Pension Reform and Financial Well-Being of Retirees: Evidence from Contributory Pension Scheme in Nigeria

Alhaji Bukar Mustapha[1], Mele Kellube Tijjani[2] and Baba Ali Ashemi[1], and Baba Ali Ashemi[1]
[1]Department of Economics, University of Maiduguri, Borno state, Nigeria,
[2]Trustfund Pensions Ltd, North Regional Office, Kano, Kano state, Nigeria.

Received: 26.02.2023, Revised: 08.04.2023, Accepted: 22.05.2023

Abstract

This study aims to assess the impact of the new pension reform in Nigeria, the Contributory Pension Scheme (CPS), on the financial well-being of retirees. In addition, the study attempts to analyse the inherent issues concerning the process and the new system's performance. The study used the survey research method and adopted simple random sampling technique in selecting the sample. We used descriptive analysis and Ordinary Least Square (OLS) estimation techniques for the analysis. The findings suggest that the retirees' monthly contributions, savings, and years of service are positively associated with retirees' financial well-being. The studies of the inherent issues with the process in the CPS and the old scheme suggest that the delay in payment of terminal benefits inherent in the old system has been addressed in the new system, while the advantage of the old system over the new is that pensions are reviewed from time to time. The assessment of the performance of the CPS revealed that long delays in pension and gratuity payments are eradicated, and regular monthly payments are provided. The study recommends that there should be a policy to improve the terms of the new CPS to allow for the periodic review of pensions in line with the economic reality.

Keywords: assessment, contributory pension, financial wellbeing, pension reform, pension scheme

Introduction

The relationship between the pension system and financial well-being has recently received considerable attention. Many developing countries have reformed their pension system in response to changing demographic, economic, and social conditions, seeking to improve life after retirement. Given its impact on retirees ' well-being, the need for effective pension planning and management cannot be overemphasized. Retirees' well-being here means meeting financial obligations

Corresponding author: Abmustapha@unimaid.edu.ng

and making economic choices that allow them to feel a sense of personal fulfillment. The pension funds are managed for retirees to meet their current and ongoing financial obligations (Akhiojomi et al., 2018). However, management and administration of pensions have been a herculean task in many low-income countries, including Nigeria.

The old pension system was marred by misappropriations, outright diversion of pension funds, and poor record keeping (Umar & Tsado, 2012). These caused the outstanding pension liability to accumulate over N2 trillion (Balogun, 2006). The reform was carried out to restore sanity in the pension system. The Pension Reform Act (PRA) was enacted in 2004, which introduced the defined Contributory Pension Scheme (CPS) and was repealed in 2014. The CPS is contributory, where federal government and private sector employees are required to contribute a fixed percentage from their monthly gross earnings, and their employers contribute a certain percentage on behalf of their employees, which is credited to their retirement savings accounts with pension funds administrators.

The history of Contributory Pension Schemes (CPS) worldwide can be traced back to over two decades. It was first introduced in Mexico in 1997 for private-sector workers and was later expanded in 2007 for public-sector workers. The introduction of the CPS has helped in improving the pension finance system in the economy; the assets backing-up pension benefits grew to about 14.1% of GDP in 2014, with just 17 years of introducing the system and making Mexico among the successful in the Organization for Economic Co-operation and Development (OECD) (Stewart & Yermo, 2009). And many European countries such as Spain, Ireland, Cyprus, Austria, Netherlands, and Norway practise the occupational pension (European Commission, 2009). Sub-Saharan Africa, Malawi and Nigeria practise the funded defined CPS, and Ghana has a hybrid of a Defined Benefit and CPS (Abels & Guven, 2016).

The history of pension in Nigeria began with the Pension Ordinance enacted in 1951, which became effective on 1st January 1946. Later, in 1961, an Act of Parliament established the National Provident Fund (NPF) Scheme, covering only employees in the private sector. Decree No. 73 of 1993 transformed the NPF scheme into a limited social insurance scheme, a defined contributory scheme for private sector employees. The decree established the Nigeria Social Insurance Trust Fund (NSITF) to administer the pension funds. Later, the Pension Reform Act 2004 established the National Pension Commission to supervise and regulate the Pension Fund Administrations in the country. Section 9 of the Act requires the employer and employee in the public and the private sector service to contribute 10% and 8% of basic salary, housing, and transport allowances, respectively.

