Available online at www.elixirpublishers.com (Elixir International Journal)

Finance Management

Elixir Fin. Mgmt. 91 (2016) 38346-38353

ISSN: 2229-712X

An impact assessment of the contributory pension scheme on employee retirement benefits of quoted firms in Nigeria

Samuel Iyiola Kehinde Oluwatoyin
Department of Accounting & Finance, Ajayi Crowther University, Oyo, Oyo State, Nigeria.

ARTICLE INFO

Article history:
Received: 26 June 2012;
Received in revised form:
10 February 2016;
Accepted: 16 February 2016;

Keywords
Contributory Pension Scheme,
Employee Retirement Benefits,
Quoted Firms,
Nigeria, Statement of Accounting Standards 8,
Pension Reform Act 2004.

ABSTRACT

This study seeks to assess the Impact of the Contributory Pension Scheme on employee retirement benefits of quoted firms 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. The time frame for the study is ten years, covering the period of 1998 to 2007. The techniques of analysis used in the study were the Student's T-test and the qualitative grading. We concluded that even though the Contributory Pension Scheme has positive impact on employee retirement benefits of quoted firms in Nigeria, variation in application still exists among them. The study recommended an effective monitoring/supervision and enforcement of the provisions of the Pension Reform Act, 2004, in addition to effective implementation of the penalties provided by the Act on non-compliers regardless of their status or origin. The study calls on the appropriate authorities such as the government, professional accountancy bodies on academics to commission research and activities geared towards developing not only accounting policies that would ensure swift compliance with Statement of Accounting Standards (SAS 8), but strategies that would ensure optimum investments that enhance net worth and profitability of firms.

Introduction

Managing and administering pension funds have continued to pose a major challenge to government in Nigeria. Yet, pension which guarantees an employee certain comfort in his or her inactive year is critical to the sustenance of the life of the individual and the society (Nkanga, 2005). In our society today, most workers are not covered by any reasonable form of retirement benefit arrangement while the few schemes suffer from poor management. According to Komolafe (2004) the Nigerian Pension System in general is very much fragmented, lacks an adequate overall policy, a legal and regulatory framework and an empowered coordinating body to supervise it. As stated by Adegbayi (2005), Nigeria must avoid minor Pension Reforms that are repeated periodically because of political problems associated with such adjustments. Once Defined Benefits Schemes are frequently redefined, they only create uncertainty of retirement benefit.

Furthermore, the decision to disclose pension obligation has subjected pension accounting to some controversies and criticisms. This is because divergent views exist between accountants on how pension obligations should be reported in the financial statements. For example, while some accountants will like pension information disclosed by way of notes to accounts that is, as off balance sheet items. Some may not like to see pension liabilities appearing anywhere in the accounts.

Added to the multitudes of problems faced in Pension Accounting, is the requirement that in Nigeria firms must comply with the provision of Pension Standards, for their financial statement to get the blessing of an auditor and as well as satisfy both the Nigerian Stock Exchange and Securities and Exchange Commission requirements. One of the requirements is that firms in Nigeria should disclose in their financial statement the provision made for pension cost in the year. Given the multitudes of problems which accounting for employee retirement benefits lives with, how have quoted firms in Nigeria disseminate this information in line with the pension standards (Katundu, 2005[a]).

Pension has been defined in various ways viz: Uzoma (1987) is of the view that Pension is a series of regular payment provided by a former employer to a retired employee. Also, pension is basically a human affair that employees are expected to enjoy a retirement benefit that corresponds with the amount of commitment they have invested in the achievement of the profit maximization or service oriented goals of the organization or government (Bunmi and Obaro, 2007). Furthermore, paragraph 9, Statement of Accounting Standards (SAS. 8) states that pension involves an agreement between employers and employees upon attainment of a specified retirement age.

