Major changes are focused on coverage, contribution rates, safety and penalties.

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**REFERENCE INFORMATION**

**KEY LEGISLATION**

The Pension Reform Act 2004 (2004 Act no. 2) introduced the Contributory Pension Scheme


**KEY REGULATORY AND SUPERVISORY AUTHORITIES**

National Pension Commission

[www.pencom.gov.ng](http://www.pencom.gov.ng)