INTERNATIONAL JOURNAL OF RESEARCH IN COMPUTER APPLICATION & MANAGEMENT

IJRCM

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   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

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THE IMPACT OF CONTRIBUTORY PENSION SCHEME ON EMPLOYEE STANDARD OF LIVING OF QUOTED FIRMS IN NIGERIA

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ABSTRACT

This study seeks to determine the relationship that exists between the Impact of the Contributory Pension Scheme and standard of living in Nigeria. In line with this objective, the population of the study is the one hundred and eighty-two (234) firms quoted on the first- tier market of the Nigerian Stock Exchange and ten (10) quoted firms selected as sample size based on the fact that they are some of the companies that had complied with SAS 8. The study utilized data from secondary source. Data were obtained from the annual accounts and reports of the (10) quoted firms that made up the sample of the study and the World Bank data profile on gross national income per capita in Nigeria. The time frame for the study is ten years, covering the period of 2001 to 2010. The techniques of analysis used in the study were the Pearson Correlation Coefficient and qualitative grading. From the results, we discovered that a significant relationship exist between the Impact of the Contributory Pension Scheme on employee retirement benefits and standard of living. This further implied that the application of this scheme by quoted firms in Nigeria had significant influence on standard of living. The study recommended that government should ensure that complex institutional changes that are required by the pension reform should be effectively executed and must be timely. These include determining the solvency of the National Pension Funds. They should start new institutions such as the national and regional pension payment programmes and the distributive transfer programmes and make sure that there are effective regulations and supervisions. Also, pension reforms should needs to be complemented with other reforms in the economy such as social security, labour market and financial sector in order to have an overall effect on the economy. Finally, policies should be formulated towards the integration of the defined benefits and defined contributions plan and work towards institutionalising the multi-pillar system of the economy

KEYWORDS

Contributory Pension Scheme, Employee, Standard of Living, Quoted Firms, Nigeria.

1.0 INTRODUCTION

Pension Scheme which was meant to provide for old age when one has retired from service has turned out to become a burden on the people and the government. These Nigerian workers who have worked tirelessly for the growth and development of the country will end up passing through many hurdles to get their retirement benefits. Pension as a scheme is designed to cater for the welfare of the pensionable retired workers both in the public and private sectors. The working lives of employees move continuously towards a certain direction that is, from employment, to grow, to retirement, some are fortunate to save enough money to take them through the retirement period; while a majority leaves the service with little or no savings at all. Ideally, there, governments and organizations need to identify a way of accommodating and adequately rewarding employees' past efforts through organized pension plans, so that it can achieve the goals of their existence (Rabelo, 2002). Essentially, this is often thought different retirement policies which include the Defined Benefit (pay-as-you-go) Scheme, the National Provident Fund Scheme and in particular the new Contributory Pension Scheme that is expected to be fully funded.

However, some of the existing Pension Schemes seem inadequate and/or ineffective. In Nigeria, for instance, Statement of Accounting Standards number 8 (SAS 8) was issued in 1991 to direct and guide businesses on the determination and reporting of pension and retirement benefits. Its growing tribute, however, emerges from divergent schools of thought namely, the contributory, the noncontributory and the hybrid schools of thought (Kantudu, 2005). The first school of thought, emphasizing on contribution, is advocated by most accounting standards setting bodies as well as by writers (Campbell and Feldstein, 2001). These scholars argued that should the employees contribute a certain percentage to the plan the employee will be able to receive the entire or part of the benefits at retirement, or in case of termination of appointment or dismissal. The hallmark of the contributory theory is operational efficiency in computation and funding.

The second school of thought (the non contributory) also advocated by some accounting setting bodies (McGill, 1984; and Byrne, 2003). According to the school, employers alone should fund the pension asset. The belief of this school was that the singular funding made by the sponsor encourages and attracts more qualified and dedicated employees into the organization. Under this arrangement, the benefit is defined by a formula, and pension at retirement is paid either as a lump sum amount or as a life annuity (SAS 8, 1991). In between the two extremes lies another school – the hybrid, with the view that on an aggregate basis, the active working employees of the firm should always provide the funds for the firms' pensioners (Feldstein, 1996). In other words, companies should pay pensioners out of the company's cash flow (Hendriksen and Van Breda, 1992). This is because the cash flows generated are as a result of the employees' efforts and contributions, and hence they deserved a share of it especially now that they are unproductive. But an apparent limitation of this argument is that it can only hold if current employees are not out numbered by pensioners (Klumpes and McCrae, 1999).

