

# Effects of Management of Retirees' Benefit in Lagos State: A Study of Lagos State Pension Commission

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## ABSTRACT

*This study examined effects of management of retirees' benefit in Lagos State government. The contributory pension system has significantly fascinated greater attention of policy makers, entrepreneurs, multinational organizations, educational institutions and self-employed following the adoption of the scheme in Nigeria economy. It serves as a form of financial welfare in the provision of a minimal level of well-being and social support for citizens and other eligible residents who lack sufficient current means to support their basic needs. Survey research design was adopted for this study. The population of the study covered retirees' that attended verification / "I am alive" exercise at Lagos State pensioners centre on quarterly basis. 194 was the sample size for the study and questionnaires were proportionately distributed to selected respondent, using convenient sampling technique. Out of the total number of the copies of the questionnaires administered, 126 copies of questionnaire were filled and retrieved representing 64.94% and were used to analyse data. Analysis was conducted through correlation with the aid of SPSS. The findings revealed that there is a positive correlation between redemption bond fund and retirees' well-being. In addition, moderate positive correlation on rate of lump-sum and retired employees' safety-net was perceived. The study recommended that redemption bond fund deductions should be adequately monitored towards proper payment of the accrued rights of retirees in active service before the commencement of the contributory pension scheme to avoid paucity of funds in the payment of social security funds. Also, hypothetical pension which was not calculable should be shelved for retirees' benefit that is easily accessed in the defined contributory pension.*

*Keywords:* accrued right, actuarial valuation, actuary, lump-sum and redemption bond fund

## INTRODUCTION

The new contributory pension system (CPS) and its administration have become stirring phenomena around the global environment where its activities are dynamic and volatile (Ameh, Ajie & Duhu, 2017). It has significantly fascinated greater attention of policy makers, business enterprises, multinational organizations, educational institutions and self-employed workers following the adoption of scheme in the Nigeria economic system. In this modern techno-

logical period, pension system in any social formation has always remained a form of social security, safety nets and an instrument for enhancing livelihood in a society by ensuring that workers enjoy an appreciable level of welfare after retirement or exit from active service (Ifeanyinchukwu, Okafor & Omeh, 2018). Pension system generally is group into two expanses; defined benefit and defined contribution. The defined benefit promised retirement pension pay-out on number of years of service and it is referred as “pay as you go” while the defined contribution elicits contributions from employers and employees’ emoluments (Kotun, 2023; LASPEC 2024).

The advent of pension scheme in Nigeria was attributed to the epoch of colonial administration, when first public sector pension scheme was established under pension ordinance (Sunday & Ehiogu, 2014; Uzoh & Anekwe, 2018). Odia and Okoye (2012); Nwanne (2015) revealed that short-fall of previous pension schemes arose as a result of misappropriation of funds earmarked for such purpose, lack of adequate benefit for retirees and inadequate funding amongst others, brought about the new contributory pension scheme to address the manifested loopholes in the old defined pension systems. Amien and Abusomwan (2020) stated that pension is a post-employment benefit as well as financial welfare package and a form of social security that caters for certain class of citizens of a nation who have offered productive part of their lives in paid employment either in public or private institutions. Contributory pension scheme is a fully funded pension scheme that generates adequate funds through certain percentage of contribution from monthly earnings of both employer and employee through a form of savings (Kotun, Adeoye & Alaka, 2016). It is the amount of money set aside by either employee or employer, or both to ensure that at retirement, there is something tangible to fall back on as stipend by the retiree. On the part of employee, pension is the right and privilege to present and future benefits. The present benefits entail some current earnings and the future benefits entail deferred earnings often referred to as pension (Pension Watch, 2019).

Retirement is an inevitable stage where employees statutorily withdraw from active service in a given organization. (Adeniji, Akinnusi, Falola and Ohunakin (2017) pointed out that retirement ensues when an employee chooses to leave an employment permanently and this could occur voluntarily, involuntary or at death. It is a period in time, effort and role of a paid worker in the organization ceased and generally coincide with eligibility to retirement benefits. Retirement benefit is a stipend extends to a retired employee due to length of years spent to serve an establishment diligently (Bassey & Asinya, 2008). It is imperative to note that establishment of contributory pension scheme across all sectors in Nigeria to cater for retired employees’ financial welfare is expected to be generally acknowledged as a result of investigation and research conducted in the dealings, processing and administration of the scheme. It would be more appreciable to note that pension Act, 2004, 2014 at Federal government level and pension reform Law 2007 and 2019 of Lagos State became rights of the qualified employees’ as provided in the Nigeria 1999 Constitution, section 210(1) and (2).