In the same vain, Ako (2006) views a pension system as essentially an income security program which provides benefits to beneficiaries who may be retirees, pensioners or the destitute. However, the establishment of different Pension Schemes in Nigeria did not achieve their aim, these were characterized by many problems that really constituted a set back for the scheme. These include non-availability of records, uncoordinated administration, inadequate funding, out right fraud, irregularities

Tele:
E-mail address: kenogidi76@yahoo.com

and conflicting laws, diversion of remitted or allocated fund, presence of ineligible pensioners on the pension's payroll, and incapacity to effectively implement its budget and make adequate provisions. This has given rise to untold hardship faced by retired workers, for example frustration, lack of sustenance, health problems and in some cases death.

From the foregoing, in order to reposition and refocus the Nigeria Pension Scheme to be alive to its responsibility and to address some of the problems associated with Pension Schemes in Nigeria. The Federal Government signed into law the Pension Reform Act 2004 which introduced the New Contributory Pension Scheme and it covers employees in the public sector, the Federal Capital Territory and the private sector. 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? 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 this study seeks to evaluate the Impact of the Contributory Pension Scheme on Employee Retirement Benefits of Quoted Firms in Nigeria. This study is structured into five (5) sections. Following the Introduction is a Review of Related Literature. Section three covers the Methodology. Section four is on Data Presentation and Analysis, while section five gives findings, conclusions and recommendations.

Literature Review

Pension Schemes In Nigeria: An Overview

The exact origin of pension in Nigeria is debatable. However the privilege of receiving gratuity and pension appears the manifestation of the victory of labour in his fight with the employer over his exploitation. Nigeria's first ever legislative instrument on pension matters was the pension ordinance of 1951 which had retrospective effect from 1st January, 1946. The National Provident Fund (NPF) scheme established in 1961 was the first legislation enacted to address pension matters of private organizations. It was followed 18 years later by the Pension Act No. 102 of 1979 as well as the Armed Forces Pension Act No. 103 of the same year.

The police and other Government Agencies' Pension Scheme were enacted under Pension Act No. 75 of 1987, followed by the Local Government Pension Edict which culminated into the establishment of the Local Government Staff Pension Board of 1987. While in 1993, the National Social Insurance Trust Fund (NSITF) scheme was established to replace the defunct NPF scheme with effect from 1st July, 1994 to cater for employees in the private sector of the economy against loss of employment income in old age invalidity or death. Prior to the Pension Reform Act 2004, most public organizations operated a Defined Benefit (pay-as-you-go) scheme. Final entitlements were based on length of service and terminal emoluments. The Defined Benefit (DB) scheme was funded by Federal Government through budgetary allocation and administered by Pensions Department of the Office of Head of Service of the Federation (Balogun, 2006).

Therefore, until 1946, there was no legal obligation on employers in the public sector to provide for the welfare of the employees on retirement. The colonial pension law made the granting of pension at a pleasure of the Governor General of the country. Hence, with the institutionalization of pensionable employment, the attractiveness of any employment contract is being judged in terms of whether it is pensionable or not.

Thus, the Pension Ordinance of 1961 as amended stipulated the scales of retirement pension, gratuities and death in service benefits for civil servants. The compulsory retirement age then was 55 years for both male and female employees and, was wholly, financed by the government out of its current reserve. There was also no provision for employees in the private sector as regards retirement benefits. It should be noted that before 1943, the private sector employees were unorganized and this was due to the fact that there were no registered trade unions in the country (Omankhanlen, 2007).

Furthermore, the Pension Scheme became a great burden on the government, as it could no longer cope with the payment of pension and gratuities to retiring workforce. This is apparently due to the fact that there was no plan put in place to forestall this problem.