Therefore, the gross in adequacies and mismanagement of the most of our adopted pension policies with their attendant frustrating effects on the sustenance of both the retired workers and the economy at large has often call for their constant review in Nigeria as obtains in other part of the world. Pension Schemes exist to provide post-retirement benefits to employees. Pension Scheme was introduced into Nigeria during the colonial era to provide old age income and security to British citizens working in the country upon retirement. All along, and until very recently, Nigeria embraced and adopted the traditional Defined-Benefits (D-B) plan that has failed to yield the desired benefits for most workers and several economies where it has been adopted. The Defined-Benefits (D-B) plan, which usually specifies the entitlements of workers after a minimum qualifying year of service, has lost favour with most countries, including the most developed countries of Europe and North America. In fact, Ambachtsheer (2007) noted that many corporate employers are abandoning their traditional Defined-benefit plans, while many of the Defined Benefits plans that remain are financially important to offset the huge indebtedness.

Thus, it is imperative that the privilege of receiving gratuity and pension appears the greatest manifestation of the victory of labour in his fight with the employer over his exploitation after several years of productive services. Hence, pension reform became necessary as a result of the malady which ravaged Pension Schemes through the activities of the old Pension Board. With the bad administration of Pension Schemes in Nigeria, the hope of the pensioner became bleak, as many verification exercises were embarked by old Pension Board to mock the pathetic pensioners. This eventually escalated their agony as their labour became in vain. Many of these pensioners lost their lives as a result of these exercises which do not yield any good dividend. Indeed, today people have resorted to self-help to secure their life in retirement. Thus fueling corruption and other vices (Fanimo et al, 2007).

The Pension Act repeals all previous legislations regulating the administration of pension benefits in Nigeria. The Pension Reform Act, 2004 appears to be a neoliberal piece of legislation which ideas are relevant in explaining the evolution and development of pension system in Nigeria (Aborisade, 2008). With the virtual collapse of the African Welfare System, the new Pension Act attempts to have as its primary objective, the encouragement of savings among employees so that in retirement they are not impoverished and the establishment of a uniform set of rules regulations and standards in the public and private sectors of the Nigerian economy on matters of pensions. Fundamentally, the Pension Reform was designed at ensuring that all employees receive their entitlements as and when due, assist improvident individuals by ensuring that they save in order to cater for their livelihood during old age. The question remains, what is the impact of the application of the Contributory Pension scheme on employee retirement benefits and standard of living. In the same vein, the new Contributory Pension Scheme will save the economy much of its heavy debt burdens inherited from previous+ schemes, facilitate adequate funding of employers pension pans, create enhanced opportunity for the citizens in all works of life, add more value to the final entitlements of workers, promote the development of capital markets, foster investment opportunities; promote national savings and, macroeconomic development (Pension Reform Act, 2004).

It is against this backdrop that the Federal Government in June 2004 through the enactment of the Pension Reform Act, 2004, introduced a New Contributory Pension Scheme. The new Pension System is based on individual Retirement Savings Account managed by private financial institutions. This makes it imperative to determine the relationship that exists between the Impact of the Contributory Pension Scheme on employee standard of living of quoted firms in Nigeria.

2.0 CONCEPTUAL FRAMEWORK

2.1 CONCEPT OF PENSION PLANS

The first step towards understanding pension plans or employee retirement benefits as Wolk, Tearney and Dodd (2002) posit is to recognize the fact that the phrase "pension plan" means a different thing to different people and organizations. Thus, an appropriate starting point for a discussion on pension plans or retirement benefits is the conceptualization of the subject matter. Statement of Accounting Standards (SAS 8), 1991 (1) states that many charitable organizations, government, and business establishments provide retirement benefits for their employees. Retirement benefits can consist of monthly payments to former employees or a lump sum upon attainment of a specified retirement age, and may include additional payments in case of death or disability. In determining the type of plan and the level of benefits and features it provides, it is necessary for the sponsoring organization to answer some pertinent questions: (a) Can the company afford expenses of establishing and maintaining the plan? (b) Will the establishment of the pension plan help the sponsor to attract and keep employees? (c) Does a competitor have a similar pension plan? (d) Considering governmental restrictions, is this undertaking worthwhile?