.”The right of a person in the public service of a state to receive pension or gratuity shall be

regulated by law. Any benefit to which a person is entitled in accordance with or under such law as is referred to in subsection (1) of this section shall not be withheld or altered to his disadvantages except to such extent as it permissible under any law, including the code of conduct.”

The contributory pension reform Act serves as a multi-pillar pension scheme copied from Chilean Pension System to allow Nigeria provide long-term capital to develop the financial market and improve economic growth; solve the problem of growing pension arrears and unfunded entitlements (Smart, 2015). Enactment of contributory pension in Lagos State in the year 2007 encompasses all its pensionable employees’ across sectors of the state such as Public Service, Local Government Council workers, wage earners of parastatals and institutions established by the State Government. The law enforced the scheme to commence on 1st April, 2007 after due diligence in preparation of accrued rights, redemption bond fund accounts and group life policy for benefits of what had been worked upon by the entire employees through appointed Actuary in compliance with the State Pension Commission directives (LASPR Law, 2019). Therefore, the rationale behind this study is to examine effects of management of retirees’ benefit under contributory pension scheme in Lagos State.

Nigeria had operated particularly in the public sector a defined benefit pension scheme (Pay-as-you-go) which was largely non-contributory and final entitlement for retirees was based on length of service and terminal emoluments (Odia and Okoye, 2012; Nwanne, 2015). Payment of pension then was solely funded by government through budgetary allocation without any recourse. The scheme was marred by many problems, while government could no longer cope with the payment of pension and gratuities of workers as there was non-availability of records; uncoordinated administration and inadequate funding; outright fraud and irregularities; diversion of allocated funds; and presence of ineligible pensioners on the pensions payroll (Ahmed, 2006; Njugana, 2010 & Nwanne, 2015). This necessitated the introduction of contributory pension reform Act 2004, 2014 and Lagos State Pension Reform Law, 2007 and 2019 respectively to cater for retirees’ welfare after retirement using modern technology.

Amien and Abusomwan (2020) asserted that pension is a post-employment benefit as well as form of social security that caters for certain class of citizens of a nation who have offered productive part of their lives in paid employment in public and private institutions. PENCOR (2023) indicated that pension fund assets have grown from Six Billion Naira (N6 Trillion) in the year 2018 to Eighteen Trillion, Thirty-Six Trillion Naira (N18.36 Trillion) in the year 2023. This shows that pension funds add value to the Nigeria economy through accumulation of savings and reduction old age poverty amongst others. Many years after enactment of contributory pension scheme in Nigeria, several comments on commitment towards payment of retirement benefits to retirees of Lagos State government as and when due with the use of modern technology was overheard in columns and documentaries. Authentication of the above points have however, led the researcher to focus on the study. Thus, the need for the research on the effects of management of retirees’ benefit in Lagos State government.

The main objective of the study is to examine effects of management of retirees of Lagos State government benefit. The specific objectives of the study are to:

- Examine the relationship between redemption bond fund and retirees' well-being
- Evaluate the relationship between lump-sum payment and retirees' safety-net

### **RESEARCH QUESTIONS**

In an attempt to achieve the set objectives of the study, the following research questions were formulated.

- Is there any significant relationship between redemption bond fund and retirees' well-being?
- Is there relationship between lump-sum payment and retirees' safety-net

### **RESEARCH HYPOTHESES**

To provide answers to relevant questions highlighted above, the following hypotheses were formulated. They are however stated in Null hypotheses form (Ho).

- Redemption bond fund has no significant relationship with retirees' well-being
- Lump-sum payment has no significant relationship with retirees' safety-net

The study focused on the effects of management of Lagos State government retirees' benefit. The scope of the study is limited to retirees' that attended verification/ "I am alive." meetings usually organized by different Pension Fund Administrators registered with Lagos State Pension Commission (LASPEC) to check on retirees' who hold up with their PFAs on pension payments. Lagos State government retirees were purposively chosen as a focus owing to acclaimed compliance with the contributory pension scheme directives, prompt payment of pension benefit and other welfare packages by Lagos State government and availability of the retirees at a location created for meeting of State government retired workers.

