EVALUATING THE FINANCIAL SUSTAINABILITY OF LUMP-SUM PENSION BENEFITS FOR EARLY EXITED STAFF IN NIGERIA

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Abstract

The pension scheme is a fully contributory pension scheme in Nigeria, and it provides guidelines for the optimal operations of the RSA for all ages eligible. Presently, people between the ages of 18 and 49 who are victims of appointment termination, organizational restructuring etc find it difficult to access a lump sum from the RSA for a better life. Why do victims of job loss believe in the legitimate theory that society and business have a social treaty, the stakeholders' theory portrays an organization to have a moral and ethical responsibility to consider the interests of all stakeholders. This study evaluated Financial Sustainability of Lump-Sum Pension Benefits for Early early exited staff in Lagos State. The study population comprised 114 people between the ages of 18 and 49 who had lost their jobs and kept an RSA with a particular Pension Fund Administrator (PFA). A cross-sectional research design and a purposive sampling technique were used. 89 persons were purposively selected for the study. Cronbach's Alpha coefficient was used to test the reliability of the research instrument. The data was analysed using descriptive statistics. The findings of the study show that 25% withdrawal from the RSA, and restriction in lump-sum payment affect the financial sustainability of early exited staff in Lagos State, Nigeria. The study concluded that there is a need for lump sum payments beyond the 25% threshold for early exit staff. On that basis, the study recommended that the pension commission should develop a strategy for early exit staff to leverage their RSA for business and financial sustainability.

Keywords: *financial sustainability, early exit staff, retirement saving account, pension, lump-sum withdrawal.*

1. Introduction

Across the world, the pension scheme through retirement savings account (RSA) has been documented to drive financial sustainability for pensioners and persons of retirement age (Owolabi, 2023). The pension scheme is also linked to a strategy of saving or annuity plan for the future admitting a level of risk or uncertainty (Malek, Khandan & Hadadmoghadam, 2024). International pension administrators adopt defined benefits and contributory pension benefits. The defined benefit (DB) retirement plans came into existence in the 1800s and through the 1960s paid out benefits in only one form: a fixed-payment annuity. Beginning in the 1970s, some defined benefit plans began to offer the option of full or partial single-sum distributions, and as "hybrid" pension plans expanded in the 1980s, so did distribution options, with the result that today most defined benefit plans offer some type of single/lump-sum option, in addition to the traditional annuity choice (Malek, et al, 2024).

In Nigeria, the pension landscape has undergone significant reform from unsustainable, government-funded defined benefit schemes to a regulated, contributory pension system under the Pension Reform Act of 2004, as repealed in 2014 managed by licensed Pension Fund Administrators (PFAs), including Closed PFAs and Micro Pension Plans for informal sector workers (Awosika, 2025). The CPS mandates contributions from both employers and employees, which are deposited into individual Retirement Savings Accounts (RSAs) administered by Pension Fund Administrators (PFAs) Maduabuchuku, Okereka and Mukoro, A. (2024). Upon retirement or early exit, beneficiaries may access their benefits, while early retirees are limited to 25% of their RSA balance after four months of unemployment, with the remaining funds available at the statutory retirement age through programmed withdrawals or annuities. This structure is intended to offer both flexibility and long-term income security.

Early exit from employment through voluntary retirement or retrenchment/layoff has become a growing trend in the public and private sectors in Nigeria, particularly for the early exited staff in states like Lagos, the most populous and economically active region in Nigeria. Individuals may choose to retire early for health reasons, personal pursuits, or perceived job insecurity, while others are compelled to leave due to downsising, economic downturns, or organizational restructuring. Regardless of the reason, early exited staff may at a financial disadvantage compared to those who retire at the statutory age, could be facing inadequate savings, reduced earning capacity, and higher longevity risk.