Depending on how benefits are specified or funded, a retirement plan can be either a Defined Benefit (DB) or Defined Contribution (DC) Plan (SAS 8, Para. 13:8). These methods are now discussed in the subsections that follow.

DEFINED BENEFIT (DB) PLANS

The defined benefit plan pays an individual benefit that is defined by formula, usually without reference either to the amount of contributions an individual has made to the plan or to the level of investment returns that the pension plan has earned on its assets (Byrne, 2003). Under the DB plan, the pension is defined either as a specific Naira amount or by a general formula based on salary. As Wolk, Tearney and Dodd (2002) state, when benefits are defined by a general formula, two alternatives exist: (a) benefit is either based on career average salary multiplied by years of service or (b) final salary (usually the average of regular compensation a few years prior to retirement) multiplied by years of service.

In his opinion, McGill (1984) states that the benefits in Defined Benefit plan may be paid either as a single lump sum amount at retirement date, or alternatively as a life annuity. When the benefit is lump sum, the payment represents a multiple of the defined base i.e. the final regular salary average over statutory years, multiplied by the assumed percentage for each year of service. However, if the benefits are defined as life annuity, the same principle is used, but in this case the benefit is paid each regular pay period and represents a fraction of the final average period.

The problem with Defined Benefits plans is that the scheme exposes the employee to accrual risk (the risk that funds set aside today, do not accumulate at the expected rate of return) to the firm, given a workers earnings history retirement benefits are certain (Orszag and Greenstein, 2000). Furthermore, Revsine, Collins and Johnson (2002) observe that a Defined Benefits plan raises many financial reporting complications. The main complication relates to the amount to be charged to pension expense in each year while the covered employees are working. Another complication results from the fact that only the benefit formula is specified and not the benefit amount.

Given the complicated nature of the Defined Benefits plans, the question to ask is how accurately and efficiently could organizations determine what the periodic pension expense should be over the span of the employees' working careers. In search of an answer to this question, Revsine, Collins and Johnson (2002) state that the following factors should be estimated:

1. What proportion of the workforce will remain with the organization long enough to qualify for benefits (vesting) under the plan?
2. At what rate will salaries rise over the period until eventual retirement?
3. What is the anticipated life span of covered employees after retirements i.e. over what length of time will the pension benefits be paid?
4. What is the rate of return to be earned on the investments made with the cash contributed by the employer to fund the plan?
5. What is the appropriate discount rate that should be used to reflect the present value of the future benefits earned by employees in the current period?

DEFINED CONTRIBUTION (DC) PENSION PLANS

Under the Defined Contribution (DC) plan, the employer and often the employees make contributions to a fund or a plan at intervals and in specified amounts. The fund or plan generates earnings that enhance its value (SAS 8). In Defined Contribution plans, the final benefit depends on the value of the participant's accumulated account balance. Thus, by definition DC plans are always fully funded and the investment risk is entirely borne by the employee (Rabelo, 2002).

The pitfall in this case is that due to irregular or small contribution or poor investment returns the participant may not accumulate a sufficient amount of money to provide for an adequate replacement rate in retirement. Another problem with the Defined Contribution plan is that it transfers risk to those who may be least qualified to manage it (Bodie, Hammond and Olivia 1999). This Mullainathan and Thaler (2000) caution that individuals may not be well placed to make the strategic investment decisions this greater responsibility entails. For instance, a Watson Wyatt (2001) study finds that the returns of pension plans with employee-directed investments lagged professionally managed funds by some 2% per year on average. Other writers have suggested that the Defined Contribution pension system is a crisis waiting to happen when current generations, having made minimal (or no) contribution their to Defined Contribution plan, retire with inadequate pension asset balances (Samwick and Skinner, 1998).