Akhiojemi, Ifeancha and Abu (2018) defined welfare as the provision of a minimal level of welfare, well-being and social support for citizens and other eligible residents who lack sufficient current means to support their basic needs. Nwagu (2014), in his study titled "Transparency and Accountability as Security Mechanism in the Management of the New Contributory Pension Scheme in Nigeria." highlighted some of the factors that led to the failure of the defined benefit scheme in relation to welfare of retirees'. Such factors include insecurity of funds, lack of regulatory and supervisory agency, weak administration, corruption, mismanagement of pension funds, insufficient budgetary allocations amongst others that culminated in huge unsettled pension bills. In this study, indication of well-being include the level of how accountable Pension Fund Managers are

to their clients. In a manner whereby payment of their accrued rights, lump-sum and pensions are given adequate priority. Issuance of retirees' statement of accounts considered appropriately and how accessible is preferred PFA by ensuring that retirees get necessary information needed before and after retirement. This include ease conduction of verification exercise on retirees' status. The issue of transparency has to do with way of informing retirees as to how their monies are invested and the level of returns on the investment is important to the well-being of retirees (Alabadan, 2011). Moreover, enforcement of the provisions of the Pension Reform Act 2014 and LSPR Law, 2019 for defaulting Pension Fund Administrators will enhance the welfare of retirees.

Pension is a regularly paid stipend to a retired employee of a particular establishment. Ameh et al (2017) defined pension as a method where person pays remitted into pension scheme a proportion of his earnings during working life. Njugana (2010): Omoni (2013) stated that pension management is a retirement plan that requires employer contributions to a pool of funds set aside for future benefit, managed by Pension Fund Administrator (PFA). Pension Fund Custodian (PFCs) invest the pool of funds on employees' behalf, and the earnings on investments generate income to the worker upon retirement. Pension management may be contributory and non-contributory; fixed or variable benefits; group or individual insured or trustee; private or public and single or multiple employer (Ilesanmi, 2006).

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Amien and Abusomwan (2020) asserted that pension is a post-employment benefit as well as a form of social security that caters for certain class of citizens of a nation who have offered productive part of their lives in paid employment in public and private institutions. PENCOR (2023) report indicates that pension fund assets have grown from Six Billion Naira (N6 Trillion) in the year 2018 to Eighteen Trillion, Thirty-Six Trillion Naira (N18.36 Trillion) in the year 2023. This shows that pension funds add value to the Nigeria economy through direct contributions to GDP, accumulation of savings and reducing old age poverty y amongst others. Therefore, the new contributory pension is expected to replenish retirees' lost welfare and-safety net from the old scheme.

Nonetheless, years after establishment of the new contributory pension scheme, Lagos State government commented on its commitment towards payment of retirement benefits to its retirees' as and when due. The payment was enhanced through modern technology to address the manifested loopholes in the old defined benefit pension scheme and provide adequate resources

to retirees' in terms of their welfare, guided by the key principles of sustainability, accountability, equity, flexibility and practicability.

Contributory pension is a fund into which sum of money is added during employment years and from which payments are drawn to support the person's retirement from work (Kotun, 2022). Contributory pension is the amount of money set aside by employer or employee or both to ensure that at retirement there is something to fall back on as income (Fapohunda, 2013). Sule and Ezugwu (2009); Egbe (2013) mentioned that it is a system in which an employer pays certain amount of money regularly into a pension fund while the employee also pays some money into the same pension fund which translates to aggregate of what the employee gets at the time of retirement as benefit. Either the employee has worked in the public or private sector; it serves as a social welfare scheme for the aged and ensures workers save to cater for their livelihood at old age.

Okparaka (2018) asserted that contributory pension scheme is the form of pension in which employer and employee make regular contributions into the employee's retirement saving account (RSA). The contributions are specified as a predetermined fraction of salary that consists of basic salary, rent and transport allowances. Although, the fraction need not be constant over the course of career (as salary and other allowances changes so the monthly contributions). Contributions from both parties are tax-deductible, and investment incomes accrue tax-free (Enache, Milos & Milos, 2015; Kotun, 2022).