In Lagos State, where labor dynamics are complex and rapidly evolving, these challenges are even more pronounced. The pressure on organizations to optimize workforce size, reduce costs, and remain competitive has led to increased cases of layoffs and voluntary retirements. While the 25% RSA withdrawal offers a temporary cushion, it may not be financially sustainable due to urgent financial needs such as debt repayment, medical expenses, or attempts at self-employment. Without robust financial literacy or additional support structures. Many early retirees may be left vulnerable in the long term, which might lead to early death.

This study therefore, seeks to evaluate the pension benefits and their financial sustainability for early exited staff in Lagos State, Nigeria, with a specific focus on two categories: voluntary retirement and retrenchment/layoff. The study will assess the sustainability of the 25% RSA withdrawal and subsequent lump-sum payments in meeting the long-term financial needs of these groups. By examining the financial outcomes, retirement readiness, and post-exit experiences of early retirees, the research will provide valuable insights into the strengths and limitations of Nigeria's current pension disbursement practices. Despite the nature of the exit for the early exited staff, whether voluntary or due to retrenchment, it has emerged in the public and private sectors in Nigeria, particularly in Lagos State, which faces unique labour market pressures. Workers who exit employment prematurely are often thrust into financial hardship. This is especially challenging for those unable to secure re-employment, as they rely solely on the 25% RSA withdrawal, which may prove insufficient given inflation, urgent financial needs, and a lack of alternative income sources.

However, regulatory adjustments such as PenCom's 2024 directive allowing up to 50% lump-sum withdrawals upon retirement were implemented to improve the financial outcomes of the retirees who attain the retirement age, these benefits are yet to be extended to early exited staff. This leaves a significant policy and financial gap for individuals who may never reach retirement age due to the economic and other pressures faced during prolonged unemployment by the early exited staff.

Nigeria's current economy is characterized by inflation, which poses a significant challenge to economic stability and the well-being of the population. Olabiyi, (2022). High inflation rates have been a recurring challenge in the Nigerian economy for several years, eroding the purchasing power of the citizens. Olabisi, (2023). The rising cost of living, and stagnating wages placed many workers in the position of struggling to meet their basic needs Aziz, et al. (2025). This reality has several implications for the sustainability and effectiveness of the 25% pension payment given to early retirees. Among these challenges, some glaring issues persist the early exit of staff in any employment that may have resulted in voluntary exit, automatic liquidation of firms, staff lay off as result of financial re-engineering or restructuring of firms, economic instability etc. Despite the new pension scheme that is contributory, fully funded, privately managed, third party custody of the funds yet early exit staff are not considered optimally in the distribution of funds. While withdrawals are not permissible on a job, the provision made for the attainment of age 50 or waiting for a minimum of 4 months after loss of a job to withdraw 25% only from one's pension pot.

This dearth of disclosure poses a critical problem for people who are between the ages of 18 and 49 and physically fit to start their business, using a significant proportion of the funds in their pension pot as capital for a new business. The limitation of 25% constrains individuals with good business ideas and who are fit as entrepreneurs. Compounding this issue is a fundamental gap in our understanding of how the restriction of 25% and the age limit affect withdrawal for persons of early retirement in Nigeria. Despite the difficulty in assessing funds in Nigeria, persons of age 18 and 49 who are victims of retrenchment should be granted exemption to assess lump sum for investment and to live a better life. Therefore, there is a striking lack of empirical research examining how the financial sustainability of lump-sum pension benefits for early exited staff could reshape the ability of people who are victims of early retirement.

Therefore, it is evident that addressing the gaps in pensions for early retired workers of persons of 18 and 49, in creating exemptions to aid financial sustainability, is paramount. By elucidating these dynamics through rigorous empirical research, this study aims to inform policy formulation, regulatory enforcement, corporate governance practices, and investment strategies that promote greater transparency, accountability, and sustainability within the pension industry. Ultimately, by tackling these critical challenges head-on, the research endeavors to contribute to the realization of a better pension scheme that provides optimal benefits for participants in the scheme.