Furthermore, Revsine, Collins and Johnson (2002) and Forker (2003) identified two main sources of risk associated with Defined Contribution plans. One source is the uncertainty about rates of return on investments in the Defined Contribution accounts. Employees may be uninformed about their investment choices, lack the confidence to manage their own retirement money, or suffer from poor stock market and bond returns. The other source of uncertainty relates to variability in future earnings. Defined Contribution plans have payouts based on a worker's average earnings over a whole career but lack explicit mechanisms to pool earnings risk across workers.

From the foregoing discussion we discern that the Defined Contribution seems to better than the DB pension plan option. This view is anchored by the fact that in recent years there have been significant shifts to the Defined Contribution pension plan in other parts of the word, including UK and US. The same conclusions were reached by Mullainathan and Thaler (2000); and Byrne (2003).

2.2 OBJECTIVES OF PENSION PLANS

Even though SAS 8 is not specific on the objective (s) of pension plans or employee retirement benefits, paragraphs 3 and 4 as can be construed are very much explicit in stating the issues involved and the objectives of the statement. Paragraph 3 states that the main issues involved in accounting for retirement benefits are the determination of the: (a) amount due to employees before or after the date of implementation of a plan, (b) amount of funding required in order to meet employees' entitlements upon retirement, and (c) amount of information to be disclosed in financial statements. Thus, the primary objectives of this statement, as per paragraph 4, are to (a) narrow the differences in the methods or manner used in measuring the amount of retirement obligations under retirement benefits plans; (b) allocating the cost of the plan and recognizing resulting gains or losses to the accounting periods; and (c) disclosing as accurately as possible, the plan and the effects of the plan implementation on the reporting enterprise. Incidentally, Wolk, Tearney and Dodd (2002) observe that the central issue in accounting for the effects of pension plan involves the measurement of retirement expenses and liabilities for the sponsoring company.

2.3 THE EMERGENCE OF PENSION REFORM ACT 2004

The Pension Reform Act 2004 ("The Act"), a compulsory Contributory Pension Scheme has been established for all categories of workers in the Federal Public Service, Federal Capital Territory and in the private sector. The scheme is a marked departure from the pay as-you-go Defined Benefit (DB) Schemes that existed in the public sector and improves the pension situation in both the private and public sectors by making full funding of all schemes compulsory. The new scheme is a defined Contributory Pension Scheme in which monthly funded contributions are made by employee and employer. The funded contributions are held by a Pension Fund Custodian (PFC) and managed and administered on the contributors' behalf by a Pension Fund Administrator (PFA) of the employee's choice. The activities of the PFCs and PFAs are regulated by the National Pension Commission (PenCom) (Peterside, 2006).

The emergence of the New Contributory Pension Scheme was a clear determination of the Federal Government to reorganize, modify and refocus the devastated Nigeria pension scheme. Moreover, Pension Schemes in Nigeria which was characterized by weak administration, restrictive investment policies and widespread corruption was on the verge of collapse called for a Pension System that is privately managed with uniform rules, regulations and standards, which is expected to encourage savings and to better workers' retirement benefits; increase fiscal discipline and create a pool of long-term funds available for economic development.

Hence, emerged New Pension Scheme and the enactment of Pension Reform Act 2004 aimed at making Pension Scheme actualize its objective. However, the Pension Reform Act 2004 was designed among others to provide a system that is financially sustainable, simple and transparent, less cumbersome and cost effective as well as encourage savings among workers. This is therefore to ensure that employee who has worked would be able to receive his or her retirement benefits as and when due. This would definitely prevent the vagaries of poverty and hardship in old age and retirement. This is expected to establish a system that would guarantee the retiring workers will receive their benefits generated by their own savings in addition to government subsidy (Ehijeagbon, 2008).

In line with its objective, the National Pension Commission (PenCom) was established to regulate, supervise and ensure effective and efficient pension administration in Nigeria. Hence, to ensure good management of pension funds under the new Pension Reform Act, which introduced Contributory Pension Scheme in Nigeria, the commission licensed and approved eighteen (18) Pension Funds Administrators and four (4) Pension Fund Custodians were registered along side (Atufe, 2007).

By and large, to avoid the incidence of bleak future for Nigerian workers, the Commission must remain focused and steadfast in monitoring all the Pension Fund Administrators and Custodians to ensure that all the agony experienced by pensioners over nonpayment of their entitlements is consigned to history.