However, with the introduction of the newly defined CPS, some remarkable progress has been recorded as it has improved the pension system in the country. The defined CPS has addressed many issues, including poor record keeping, delay in payment of lumpsum and pensions, lack of hedge against inflation, and access to funds in emergency needs which are crucial for the sustained well-being of retirees. However, there are still some challenges facing the scheme, issues regarding poor remittances of contributions from employers to pension funds administration, bottlenecks in benefit processing, and so on. Therefore, this study assesses the impact of the newly defined CPS. However, some studies (Opara & Dim, 2022; Ezenwa & Obiagwu, 2020; Sule & Ezugwu, 2009; Nweke, 2014; Ahmed et al., 2016) have investigated the pension system in Nigeria, focussing on the challenges and progress.

This study is different from the above-mentioned studies in Nigeria. In this study, we investigate the effects of the new pension scheme on financial well-being by including in the model salary structure and other demographic variables. In addition, this study also analysed the process inherent issues in the old and new pension system schemes and evaluated the performance of the new pension scheme. These are significant contributions to the literature on pension planning and management. This provides an insight that can help to fine-tune the pension system.

Literature Review

Theoretical Insight

Many theories can be applied to financial planning and retirees' well-being framework. However, we found the deferred wage theory and the life cycle hypothesis much more relevant to this work. These theories explain the social life of older people, their retirement plan, and how state decision on pension plan adoption affects their well-being. The deferred wage theory (Ghilarducci & Liébana, 2000) explains a situation where employers may use deferred wages and other compensation to incentivize employees in the future. This is a promise from the employer to his employees that a certain amount of their salaries be deferred until retirement. The benefits to the employer of waiting pension payments are less noticeable. Under the deferred wage theory, a deferring pension plan is strategic as firms tend to benefit more because of the time value of money; the present value of deferred wages would be more than the required value of pension funds.

Although the deferred wage theory is relevant to this study as it advocates for the postponement of present consumption in the form of deferral of employees' wages by employers to provide for employees' life after retirement. However, the theory has some limitations as Billikopf (1995) observed that it is one-sided since only employees shoulder the burden of saving toward retirement and have no knowledge of how much they save. Under this theory, employers deferred a certain percentage of employees' wages until they retire, and thus does not encourage the participation of an employee in making retirement-related decisions. The life cycle theory propounded by Franco Modigliani (1975) explains how individuals allocate their time between work and leisure and between consumption and savings, considering present and future to maximize life satisfaction. These include the age of retirement, annual saving rates, the level of retirement income, and returns on investments, amongst others. According to this theory, individuals save a portion of their earnings earlier in life for consumption during retirement.

Empirical Review

Nyong and Duze (2011) analyse the new pension reform in Nigeria using primary data from a sample size of 3000 teachers in active service and retired from Public Secondary Schools. The finding revealed that retired civil servants still face some challenges of delayed payment and hence are recommended for e-payment of pensions. Odia and Okoye (2012) compare the performance of the old pension scheme and defined CPS in Nigeria. They found the defined CPS brought in by PRA 2004 was far better than the old pension system. The study reports that the reform has greatly reduced the inherent problems of the old pension scheme and recommended effective supervision and regulation. Ahmed and Oyadiran (2013) explore the impact of the new pension reform on the welfare of civil servants and retirees, with data generated using a questionnaire from 1500 respondents selected in five federal ministries in Abuja. The findings indicate that the new pension reform has a significant impact on employees of federal civil servants but it does not necessarily overcome completely the inherent issues with the pension system in the country.

Anazodo et al. (2014) investigate the effect of the new pension reform Acts on retirees in Nigeria from 2004 - 2014. The study employed a qualitative and exploratory method of analysis and reports that a greater percentage of retirees are not aware of how the new contributory pension schemes work and the pension managers' operations. Therefore, it is recommended that pension managers should provide adequate information to their customers. Adetunde (2017) investigates the relationship between pensioner's social status and the effects of retirement using a qualitative approach. The study utilized interviews and focus group discussions for data gathering from Kwara and Lagos states in Nigeria. They found that the experiences of the pensioners differ in the two states. The unpreparedness for retirement and the salary differential between State and Local Government Areas (LGAs) employees have subjected pensioners under the LGAs in Kwara State to huge financial pressure compared to those under the State. While retirees in Lagos planned for retirement, they still faced some challenges due to the delay in the commencement of pension payment, and their meagre monthly pension.