However, the Pension System in Nigeria was largely characterized by pay-As-You-Go (PAYG) Defined Benefit in the public sector, which is a non-contribution pension scheme and was bedeviled by many problems. These problems really constituted a set back for the scheme as they include non-availability of records, uncoordinated administration, inadequate funding, out right fraud irregularities and conflicting laws, diversion of remitted or allocated fund, presence of ineligible pensioners on the pension's payroll, and incapacity to effectively implements budget and make adequate provisions. All these compounded the problems of Pension Scheme, which gave rise to huge unfounded liabilities. This is why Moddibo (2007) is of the view that there exist an estimated N2 trillion national pension deficit, and 216,000 retirees from the Federal Civil Service being owned a whooping N56 billion retirement benefit.

It became imperative to embark on reform to restore the hope of the pensioners and the entire Nigerian workers. The Federal Government of Nigeria in 2004 brought about a change in the management and administration of pension funds in Nigeria with the enactment of the Pension Reform Act 2004 by the Federal Government. The Pension Reform Act 2004 introduced the New Contributory Pension Scheme in the public and private sectors. The Act further brought about the establishment of the National Pension Commission to regulate, supervise and ensure effective administration of pension matters in Nigeria. The Commission will achieve this role by ensuring that payment and remittance of contributions are made and beneficiaries of retirement savings accounts are paid when due. Above all, the Commission will ensure the safety of the pension funds by issuing guidelines for licensing, approving, regulating and monitoring the investment activities of Pension Fund Administrators and Custodians (Pension Reform Act, 2004).

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.

The Objectives of new Pension Reform

According to the Pension Reform Act 2004 posits that the objectives of the scheme shall be as follows:

(a) To ensure that every person who worked in either the public service of the Federation, Federal Capital Territory or private sector receives his retirement benefits as and when due;

(b) To assist improvident individuals by ensuring that they save in order to cater for their livelihood during old age;

(c) To established a uniform set of rules, regulation and standards for the administration and payments of retirement benefits for the public service of the Federation, Federal Capital Territory and the private sector;

(d) To establish a sustainable Pension System that empowers employees to have control over their Retirement Saving Accounts (RSA), promotes labour mobility and minimizes incentives for early retirement;

(e) To ensure transparent and efficient management of pension funds; and

(f) To promote wider coverage of Pension Scheme in Nigeria.

Elements of the New Contributory Pension Scheme

Under this Scheme, the employees contribute a minimum of 7.5% of their monthly emoluments but the military contribute 2.5%. Employers contribute 7.5% in the case of the public sector and 12.5% in the case of Military. Employers and employees in the private sector will contribute a minimum of 7.5% each of the monthly emoluments of their employees. An employer may elect to contribute on behalf of the employees such that the total contribution shall not be less than 15% of the employees. An employer is obliged to deduct and remit contributions to a custodian within 7 days from the day the employee is paid his salary while the custodian shall notify the PFA within 24 hours of the receipt of contribution. Contribution and retirement benefits are tax-exempt. However, for voluntary contributions, the tax relief is only applicable if the amount contributed or part thereof is not withdrawn before five years after the first voluntary contribution was made (Pension Reform Act, 2004 and Ahmad, 2006).

The new Pension Scheme is contributory, fully funded based on individual accounts that are privately managed by Pension Fund Administrators with the pension fund assets held by Pension Assets Custodians. There will be strict regulation of the process. The following remains the elements of the new Contributory Pension Scheme.

Full Funded

The contribution of an employee is deducted monthly from the employee’s salary while the employer will provide the counter contribution for the employee, which will both be transferred to the relevant Retirement Savings Account. By so doing, the pension funds exist from the onset and pension assets are enough to meet all pension liabilities.

Individual Accounts

The employee opens an account to be known as a Retirement Savings Account in his name with a Pension Fund Administrator of his choice. This individual account belongs to the employee and will remain with him for his/her life time. He may change employer or Pension Fund Administrators but the account remains the same. The employee may only withdraw from this account at the age of 50 or upon retirement thereafter. An employee can withdraw a lump sum from the balance standing to the credit of his Retirement Savings Account, provided that the amount remaining after the lump sum withdrawal shall be sufficient to procure an annuity or fund programmed withdrawals that will produce an amount not less than 50% of his monthly remuneration as at date of his retirement. The balance after the lump sum payment can be applied in any of the following.