2.4 THE IMPLICATIONS OF THE CONTRIBUTORY PENSION SCHEME ON THE NIGERIAN WORKERS

Against the backdrop of the problems that affected the performance of the old Pension Board and; the determination of the Federal Government to revive and refocus the Nigeria Pension Scheme introduced the new Contributory Pension Scheme which was meant to guarantee and reassure the hope of Nigerian workers after retirement. The problem of sprawling and unprecedented growth in public sector pension liabilities has been put under check. Thus, the new Contributory Pension Scheme which was a re-birth of the old Pension Scheme that is expected to have some of the following implications on the Nigerian workers.

The new Pension Scheme is fully funded, which means old age income is guaranteed unlike the old pension scheme. This means that, money is contributed into individual employee's Retirement Savings Account (RSA) so that when he or she retires there will be money in his or her RSA to pay his pension.

The money in the RSA is safe as no other person, not even the individual account owner(s) can access the account until the attainment of the retirement age of 50 years and above. Also the account holder/employee on retirement from service is no longer at the mercy of government or employer and is assured of regular payment of retirement benefits. While employees who joined the scheme at age 45 and above may need additional or voluntary contribution beyond the stipulated 15% (employee and employer) to achieve a replacement rate above 50% of terminal salary as pension (Balogun,2006).

There will be capital appreciation inform of additional cash inflow accruing to the pension funds in the RSA resulting from the investment of the pension funds by the Pension Funds Administrators. Depending on the level of risk a retired employee could bear: he should utilize a proportion of the amount in his RSA to procure annuity from a licensed insurance company (Balogun, 2006).

The supervisory role of the National Pension Commission through the inspectorate department will help to checkmate collaborative tendencies that may exist between Pension Fund Administrators and Pension Fund Custodians. Employees should seek more knowledge on investment and pension matters in order to take informed decisions on the management of RSA.

The minimum capitalization and assets base requirement registration is such that the future of the Nigerian pensioners would be highly assured.

The failure or liquidation of a PFA will not in any way affect the funds assets in the RSA which are kept with the PFC. This will further strengthened the assurance(s) of the Nigerian workers.

The involvement of the Private Operators (PFAs and PFCs) to manage, invest and keep the pension funds was meant to avoid the misuse of pension funds and other financial malpractices that ravaged the former Pension Board. This will further enhanced and sustain the hope of Nigerian workers and its pensioners to be able to live undependable life.

Employee has up to date information on his Retirement Savings Account (RSA) and prerogative to decide who should be his PFA. Employees may consult Benefit Consultants to advise them on the best PFA to engage.

The value of the balance in the RSAs and the programmed withdrawals at exist from service are subject to the total amount of accrued rights if any monthly contributions, accruals on investment and the rate of inflation.

There are employment opportunities in the new pension industry.

3.0 METHODOLOGY

This study is aimed at determining whether or not the Contributory Pension Scheme has an impact on employee standard of living of quoted firms in Nigeria. This made the researcher to provide answer to the research question, be able to achieve the objective of the study and to test the research hypothesis. The population of the study is the two hundred and thirty-four (234) quoted firms on the floor of the Nigerian Stock Exchange (NSE). Therefore, the type of research design employed for this study is an Ex-post facto. The study utilized data from the secondary source. Data were obtained from the annual reports and accounts of the ten (10) quoted firms that made up the sample for the study for the period 2001 - 2010.

Therefore, since the population of this study comprises the entire firms quoted in the first tier market for the Nigerian Stock Exchange and, sequel to the fact that there may be difficulty of coverage in studying the entire population due to the pattern of the distribution of that population, size or cost. Also because of the similar features of the elements making up a population, sufficient knowledge of the entire population can be got from studying a few of the elements, while more thorough study and detailed analysis could be done using a sample than when dealing with the entire population amongst others, hence there was a need to determine the sample size for the study (Onwumere, 2005).

The samples were drawn randomly; thus ten (10) quoted firms were selected for the study (Asika, 1991 and Abdul-Maliq, 2006). They include First Bank of Nigeria Plc, Glaxo Smithkline Plc., Unilever Nigeria Plc., Dunlop Nigeria Plc, Mobil Oil Nigeria Plc, Guinness Nigeria Plc, Flour Mills Nigeria Plc, P.Z. Nigeria Plc, Evans Medical Plc and Nigerian Breweries Plc. They were also selected on the record that the firms have been complying with the application of the Contributory Pension Scheme on employee retirement benefits in their annual reports and accounts for over a decade. In the same vein, a sample time frame of ten years was used for the study, covering the period 2001 to 2010.