Paulo (2014) examines the impact of pensions and social security programmes on households' welfare in Minas Gerais state in Brazil, using the propensity score matching technique and was sourced from the National Household Survey (2009). The findings suggest that both pensions and social security have a positive influence on households' welfare. They report that these transfer payments constitute a greater part of the lower-income group. The findings further suggest that social security has significantly improved income, access to education, and living conditions in the state. Hoang (2022) investigates how governments' actions on adopting pension reforms are influenced by fiscal competition-driven labour hour mobility using interstate migration data and pension reforms. The findings show that interstate migration significantly influences states' decisions on pension reforms. This indicates that the degree and extent of outmigration are associated with pension reform. Similarly, Wang and Huang (2023) analyse the relationship between pension reforms and inequality in China. They report that the unification of pension rules lessens pension inequality. In contrast, the integrated pension rules do not necessarily mitigate pension inequality. Gómez-Déniz et al. (2022) investigate the relationship between the Social Security reserve fund and the sustainability of the public pension system in Spain using data ranging from 2000 to 2019, using different indicators of the unsustainability reserve fund. They found the probability of unsustainability decreases with the size of the reserve fund.

Methodology

Empirical Model Specification

The choice of the model is based on the premise that the measurement of well-being is based on Individual or Subjective indicators. This means the model can be suitably applied to an individual or group. Similarly, subjective model requires questions centered on the overall feelings, experiences, and judgments about life. The model uses questionnaires as a good way of gathering information on well-being and the information is provided in the form of numbers and quantitative data. The advantage of quantitative data is that it enables the use of statistics to measure the rate of change of the dependent variable due to changes in the independent variables and their level of statistical significance. In addition, the model recommends using software applications to handle as large data as possible.

To investigate the effect of the pension reform on well-being, the general well-being measure is given by

$$Y_i = \alpha + \sum \beta_k X_i + e_i \ldots\ldots\ldots\ldots\ldots\ldots (1$$

This states that the well-being of the retirees depends on pension benefits and other socioeconomic statuses, where Y_i is the financial well-being and X_i denotes the benefits while α is the constant term and β_k is the parameter while the e_i is the error term. Therefore, the explicit model is specified as

$$RW_i = \alpha + MC_i + SX_i + AG_i + NY_i + FS_i + VS_i + SS_i + e_i \ldots\ldots\ldots\ldots\ldots\ldots\ldots (2$$

Where: RW denotes the financial well-being of the retiree proxied by total benefits received (pension plus the lumpsum paid), MC is the monthly pension contribution, SX represents the gender of the retiree, AG denotes retiree age, and NY denotes the number of years in service. The FS denotes the retiree's final salary. VS is the value of the retirement savings account at the time of retirement, and SS denotes the salary structure in the workplace.

Sources of Data

The study employed primary and secondary data. The primary data were collected through a structured questionnaire. Two (2) sets of questionnaires were used to collate data from respondents. One of the questionnaires was on the new pension scheme which has three (3) sections while the other was designed to gather information on the old pension scheme and also has two (2) sections. The population of the study is 271 retirees; this comprised retirees under the new (218) and old (53) pension schemes. These retirees are ex-staff of the federal agencies and parastatals with Trustfund Pensions Ltd as their Pension Fund Administrator (PFA): Lake Chad Research Institute, Chad Basic Development Authority, Nigerian Police Force, and University of Maiduguri Teaching Hospital. The sampling method adopted in this study is the simple random technique to select sample of retirees in the study area, using Taro Yamane (1973) method. The sample size obtained from the formula is 162 respondents, comprising 130 and 32 from the new and old respectively. These values were distributed proportionately as shown in Table 1.

Table 1
Computation of the Sample Size of Retirees in the New Pension Scheme

Retirees in the New Pension Scheme				Retirees in the Old Pension Scheme	
S/N	Orgs*	POP *	Sample**	POP*	Sample**
1.	NPF	92	55 (42%)	21	13 (40%)
2.	UMTH	50	30 (23%)	13	8 (24%)
3.	CBDA	47	28 (22%)	11	6 (21%)
4.	LCRI	29	17 (13%)	8	5 (15%)
	Total:	218	130 (100)	53	32 (100)

*Sources: *Trustfund, 2018 and NPF, UMTH, CBDA & LCRI ** Authors Computation, 2018.*

