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Effect of Pension Liability Disclosure on the Financial Performance of Pension Fund Administrators (PFAs) in Nigeria

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Abstract* - This study examines the effect of pension liability disclosure on the financial performance of Pension Fund Administrators (PFAs) in Nigeria during the period 2014 to 2024. The study was guided by Agency, Signaling, Stewardship, and Modern Portfolio theories and anchored on a null hypothesis concerning pension liability disclosure and financial performance. An ex post facto research design was employed, utilizing secondary panel data obtained from audited annual reports of PFAs and PenCom publications. Pension liability disclosure (PLDIS) served as the independent variable, Return on Assets (ROA) as the dependent variable, while interest rate was used as a control variable. Fixed-effects regression analysis was conducted. The findings reveal that pension liability disclosure has a significant effect on PFAs ROA. The study concludes that transparent and adequate disclosure of pension liabilities strengthens accountability, investor confidence, and regulatory compliance, thereby improving financial performance.

Key Word: Pension Liability, Disclosure, Financial Performance, Pension Fund Administrators, Nigeria

I. BACKGROUND OF THE STUDY

Pension liability disclosure plays a critical role in ensuring transparency, accountability, and trust within pension systems. For Pension Fund Administrators (PFAs), clear reporting of contributors' balances, employer matching obligations, penalties on delayed remittances, and fund management activities provides stakeholders with reliable information on compliance strength and financial discipline (PenCom, 2024). Effective disclosure reduces information asymmetry, strengthens governance, and ultimately enhances financial performance (Ogachi & Mugo, 2021).

Empirical evidence indicates that improved disclosure enhances accountability, encourages regulatory compliance, and supports effective asset–liability management, leading to better financial outcomes (Odo & Abiola, 2020). However, in Nigeria, gaps persist in pension liability reporting, particularly regarding delayed remittances and incomplete recognition of accrued obligations and penalty charges. These deficiencies weaken the credibility of pension financial statements and erode stakeholder confidence (Agyemang & Nyarko-Baasi, 2022). Strengthening disclosure practices is therefore essential for improving operational efficiency, enhancing Return on Assets (ROA), and reinforcing contributors' trust in the pension industry (Alade, 2022).

Globally, pension reporting is guided by international standards such as IAS 19 and IPSAS 25, which emphasize proper recognition, measurement, and disclosure of pension obligations to ensure transparency, comparability, and faithful representation of financial position (IFRS Foundation, 2011; IFAC, 2008). While these standards are largely designed for Defined Benefit (DB) schemes, their principles remain relevant to Nigeria's Defined Contribution (DC) pension system.

In Nigeria, pension liability valuation typically comprises accrued but unpaid contributors' remittances, outstanding employer matching obligations, and statutory penalties on delayed remittances (PenCom, 2024). Although these liabilities differ from the long-term actuarial obligations of DB schemes, they represent material short-term obligations that affect the financial position and performance of PFAs. Accurate valuation enhances fair presentation of financial statements and strengthens the link between pension liability recognition and financial performance (Okoye, Ezejiofor, & Nwankwo, 2021; KPMG, 2025).
Persistent challenges such as delayed remittances, weak enforcement, and under-reporting of accrued obligations continue to undermine the credibility and financial soundness of Nigeria's pension system.

International best practices emphasize that actuarial oversight and transparent reporting, even within DC schemes, promote accountability, intergenerational equity, and sustainable pension financing (PBGC, 2023).

Pension liability disclosure complements valuation by ensuring that stakeholders receive timely, reliable, and comparable information. PenCom mandates uniform disclosure requirements, including contributors' balances, Net Asset Value (NAV), investment returns, benefit payments, and administrative charges (PenCom, 2024). These disclosure practices enhance transparency and facilitate effective regulatory oversight.

Financial performance reflects how efficiently PFAs manage pension assets to protect contributors' interests and sustain operations. In the Nigerian pension industry, Return on Assets (ROA) is an appropriate indicator of financial performance, as it captures how effectively PFAs utilize managed assets to generate earnings (Alade, 2022). Empirical studies consistently show that strong governance and transparent reporting practices are positively associated with improved financial performance (Odo & Abiola, 2020).

This study is therefore justified on the grounds that pension liability disclosure are not merely regulatory requirements but key drivers of financial sustainability and accountability. By examining the effects of pension liability valuation and disclosure on the financial performance of PFAs in Nigeria, the study contributes empirical evidence relevant to regulators, policymakers, pension fund managers, and academics.