In line with the research objective, research question and hypothesis of the study, data utilized for this study were basically from secondary source. Data were obtained from the annual accounts and reports of the ten (10) quoted firms that made up the sample for the study. While related published materials served as useful source for the literature review. These include journals, textbooks, newspapers, magazines, public documents, retrieved internet materials and relevant bodies such as National Pension Commission (PenCom), Nigerian Stock Exchange, Central Bank of Nigeria, Securities and Exchange Commission, Federal Office of Statistics, Pension Funds Administrators and Custodians, Consultant Organizations and Commercial banks among others.

In this study, data generated through the secondary source were being subjected to empirical test and statistical analysis. The study utilized data from the secondary source. Data were obtained from the annual reports and accounts of the ten (10) quoted firms that made up the sample for the study for the period 2001-2010 and in the same vein, the World Bank data profile on Gross National Income per capita used in determining standard of living in Nigeria. and qualitative grading using a compliance index (Onwumere, 2005 and Abdul-Maliq, 2006).

In the same vein, the second hypothesis which states that there was no relationship that exists between the Impact of the Contributory Pension Scheme on employee retirement benefits and standard of living was tested using the Pearson Product Moment Correlation Coefficient (Onwumere, 2005 and Abdul-Maliq, 2006). Data from secondary sources were obtained from the annual accounts and reports of the ten (10) firms selected as sample size and the World Bank Data profile on Gross National Income per capita (Atlas method, US$) for measuring the standard of living in Nigeria. As noted, data collected in this study were analyzed using the Pearson's Moment Correlation Coefficient.

The correlation technique tries to determine if there was a change in y when there was a change in x. while the basic idea of a correlation is to determine if y changes as x changes and vice versa. Hence there may be a correlation without a causal relation. It further involves assessing the strength of the relationship between two interval or ratio variables.

It measures the strength of the linear association between variables.

Thus, the research adopted model is:

r = $Covx_1Y$ SX. SY

Where:

r = Correlation Coefficient

$Covx_1Y$ = Ratio of Covariance between X and Y

SX = Standard Derivation of X

SY = Standard Derivation of Y

(Gereud and Brian, 1997 and Monga, 2000).

4.0 DATA PRESENTATION AND ANALYSIS

Having specified the research methodology for this study; this section focused on presentation, estimation and analysis of the data as well as the interpretation of the results obtained. In view of this, the hypothesis earlier formulated was subjected to test and the results highlighted.

4.1 DATA PRESENTATION AND ANALYSIS OF THE PEARSON MOMENT CORRELATION COEFFICIENT

The Pearson Correlation Analysis was used for the analytical presentation of the data and testing of hypothesis two which states that there is no relationship that exists between the impact Contributory Pension scheme on employee retirement benefits and standard of living. The reason for this method was because the study involved mostly secondary data that required running the data therein. Data were obtained from the ten (10) sampled quoted firms annual accounts and reports for the Impact of the Contributory Pension Scheme on employee retirement benefits and the World Bank data profile on Gross National Income per capita in Nigeria for measuring the standard of living in Nigeria. They are therefore adopted to establish this evaluation exercise.

However, the disclosure requirements or variables are enshrined in Statement Accounting Standards (SAS 8) see table 4.1 below. These are obtained and concisely organized for the purposes of first, comparison with the annual reports and accounts of the ten (10) sampled firms covering the period from 2001 – 2010; second, for scoring; and third for grading and evaluation.