Table 2
Variables Definition and Measurement

Variable		Definition	Measurement	A Priori Expectation
Retiree Well-being (RW)	RW	This is the total lump sum and monthly pension federal government retirees receive. It is the summation of the well-being received by retirees with Trustfund Pensions Limited as their PFA.	It is measured in naira.	Positive
Monthly Pension Contribution	MC	This is the total monthly contribution of the employer and employee credited to the retirement savings account	It is measured in Naira terms.	Positive
Sex	SX	This is the gender of the retired federal civil servant	It is a dummy variable. It takes a value of 1 if male and 0 if female.	Positive
Age	AG	This is the age of a retired civil servant at the time of retirement benefit computation	The retiree's age is measured in years. It is a continuous variable.	Positive

Variable		Definition	Measurement	A Priori Expectation
No. of Years in active service.	NY	This is the number of years a retired federal civil servant put in service	It is measured in years. It is a continuous variable.	Positive
Final salary	FS	This is the annual basic salary of a retired federal civil servant	It is measured in Naira terms.	Negative
Retirement Savings Account Value	VS	This is the value of the RSA of a retired federal civil servant at the time of computation of retirement benefit	It is measured in Naira terms.	Positive
Salary Structure	SS	This is the structure of the salary of a retired federal civil servant while in active service.	It is a categorical variable.	Positive

Variable Measurement

In Table 2 we provide the variables definition, measurement and priori expectations.

Methods

We used Ordinary Least Square estimation (OLS) to analyse the socioeconomic status and financial well-being model. We found the OLS techniques suitable as the empirical model's dependent variable is continuous and the parameter estimates are assumed to be more asymptotically efficient and consistent than the linear probabilistic models (Robinson, 2018). Applying probability models such as probit and logit regression required dichotomous dependent variables. Similarly, descriptive statistics were applied in analysing the process's inherent issues and evaluating the CPS performance.

Results and Discussion

This section presents the results and analyses of the study. First, we provide the descriptive statistics of the socioeconomic characteristics of the respondents. The section provides the empirical results of socioeconomic status and financial well-being. The third is the analysis of the process inherent issues in the old and new schemes while the final section presents the results of the CPS performance evaluation.

Descriptive Analysis of the Retirees' Socio-economic Characteristics

The socioeconomic characteristics of Retirees in the New and Old Pension Schemes are presented in Table 3. The results reveal that most of the pensioners under both the new and the old pension schemes were between the ages of 61 and 70. This category of pensioners needs special attention as they may be vulnerable to health-related challenges at this age, which may require financial support.

Table 3
Socio-Economic Characteristics of Respondents

	Defined CPS Scheme n1=118		Retirees from the Old Pension Scheme n2 = 24	
Variable	**Frequency**	**Percentage (%)**	**Frequency**	**Percentage (%)**
Age (years)				
50-55	11	9.3	0	0.0
56-60	31	26.3	3	12.5
61-70	76	64.4	14	58.3
Above 70	0	0.0	7	29.2
Marital Status				
Married	115	97.5	19	79.2
Divorced	0	0.0	0	0.0
Widow/Widower	3	2.5	5	20.8
Single	0	0.0	0	0.0
Level of Education				
Secondary	64	54.2	16	66.7
Diploma	33	27.9	5	20.8
HND	8	6.8	2	8.3
Degree	11	9.3	1	4.2
Master	2	1.7	0	0.0
PhD	0	0.0	0	0.0
Organization				
NPF	52	44.1	8	33.3
UMTH	26	22.0	7	29.2
CBDA	26	22.0	5	20.8
LCRI	14	11.9	4	16.7

Table 3
Socio-Economic Characteristics of Respondents

	Defined CPS Scheme n1=118		Retirees from the Old Pension Scheme n2 = 24	
Variable	**Frequency**	**Percentage (%)**	**Frequency**	**Percentage (%)**
Salary Structure				
CONPOSS	52	44.1	8	33.3
CONHESS	26	22.0	7	29.2
CONRAISS	40	33.9	9	37.5
Grade Level and Step				
4/10-5/10	52	44.1	8	33.3
7/10-9/11	26	22.0	7	29.2
11/9-13/11	29	24.6	6	25.0
14/6-14/9	11	9.3	3	12.5
Total	**118**	**100**	**24**	**100**

Source: Field Survey, 2019

In the same vein, the results also showed that most pensioners under both schemes were married with an insignificant number of unmarried pensioners. Lack of a life partner in old age may result in loneliness and depression due to excessive thinking. Similarly, a greater percentage of the pensioners were secondary school leavers. This portrays the low level of education in the study area. Most of the retirees were retired police officers under the CONPOSS salary structure; this may be due to the fact that Trustfund pension has the majority of its retirees from the Nigerian Police Force. Furthermore, most are between the level/step of 4/10-5/10 at retirement. This implies that the pensioners are in their inactive age with little education, moderate grade level/step, and on lower monthly pensions which may not be enough to cater to their needs.