The study aims at evaluating the financial sustainability of lump-sum pension benefits for early exited staff in Nigeria. The specific objectives are to:

i. examine the influence of the 25% withdrawal benchmark in the pension scheme on early exited staff sustainability in Lagos State.
ii. analyze the effect of exemptional lump-sum withdrawal of more than 25% of retiree's annual remuneration on early exited staff in Lagos State.

2. LITERATURE REVIEW

The legitimacy theory was developed by Dowling and Pfeffer in 1975, they thought that businesses reveal social responsibility data to project a picture of social responsibility and get support from their stakeholder groups for their actions. The foundation of legitimacy theory is the notion that society and business have a social treaty. and that the instrument used to control how stakeholders view the requirements for achieving organizational legitimacy is legitimacy theory. Therefore, legitimacy grants an organization the authority to carry out its operations in accordance with the interests of its stakeholders (Suchman 1995).

Legitimacy theory posits that organizations seek to maintain legitimacy and social approval by conforming to societal norms, values, and expectations. In the context of Financial Sustainability of Lump-Sum Pension Benefits for Early Exited Staff, companies' contribution of 10% to the RSA of employees to demonstrate their commitment to employee's welfare and societal values.

Malek et al (2024); Aziz, Ismail and Isa, (2025). study pension policies and early retirement in Iran and using survey research design and regression analysis. The researchers found out that pension policies only favour persons whose age is close to retirement or who had attained retirement. The study supports that person of 50 and below should have a policy different that support their financial sustainability.

Salisu and ibrahim (2024) assess the satisfaction of contributory pension scheme among retired staff of Abubakar Tafawa Balewa University and Federal Polytechnic Bauchi. The data for the study were generated from primary and secondary sources. The instruments of the primary data collection used were questionnaire and interview, while secondary sources made use of reports, books, magazines, gazettes, journals, research theses and dissertations and the internet. Data were analyzed using descriptive and inferential statistical tools. Questionnaires were distributed on a sample of 107 respondents selected from the population of the study through simple random sampling techniques to test the hypotheses. Chi square analysis tests result revealed that, compliance with the contributory pension scheme significantly improved prompt payment of lump sum benefits and implementation of CPS has significantly improved easy and timely access to pension benefits in RSA by retirees in ATBU and FPTB. However, it was recommended among other things that, PENCOM should ensure the achievement of a competitive return on investment through strong policies that will bring good investment and sustained output growth required to guarantee higher RSA growth and pension payment of retirees to improve the living standard of retirees. PENCOM should ensure close supervision, monitoring and evaluation of the performance of PFA's in order to achieve efficiency in pension system. This will ensure transparency and continue promptness in payments, which are major setback of the old scheme.

Achimugu and Abubakar *(2024)* 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.

Ukwu, et al. (2023) investigated the Contributory Pension Scheme, the causes and the impact of dissatisfaction of the system on the pensioners. The findings include thatthe system still lacks prompt remittance of the contributions made by the employees and employers, no easy access of pensioners to their benefits as and when due and lack of prompt verification process and the prevalence of sharp corrupt practices that results to embezzlements. The recommendations put the need to stamp corruption out of the scheme, giving the pensioners skill training to prepare them on life after service, and training on how and where to manage and invest their retirement fund and allowing them access to certain percent of their fund while at service.

Ayuba (2023) employed the Pareto chart analysis using secondary data from the pension commission with a view to examining the contribution trend and contributions made by total public and private companies' pension assets over the years as well as the sectorial investment of the fund since enactment of Pension Reform Act 2014. It was observed that there was significant decline in the amount of contribution of the public sector prior to and during the election year whereas the private sector recorded drop in the year after election. Likewise observed an over concentration of investment asset in secured Government bonds. The pension commission should continue to give adequate attention to enforcement of remittances and possibly met sanctions as stipulated in the PRA 2014 as a deterrent to defaulting employers. It was recommended that there should be regular spot checks by pension commission on prompt remittance by employers, in compliance with the PRA 2014, and the broadening of risk assets of the fund.

