

From Service to Serenity: Gauging the Contributory Pension Scheme's Strides at Elevating Retirement Living Standard of Nigeria Federal Civil Servant in Kogi State, Nigeria

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Abstract

Introduced in 2004 to replace the unsustainable Defined Benefit Scheme (DBS), the contributory pension schemes (CPC) aimed to secure financial stability for retirees, impacting over 1.2 million public sector workers. This paper therefore adopts a survey methodology, using questionnaire administered on an 83 respondents sample population draw using Taro Yamane and analyzed via regression models to examine the contribution of contributory pension scheme to the standard of living of retired federal civil servant in Kogi State Nigeria. The finding highlights significant improvements in retirees' quality of life, with 72% of federal retirees now receiving regular pension payments compared to frequency delays under the Defined Benefit Scheme (DBS) this shift is believed to have contributed to a 20% increase in financial security among retirees, with the potential of reducing poverty by 12% moreover, the CPS has amassed over N14 trillion (Approximately & 36 billion). In pension funds, enhancing natural savings and investment opportunities, the CPS has also facilitated better health care access and social engagement for retirees, with 65% of them reporting improved living conditions and well-being. The study recommends that pension fund administration should ensure a smooth and speed payment transition for its beneficiaries upon retirement, and that they should involve beneficiary in the running of the fund to ensure transparency and accountability in the management of pension funds.

Keywords: Service, Serenity, Contributory Pension Scheme, Strides, Retirement, Living Standard Federal Civil Servant

Introduction

Contributory pension schemes, often referred to as social security or retirement systems, are a common feature in many Western countries. These schemes are designed to provide financial support to individuals during their retirement years. Western countries generally view contributory pension schemes as a crucial social safety net. These programs are designed to ensure that individuals who have worked and contributed to the system throughout their careers have a stable source of income in their retirement years. This perspective emphasizes the importance of preventing elderly citizens from falling into poverty.

In the like manner, contributory pension schemes have been a topic of important interest and development across many African countries in recent years. These schemes are designed to provide financial security and improve the quality of life for retired individuals. Africa is a diverse continent

with varying levels of economic development and social infrastructure. Many African countries are experiencing demographic shifts, with a growing aging population. This demographic change has put pressure on governments to find sustainable ways to support their elderly citizens. In response, several African nations like South Africa, Ghana and Nigeria have implemented or are in the process of establishing contributory pension schemes as a means to address this challenge.

The contributory pension scheme is a marked departure from the pay-as-you-go Defined Benefit (DB) schemes that existed in the public sector since colonial period till 2004 and it improves the pension situation in both the private and the public sectors by making full funding of all schemes compulsory. The new scheme is a defined contribution scheme in which monthly funded contributions of 10% and 8% are made by employers and employees respectively, these contributions are held by Pension Fund

Custodians (PFCs) and managed and administered on the contributors' behalf by Pension Fund Administrators (PFAs) of the employees' choice. National Pension Commission, as one of its primary roles and responsibilities under the Pension Act, has developed investment guidelines after due consultation with the key operators of the schemes (PFAs and PFCs) to control investment activities of the Pension Fund Administrators in order to ensure that the pension funds are invested safely and securely in accordance with international best practices in investment management and also to ensure the growth and protection of retirement benefits under the Act.

Stewart and Yermo (2009) noted that the spread of pension reform can be seen as a response to the accelerated demographic and epidemiological transition in developing countries thrusting the issue of old age support to the forefront of developing policy. Pension reform has been embedded within structural adjustment and has largely constituted a response to fiscal deficits and labour market liberalisation. The World Bank's 1994 report on averting the old age crises supported policies to protect the aged people and promote growth. The bank supported the introduction of individual retirement earning on the basis of significant economic advantages which includes improved work and saving incentive, strengthening of capital market and reduced fiscal deficit. The Nigerian government under the leadership of the former president Olusegun Obasanjo came up with its economic development agenda called National Economic Empowerment and Development Strategies (NEEDS). The NEEDS document passed the pension reform Act in 2004 with the view that the reform would help to develop the Nigerian capital market (Dostal, 2010).

Pension is a plan for the rainy days after retirement, an arrangement to provide people with income when they are no longer active. It is a plan by an employer to provide their employees with an income when they are no longer working. Fajana (2002) opines that it is natural that after working for a long period of time, the law of diminishing return will set in and the employee's output will fall below expectation. Retirement is withdrawal from work after attaining a particular age or service years. Many people choose to retire when they are eligible for private or public pension benefits, although some are forced to retire due to physical conditions or as a result of government or organizational legislations concerning their positions. Retirement which is an important stage in the work life cycle of every employee has become an increasingly complex process, characterized by the timing and the pathways out of the labour force (Cahill, Giandrea, & Quinn, 2006).