Results of Retirees' Socioeconomic Statuses and Financial Well-being

The results of the effects of the retirees' socioeconomic statuses on financial well-being under the CPS are presented in Table 4. The results show a significant relationship between retirees' well-being and its determinants among retired federal civil servants in the state, as the p-value of the F-statistics is significant at 5% level. This indicates that the model is the best fit for the population. The value of the R-squared is 0.784, indicating that the independent

Table4
SOLS Results of the Retiree's Socioeconomic Statuses and Financial Wellbeing

Variable	Coefficient	Standard Error	t-value	P-value
Constant	0.157	0.053	2.962*	0.012
MC	1.823	0.627	2.907*	0.014
SX	3.545	1.538	2.305*	0.003
AG	1.356	0.162	8.370**	0.023
NY	1.009	0.164	6.152**	0.000
FS	0.874	0.254	3.441**	0.018
VS	0.464	0.194	2.392*	0.043
SS	0.069	0.032	2.156*	0.034
R2=	0.784	-	-	-
F	8.487	-	-	0.000

*Note: ** significant at 1% level, * significant at 5% level,*

variables account for 78% of the variation in the dependent variable total Benefit Received.

Table 4 also shows that all the variables in the model are statistically significant levels and their coefficients carry positive signs. This implies that they are all important determinants of the financial well-being of the retirees. The monthly contributions of the retirees while in service are positively related to the financial well-being of retirees in the study area. This is in line with the prior expectation the larger the total contribution, the greater the total benefits, and thus the level of financial well-being increases. This corroborates the findings of Ikwor and Nkwagu (2020). who found a strong correlation between pension benefits and a defined contributory pension system; the study shows that the pension scheme guarantees a sustainable standard of living for a long period. Similarly, Akhiojomi et al. (2018) affirmed that the accessibility of pension benefits under the CPS enhances the welfare of retirees.

The result suggests that the sex of retirees was positive and statistically significant at a 1% level. This implies that the lump sum paid to retirees is higher for male retirees than female retirees in the study area. This means that the sex of the retiree exerts a significant influence on retirees' well-being in the study area. This might be due to differences in income. The age of retiree (AG) has a positive coefficient and is statistically significant at 1%. This implies that the older the retiree, the higher the lump sum and pension. Thus, financial well-being has a positive effect on retirees' well-being. Similarly, the number of years in service was positively related to financial well-being in the study area. This implies that the more years a retiree put in active service, the higher the retirement benefits.

Also, the final salary of the retiree is positively related to well-being. This suggests that the higher the annual basic salary, the higher the level of financial wellbeing. The annual basic salary is an important determent of financial well-being. The PRA 2014 stipulates that a retiree is entitled to receive no less than 50% as a monthly pension. Similarly, as expected, the balance of retirement savings accounts is positively associated with financial well-being. This implies the higher value of saving, the larger the retirement benefits and thus the level of financial well-being. Also, the results show that the coefficient of salary structure is positive and statistically significant, indicating that retirees in high-paying categories tend to benefit more. This implies that salary differential is an important determinant of well-being.

Analysis of the Process Inherent Issues in the New and Old Pension Schemes

Table 5 presents an analysis of the inherent characteristics of the contributory pension scheme under the new and the old pension schemes. The results show that most of the pensioners under the CPS agreed that monthly pension payments do not change but the retirees under the old scheme indicate that the pension they receive is not static. This means pensions are reviewed upward from time to time.

Whether the employer/employees' contribution determines their retirement benefits, 100% of the retires under defined CPS agreed that the employer/employees' contribution credited into their Retirement Savings Account (RSA) determines their retirement benefits. Still, the amount of money set aside is inadequate to sustain them.