Ezugwu and Itodo (2014) opined that at retirement, after payment of lump-sum, the employee either receives programmed withdrawal or annuity, the size of which depends upon the accumulated value of the funds in the retirement account. Programmed withdrawal is the retirement benefit method which retiree collects retirement benefits in periodic sums either monthly or quarterly throughout the length of an estimated life span while annuity is an insurance product that entails contractual agreement between retiree and appointed service provider (LASPR Law, 2019). The employee therefore, bears all the investment risk; the retirement account is by definition fully funded and the firm has no obligation beyond making it periodic contribution. LASPEC (2019), acclaimed that the scheme is a paradigm shift from defined pension, the employer and employee alike are to contribute 10%; 8% of employee's monthly emolument. The scheme also covers the private sector with five or more employees. In the event of loss of a particular employment, and was not able to engaged with another within the time frame, the waiting period for accessing benefits in the RSA is four (4) months (PRA, 2014; LASPR Law, 2019). Often, employee is given a choice of investment on his RSA contributions but in practice, most investment options are on bond, stock and money market funds and return on investment are shared. Under the new act, operators who mismanage pension funds will be liable, upon conviction; to not less than ten years' imprisonment or fine of an amount equal to three times the amount so misappropriated or diverted, or both imprisonment and fine (Eme, Uche & Uche, 2014; Odewole & Oladejo, 2017).

Retirement is a phase in life that every employee must reach whether prepared for it or not. It is the point in time when employee chooses to leave his or her employment permanently which



could be voluntary, involuntary or at death, it is a period whereby one's effort and role in an organization as a paid worker ceases and generally coincides with the employee's eligibility to receive retirement benefits (Adeniji, Akinnusi, Falola & Ohunakin, 2017).

It is an inevitable stage in someone's life either in the private or public service employment (Agoro, 2009; Ahmed, 2007). Retirement benefit is a monthly payment made to someone who retired from active service or work due to length of years spent or old age that could lead to a positive employees' safety net (Bassey & Asinya, 2008). It is a regular stipend to a person that is out of paid employment to allow him subsists without working. Oyedele (2014) asserted that the main aim of retirement benefit is to guarantee that retired employee receives pension promptly to help safeguard and provide for their later life against destitution.

Section 41(1-8) of LASPR Law, 2019 acclaimed redemption bond fund is a pension protection account created under the Lagos State pension reform Law, 2019 to include an annual subvention of 5% of total monthly wage bill payable as accrued right to employees that has been in employment before the commencement of the scheme. Sub section (7 & 8) of the Law stated that for tertiary institutions and government parastatals, the said deduction is from source of subventions or budgetary allocations due to such agency or parastatal to fund the redemption fund.

This fund is meant to clear the accrued rights of employees in existence in the Lagos State agencies before the commencement of the contributory pension scheme. Ameh et al, (2017) stated that redemption bond fund is a switch from "pay –as- you –go" pension system to the new contributory pension scheme to create a financing gap for workers who have earned pension rights. The redemption bond funds are to be issued to concerned employees, the value of which will be equal to the accrued pension benefit up to the period the new pension scheme commenced. The fund shall cease to exist after all affiliates in the old scheme have had their bonds (LASPR Law, 2019).

A lump-sum payment is often large sum that is paid in one single sum against of broken or instalments. According to American Payroll Association (APA, 2021) lump-sum payment includes, financial welfare package but not limited to discretionary and non-discretionary bonuses, commissions, performance bonuses, merit increases, safety awards, signing bonuses, moving and relocation incentive payments, holiday pay, termination pay, and severance pay. It also includes workers' compensation, insurance settlements, and personal injury settlements paid as replacement for wages owed (ECA, 2010). Lump-sum payment means income other than a periodic recurring payment of earnings on regular paydays and does not include reimbursement for expenses. LASPR Law (2019) indicates that lump-sum is the payment made to retirees before monthly pension. It is premised on a known scale of benefit that tied to length of service, age, gender and monthly emolument before retirement. Lump-sum is receivable under the contributory pension scheme and it is determined by the RSA balance. The contributory pension scheme has a focus on monthly pension. It is expected not to be less than 50% of terminal basic salary, rent and transport allowances. No specific percentage is receivable as lump-sum from retirement savings since procedure of the parameters for its calculation is sacrosanct to determine pension.