1.2 Statement of the Problem

Although PenCom mandates minimum disclosure requirements, pension liability reporting among PFAs remains largely aggregated and insufficiently detailed to allow stakeholders evaluate true financial positions (PenCom, 2022; Alade, 2022). Key elements such as accrued arrears and penalty charges are frequently under-disclosed, creating information asymmetry and limiting regulators' oversight capabilities (Agyemang & Nyarko-Baasi, 2022; Ogachi & Mugo, 2021). The inconsistency in liability disclosure practices undermines confidence in PFAs' reported performance and can erode contributor trust, which is essential for pension market expansion. Despite empirical evidence suggesting that enhanced disclosure improves governance and operational outcomes (Odo & Abiola, 2020), there is limited research linking pension liability disclosure directly to PFAs' financial performance in Nigeria. This study therefore investigates whether better disclosure quality leads to measurable improvements in performance.

1.3 Objectives of the Study

The main objective of this study is to examine the effect of pension liability disclosure on the financial performance of PFAs in Nigeria.

1.4 Research Questions

How does pension liability disclosure influence the financial performance of PFAs in Nigeria?

1.5 Research Hypotheses

H01: Pension liability disclosure has no significant effect on the financial performance of PFAs in Nigeria.

II. CONCEPTUAL AND EMPIRICAL REVIEW

Pension Liabilities Disclosure

Pension liability disclosure is defined as the transparent communication of pension obligations, contributors' balances, accrued employer arrears, and penalties, through financial statements and regulatory templates (PenCom, 2022; 2023). IASB (2021) and IPSASB (2019) emphasize disclosures that reveal underlying assumptions, funding adequacy, and the sustainability of obligations.

Scholars view disclosure as a governance mechanism that enhances transparency and reduces information asymmetry (Agyemang & Nyarko-Baasi, 2022). Robust disclosures improve stakeholder trust and operational credibility, reducing volatility in pension withdrawals (Ezeani & Nweke, 2023). Further evidence shows that PFAs with stronger disclosure practices report improved ROA performance due to enhanced contributor confidence and market discipline (Okoli & Adebayo, 2023).

Pension liability disclosure (PLDIS) refers to the process of presenting pension-related obligations and assumptions in financial reports and regulatory submissions in a manner that enhances transparency, comparability, and accountability. According to the International Accounting Standards Board (IASB,

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2021), disclosure ensures that users of financial statements understand the nature, risks, and assumptions underlying pension obligations. The International Public Sector Accounting Standards Board (IPSASB, 2019) similarly emphasises that disclosures should provide sufficient detail to enable stakeholders to assess funding adequacy and the financial sustainability of pension entities. The Organisation for Economic Co-operation and Development (OECD, 2021) stresses that comprehensive disclosure is central to good governance in pension systems, reducing information asymmetry between fund managers, regulators, and contributors.

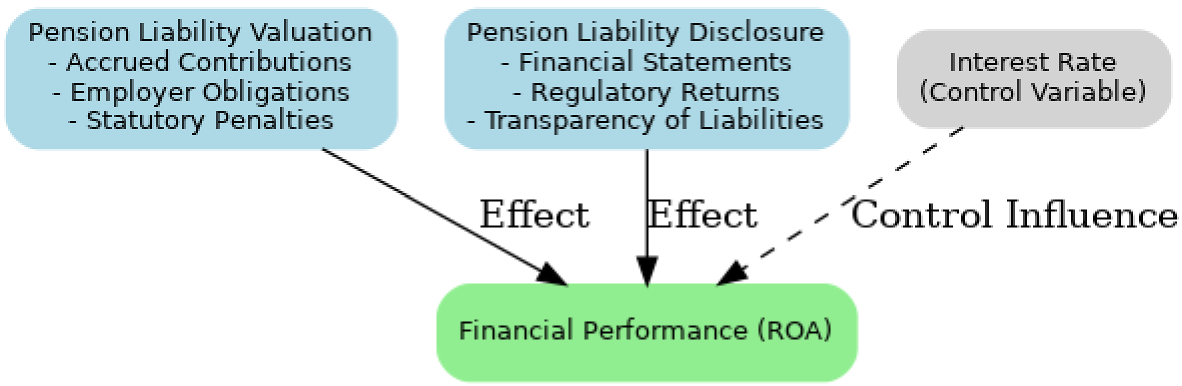
From the perspective of this study, pension liability disclosure (PLDIS) captures the transparency with which PFAs communicate the status of contributors' obligations and the recognition of accrued liabilities. Disclosure quality is not limited to compliance with reporting templates but also includes the clarity, timeliness, and comprehensiveness of information provided. Okoli and Adebayo (2023) show that PFAs with richer liability disclosures experience measurable improvements in financial performance, while Ezeani and Nweke (2023) find that detailed disclosure of penalties and arrears reduces fund outflow volatility and enhances contributors' trust.
Therefore, in this study, PLDIS is conceptualised as an independent construct alongside pension liability valuation. It reflects the extent to which PFAs openly report on accrued obligations, arrears, and penalties, and how such disclosure practices influence their financial performance (measured by ROA). High-quality disclosure reduces information asymmetry, strengthens accountability, and contributes to the sustainability of Nigeria's DC pension system.