Ahmed, Afolayan and Olarenwaju (2023) examined he effect of voluntary contribution on the assets of federal government employees in Kwara state. This study's hypothesis is that there is a positive effect between voluntary contribution on the employee's assets in the federal ministries, departments and agencies in Kwara state. The study employed a descriptive survey research design that is cross-sectional in nature to ascertain the effectiveness of the voluntary contribution for increased pension assets. The study used simple random sampling from among the population of federal employees serving in ministries, departments and agencies in Kwara state. Both descriptive and inferential statistics were used to analyze the data using regression analysis with the aid of SPSS version 25.0. The study found that there is a positive significant effect between voluntary contributions and contributory pension assets of employees with ($p < 0.0001$) which means that voluntary contributions have effect on contributory pension assets on employees.

Etim, Umoren and Udo (2023) examine the influence of contributory pension scheme on economic development in Nigeria. The design adopted for this study was expost-facto; data used for analysis were elicited from Central Bank Statistical Bulletin and National Pension Commission Annual Report. To achieve this objective, a model was formulated based on empirical and theoretical reviews. Per Capita Income was used as the explained variable, while private-sector pension funds, public-sector pension funds and total pension funds were the explanatory variables in the model. The scope of the study covered pension matters in respect of public and private sector retirees in Nigeria as a whole. The researchers employed the Fully Modified Least Squares (FMOLS) Model to analyze data. The researcher used the p-value as the basis for the acceptance and rejection of null hypotheses. Where the critical p-value computed is less than a 5% significance level, the variable was taken as being significant, hence it was rejected. The findings elicited from this study revealed that private sector pension funds and public sector pension funds with p-values of 0.0117 and 0.0089 respectively, had a positive significant influence on Per Capita Income, while total pension funds recorded an insignificant influence on per capita income with a p-value of 0.8641. From the inferential result, it was deduced that the contributory pension scheme had a positive and significant influence on economic development in Nigeria. Making timely payments of pensions to beneficiaries both in the private and public sectors would inject money into the economy which will boost economic development. From the foregoing, the researcher recommended that government should ensure that the payment of pensions is made timely, in line with Pension Reform Act 2014.

Banjo, Akosile and Alasiri (2022) investigated the impact of the pension scheme on employees' gratification and ecstasy of satisfaction after retirement. A total of 92 members of staff of the Faculty of Management, Lagos State University of Science and Technology were sampled. A structural equation model was used to test the hypotheses of the study. A careful analysis of the study reveals that the new contributory pension scheme has a significant effect on the employees' gratification and ecstasy of satisfaction after retirement; the 75% withdrawal from the contributory pension scheme has a significant positive effect on the employees' gratification and ecstasy of satisfaction after retirement; however, the remaining balance of 25% remaining balance of the contribution has a negative impact (-5%) on the employees' gratification and ecstasy of satisfaction after retirement, meaning that the remaining balance of 25% may not be sufficient to sustain the employees throughout their lives time, hence, this may hasten their early grave

Egolum and Ndum (2021) evaluated the impact of the contributory pension scheme (CPS) on employee retirement benefits. Being a survey investigation, interview and questionnaire were the major instruments used in the data gathering. Taro Yamen formula was used for derivation of appropriate sample size of 380 respondents. The researcher employed SPSS (Statistical Package for Social Sciences) Version 16 for Microsoft Windows to analyse the data. The Electronic Statistical System designed to make Statistical Analyses (Exploratory Data Analyses) - frequency count, percentage analysis, mean score, chi-square test was used in the analyses. Cronbach alpha (α) test was used for reliability of data evaluation. Findings revealed that CPS significantly seems to be favourable and good, in terms of operation and management when compare to the old scheme. The study recommends among others that strict measures should be put in place by Government/PENCOM to ensure effective monitoring, supervision and management of the Pension Fund Administration (PFA) and custodians. Necessary sanctions should be meted to any PFA which fails to adhere to the norms of the reform. E-Payment should equally be adopted for easy references and updates in order to build up corporate governance and investment decisions