Several theories have been developed in relation to retirement benefit and pension across the globe. This study anchored on two theories that are relevant and essentially germane to the variables discussed in the study. They are endogenous “AK” growth and productivity theory of pension and theory of retirement. The essence of adopting the theories is to emphasis justification of their usage in relation to the study.

### ENDOGENOUS “AK” GROWTH THEORY

The Growth Theory propounded by Pagano (1993) quoted in Nwanne (2015) recognises that economy’s long-run growth rate depends on its saving rate for the future livelihood. It stated that financial intermediation could affect changing productivity, saving funnel to investment and savings rate for old age syndrome.

$$Y_{t=AKt} \dots\dots\dots (1)$$

Where  $Y_t$  = output,  $t$  = Time,  $K$  = capital, and  $A$  = Capital Productivity.

This implies that capital stock in time  $t+1$  is given as:

$$K_t = I_t + (1-d) K_t - 1 \dots\dots\dots (2)$$

Where  $d$  = rate of depreciation and  $I$  = investment. The implication is that if a fixed fraction ( $s$ ) of output ( $y$ ) is saved and there is fixed rate depreciation ( $d$ ), the rate of aggregate net investment is achieved. The rate of aggregate investment is deduced as:

$$\frac{dk}{dt} = sy - dk \dots\dots\dots (3)$$

$dt$

This implies that the growth rate ( $g$ ) is driven by:

$$g = \frac{1}{y} \frac{dy}{dt} = \frac{1}{k} \frac{dk}{dt} = SA - d$$

$$y \frac{dk}{dt} \dots\dots\dots (4)$$

The theory assumes that financial development reduces the loss of resources needed to allocate resources, encourage greater savings ration and increase productivity ability.



### THEORY OF RETIREMENT

Bloom, Canning and Moore (2007) propounded theory of retirement. The proponents claimed that retirement occurs at towards end of lifetime as a result of declining health which needs improvements in life expectancy coupled with a delay in onset disability. At this stage in life, spending is inevitable and paramount. It requires increase in both the optimal consumption level and the proportion of life spent in leisure. The retirement age increases proportionally less than the increase in life expectancy.

The theory demanded that improvement in life expectancy and living standards reflect a dramatic increase in human welfare. The improvements have not only resulted in a large direct gain in welfare but have also have a profound influence on life-cycle behaviour through changes in time horizons of individuals. The theory explained that optimal retirement and savings decision changes wage levels and life expectancy. It concluded that increase in life expectancy is associated with retirement savings, which necessitates reduction in age specific incidence morbidity and indisposition. However, theory of retirement is more inclined with this study.

Okparaka (2018) carried out a study on effect of contributory pension scheme on Nigerian capital market. The study used Ex-post facto research design, ordinary Least Square Regression as analytical technique. The study revealed that pension assets under Management of the Nigerian Pension industry has positive and significant effect on total market capitalisation and total number of deals per year of the Nigerian Capital Market. The study concluded that an increase in total pension assets under management boosts total market capitalisation and total Value of deals per year in the Nigerian Capital Market.

Amiens and Abusomwan (2020) compared challenges and prospect of the contributory pension scheme as well as vision achievement of pension commission in Nigeria. The study reviewed secondary data of published annual reports of Pension commission. The result stated that reluctance and disbelief by workers to register with Pension Funds Administrator, and non-compliance with the scheme refuses retirees to have access to their accrued rights and payment of retirement entitlements. The researchers mentioned that benefit inadequacy, low capital formation, non-inclusion of the informal sector, overlapping of regulations, and coverage are persistent challenges confronting recent pension reforms in Nigeria. The study recommended that stakeholders in pension industry should adopt best processes and technologies that would influence workers positively and change the unwillingness and disbelief by workers to register with Pension Funds Administration (PFAs).

Ameh, Ajie and Duhu (2017) studied impact of contributory pension scheme on retirement benefits. The study provided empirical evidence on the impact of contributory pension scheme on retired employees. Data for the study was from various issues of Pencom Annual Reports and World Bank Development Indicators (database). The study made use of Statistical Package for Social Sciences (SPSS) to gather its data. The study concluded that pension fund assets and pension contribution /savings mobilized over the years have positive impact on economic growth and re-