Financial Performance

Financial performance refers to the ability of an enterprise to generate returns from its resources and to sustain operations over time (Adeniran & Soyemi, 2023). In the pension industry, financial performance has a dual character: it reflects (a) the operational efficiency and profitability of the pension operator (so it can remain solvent and meet operating costs), and (b) the effectiveness of fund management in protecting contributors' savings (so that contributors receive expected retirement benefits). For Pension Fund Administrators (PFAs), good financial performance thus signals both sound institutional health and prudent stewardship of contributors' funds (Alade, 2022; Nuhu, 2023).

Empirical research commonly uses ratio measures to capture performance because they standardise results across firms of different sizes and capital structures (Agyemang & Nyarko-Baasi, 2022). Among available ratios (ROE, ROA, profit margin, etc.),

Figure 2.1: Conceptual Framework for the Study



This framework presents the hypothesized relationship between pension liabilities reporting and the financial performance of pension fund administrators (PFAs) in Nigeria. Pension liabilities reporting is captured through two dimensions: pension liabilities valuation (PLVAL) and pension liabilities disclosure (PLDIS), which serve as the independent variables. The dependent variable is financial performance, proxied by return on assets (ROA). The control variable, interest rate, is included to account for macroeconomic conditions that directly influence liability valuation and investment returns. The framework therefore assumes that accurate valuation and transparent disclosure of pension liabilities improve PFAs financial performance, while recognizing that interest rate fluctuations can moderate this relationship.

2.2 Empirical Review

2.2.1 Nigerian reviews
Ibrahim & Aliyu (2023) assessed operational efficiency and technological adoption in PFAs. Found that PFAs using automated reporting systems and transparent data-driven processes achieved stronger ROA and liquidity. This indirectly supports the argument that better disclosure practices enhance financial performance.

Adegbite & Oluwole (2022) examined corporate governance and performance of PFAs. Found that PFAs with stronger governance structures had higher ROA. Since governance is closely tied to reporting quality and disclosure discipline, this finding reinforces the importance of disclosure in shaping performance.

Ugwoke & Okoye (2023) compared PFAs based on strategic fund management and compliance with PenCom investment guidelines. PFAs with strong regulatory compliance, including better reporting practices, outperformed others. Suggests that transparent disclosure and adherence to reporting standards improve financial outcomes.

Ajayi & Aluko (2025) found that digital actuarial platforms improved the consistency and reliability of liability reporting. Suggests that higher-quality disclosure enhances performance.

Olowokudejo et al. (2023) criticized PFAs' reliance on simplistic binary disclosures (disclosed vs. undisclosed). Argued that low-quality disclosure hides critical valuation detail, affecting performance insights. Implies that better disclosure practices correlate with improved ROA.

Adebanjo & Ishola (2024) identified valuation error margins partly driven by incomplete or low-quality disclosure. Poor disclosure contributes to ROA volatility.

Agbaje & Esan (2023) found that many PFAs do not disclose stress-testing outcomes—a gap in reporting transparency. Suggests that weak disclosure culture limits risk visibility.

Tukur & Balogun (2024) showed that PFAs rarely disclose sensitivity analyses, leading to distorted solvency reporting. Highlights how opaque reporting affects performance interpretation.

Ezeani and Nweke (2023) found that detailed liability disclosures, including sensitivity tables and reconciliations, boosted ROA by 0.35% and lowered contributor churn. Their results show that disclosure quality enhances both stability and financial outcomes.