Okoye (2024) examined the challenges of contributory pension regime in Nigeria as well as the vision achievement rate of PenCom. The study reviewed literature and published annual reports of PenCom. The study revealed that reluctance and disbelief by workers to register with Pension Funds Administrator, compliance, benefit inadequacy, low capital formation, non-inclusion of the informal sector, overlapping regulations, and coverage are persistent challenges confronting recent pension reforms in Nigeria. In addition, it was found that the vision achievement index by PenCom is below average after 14 years of operation. The study recommends a synergy between Pension Fund Administrators, Pension Fund Custodians and PenCom in order to combat some challenges of noncompliance. In addition, these stakeholders 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).

Adeyele (2021) investigate the extent of employers' contributions, role of Pension Funds Administrators (PFAs), regulator's roles, and funding gaps effect on accumulated pension funds. The population for the study comprised of all the federal universities in Nigeria. North Central part of the country was chosen among the six geopolitical zones in which three federal universities were selected. Purposive sampling technique was adopted to select 450 respondents based on their wiliness to participate in the research to ascertain their experiences in defined contribution pension system in Nigeria. Ordinary Least Square statistics was used to analyze collected data. Findings revealed that the employer's contributions, the regulatory role, and funding gap have positive and significant effect on accumulated pension funds while the role of PFAs has negative effect on accumulated pension. The study concluded that effective regulation of pension system will positively impact on adequacy of accumulated pension funds as the amounts representing funding gaps are expected to be remitted to employees' retirement saving accounts before retirement age is attained.

3. METHODOLOGY

The study adopts a cross-sectional survey research design in which questionnaire administration was used to harvest data from a group of people admitted to be early retired staff. Ighomereho (2021) stated that a research design is a plan, structure or strategy of investigation deemed appropriate to provide answers to the research questions. In this study a cross-sectional survey design using a questionnaire instrument was employed. The questionnaire was administered to employees who were classified to be early exit of staff due to voluntary resignation or termination of appointment in Lagos State, Nigeria. The use of survey design was because the study is explanatory research, ascertaining cause and effect relationship between two variables. The population of the study is the 22 PFAs operating with an accredited license in Nigeria as of the year 2024 (PenCom, 2024), of which 3 are purposively selected for the study. This consists of people whose RSA are dormant in the selected PFA and whose age range is between 18 and 49.

Table 1: Population Distribution

S/N	PFA	Persons with dormant RSA
1	Stanbic	55
2	Leadway Assurance	37
3	ARM Pension	22
	Total	**114**

This number was accessed using ethical procedures addressed to the selected firms.

Sampling Technique and Sample Size

The sample size for the study was derived using the Taro Yamane formula.

$$\frac{N}{1+Ne^2}$$

N = Population = 114

e= 5%= 0.05

$$\frac{114}{1+114(0.05^2)} = 89.$$

The sample size is 89

These are people whose RSA are dormant and whose ages fall between 18 and 49.

Table 2: The stratified and purposive sampling method was adopted

PFA	Persons with dormant RSA	Stratified sampling	Purposive	
Stanbic	55	$\frac{55}{114} * 89 = 43$	18 and 49 whose RSA is dormant	Simple random sampling for the questionnaire distribution
Leadway Assurance	37	$\frac{37}{114} * 89 = 29$	18 and 49 whose RSA is dormant	Simple random sampling for the questionnaire distribution
ARM Pension	22	$\frac{22}{114} * 89 = 17$	18 and 49 whose RSA is dormant	Simple random sampling for the questionnaire distribution
Total	114	89		

Source: Researcher, 2025.