Table 4.1 REQUIREMENTS OF STATEMENT OF ACCOUNTING STANDARDS 8 (SAS 8)

Paragraph	Requirements of SAS 8	Rep. by Variables
76	The existence of pension plans and categories of the employees covered by the plan	r_1
76	Provision of retirement benefits under the advance financing system.	r_2
60	Disclosure in notes of the accounting and funding methods and changes thereto	r_3
76	Classification of funded retirement benefit as either a DC plan or DB plan; with the characteristics of each documented.	r_4
76	Disclosure of accounting policies in notes with respect to funding	r_5
61	Disclosure in notes of the provision made for pension or retirement cost for the year.	r_6
57	Disclosure in notes of the actuarial gains or loss in the year and how they are treated.	r_7
76	Accruing and charging of full retirement benefit to periods they relate in order to cover the active lives of employees.	r_8
76	Disclosure in notes of the actuarial method used and changes thereto.	r_9
58	Constant review of retirement benefits to cover the working lives of employees.	r_{10}

Source: Statement of Accounting Standards 8 (SAS 8).

Table 4.1 Presents the requirements of the Accounting for Employees Retirement Benefits as contained in Statement of Accounting Standards 8 (SAS 8), which the ten (10) sampled listed firms have been applying or expected to comply with. These requirements are ten (10) in number as could be seen from the table. But for clarity in the presentation and analysis, the requirements are given numbers. For instance r_1, r2, r_3, r_4, r_5, r_6, r_7, r_8, r_9 and r_{10} represented the ten (10) requirements of Accounting for Employees' Retirement Benefits as specified by the Statement of Accounting Standard 8 of 1991, which enables the researcher to construct a compliance or application index.

To this effect, the data used to test the hypothesis is presented in the table below for the Pearson Moment Correlation Coefficient:

TABLE 4.2: SAS 8 COMPLIANCE INDEX

	FIRMS	Firms average application of the requirements of Statement of Accounting Standards (SAS 8), for ten (10) period (1998 – 2007)										Total scores	Expected Application	Total Application
		r_1	r_2	r_3	r_4	r_5	r_6	r_7	r_8	r_9	r_{10}			
1	First Bank of Nigeria Plc	5	5	10	4.0	10	10	0	5.0	2.3	5.0	56.3	100	5.63
2	Smithkline	5	5	10	7	10	10	0	5.0	0	5.0	57	100	5.7
3	Unilever	5	5	10	10	10	10	3	5.0	3.7	5.0	66.7	100	6.67
4	Dunlop Nigeria	5	5	10	4.4	10	10	10	5.0	5.1	5.0	69.5	100	6.95
5	Mobil Oil	5	5	10	3	10	10	5	5.0	6.6	5	64.6	100	6.46
6	Guinness	5	5	10	3	10	10	3.0	5.0	3.4	5	59.3	100	5.93
7	Flour Mills	5	5	10	3.0	10	10	0	5.0	0	5	53	100	5.3
8	Nigerian Breweries Plc	5	5	10	3	10	10	5.0	5.0	6.3	5	64.3	100	6.43
9	PZ Nigeria	5	5	10	3.0	10	10	0	5.0	0	5	53	100	5.3
10	Evans Medical	5	5	10	6	10	10	2	5	1.7	5	59.7	100	5.97

Source: Annual Reports and Accounts of Quoted Firms in Nigeria 2001-2010

Table 4.2, presents the data and analysis of the data on the impact of the Contributory Pension Scheme on employee retirement benefits of quoted firms in Nigeria. The first column contains the names of the sampled. The next 10 rows show the average data for the ten (10) firms for 10 years. While the last two rows show the average score, and total application or index of firms in Nigeria.

TABLE 4.3: CORRELATION COEFFICIENT DATA

Firms	Total Application	GNI per capita (Atlas method, US$)
First Bank of Nigeria Plc	5.63	260.0
Glaxo Smithkline Plc	5.7	270.0
Unilever Nigeria Plc	6.67	308.0
Dunlop Nigeria Plc	6.95	310.0
Mobil Oil Nigeria Plc	6.46	280.0
Guinness Nigeria Plc	5.93	330.0
Flour Mills Nigeria Plc	5.3	340.0
Paterson Zochonis Nigeria (PZ) Plc	5.3	380.0
Evans Medical Plc	5.97	430.0
Nigerian Breweries Plc	6.43	620.0

Source: Extract from table 4.2 & World Bank, 2010

Table 4.3, shows the data used to test hypothesis two which states that there was no relationship between the Impact of Contributory Pension Scheme on employee retirement benefits and standard of living in Nigeria. The total application data were extracted from table 4.2 (see appendix v) and Gross National Income per capita in Nigeria used for the measure of standard of living in Nigeria (Atlas method, US$).