Okoli and Adebayo (2023) established a positive relationship between compliance with PenCom disclosure mandates and ROA. Their results suggest that transparent liability reporting enhances financial performance, though measurement relied heavily on regulatory checklists.

Hassan and Olamide (2024) reported that transparent liability reporting reduced ROA volatility, reinforcing the role of disclosure in financial resilience.

Balogun and Odetola (2024) found that high-quality liability disclosures reduced regulatory sanctions by 30%, suggesting that good disclosure indirectly supports better financial performance through reduced compliance costs.

Musa and Gambo (2023) showed that detailed actuarial notes improved contributor trust. Though the study did not link trust to ROA, it supports the behavioural mechanism through which strong disclosures affect performance.

Ibrahim and Dauda (2025) found that richer narrative disclosures were associated with higher ROA (0.4 percentage point increase), linking disclosure depth to financial performance, though the study relied solely on annual report data.

AZ Research Consult (2022) observed that inadequate liability disclosures reduce transparency and investor confidence, harming financial performance. PFAs with more comprehensive disclosure frameworks attracted more contributors and operated more efficiently.

Udeh and Ogunlana (2024) found that PFAs practicing integrated reporting (financial + actuarial disclosures) saw improved asset growth (1.2%) and reduced withdrawals, highlighting the performance benefits of holistic disclosure.

Bello and Adekunle (2023) demonstrated that integrated actuarial-financial disclosures helped PFAs experience smaller ROA declines during interest-rate tightening, supporting the stabilizing effect of strong disclosure practices.

Oyelade and Chinonso (2023) reported that PFAs who disclosed their funding ratios experienced a 5% increase in RSA subscriber growth, reflecting the trust and performance link even though financial returns were not directly measured.

Adeyemi and Efe (2024) showed that pensioners place high value on transparent liability notes, enhancing trust and long-term engagement—important behavioural predictors of PFA financial stability.

Olayemi and Ogunlade (2022) and Adediran and Akinyomi (2021) found that IFRS and IPSAS adoption improved liability disclosure quality, enhancing decision usefulness and improving financial reporting consistency, which indirectly supports stronger PFA performance.

Nwafor & Ishaya (2025) showed PFAs with harmonised disclosure practices had 40% fewer financial restatements. Indicates disclosure improves reporting quality and reliability.

Olowokudejo et al. (2021) found that inadequate liability disclosure significantly reduces ROA. Strong evidence that transparency improves financial outcomes.

Bello & Adekunle (2023) integrated actuarial–financial disclosure reduced ROA contraction during interest rate tightening. Quality disclosure stabilises performance.

Udeh & Ogunlana (2024) integrated reporting enhanced asset growth by 1.2% and reduced redemptions. Suggests disclosure improves stakeholder behaviour and financial metrics.

Ibrahim & Okoli (2023) valuation accuracy and disclosure integrity together explained 60% of ROA variation in PFAs. Direct evidence of the importance of disclosure for performance.

Chukwuma & Etuk (2025) found that strong disclosures protected PFAs during downturns, reducing negative shocks to ROA. Disclosure supports resilience.

Bello & Lawal (2023) found that transparent liability reporting increased ROA by 0.2 points and improved public ratings.

AZ Research Consult (2022) in a case study showed that weak liability disclosure reduces transparency, undermines financial performance, and reduces contributor trust.

Nwanna (2024) argued that underreporting and weak disclosure practices reduce profitability and generate long-term liabilities. Reinforces disclosure-performance connection.

Adeyemi & Efe (2024) showed that disclosure clarity aids stakeholders' decision-making. Indirect support that better disclosure enhances stability.

2.2.2 Empirical Review (Non-Nigerian Perspectives)

Kpodo & Amegashie (2020) showed that strategic liability management increases fund visibility, linking disclosure transparency to financial outcomes.

Bowers & Webb (2022) found that LDI implementation depends on transparent liability information.
Suggests that disclosure improves PFAs' ability to manage risks, thereby enhancing ROA.

Martin & Zhao (2023) highlighted the role of regulatory mandates and transparency in strengthening resilience. Supports testing disclosure effects on Nigerian PFAs.

González & Rivera (2023) showed that disclosure and oversight reforms increase trust and performance in Chile. Relevant for assessing disclosure-ROA effects in Nigeria.

Accounting Insights (2025) & FGFOA (2025) showed how enhanced liability disclosure changes reported fiscal indicators. Demonstrate the importance of disclosure for understanding financial performance.