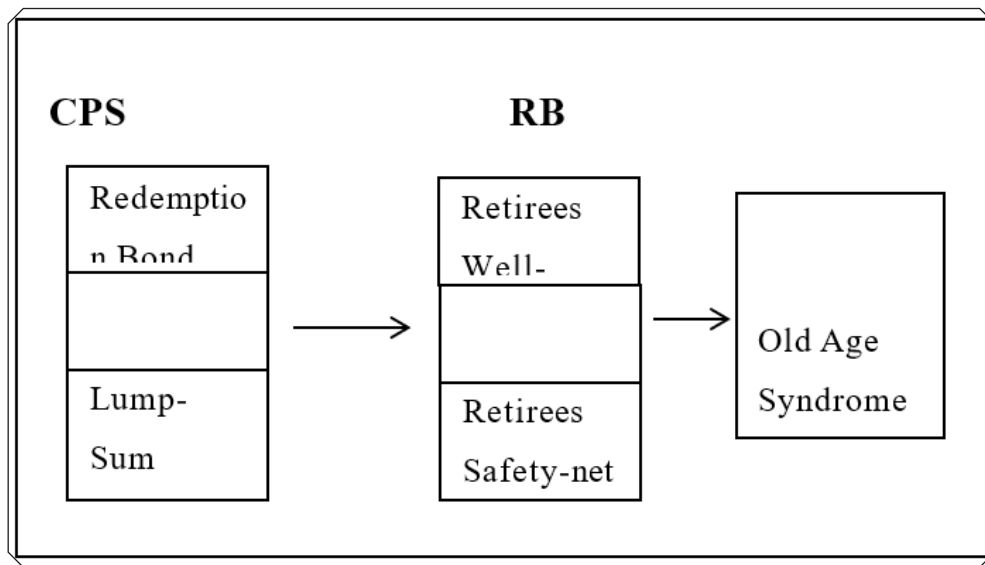
retirees' financial welfare. The study therefore recommended that, there should be more emphasis on the management of pension assets in the capital market as well as government bond, real estate and investment trust to boost gross domestic product (GDP) of the country (Nigeria). Adequate monitoring, supervision and enforcement of the provision of the PRA 2014 and LASPEC Law 2019, which are the inevitable ingredients in the contributory pension scheme, should be ensured.

Ifeanyichukwu, Okafor and Omeh (2018) examined the position of contributory pension scheme and management of retirement benefits in the University of Nigeria, Nsukka. Data were collected from the University of Nigeria Bursary Department, Pension Fund Administrators and Pension Commission (PENCOM). The study utilized qualitative method in generating data. The findings revealed that there is a marked departure in the retirement benefits of retirees in the old and new pension schemes. The study recommends the right to gratuity and pension for life for public servants and a comprehensive accounting standard for retirement benefits to protect the pension funds.

Uzoh and Anekwe (2018) researched on contributory pension scheme and the fate of retired and retiring Nigerian workers. The researchers mentioned that laudable as the new contributory pension scheme is, only the Federal Government and its agencies have fully keyed into it. States in Nigeria such as Lagos, Anambra, Delta, Osun, Niger, Ogun, and Zamfara that have braced the odd to migrate workers into the new scheme from the old one that was full of encumbrances and government interference. While the Federal Government and some states are remitting their counterpart funding to add to that of workers regularly to the pension administrators, not many employers in the private sector does the same. During the first quarter of 2016, many states were yet to embrace the new pension scheme, while only a few private organizations keyed into the scheme.

The study therefore contends that the regulatory agency, the National Pension Commission must ensure that employers do not shortchange their workers. Genuine efforts need to be made in this direction to restore the confidence of workers that the new scheme is a lot better than what was in place previously. However, their findings are able to prove that CPS serves as management tool to cater for existing retirees' needs and wants as well as to serve as a catalyst for economic growth in Nigeria and other developing and developed economies. Therefore, retirees are required profoundly allay fear of old age syndrome, destitution and poverty in Lagos State.

The conceptual model was derived from the study literature. The model shown below in figure 1 depicts variables considered. Independent is based on management of retirees' benefit, which include; Lump-sum and Redemption bond fund while Retirees' Benefit (RB) depends: retirees' well-being and retirement safety-net.