(a) A programmed monthly or quarterly withdrawal; and

(b) A purchase of annuity for life through a license life insurance company with monthly or quarterly payment.

With any of the above option, there is insurance that the pensioner has sufficient funds available to him for his old age. Although many have contended that at the end of the working period, they should be allowed to collect their savings in one lumpsum, experience has shown that very few individuals have the discipline to manage funds effectively over a long period of time. The above was considered a better process than to allow the individual withdraw his accumulated savings at once spend it all and then have no income when he is no longer in a position to work (Ahmad, 2006 and Pension Reform Act, 2004).

Insurance Policy

Every employer shall maintain life insurance policy in favour of an employee for a minimum of three times the annual emolument of the employee (Pension Reform Act, 2004).

Methodology

This study is aimed at evaluating whether or not the Contributory Pension Scheme has an impact on employee retirement benefits 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 one hundred and eighty-two (182) quoted firms on the first-tier market 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 1998 - 2007. The samples of the study were selected based on judgmental sampling and on the fact that data required for the study were also provided (Asika, 1991 and Abdul-Maliq. 2006).

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 1998 to 2007.

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. Data were obtained from the annual accounts and reports of the ten (10) quoted firms that made up the sample for the study enabled the researcher to test the hypothesis one of the study. Therefore, the techniques of analysis utilized in the study were the Student's test for paired observations and qualitative grading using a compliance index to test the hypothesis one which states that the Contributory Pension Scheme does not have significant impact on employee retirement benefits of quoted firms in Nigeria (Onwumere, 2005 and Abdul-Maliq, 2006).

In view of the above, data generated through the secondary source were being subjected to empirical test and statistical analysis. Specifically, this study borrowed from the models developed by Woerheide and Fortner (hereinafter W and F) in 1991 to test the hypothesis of the study. These models have been used by Leibowitz *et al*, (1994); Chun, Ciochetti and Shilling (2000); Booth and Matysiak (2001); and Kantudu, (2005[b]).

Defined Contribution Pension Model

Determination of pension benefit obligation under the Defined Contributory Model can be achieved, according to W and F (1991) by providing for an individual account for each participant and for benefits based solely upon the amount contributed to the participant's account, and any income, expenses, gains, losses, and any forfeiture of accounts of other participants which may be allocated to a participant's account. Mathematically, this can be expressed as:

$$PB\,(DC) = \left[\sum_{t=1}^{n} k * S * (1+g)^{t} * \#_{x=t} (1 + r_{n\cdot x})\right] / AF$$

Where: PB (DC) = the annual pension benefit under a DC Programme

k = the percentage of annual salary contributed to the pension account

r_{n-} x = the rate of return achieved by the pension fund in year n -x (where $r_0 = 0$)

AF= the annuity factor used to convert the value of the pension account into a lifetime annuity upon retirement.

The annuity factor will be defined as:

$$AF = (1+f) * \left[\sum^{100} L_{t \cdot rt} / (1+r)^{t-rt}\right] / L_{rt}$$

Where:

f = loading factor charged for an annuity

rt = age at which an employee retires

r = geometric mean annual return earned on the portfolio which finances the annuity

Lt = number of people in radix group alive at tune t (that is, the radix group is usually defined in terms of L0= 1,000).

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.

Data Presentation And Analysis Of Student T-Test

This section presents the data used in evaluating the impact of the contributory pension scheme on employee retirement benefits of quoted firms in Nigeria. 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 1998 – 2007; second, for scoring; and third for grading and evaluation. In an attempt to achieve this objective, it was null hypothesized that the Contributory Pension Scheme does not have an impact on employee retirement benefits of quoted firms in Nigeria.