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Anantharaman et al. (2025) & Bauer et al. (2024/2025) provided evidence that sustainability and liability disclosure improves behaviour and portfolio choices. Also highlight situations where disclosure alone is insufficient, important for evaluating its direct effect on ROA.

Konradt (2023) & Broeders et al. (2019, 2021) showed how poor reporting and low transparency can push funds into excessive yield-seeking. Indicating that better disclosure may reduce risky behaviour and improve performance.

Kronlund et al. (2021) & Badoer et al. (2020) provided causal evidence that mandated disclosure reduces costs and improves returns. Supports testing whether liability disclosure (not just fee disclosure) improves ROA in Nigeria.

World Bank (2021) & African Development Bank (2022) identified weak disclosure as a major constraint to pension fund performance in Africa. Empirically justifies examining the disclosure–performance relationship.

Regional African studies (2019–2023) showed how improved disclosure increases contributor trust and market participation. Relevant to assessing its effect on ROA in Nigeria.

III. METHODOLOGY

The study employs an ex post facto longitudinal panel research design to investigate the causal relationship between pension liabilities reporting and the financial performance of Pension Fund Administrators (PFAs) in Nigeria from 2014 to 2024. The ex post facto design is appropriate because the study relies entirely on historical financial and actuarial data that cannot be manipulated by the researcher

The population comprises all nineteen (19) licensed PFAs operating in Nigeria as at 31 December 2024. These PFAs operate under the Contributory Pension Scheme (CPS) and are regulated by the National Pension Commission (PenCom).

A census sampling technique is adopted due to the small population size and the need for full industry coverage. All 19 PFAs are included, subject to data availability and completeness. Only PFAs with sufficient audited financial statements, actuarial disclosures, and complete performance indicators across the 11-year period are used in the panel analysis.

This approach removes selection bias, strengthens statistical validity, and ensures the findings are fully representative of the Nigerian pension industry.

The study relies solely on secondary data, which aligns with the ex post facto and longitudinal nature of the research. Data are obtained from:

i) PFAs' audited financial statements (2014–2024)

ii) PenCom annual and quarterly reports

iii) Actuarial valuation reports compliant with IAS 19

iv) CBN statistical bulletins for macroeconomic variables

v) NBS, FRCN, and IFRS guidelines for regulatory and technical references

Secondary data ensures objectivity, regulatory credibility, and comparability over time.

3.5 Measurement of Variables

Dependent Variable: Financial Performance (ROA)

ROA is used to measure financial performance, computed as:

ROA = Profit After Tax / Total Assets

Independent Variables

1. Pension Liabilities Valuation (PLVAL)

Measured as the ratio of total valued pension liabilities to total assets, reflecting the liability burden relative to asset base.

2. Pension Liabilities Disclosure (PLDIS)

Measured using a disclosure index developed from IAS 19 and PenCom guidelines.

PLDIS = (Number of Items Disclosed / Total Expected Items) × 100

Control Variable

Interest Rate (INT), proxied by the Monetary Policy Rate (MPR), reflecting its influence on actuarial discounting and performance outcomes.

3.6 Model Specification

To capture persistence in financial performance and the interaction between pension liability reporting dimensions, a dynamic panel regression model is specified:

$$ROA_{it}=\alpha+\rho ROA_{it-1}+\beta_1 PLVAL_{it}+\beta_2 PLDIS_{it}+\beta_3(PLVAL_{it}\times PLDIS_{it})+\gamma INT_t+\mu_i+\epsilon_{it} \quad \text{…(3.1)}$$

Where:

ROA_{it} = Return on Assets of PFA *i* at year *t*.

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$ROA_{i,t-1}$ = lagged ROA (captures persistence).
$PLVAL_{it}$ = pension liabilities valuation.
$PLDIS_{it}$ = pension liabilities disclosure index.
$PLVAL_{it} \times PLDIS_{it}$ = interaction term testing the joint effect.
INT_t = interest rate (control).
μ_i = PFA-specific effects.
ϵ_{it} = idiosyncratic error term.

IV. DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

The study analysed panel data from 19 Pension Fund Administrators (PFAs) in Nigeria over 11 years (209 firm-year observations). Financial performance was proxied by Return on Assets (ROA), while pension liability reporting was captured through Pension Liability Valuation (PLVAL), Pension Liability Disclosure (PLDIS), with Interest Rate (INTR) as a control and moderating variable.