Under the old scheme, most retirees agreed that it was characterized by delays in payment of pension and gratuities where some spent more than one and half years before getting their benefits. This may negatively affect the retired civil servant between the retirement period and payment of benefits as they may have little or no income to cater for their livelihood and health challenges. Another major problem of the new pension scheme is the issue of static pension payments. Quite a significant number of them observed that the scheme is characterized by a non-increase of monthly pension even when there is an upward review of the national minimum wage as against their counterparts in the old pension scheme, while the majority of them agreed that they enjoy pension when the minimum wage is increased. This no doubt affects their purchasing power as usually minimum wage increase is accompanied by rising prices of goods and services which may force them to cut back consumption. The majority of the retirees under the old pension scheme agreed that the scheme is bedevilled by frequent verification, subjecting them to travel long distances for their periodic pensioners' verification exercise and further agreed that employees do not enjoy benefits if they are dismissed which is not common to retirees under the CPS. 95.8% of pensioners under the old pension scheme agreed that the old pension scheme is characterized by a lack of funds; 100% of pensioners under the new pension scheme agreed that they are aware of the old pension scheme; 95.8% of pensioners under the new pension scheme agreed that there were challenges of merging of service for computation of benefits under the old pension scheme; 95.8% of pensioners agreed that the old pension scheme was characterized by non-payment of terminal benefits to pensioners as at when due.

Table 5
Analysis of the Inherent Issues in New Pension Scheme and Old Pension Scheme

Variable	Defined CPS Scheme n=118	Old Pension Scheme n=24
A static pension characterizes the pension scheme	Yes 103 (87.3%)	No 23 (95.8)
Employer and employee contribution determine their retirement benefits	Yes 118 (100%)	No 24 (100%)
A delay in payment of pension characterizes the pension scheme	Yes 6 (6.8%)	Yes 17 (70.8%)
A delay in payment of gratuity/lumpsum characterizes the pension scheme	No 61 (51.7%)	Yes 24 (100%)
There was no amount of money set aside for prompt payment of benefits under the new pension scheme	No 118 (100%)	Yes 22 (9.71%)
Retirees under the old pension system receive higher pension benefits than those under the defined CPS.	Yes 81 (68.6%)	Yes 13 (54.2%)
Employees do not enjoy benefits if they are dismissed.	*No* *118 (100%)*	*Yes* *24 (100%)*
The pension scheme is bedevilled by frequent verification which subjects pensioners to untold hardship	*No* *113 (95.7%)*	*Yes* *21 (87.5%)*
The scheme is characterized by a lack of funds to pay pension and gratuity/ lumpsum	*No* *108 (91.5%)*	*Yes* *23 (95.8%)*
Retirees are aware of the existence of both the new pension and the old pension schemes	*Yes* *118 (100%)*	*Yes* *24(100%)*
Face challenges of the merging of service for benefits computation	*Yes* *78 (66.1%)*	*No* *2 (8.3%)*
The pension scheme was characterized by non-payment of terminal benefits to pensioners when due	*Yes* *69 (58.5%)*	*Yes* *22 (9.71%)*

Source: Field Survey, 2019

Table 6
Performance Assessment of the Contributory Pension Scheme

S/n	Statement	SA Strongly Agree	A Agree	N Neither Agree or Disagree	DA Disagree	SDA Strongly Disagree
1.	The new Contributory Pension Scheme (CPS) is perceived to have addressed the problem of lack funds for the payment of pension and gratuity inherent in the Old Pension Scheme	67 (47.3%)	41 (28.9%)	8 (5.5%)	16 (11.3%)	10 (7.0%)
2.	In the Contributory Pension Scheme, Pension Fund Administrators (PFA) pay monthly pensions as and when due consistently as against Old Pension Scheme	55 (38.7%)	29 (20.4%)	20 (14.1%)	26 (18.3%)	12 (8.5%)
3.	Contributory Pension Scheme helps to eradicate long delays in payment of pension and gratuity experienced in the Old Pension Scheme	77 (54.2%)	50 (35.2%)	8 (5.5%)	6 (4.2%)	1 (0.7%)
4.	Retirees under the Contributory Pension Scheme get higher lumpsum than those retired under the Old Pension Scheme.	41 (28.9%)	67 (47.3%)	8 (5.5%)	16 (11.3%)	10 (7.0%)
5.	Retirees under the Contributory Pension Scheme get higher monthly pension than those retired under the Old Pension Scheme	12 (8.5%)	26 (18.3%)	20 (14.1%)	29 (20.4%)	55 (38.7%)
6.	Monthly pensions are not reviewed in the Contributory Pension Scheme as experienced in the Old Pension Scheme	*29 (20.4%)*	*55 (38.7%)*	*20 (14.1%)*	*26 (18.3%)*	*12 (8.5%)*
7.	The incidence of the backlog of pension payment is not experienced with the introduction of the new contributory Pension Scheme	*50 (35.2%)*	*77 (54.2%)*	*8 (5.5%)*	*6 (4.2%)*	*1 (0.7%)*