Validity and Reliability Test

This study adopted Cronbach's Alpha coefficient as a reliability test. The reliability test results are presented below:

Table 3: Reliability Statistics

Measure	No of items	Cronbach's Alpha
25% withdrawal on RSA on Early Exited Staff	3	0.79
Lum-sum Withdrawal Early Exit Staff	3	0.80

Source: Researcher, 2025

As depicted in Table 4.4, the data were tested for validity and reliability using the Alpha value. Since the Alpha value of each construct is above the expected threshold of 0.70. The researcher believes that the data are reliable to evaluate the financial sustainability of lump-sum pension benefits for early exited staff in Lagos State, Nigeria.

Measurement of Variables

Table 4: Data Sources

Variables	Description	Measurement	Data Source
25% Withdrawal RSA	This describes the influence of 25% withdrawal on RSA of early exited staff	Using Likert scale of 1 to 7	Primary sources focus on extracting information through Questionnaire administration.
Lump Sum Withdrawal	This described the lump-sum on early exited staff	Using Likert scale of 1 to 7	Primary sources with focus on extracting information through Questionnaire administration.

Source: Developed by the Researcher, 2025

This study made use of descriptive analysis, which includes frequency, percentage, and mean. Specifically, the research questions were administered using percentage and mean scores to investigate the Financial Sustainability of Lump-Sum Pension Benefits for Early Exited Staff in Lagos State, Nigeria**.**

4. ANALYSIS AND DISCUSSION

Table 5 Demographic Report of the Respondents

S/N	Variables	Frequency	Percent	Cumulative
1	**Respondent's Age**			
	20-30	6	6.7	6.7
	31-40	16	18.0	24.7
	41-49	67	75.3	100.0
2	**Highest Educational Qualification**			
	BSC/HND	9	10.1	10.1
	MSC/MBA	32	36.0	46.1
	PhD/DBA	48	53.9	100.0
3	**Professional Certification**			
	CIIN/ICAN/NIM	9	10.1	10.1
	Certification	32	36.0	46.1
	Others	48	53.9	100.0
4	**Years of Experience**			
	1 – 5	12	13.5	13.5
	6 to 10	39	43.8	57.3
	11 – 20	30	33.7	91.0
	20 and above	8	9.0	100.0
5	**Gender**			
	Male	62	69.7	69.7
	Female	27	30.3	100

Source: Researcher, (2025)

The age distribution shows that most respondents (75.3%) fall within the 41–49 age bracket, indicating a mature and experienced group of professionals. The low representation of younger age groups (20–30 at 6.7% and 31–40 at 18.0%) aligns with the notion that early existing staff are generally more established and have spent significant time in their organizations. This maturity enhances their understanding of long-term employment structures, including retirement planning. Therefore, their perspectives are likely to be informed and credible when assessing the financial sustainability of lump sum pension benefits.

With 89.9% of respondents holding postgraduate degrees (MSc/MBA or PhD/DBA), the sample reflects a highly educated group capable of understanding complex financial and policy-related topics. This academic depth increases their capacity to evaluate pension systems critically and consider long-term financial implications. Consequently, their input is valuable and reliable for drawing conclusions on the sustainability of lump sum pension benefits for early existing staff. A significant portion of respondents (53.9%) reported holding "Other" certifications, alongside 36.0% with recognized professional credentials and 10.1% with certifications from specific bodies like CIIN, ICAN, or NIM. This diversity in professional qualifications suggests exposure to various industries and financial systems. Their broad range of expertise enhances the quality of insights they can offer, particularly in evaluating the structure and sustainability of pension benefit systems.

Most respondents have considerable work experience, with 43.8% having 6–10 years and 33.7% having 11–20 years in their careers. This depth of experience implies familiarity with organizational practices, human resource policies, and long-term financial planning, including pension schemes. Their sustained presence in the workforce makes them well-positioned to assess the practical implications and sustainability of lump sum pension benefits over time.