**Fig. 1:** *Conceptual model of contributory pension scheme (CPS) and retirees benefit (RW). Source: Adapted from Kotun, Adeoye & Alaka (2016).*

## METHODS

A descriptive survey design was adopted for the study because it gives accurate account of characteristics of the population such as behaviour, opinion, abilities and knowledge of a particular situation. The population of the study covers selected Lagos State government retirees under contributory pension scheme that attended yearly verification/ "I am alive." exercise at Lagos State pensioner Centre, Alausa, Ikeja. The exercise is usually organized by different Pension Fund Administrators to check on retirees that hold up with certain PFAs on pension payment. The study was carried out in Lagos State because of the State government fully compliance with the implementation of CPS in all her Ministries, Departments and Agencies (MDAs), and parastatals (Kotun, 2022). Total number of Lagos State government retirees under CPS from inception stands at 30,774 while average of those who usually attend retirees' meetings is 379 (Obilana, 2021). The target population of the study covers retirees that attended the last quarterly meeting with the PFAs. Lagos State government retirees was purposively chosen for the study to examine effects of management of retirees' benefit due to her full compliance and adherence with dealings and processes of the scheme since inception. More meaningfully, in this study, the researcher adopted Taro-Yamani (1967) formula to determine the sample size.

Taro-Yamane formula:

$$n = \frac{N}{1 + N(e)^2}$$

Where  $n$  = sample size;  $N$  = Total population;  $e$  = Error margin (0.05)

To determine the sample size using the formula above, thus:

$$\frac{379}{1 + 379 (0.05)^2} n = 194$$

A sample size of 194 was selected for the study. Convenient sampling technique was used to engage and distribute questionnaire to the available retirees at the verification Centre.

**Table 1: Sample population**

	Yr. of retirement	Gender		Total
		Male	Female	
1.	2014	7	12	19
2.	2015	2	6	8
3.	2016	6	5	11
4.	2017	---	1	1
5.	2018	5	11	16
6.	2019	11	10	21
7.	2020	4	19	23
8.	2021	10	23	33
9.	2022	6	19	25
10.	2023	15	22	37
	TOTAL			194

Source: Researcher's computation

The research instrument designed by Oyebo (2017) was adapted in this study. The instrument was modified to include other aspects of management of retirees benefit in the pension industry. The research instrument was structured into two sections. The first section of the questionnaire contains general questions relating to the respondents' bio-data information, while the second section

focused on information relating to management of retirees' welfare and social security benefits under CPS in Nigeria. The questionnaire was designed in such a way that alternatives were provided for the respondents to choose from and options were expected to be expressed. The research instrument was structured in four (4) Likert scale instrument, 4 - represent strongly agreed (SA), 3 - agreed (A), 2 - disagreed (D), and 1 - strongly disagreed (SD).

The study used primary source, questionnaires were used to gather data from respondents. One Hundred and Ninety-Four (194) copies of the questionnaire were administered to various retirees. The questionnaires were proportionately distributed which cut across all categories of retirees under the scheme. One Hundred and Thirty-Nine (139) copies of the questionnaires were well filled and retrieved representing 71.64% out of which Thirteen (13) questionnaires were wrongly filled. Thus, One hundred and Twenty-Six (126) copies of the questionnaire representing 64.94% were used for the analysis in this study.

Content validity was employed in this study to ascertain the content of the research instrument in the measurement of management of Lagos State government retirees' benefit. This study adapted research instrument by Oyebo (2017). The research instrument was designed for retirees' benefits in the pension industry. The researcher modified the instrument for the research and it includes other aspects of contributory pension.

**Table 2: Result of the Cronbach alpha test**

	Variables	No. of items	Coefficient alpha
1	Redemption bond fund and retirees' well-being	5	0.755
2	Lump-sum payment and retired employees' safety-net	5	0.757

*Source: Researcher's computation*

The test of reliability measures the internal consistency of the research instrument. Table II above, presents the Cronbach's Alpha result. The coefficients of the Cronbach's Alpha of the variables; redemption bond fund and retirees' well-being is (0.755) and lump-sum payment and retirees' safety-net is (0.771). Since each of the coefficients lies between 0.7 and 1.00, this is an indicator of consistency that the responses measure the same characteristics of the same construct (redemption bond fund and retirees' well-being, and lump-sum payment and retirees' safety-net). Therefore, there is consistency in the measurement scales given by responses. This implies that 75.5% and 75.7% of variance in these scores of the variables respectively is reliable.

Analysis was prepared using descriptive and inferential statistical tools. Descriptive analysis includes frequencies, percentage, mean and standard deviation to represent the response rate and information on the other variables that the study considered. The inferential analysis employed correlation analysis to test the hypotheses. The statistical Package of Social Sciences (SPSS) was used to analyse the data.