Descriptive statistics
PFAs recorded a positive average ROA of 3.4%, indicating overall profitability during the study period.
Pension liability disclosure (mean = 0.71) and valuation (mean = 0.84) suggest moderate-to-high compliance with actuarial valuation standards and PENCOM/IAS disclosure requirements.
Interest rates exhibited high volatility, reflecting Nigeria's macroeconomic environment and its relevance to pension fund performance.
Correlation analysis showed that PLVAL and PLDIS are positively related to ROA, with no evidence of multicollinearity among the explanatory variables.
Stationarity tests (LLC) confirmed that all variables were stationary at level [I(0)], validating their suitability for panel regression analysis.
Cross-sectional dependence tests indicated no interdependence among PFAs, justifying the use of POLS, Fixed Effects (FE), and Random Effects (RE) estimators.
Econometric Analysis and Key Results
Regression results from POLS, FE, and RE models consistently showed that:
Pension liability valuation (PLVAL) has a positive and statistically significant effect on ROA.
Pension liability disclosure (PLDIS) also exerts a positive and significant influence on ROA.
Interest rate (INTR) positively affects financial performance and moderates the relationship between liability reporting and ROA.
The interaction term (PLVAL × PLDIS) is positive and significant, indicating a causal and reinforcing effect of valuation and disclosure on performance.
Model diagnostics (Hausman test) confirmed that the Fixed Effects Model is the most efficient estimator, explaining about 69% of the variation in ROA.

Discussion of Findings
Findings indicate that high-quality pension liability disclosure positively affects ROA. Transparent disclosure strengthens stakeholder confidence, enhances regulatory compliance, and signals managerial competence. This result aligns with Signaling Theory, Stakeholder Theory, and Legitimacy Theory, emphasizing transparency as both a compliance tool and a performance-enhancing strategy.

V. SUMMARY, CONCLUSION AND POLICY RECOMMENDATION

The results revealed that pension liability disclosure has a positive and significant effect on PFAs financial performance. Improved disclosure quality enhances transparency, strengthens stakeholder confidence, and reinforces regulatory and social legitimacy. The findings confirm that disclosure functions not merely as a regulatory obligation but also as a strategic mechanism that improves credibility and institutional performance

Conclusion
Based on the empirical evidence, the study concludes that:
1. Pension liability reporting is a strategic driver of PFAs financial performance, rather than a mere statutory or accounting exercise.
2. Pension liability valuation enhances accountability and reduces agency conflicts, but may negatively affect profitability if liabilities are high and not matched with appropriate investment strategies.
3. Pension liability disclosure strengthens credibility, stakeholder trust, and institutional legitimacy, leading to improved financial performance.
4. The combined effect of valuation and disclosure is stronger than their individual effects, underscoring the importance of integrated pension liability reporting.

Interest rates significantly condition the financial implications of liability reporting, confirming the relevance of discounting principles in pension fund management

Recommendations

Recommendations for Pension Fund Administrators (PFAs)

1. Strengthen Pension Liability Valuation Practices

PFAs should adopt robust actuarial models and risk-based asset–liability management techniques to ensure accurate valuation of pension obligations without unduly eroding profitability.

2. Improve Pension Liability Disclosure Quality

PFAs should enhance the clarity, depth, and consistency of liability disclosures in line with IAS 19 and PenCom guidelines, particularly regarding assumptions, valuation methods, and sensitivity analyses.

3. Integrate Valuation and Disclosure Processes

Valuation and disclosure should be treated as complementary reporting tools that jointly enhance credibility, transparency, and stakeholder confidence.

Recommendations for Regulators (PenCom and CBN)

1. Strengthen Oversight of Valuation Standards

Regulators should enforce uniform actuarial standards and closely monitor valuation methodologies to prevent manipulation or understatement of pension liabilities.

2. Enhance Disclosure Frameworks

PenCom should mandate standardized disclosure templates to improve comparability and transparency across PFAs.

3. Incorporate Macroeconomic Sensitivity

Regulators should acknowledge the impact of interest rate volatility on liability valuation and consider issuing official discount rate benchmarks to ensure consistency across the industry.

Recommendations for Contributors and Retirees

1. Demand Greater Transparency

Contributors and retirees should actively seek detailed and comprehensible pension liability disclosures to enhance accountability.

2. Promote Financial Literacy

Improved understanding of pension liability reporting will enable contributors to better assess the sustainability and performance of their pension funds.

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