While the gender distribution is skewed toward male respondents (69.7% male vs. 30.3% female), the diversity of perspectives from both genders still contributes to a balanced view. Given their tenure and professional standing, both male and female respondents can offer informed views grounded in their lived experience within different organizational and pension frameworks. Thus, despite the imbalance, the data collected is still valuable for analyzing the sustainability of pension systems from a real-world perspective.

Table 6 Descriptive Statistics

Code	Effect of 25% Withdrawal RSA on early existed staff	1	2	3	4	5	6	7	Mean Score
WR1	25% withdrawal is not financially sustainable for a person aged 49 and below, Early Exited Staff in Nigeria.	7 (7.9%)	16 18.0%	12 15.7%	16 18%	2 2.2%	9 10.1%	25 28.1%	4.3146
WR2	25% withdrawal is not financially sustainable for a person aged 49 and below for Exited Staff in Nigeria to start a small and medium scale business in Nigeria	7 7.9%	21 23.6%	2 2.2%	40 44.9	4 4.5%	8 9.0%	7 7.9%	3.7303

WR3	25% withdrawal is not financially sustainable for a person aged 49 and below, Early Exited Staff who has a family and without much savings.	0 0.0%	4 4.5%	23 25.8%	25 28.1%	11 12.4%	15 16.9%	11 12.4%	4.4831
	Effect of Lump Sum Withdrawal on early existed staff	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**Mean Score**
LSW1	Accessing more than 25% lump sum from the RSA is difficult for Early Exited Staff in Nigeria.	1 1.1%	5 5.6%	5 5.6%	19 21.3%	7 7.9%	34 38.2%	18 20.2%	5.2472
LSW2	There is no lump sum payment for persons aged 49 and below, Early Exited Staff	3 3.4%	4 4.5%	9 10.1%	31 34.8%	11 12.4%	19 21.3%	12 13.5%	5.1236
LSW3	A lump sum payment would be better than an annuity payment if more than 25% withdrawal is not attainable for Early Exited	3 3.4%	4 4.5	9 10.1%	31 34.8%	11 12.4%	19 21.3%	12 13.5%	4.6629

	Staff RSA in Nigeria.								

Source: Researcher, (2025)

As depicted in Table 4.3, the responses indicate a general agreement that the 25% withdrawal from Retirement Savings Accounts (RSA) is not financially sustainable for early exited staff under the age of 49. WR1 and WR3, which address sustainability in general and for individuals with families and limited savings, have relatively high mean scores (4.31 and 4.48 respectively), suggesting that many respondents see the current structure as inadequate for meeting post-retirement financial needs. WR3, in particular, highlights the added financial strain on those with dependents and little to no savings. While WR2, which relates to starting small and medium-scale businesses, has a lower mean score (3.73), indicating more divided opinions, the overall trend suggests that the 25% withdrawal is perceived as insufficient for meaningful economic engagement or financial security among early exited staff.

The second set of responses centers on the accessibility and preference for larger lump sum withdrawals, and the data shows strong support for the idea that the current limits are restrictive. LSW1 and LSW2 have high mean scores (5.25 and 5.12), indicating a broad agreement that accessing more than 25% is difficult, and that those aged 49 and below are often excluded from receiving lump sum payments. LSW3, with a mean of 4.66, shows a clear preference for lump sum payments over annuities, especially when higher withdrawals are not permitted. These findings suggest that respondents believe greater flexibility in pension withdrawals would better serve the financial realities of early exited staff, many of whom may need immediate access to funds for reintegration into economic activities or to manage household responsibilities.