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.

Table 4.2, above presents the data used for analysis on the Impact of the Contributory Pension Scheme on employee retirement benefits of quoted firms in Nigeria. In assessing the compliance of firms to SAS 8, the annual reports and accounts of ten (10) quoted firms for the 10years were collected and compared with the requirements of SAS 8, which enables the researcher to construct a compliance or application index. It should be noted that the compliance index was constructed by comparing the requirements of SAS 8 as shown in appendix v against the information disclosed by the ten (10) sampled firms in their annual reports and accounts. The r_1 to r_{10} represented the requirements of Statement of Accounting standards 8 (SAS 8), which quoted companies are expected to comply with or have been applying.

In this study, we allocated ten (10) points to each of the requirements (see appendix v), that explained the reason why the researcher for example allocated full, half or less points to a variable dissected into two (2) or three (3), and zero where there are no compliance with SAS 8 by the sampled quoted firms in their annual reports and accounts. After the allocation, we added up the points scored by the firms (each variable allocated 10 points each gives 100%). This 100% is the expected compliance which we compared against the actual to get the compliance index or percentage.

Table 4.3 below was an extract of appendix vi. It presents Data utilized in the Student's T-test to determine the impact of the Contributory Pension Scheme on employee retirement benefits. While it also contains the data for the ten (10) sampled firms used in testing hypothesis one which states that the Contributory Pension Scheme does not have an impact on employee retirement benefits of quoted firms in Nigeria. A cursory look at the table shows the names of the firms, and their respective mean before and after the enactment of the Pension Reform Act, 2004 that introduced the new Contributory Pension Scheme.

Table 4.3: The student's T-test data

S/N	FIRMS	MEAN BEFORE	MEAN AFTER
1	First Bank of Nigeria Plc	5.38	6.22
2	Glaxo Smithkline Plc	5.57	6.0
3	Unilever Nigeria Plc	6.09	8.0
4	Dunlop Nigeria Plc	6.76	7.66
5	Mobil Oil Nigeria Plc	6.16	6.83
6	Guinness Nigeria Plc	5.19	7.66
7	Flour Mill Nigeria Plc	5.0	6.0
8	Paterson Zochonis Nigeria (PZ) Plc	5.0	6.0
9	Evans Medical Plc	5.86	6.22
10	Nigerian Breweries Plc	5.85	7.77

Source: Extract from Table 4.2

Table 4.4: Student's t-test result on the impact of the contributory pension scheme on employee retirement benefits of quoted firms in Nigeria

Paired Sampled Statistics

	Mean	N	Std. Deviation	Std. Error Mean
Mean before Pension Reform Act, 2004	5.6860	10	.56695	.17928
Mean after Pension Reform Act, 2004	6.8360	10	.84596	.26752

Df = 9

Paired Sampled Correlation

	N	Correlation	Sig.
Mean Before & Mean After	10	.561	.005

Source: Student's T- Test Results Using SPSSWIN

Table 4.4 presents the result of the analysis of the Student's T-test result used in testing hypothesis one. The result of the Student' T-test on the Impact of the Contributory Pension Scheme on Employee Retirement Benefits of Quoted Firms in Nigeria presented in table 4.4 showed the student's T-test result to be significant with a change in t-valve and mean of 5.6860 (before) to 6.8360 (after), respectively. Similarly, the result was significant even at 5% as indicated by the 2-tailed test. However, the introduction of the Contributory Pension Scheme by the enactment of the Pension Reform Act, 2004 had significantly influenced the application index, the increase in standard error mean that there was variation of application of Accounting for Employees' Retirement Benefits between quoted firms in Nigeria. This data rejected the null hypothesis and accepted the alternative that the Contributory Pension Scheme was a significant factor in enhancing the application of accounting for employees' retirement benefits.

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. In this direction, the results of the study were used to test the hypothesis which has been presented in the previous section, while the emerging findings will be deduced with specific reference to the stated objective.