Source: Field Survey, 2019

Assessment of the Performance of the Contributory Pension Scheme

The results of the performance assessment of the CPS as shown in Table 6 indicate that 76.2% of the retirees believed that the CPS has addressed the problem of lack of funds for payment of pension associated with the Old Pension Scheme. Similarly, on the regular payment of monthly pension, 59.1% (strongly agreed: 38.7% and agreed: 20.4%) believe that retirees under the CPS receive their monthly pension as and when due as against the Old Pension Scheme. Also, the results show that 89.4% of the retirees agreed the new scheme has helped resolve the long delay in payment of pension and gratuity experienced in the old pension scheme.

The results also show that 76.2% of retirees agreed that the retirees under the contributory pension scheme get higher lumpsum than those retired under the old Pension Scheme. In contrast, the results show that retirees under the new scheme receive lower monthly pension than those retired under the old pension scheme. This could be possible because of the periodic review of pensions under the old scheme which is absent in the terms and conditions of the new scheme. The results also reveal that 89.4% of the retirees confirm that the issue of backlog of pension payment has been addressed with the introduction of the new Contributory Pension Scheme.

Conclusion and Recommendations

This study assessed the defined CPS, the contributory pension scheme in Nigeria. In the process, we analysed three related issues and the conclusions are summarised in three main folds. First, the study investigated the effects of the socioeconomic statuses of the retirees under the new scheme on their financial well-being. We define the financial well-being model to depend on monthly pension contribution, the final salary of a retiree, salary structure, age and sex of a retiree, and the number of years while in service. Estimation was carried out using OLS. The findings agree with the prior expectation. We found all the financial planning variables and personality status significant in determining the retiree's financial well-being. The second objective analysed the process inherent issues in both schemes. Here, we asked questions on the identified issues in an old scheme such as lack of funds for gratuity and delay in pension payment, and how the new one was able to address them. The findings from the survey show that most of these problems are no longer issues with the new CPS. In the third objective, we assessed the performance of the new scheme. We found that under the new pension scheme, the major objectives of the scheme are being realized. The findings suggest the new CPS has removed unnecessary delays in paying pensions and gratuities.

From the findings, the following recommendations are made: First, the study revealed that monthly pension contribution, employee's basic salary, and number of years in service are major determinants of financial well-being at retirement. Therefore, there is a need to review the number of years in service and employees' basic salaries as it is clear that the basic salaries in most federal establishments are very meagre. Also, there is need to improve the terms and conditions of the new scheme in terms of the percentage of lumpsum payment to retirees and a provision for review of the monthly pension payment like their counterpart under the old pension scheme. The non-upward review of pensions may hurt the financial well-being of retirees under the new scheme because any increase in the price level can erode their real income.

The second objective's findings revealed that delays in the payment of gratuities and pensions have been addressed in the new scheme. Therefore, we advise the state and the local governments to implement the CPS. This will not only help them reduce the problems facing the existing pension scheme but is also good retirement financial planning for state and the local government workers. As most of the state governments are facing serious problems of the backlog of payment of pensions and gratuities, many state and local government retirees battle poverty due to non-payment. Finally, the assessment of the performance of the new scheme shows that the main objective of the new pension scheme has been realized by ensuring that every retired public and private worker receives his/ her benefits as and when due. Therefore, we urge the government to make a law that will make the state and the local governments follow suit. This will ameliorate the situation ■

References

Abels, M. & Guven M. U. (2016). Pension systems in Sub-Saharan 4frica: Brief review of design parameters and key performance indicators. *World Bank Group Social Protection & Labour*. http:// documents.worldbank.org/curated/ enl 271551477284461959/ Pensionsystems-in Sub Saharan-Africa-briefreview-of-design-parameters-and-keyperformance-indicators

Adetunde, C. O. (2017). *Socio-economic adjustment of retired civil servants in Kwara and Lagos States, Nigeria: A qualitative study*. Ota, Ogun State, Nigeria: Department of Sociology, Covenant University.