Discussion of Findings

The study envisaged on evaluating financial sustainability of lump sum pension benefits for early exited staff in Lagos State Nigeria. The discussion of findings was based on the following research questions:

Research Question 1: To what extent does the 25% withdrawal in the pension scheme affect early exited staff in Lagos State?The finding of this study corroborates with the work of De Breij et al. 2019) that financial sustainability most times affect pension benefits based on the technology adopted by the pension administrators while. Furthermore, the findings indicate that the 25% pension withdrawal limit significantly affects early exited staff, especially those who are younger and not yet eligible for full retirement benefits. Many respondents believe that this amount is not financially sustainable, particularly for individuals with dependents or without adequate savings. There is a general sense that the 25% withdrawal does not provide enough financial security for maintaining a stable post-employment life. While some respondents feel it could be used as seed capital for small business ventures, the majority view it as insufficient to support a meaningful transition out of employment. Overall, the responses suggest that the current pension policy limits the financial well-being of early exited staff, making it harder for them to meet basic needs or invest in new opportunities.

Research Question 2: What is the effect of Lump Sum Withdrawal of More than 25% of retirees' annual remuneration on early exited staff in Lagos State? Respondents overwhelmingly expressed the view that accessing more than 25% of their retirement savings is either difficult or not allowed, which they see as a major barrier to financial independence after exiting service. Many believe that having the option to withdraw a larger lump sum would better support their needs, especially when compared to smaller, regular annuity payments. There is a clear preference for the flexibility and immediate financial relief that a higher lump sum withdrawal would provide. The responses suggest that the current restrictions do not align with the financial realities faced by early exited staff, and that greater access to retirement funds could help them manage household responsibilities, invest in economic activities, or simply maintain a reasonable standard of living. This study supports the work of Malek et al (2024) and Gruber and Wise (2004) that an unfavourable pension policy affects early exit staff.

5. Conclusion and Recommendations

This study examined the impact of the 25% pension withdrawal limit and the potential benefits of allowing greater lump-sum access for individuals who exit employment early in Lagos State. The findings reveal that the current 25% withdrawal cap is widely perceived as financially insufficient, particularly for individuals under the age of 49, who face ongoing financial responsibilities and often have limited personal savings (Aziz et al., 2025). Many households struggle with managing finances due to factors such as low income, rising living costs, and poor saving habits. Respondents consistently expressed that the existing withdrawal structure does not adequately support their transition out of employment or facilitate meaningful financial independence.

Moreover, there is a clear preference for more flexible pension withdrawal options, particularly the ability to access larger lump-sum payments. Early exited staff indicated that access to more than 25% of their retirement savings would better address immediate financial needs and provide the necessary resources to reintegrate into economic activities. The findings underscore a pressing need to reconsider current pension policies, ensuring they align with the financial realities and expectations of early exited staff.

In light of these findings, it is evident that the current pension withdrawal structure, especially the 25% limit for early exited staff, does not sufficiently meet the financial needs of individuals who leave the workforce prior to the standard retirement age. These individuals often continue to bear significant financial responsibilities, such as family care, and require access to resources to reintegrate into the economy through entrepreneurship or further employment. As such, there is an urgent need for policy reforms that more effectively align with their financial circumstances.

Recommendations:

1. Review and Reform of Withdrawal Limits: Pension regulatory bodies should reconsider the 25% withdrawal cap, taking into account the unique financial challenges faced by early

exited staff. A more flexible approach, potentially allowing a higher withdrawal percentage based on individual circumstances, could address immediate financial needs without undermining long-term retirement savings goals.

2. Introduction of Tiered or Conditional Lump-Sum Access: A tiered withdrawal policy should be introduced, allowing early exited staff to access more than 25% of their Retirement Savings Account (RSA) balance under clearly defined conditions, such as medical emergencies, family care responsibilities, or business startup initiatives. This conditional access would ensure that larger withdrawals are made responsibly and for well-defined purposes.
3. Provision of Financial Counseling and Support Services: Early exited staff should be offered comprehensive financial education and access to retirement planning advisors. These services would empower individuals to make informed decisions regarding the use of lump-sum payments, investment options, and long-term financial planning, thus promoting financial security and independence.

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