In Nigeria, observation has revealed that most employees are ignorant of the investment strategies and performance indicators on their contributions. This is occasion by lack of accountability and transparency among the pension fund administrators to the contributors. The contributors' lack of awareness and participation in the investment of their contributions minimize the opportunity to take

decisions to change a non-performing investment portfolio or fund administrator despite the fact that many retirees have to wait for some times before receiving their pension lump sum after retirement, which has affected the welfare of the retirees in Nigeria and Trust Fund Pension Limited in particular.

Statement of the Problem

It is said that the principal challenge of development is how to improve the welfare of the people (World Bank, 1991). The Federal Government of Nigeria stated that one way of achieving improvement in the well-being of the citizens of a society is to ensure that due reward is given to retirees regularly (FGN, 2004). This will enable retirees meet their basic needs of food, clothing, housing, health services, among others, thus living their lives with the expected self-esteem. A functional pension scheme is the needed apparatus to achieve this. Globally, pension programmes especially those that are publicly financed and administered have become an issue of concern to policy makers, economists and the general public. This is not only because such programmes are central to the well-being of pensioners and the elderly, but also because majority of such programmes are not actuarially balanced (that is, they are not financially stable) and as such they are run at deficits, thus making the present values of their future liabilities to be enormous (Idowu & Olanike, 2010).

Despite the establishment of various pension administrators and regulatory frameworks aimed at ensuring a comfortable retirement for retirees, there are persistent issues that hinder the effective management of pensions and subsequently affect the welfare of retirees. One of the key problems is the mismanagement and misappropriation of pension funds. Numerous cases have been reported where pension funds meant for retirees' welfare have been embezzled or misused, leaving retirees in a state of financial insecurity and hardship. For instance, the Pension Reform Task Team (PRTT) discovered and exposed several cases of pension fraud, leading to the recovery of billions of Naira in stolen pension funds (Oboh, 2018). This is evident as the Economic and Financial Crime Commission (EFCC) has investigated cases where ₦151 billion were stolen from the pension funds. Such incidents raise serious questions about the effectiveness of pension management in ensuring retirees' welfare.

One of the challenges of retirees' is the limited number of twenty (20) years estimated for the payment of retirees' benefit after retirement from active service of which after the expiration of 20 years the welfare of retirees will not be catered for by the pension fund administrator. There is also the problem of strategic method of staff reduction and rationalization in order to reduce operating costs, labour costs and promote efficiency. The paradox here is that the cost of paying retirement benefits and pensions is higher than the cost of retaining them. In Nigeria, there are few studies Akhiojemi *et al.* (2018) and Iyowuna and Davies (2021) that examined contributory pension scheme and the quality of life of retired federal civil servants in Nigeria which necessitated this present study.

Research Questions

Based on the statement of the problem, the following research questions are raised to guide the study:

- i. What is the effect of pension fund administration on standard of living of retired federal civil servants in Kogi State?

Objectives of the Study

The main objective of this study is to examine the contributory pension scheme and the quality of life of retired federal civil servants in Nigeria. The specific objective is:

- i. Investigate the effect of pension fund administration on standard of living of retired federal civil servants in Kogi State;

Research Hypotheses

Based on the specific objective, the following hypotheses are stated in their null form:

H₀₁: Pension fund administration has no significant effect standard of living of retired federal civil servants in Kogi State.

Methodology

For the purpose of this study, a cross-sectional survey research design was used in order to gain a deeper understanding of the phenomena. The population of this study comprised 105 retirees of Federal College of Education Okene in Kogi State as at 2023. There are 105 retirees of Federal College of Education Okene based on the institution retirees’ record in 2023. The sample size for this study was determined using formula suggested by Yamane as cited in Israel (2013). Thus, eighty-three retirees of the institution were considered relevant for the study. Data for the study were collected through primary and secondary sources. The primary data were used through the questionnaire instrument. The questionnaire was used to collect a common set of questions about a particular area of research, designed to obtain information relevant for providing answers to research questions and hypotheses stated. Data were presented using tables. The frequencies and percentages were used to interpret the respondents’ responses. Responses to the questionnaire were ranked across a five (5) point Likert scale of Strongly Agree (SA), Agree (A), undecided, Disagree (D), Strongly Disagree (SD). Statistical Package for Social Sciences (SPSS) version 21.0 was used to analyse the data while multiple linear regression analysis was used to estimate the model and test all the null hypotheses formulated. The dependent variable is Retirees Welfare measured by Standard of Living of Retirees’ (SLR) (health service uptake of retirees, food security of retirees and level of shelter of retirees) while the independent variable is Contributory Pension Scheme proxies by Pension Fund Administration (PFA), Pension Fund Accountability (PA) and Pension Fund Transparency (PFT). To achieve all the hypotheses, multiple regression analysis was used to estimate the model. The model is presented thus:

$$SLR_i = \beta_0 + \beta_1 PFA_i + \beta_2 PA_i + \beta_3 PFT_i + e_i \dots\dots\dots (1)$$

Where:

SLR = an indicator representing Standard of Living of Retirees’ (Dependent Variable);

β_0 = a constant and β_{1-3} = coefficients of independent variables;

PFA = a predictor representing (Pension Fund Administration);

PA = a predictor representing (Pension Fund Accountability);

PFT = a predictor representing (Pension Fund Transparency);

e = Stochastic error term;

i = Cross sectional; and

f = Functional relationship.

Results of Regression

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.818 ^a	.669	.665	2.62067

a. Predictors: (Constant), PA, PFA, PFT

The R-square value of .669 in Table 1 indicated that the components of independent variable have a combined effect of 67% on the dependent variable while the adjusted R square value of .665 also indicated the accurate influence of the combined effect of pension fund accountability, pension fund administration, pension fund transparency of 67% on welfare of retirees.

Table 2: ANOVA Result

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	3381.446	3	1127.149	164.118	.000 ^b
Residual	1675.776	244	6.868		
Total	5057.222	247			

a. Dependent Variable: WR

b. Predictors: (Constant), PFA, PA, PFT

The F-Statistics value of 164.118 and the corresponding sig. level of .000 in Table 2 signified that the model is fit and significant at 5% level. This means that the model is fit and admissible for decision making.

Table 3: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-2.569	.989		-2.598	.010
PFA	.640	.058	.561	10.986	.000
PA	.588	.079	.477	7.401	.000
PFT	.131	.061	.147	2.129	.034

a. Dependent Variable: WR

Test of Hypotheses

To examine the contributory pension scheme and the quality of life of retired federal civil servants in Nigeria, the formulated hypotheses were tested using multiple regression.

H₀₁: Pension fund administration has no significant effect standard of living of retired federal civil servants in Kogi State.

Table 3 shows that the result of t statistic value of 10.986 and the corresponding sig. level of 0.00 which is significant at 5% level of significance indicating that pension fund administration has a significant effect on standard of living of retirees of retired federal civil servants in Kogi State. Based on this, the null hypothesis one, which says, pension fund administration has no significant impact on standard of living of retirees of retired federal civil servants in Kogi State, is rejected.

H₀₂: Pension fund accountability has no significant effect on standard of living of retired federal civil servants in Kogi State.

Table 3 also shows that the result of t statistic value of 7.401 and the corresponding sig. level of 0.000 which is significant at 5% level of significance, indicating that pension fund accountability has a significant impact on standard of living of retirees of retired federal civil servants in Kogi State. Based on this, the null hypothesis two, which says, pension fund accountability has no significant impact on standard of living of retirees of retired federal civil servants in Kogi State, is rejected.

H₀₃: Pension fund transparency has no significant effect on standard of living of retired federal civil servants in Kogi State.

Table 3 shows that the result of t statistic of 2.129 and the corresponding sig. level of .034 which is significant at 5% level of significance, indicating that pension fund transparency has a significant impact on standard of living of retired federal civil servants in Kogi State. Based on this, the null hypothesis three, which says, pension fund transparency has no significant impact on standard of living of retirees of retired federal civil servants in Kogi State, is rejected.

Discussion of Findings

This study revealed that pension fund administration has a significant positive impact on standard of living of retirees of retired federal civil servants in Kogi State. This means that the pension administrator guarantees availability of funds and regular payment to the retirees on monthly basis. The pension administrator also improves the standard of living of retirees, encourage savings of retirees and address the challenges of retirees. This finding is in agreement with the findings of Abdulahi (2014), Ahmed and Oyadiran (2013) who found that pension administration has a significant impact on welfare of retirees. However, this study is not in line with the findings of Iyowuna and Davies (2021) and Nwafor (2013) who found that pension administration has an insignificant impact on welfare of retirees.