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 4.2 Aggregate average level of compliance with sas 8 for 1998 – 2004 (before pension reform ACT, 2004) and 2005 - 2007 (after pension reform ACT, 2004)

GUINNESS NIGERIA PLC — GLAXOSMITHKLINE NIGERIA PLC

SAS 8	1998-2004 Total	Average	2005-2007 Total	Average	1998-2004 Total	Average	2005-2007 Total	Average
r_1	35	5	15	5	35	5	15	5
r_2	35	5	15	5	35	5	15	5
r_3	70	10	30	10	70	10	30	10
r_4	0	0	30	10	40	5.7	30	10
r_5	70	10	30	10	70	10	30	10
r_6	70	10	30	10	70	10	30	10
r_7	0	0	30	10	0	0	0	0
r_8	35	5	15	5	35	5	15	5
r_9	13.2	1.89	19.8	6.6	0	0	0	0
r_{10}	35	5	15	5	35	5	15	5
	363.2	51.89 5.19	229.8	76.6 7.66	390	55.7 5.57	180	60.0 6.00

Source: Annual Accounts & Reports, 1998-2007

FIRST BANK PLC — NIGERIAN BREWERIES PLC

SAS 8	1998-2004 Total	Average	2005-2007 Total	Average	1998-2004 Total	Average	2005-2007 Total	Average
r_1	35	5	15	5	35	5	15	5
r_2	35	5	15	5	35	5	15	5
r_3	70	10	30	10	70	10	30	10
r_4	10	1.43	30	10	0	0	30	10
r_5	70	10	30	10	70	10	30	10
r_6	70	10	30	10	70	10	30	10
r_7	0	0	0	0	20	2.86	30	10
r_8	35	5	15	5	35	5	15	5
r_9	16.5	2.4	6.6	2.2	39.6	5.66	23.2	7.73
r_{10}	35	5	15	5	35	5	15	5
	276.5	53.83 5.38	186.6	62.2 6.22	409.6	58.52 5.85	233.2	77.73 7.77

Source: Annual Accounts & Reports, 1998-2007

FLOUR MILLS OF NIGERIA PLC — PATERSON ZOCHONIS PLC (PZ)

SAS 8	1998-2004 Total	Average	2005-2007 Total	Average	1998-2004	Average	2005-2007 Total	Average
r_1	35	5	15	5	35	5	15	5
r_2	35	5	15	5	35	5	15	5
r_3	70	10	30	10	70	10	30	10
r_4	0	0	30	10	0	0	30	10
r_5	70	10	30	10	70	10	30	10
r_6	70	10	30	10	70	10	30	10
r_7	0	0	0	0	0	0	0	0
r_8	35	5	15	5	35	5	15	5
r_9	0	0	0	0	0	0	0	0
r_{10}	35	5	15	5	35	5	15	5
	350.0	50.0 5.0	180.0	60.0 6.0	350.0	46.6 4.66	180.0	60.0 6.0

Source Annual Accounts & Reports, 1998-2007

EVANS MEDICAL PLC / MOBIL OIL NIGERIA PLC

SAS 8	1998-2004 Total	Average	2005-2007 Total	Average	1998-2004	Average	2005-2007 Total	Average
r_1	35	5	15	5	35	5	15	5
r_2	35	5	15	5	35	5	15	5
r_3	70	10	30	10	70	10	30	10
r_4	30	4.29	30	10	0	0	30	10
r_5	70	10	30	10	70	10	30	10
r_6	70	10	30	10	70	10	30	10
r_7	20	2.86	0	0	35	5	5	1.67
r_8	35	10	15	5	35	5	15	5
r_9	9.9	1.41	6.6	2.2	46.2	6.6	19.8	6.6
r_{10}	35	5	15	5	35	5	15	5
	409.9	58.56 5.86	186.6	62.2 6.22	431.2	61.6 6.16	204.8	68.27 6.83