Ahmed I. K. , Abayomi O.A & Nureni S. A. (2016). Effects of contributory pension schcmc on employccs' productivity: Evidence from Lagos state government. *African Journal of Business Management, 10*(16): 384-396.

Ahmed T. D. & Oyadiran P. A. (2013). An analysis of the impact of the 2004 pension policy on the welfare of Nigerian civil servants. *Global Journal of Human Resource Management, 1*(4), 20-55.

Akhiojemi, B. o., Ifeanacho, M. 1., & Abu, O. (2018). Pension fund management and welfare of retirees in selected management development institute (MDLS) in Nigeria. *International Journal of Humanities and Social Science Invention, 3*(1), 60-69.

Anazodo R. O, Ezenwile U, Chidolue, D. N. & Chidinma U. (2014). The effect of new pension scheme on Retirees in Nigeria. *Review of Public Administration and Management, 3*(6), 180-190.

Balogun, A. (2006). Understanding the new pension reform Act (PRA, 2004). *CBN Bullion, 3*(2), 7-18.

Billikopf, G. (1995). High piece-rate wages do not reduce hours worked. *California Agriculture, 49*(1), 17-8.

Ezenwa, C. A, & Obiagwu, O. V. (2020). Pension Reform Act 2014 and challenges of pension administration in Nigeria. *Global Journal of Arts, Humanities and Social Sciences, 8*(8), 18-29.

Ghilarducci, T., & Liébana, P. L. (2000). Unions' role in Argentine and Chilean pension reform. *World Development, 28*(4), 753-762.

Gómez-Déniz, E., Pérez-Rodríguez, J. V., & Sosvilla-Rivero, S. (2022). Analysing how the social security reserve fund in Spain affects the sustainability of the pension system. *Risks, 10*(6), 1-17.

Hoang, T. (2022). Fiscal competition and state pension reforms. *Public Budgeting and Finance, 42*(3), 41-70.

Ikwor, U. K., & Nkwagu, L. C. (2020). Post 2014 pension reform act and Nigeria economic growth. *International Journal of Academic Research in Accounting, Finance and Management Sciences, 10*(1), 100-115.

Modigliani, F. & Parkin, M. (1975). *The lifecycle hypothesis of saving twenty years later*. Contemporary Issues in Economics. Ed.by M. Parkin and AR Nobay.

Nweke, J.O. (2014). Assessment of the administrative challenges associated with non-contributory pension scheme in Nigeria. *International Journal of Development and Management Review, 9*(1), 255-265.

Nyong B.C. & Duze C.O. (2011). The pension reform Act 2004 and retirement planning in Nigeria. *Journal of Economics and International Finance, 3*(2), 109-115.

Odia, J. O. & Okoye A. E. (2012). Pension Reform in Nigeria: A Comparison between the Old and New Scheme. *Afro Asian Journal of Social Sciences, 3*(3.1), 1-17.

Opara, G. I. & Dim. H. C. (2022). Pension reform acts and insurance industry performance in Nigeria, 2004-2020. *African Journal of Social and Behavioural Sciences, 12*(2), 496-515.

Reis, P. R. D. C., Silveira, S. D. F. R., Braga, M. J., & Costa, T. D. M. T. D. (2015). Impact of retirements and pensions on the social welfare of the households from Minas Gerais State. *Revista Contabilidade & Finanças, 26*, 106-118.

Robinson, N. (2018). *The Disadvantages of Logistic Regression*. The Classroom I Empowering Students in Their College Journey.

Stewart, F. & J. Yermo (2009). *Pensions in Africa, OECD Working Papers on Insurance and Private Pensions*. https://doino.1787/227444006716

Sule, K. O. & Ezugwu, C. I. (2009). Scheme on employee retirement benefits of quoted firms in Nigeria. *African Journal of Accounting, Economics, Finance and Banking Research, 4*(4), 48 — 58.

Umar, G. & Tsado, E. (2012). Contributing pension system as a tool for economic growth in Nigeria. *International Journal of Business and Behavioural Science, 2*(8), 6-14.

Wang, H., & Huang, J. (2023). How can China's recent pension reform reduce pension inequality? *Journal of Aging & Social Policy, 35*(1), 37-51.

Yamane, T. (1973). *Statistics, An Introductory Analysis*. 2nd Ed., New York: Harper and Row.