## RESULTS

## Test of hypothesis I

**Table 3: Result of correlation analysis between redemption bond fund and retirees' well-being**

		Redemption bond fund	Retirees' well-being
RBF	Pearson correlation	1.000	.704*
	Sig. (2-tailed)	.	.030
	N	126	126
RW	Pearson correlation	.704*	1.000
	Sig. (2-tailed)	.030	.
	N	126	126

*Source: Researchers' computation. Correlation is significant at the 0.05 level (2-tailed).*

Table 3 presents the correlation between redemption bond fund and retirees' well-being. The Pearson Correlation coefficient ( $r = 0.704$ ,  $N = 126$ ) indicates that there is a substantially positive correlation between redemption bond fund and retirees' well-being for posterity sake. The test of the correlation is also significant since the p-value (0.030) is less than 5% (0.05) indicating the rejection of the null hypothesis while the alternative hypothesis was accepted. This implies that there is a significant positive relationship between redemption bond fund and retirees' well-being for the payment of retirees' accrued rights before the commencement of the scheme.

## Test of hypothesis 2

**Table 4: Result of correlation analysis between lump-sum payment and retired employees' safety-net**

		Lump-sum payment	Retired Employees' safety-net
LSP	Pearson Correlation	1.000	.540*
	Sig. (2-tailed)	.	.016
	N	126	126
RES	Pearson Correlation	.540*	1.000
	Sig. (2-tailed)	.016	.
	N	126	126

*Source: Researchers' computation. Correlation is significant at the 0.05 level (2-tailed).*



Table 4 presents the correlation test between lump-sum payment and retired employees' benefit. The Pearson Correlation coefficient ( $r = 0.540$ ,  $N = 126$ ) indicates that there is a moderate positive correlation between lump-sum payment and its benefit on retired employees. The test of the correlation is also significant since the p-value ( $0.016$ ) is less than 5% ( $0.05$ ) indicating the rejection of the null hypothesis and accept alternative hypothesis. This implies that there is a significant positive relationship between lump-sum payment and retirees safety as against unpredictable figure of gratuity usually paid in the old pension scheme compared with calculable contributory pension scheme.

## DISCUSSION

The main purpose of this study was to stare at the management of retirees' benefit of Lagos State Government. The findings have shown that CPS has positive effect on retirees of Lagos State Government financial welfare in terms of prompt payment of benefit as and when due. Result of hypothesis one (1) showed that there is significant positive relationship between redemption bond fund and retirees' well-being after retirement to avoid old age syndrome and destitution and it is aligned with the study of Ifeayinchukwu, Okafor and Omeh (2018) which posited retirees right to accrued rights and pension for life for public service workers sacrosanct.

Hypothesis two (2) revealed that there is a moderate positive correlation between lump-sum payment and its safety on retired employees in Lagos State government. The finding collaborates with the study of Uzoh and Anekwe (2018). The researchers suggested that the new contributory pension scheme migrate workers from the old one that was full of encumbrances and government interference to calculable lump-sum and monthly pension to protect posterity of retired and retiring Nigerian workers.

## CONCLUSION

Based on the study conducted, this research exposed the researcher to the technicalities of the contributory pension scheme and its essential ingredient that need to be adopted. This is imperative because of its impact on life after retirement to protect old age syndrome and destitution. It is obvious that the reason behind introduction of the scheme was to correct the mistakes of the old pension schemes as it concerns welfare of retired employees and to take into consideration, benefit of those in active service before the commencement of the contributory pension scheme. It was however observed that, last emolument and years of service were the only yardstick for the payment of gratuity in old pension scheme. Hypothetical pension was the order then and was not calculable by employees before retirement.

This could be hardly compared with the new pension scheme where parameters and statement of retirement savings account can be easily accessed. Redemption bond fund deductions should be adequately incorporated into the yearly budget of the State government and monitored

towards proper payment of the accrued rights of retirees in active service before the commencement of the contributory pension scheme to avoid paucity of funds in the payment of social security funds. This would have reflected in their RSA and gain momentum before retirement. It is important to mention that the lump-sum payment should not be restricted to age and certain percentage since the new pension Law allows transfer of employment due to the scheme's portability.

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