Source: Annual Accounts & Reports, 1998-2007

DUNLOP NIGERIA PLC / UNILEVER NIGERIA PLC

SAS 8	1998-2004 Total	Average	2005-2007 Total	Average	1998-2004	Average	2005-2007 Total	Average
r_1	35	5	15	5	35	5	15	5
r_2	35	5	10	5	35	5	15	5
r_3	70	10	20	10	70	10	30	10
r_4	20	2.86	20	10	70	10	30	10
r_5	70	10	20	10	70	10	30	10
r_6	70	10	20	10	70	10	30	10
r_7	70	10	10	10	0	0	30	10
r_8	35	5	10	5	35	5	15	5
r_9	33	4.71	13.2	6.6	6.6	0.94	30	10
r_{10}	35	5	10	5	35	5	15	5
	473	67.57 6.76	153.2	76.6 7.66	426.6	60.94 6.09	240.0	80.0 8.0

Source: Annual Accounts & Reports, 1998-2007

Objective:

To evaluate the impact of the Contributory Pension Scheme on employee retirement benefits of quoted firms in Nigeria.

The Student's Test-test was used to test the hypothesis and was also used to check if the application of the Contributory Pension Scheme had any impact on employee retirement benefits of quoted firms in Nigeria. This was tested empirically to buttress the objective. The result showed that the Contributory Pension Scheme had significant impact on employee retirement benefits of quoted firms in Nigeria. Similarly, it showed that the application of the Contributory Pension Scheme was a significant factor in enhancing the employee retirement benefits of quoted firms in Nigeria though there was a variation in the application among quoted firms.

Conclusion and Recommendations

From the review of related literature, analysis and interpretation of data, personal observations and the results of the hypothesis test, the researcher concluded that the study established that the Contributory Pension Scheme has a significant impact on employee retirement benefits of quoted firms in Nigeria. However, the 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.

Essentially, this study was empirically tested to evaluate the Impact of the Contributory Pension Scheme on employee retirement benefits of quoted firms in Nigeria. The study in this direction utilized the Student's t-test technique to arrive at some conclusion on the Impact of the Contributory Pension Scheme on employee retirement benefits of quoted firms in Nigeria. The result for the ten (10) quoted firms showed that there was a significant Impact of the Scheme on employee retirement benefits. That is, the application of the Contributory Pension Scheme have been able to enhance employee retirement benefits though the application of the scheme by quoted firms in Nigeria are not being constant, which means variation still exist between firms.

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.

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 Regulatory agencies must ensure effective implementation of the penalties provided by the Act on non-compliers regardless of their status and origin.

Conducive and enabling environment must be created by the Government for smooth implementation, compliance and application of the scheme by firms and other players in pension administration.

Relevant legal framework should be put in place by the government to ensure political economy and necessary support for the scheme by subsequent government.

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 study calls on the appropriate authorities such as the government, professional accountancy bodies on academics to commission research and activities geared towards developing not only accounting policies that would ensure swift compliance with Statement of Accounting Standards (SAS 8), but strategies that would ensure optimum investments that enhance net worth and profitability of firms.

The Commission should intensify effort at ensuring timely remittance of benefits to the Retirement Savings Accounts (RSA) by firms, employers and employees.

By and large, it has downed on finance experts world-wide that the Contributory Pension Scheme option is best for any economy that hopes to be able to meet future obligations to its ageing population and ensuring their comfort after retirement.

References

Aborisade, F. (2008), "An Assessment of Nigeria's Pension Reform Act, 2004",
International Journal on Governmental Financial Management, pp71-86.Retrieved January 14,
2008 from http://www.scribd.com/obc or www.iegfm.org.