TABLE 4.4: PEARSON MOMENT CORRELATION COEFFICIENT RESULTS

		Total Application	GNI Per Capita
Total Compliance	Pearson Correlation	1	.112
	Sig. (2-tailed)		.759
	N	10	10
GNI Per Capita	Pearson Correlation	.112	1
	Sig. (2-tailed)	.759	
	N	10	10

Source: Pearson Moment Correlation Coefficient Result using SPSSWIN

Table 4.4 depicts the result of the Pearson Moment Correlation Coefficient showed that there was a significant influence of the Impact of the Contributory Pension Scheme on standard of living at 0.759 as indicated by the 2-tailed test. This was further confirmed that a significant relationship exists between the application of the Contributory Pension scheme and employees' standard of living of quoted firms in Nigeria. This significant impact on standard of living was as a result of the improvement in the application of the Contributory Pension Scheme by quoted firms in Nigeria. This result rejected the null hypothesis and therefore accepted the alternative that there was a positive relationship between the Impact of the Contributory Pension scheme and standard of living.

RESEARCH FINDINGS

It is pertinent to note that the interpretation of research findings represents a key component in the research process. Due to this reason, results of research must be well spelt out so that it can be reasonable and presented in such a way that it would be meaningful and well understood. To determine the relationship that exists between the Impact of the Contributory Pension Scheme on employee retirement benefits of quoted firms in Nigeria and standard of living. In line with research question and the research hypothesis, the commonly used Pearson Product Moment Correlation Coefficient was used to determine the relationship that exists between the Impact of the Contributory Pension Scheme on employee retirement benefits and standard of living in Nigeria. From the results, we discovered that a significant relationship exist between the Impact of the Contributory Pension Scheme on employee retirement benefits and standard of living. This further implied that the application of this scheme by quoted firms in Nigeria had significant influence on standard of living.

5.0 CONCLUSION

Contributory Pension Scheme is a dawn for pension fund management in Nigeria with obvious benefits for employers, employees, government and society as a whole. Today, we have a remarkable piece of legislation, a transparent, consultative and responsive regulatory framework and regulator and a burgeoning industry that is attracting significant investments and positively affecting the society.

In the same vein, Hozzmann, Orentein and Rutkowki (2003) assert that Pension Reform has received greater attention in Western, Central and Eastern Europe than any other topic on the economic reform agenda even though the process in individual countries is uneven. In the years to come, we anticipate that the inherent benefits of the new Contributory Pension Scheme as well as the increased level of application, compliance and focused implementation will yield significant benefits for the nation.

Consequently, the Pearson Product Moment Correlation Coefficient was used to test the hypothesis two which was meant to determine the relationship that exist between the Impact of the Contributory Pension Scheme on employee retirement benefits and standard of living. The empirical evidence obtained for the coefficient showed that there was a significant relationship between the Impact of the Contributory Pension Scheme on employee retirement benefits and standard of living. This further explained that the Impact of the Contributory Pension Scheme had significant influence on standard of living. In this direction, we make the following recommendations:

Government and the National Pension Commission must ensure effective monitoring, supervision and enforcement of the provisions of the Pension Reform Act, 2004 that introduced the new Contributory Pension Scheme in Nigeria.

Firms and other organizations must ensure effective implementation, compliance and application of the elements of the new Contributory Pension Scheme that will enhance employee retirement benefits.

The National Pension Commission must encourage compliance with the Act and ensure uniformity of application among firms in Nigeria.

The National Pension Commission must ensure that genuine Pension Funds Administrators and Custodians are licensed to forestall any fraudulent collaborative tendencies and to guarantee that pension funds are in safe hands.

The government should ensure that complex institutional changes that are required by the pension reform should be effectively executed and must be timely. These include determining the solvency of the National Pension Funds. They should start new institutions such as the national and regional pension payment programmes and the distributive transfer programmes and make sure that there are effective regulations and supervisions.

Also, pension reforms should needs to be complemented with other reforms in the economy such as social security, labour market and financial sector in order to have an overall effect on the economy.

Finally, policies should be formulated towards the integration of the defined benefits and defined contributions plan and work towards institutionalising the multi-pillar system of the economy

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