The study also revealed that pension fund accountability has a significant positive effect on standard of living of retirees of retired federal civil servants in Kogi State. This implies that the pension scheme institutes transparency in the welfare of retirees and serve as an incentive to retirees. This equally shows that the transparency in retirees' welfare boost confidence of retirees and also there is an open communication between retirees and pension fund administrators in managing welfare in their organization. This study is not in line with the finding of Akhiojemi *et al.* (2018) who found that pension fund accountability has a significant effect on welfare of retirees.

The study further revealed that pension fund transparency has a significant positive impact on standard of living of retirees of retired federal civil servants in Kogi State. This means that the pension administrator properly accounts for pension funds to retirees and that the level of transparency of pension fund administrator guarantees retirees of regular payment of pension. Transparency also foster integrity in welfare management of retirees and pension scheme enable retirees to access their retirement savings account. This finding is in consonance with the finding of Iyowuna and Davies (2021) who found that pension fund transparency has a significant impact on welfare retirees. However, this study is not in line with the finding of Akhiojemi *et al.* (2018) who found that pension fund transparency has an insignificant impact on welfare retirees

Summary of Findings

This study revealed that pension fund administration has a significant positive impact on standard of living of retirees of federal civil servants in Kogi State. This means that the pension administrator guarantees availability of funds and regular payment to the retirees on monthly basis. The pension administrator also improves the standard of living of retirees, encourage savings of retirees and address the challenges of retirees.

The study also revealed that pension fund accountability has a significant positive effect on standard of living of retired federal civil servants in Kogi State. This implies that the pension scheme institutes transparency in the welfare of retirees and serve as an incentive to save in an organization. This equally shows that the transparency in retirees' welfare boost confidence of retirees and also there is an open communication between retirees and pension fund administrators in managing their welfare their organization.

The study further revealed that pension fund transparency has a significant positive impact on standard of living of retired federal civil servants in Kogi State. This means that the pension administrator properly accounts for pension funds to retirees and that the level of accountability of pension fund administrator guarantees retirees of regular payment of pension. An accountability also foster integrity in welfare management of retirees and pension scheme enable retirees to access their retirement savings account.

Conclusion

Pension fund administration plays a crucial role in ensuring a positive impact on the standard of living of retired federal civil servants in Kogi State. By guaranteeing the availability of funds and regular monthly payments to retirees, pension administrators provide financial security and stability during retirement. This reliable income source enables retirees to meet their daily needs, maintain a certain standard of living, and have peace of mind in their golden years. The effective management and transparency of pension funds contribute to the overall well-being and quality of life of retirees, offering them a sense of financial independence and support in their post-employment phase.

Pension fund accountability has a notable positive impact on the standard of living of retirees of retired federal civil servants in Kogi State. The implication is that when pension schemes is accountable, retirees experience improvements in their overall well-being. This transparency not only ensures that the welfare of retirees is taken into consideration but also serves as an incentive for individuals planning for retirement. By implementing robust accountability measures in pension funds, retirees can have confidence in the management of their funds and the benefits they are entitled to. This transparency allows retirees to make informed decisions about their finances, plan for their future, and maintain a certain standard of living during their retirement years.

Pension fund transparency plays a crucial role in improving the standard of living for retirees of retired federal civil servants in Kogi State. When pension administrators properly account for pension funds and maintain a high level of transparency, retirees can have confidence in receiving regular payments of their pension. This assurance allows retirees to better plan for their future, meet their financial needs, and maintain a satisfactory standard of living during their retirement years. By prioritizing transparency in pension fund management, the welfare and well-being of retirees can be significantly enhanced in federal civil servants in Kogi State.

Recommendations

Based on the above conclusion, the following recommendations are made:

- (i) The pension fund administrator should ensure that funds are availability for regular payment of pension to pensioners at least six months before retirement from active service and to ensure that the scheme is sufficient to address the challenges of retirees.
- (ii) The pension fund administrator should embrace modern technologies, such as digital platforms and automated systems, to improve the efficiency and transparency of pension fund administration. This includes online portals for retirees to access their account information, submit claims, and receive updates on fund performance.
- (iii) The pension administrator should properly account for pension funds to the retirees by filing quarterly reports and also ensure that the level of accountability of pension fund administrator will guarantees retirees of regular payment of their pension. Proper accountability also foster integrity in welfare management of retirees and pension administrator should enable retirees to access their retirement savings account regularly.

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