Adegbayi, A. (2005), "Pension Industry Development in Nigeria: A Thrust of the Pension Reform Act 2004", This day Newspaper 6th November. pp22

Ako, M.R. (2006), "Contributory Pension Scheme: The Case of Brazil", CBN Bullion, Vol. 30, No.2, pp 42-52

Abdul-Maliq, Y.O. (2006), "Research Methodology in Business and the Social Sciences", Abuja: Al-Maliq & Company.

Ahmad, M.K. (2006), "The Contributory Pension Scheme: Institutional and Legal Frameworks", CBN Bullion, Vol.3, No.2, April-June, pp1-6

Asika, N. (1991), "Research Methodology in the Behavioral Sciences", Lagos: Longman.

Atufe, F. (2007), "PFAs Compel Stockbrokers To Cut-Fees, Financial Standard", No.108, Monday, April 2, 2007, pp I & 6.

Balogun, A. (2006), "Understanding the New Pension Reform Act (PRA) 2004", CBN Bullion, Vol.3. No.2. April-June, 2006, pp7-18

Booth, P. and Matysiak, G. (2001), Unsmoothing Real Estate Returns: How should it affect Pension Plan Asset Allocation? Real Estate Finance and Investment Research Paper No. 2001. 06, October

Bunmi, O & Obaro, A. (2007), "Pension Reform in Nigeria: A Psychological Perspective", A paper Delivered at the First Annual Conference on Economic Reforms and the Nigerian Financial System, Department Finance, University of Lagos, Between 3-4 April, 2007, pp 1-9.

Chun, G. H., Ciochetti, B.A. and Shilling J.D (2000), "Pension Plan Real Estate Investment in an Asset/ Liability Framework", Real Estate Economics, Vol.28, No.3, Pp. 467 – 492.

Ehijeagbom O.O. (2008), "Analysis of Nigeria's New Pension Reforms Act, 2004", Legal Brief Today, 30th August, pp 1-6.

Gujarati, D. N. and Porter, D. C. (2009): "Basic Econometrics", Fifth Edition, New York, McGraw – Hill Companies.

Holzmann, R., Orendtein, M. and Rutkowski (eds), (2003), "Pension Reform in Europe: Process and Progress", Washington DC: The World Bank, pp 1-13.

Leibowitz, M.L., Kogelman, S. and Bader, L.N. (1994), "Funding Ration Return", Journal of Portfolio Management (fall) Vol.21 Pp.39 – 47.

Kantudu, A. S. (2005[a]), "Impact of Nigerian Accounting Standard Board Act 2003 on Compliance with Accounting Standards on Employee Retirement Benefits in Nigeria" Retrieved November 12, 2007 from http://ssrn.com/abstract=1106429

__________ (2005[b]), "Effect of Profitability and Total Assets on the Funded Status of Pension Assets of Quoted Firms in Nigeria". Retrieved April 20, 2008 from
http://ssrn.com/abstract=1104845

_______ and Tippet, M. (2004), "Pension Termination and the UK", Journal of
Business Finance and Accounting, Vol. 30, No. 1 & 2, pp 175 204.

_______ and Whittington (2003), "Determinants of Actuarial Valuation Method
Changes for Pension Funding and Reporting: Evidence from the UK", Journal of Business Finance and Accounting, Vol. 30, No. 1&2, pp 175-204.

Komolafe, F., (2004), "Reform Only Public Sector Pension", Vanguard. April 22nd. pp15

Moddibo, M. (2007), "Contributory Pension Scheme and The Pension Reform Act2004", Labour Law Review, Vol.1, No.1, pp15-26

Nachimias, D & Nachmias, C. (1976), "Research Methods in the Social Sciences", New York: St. Martins Press.

National Pension Commission (2004), "Frequently Asked Questions and the Answers on the Contributory Pension Scheme in Nigeria".

Nkanga, G., (2005), "Pension Reform is Good for Everybody", Thisday Newspaper, Sunday, August 7, pp 16.

Omankhanlen, A.E. (2007), "Pension Reform in Nigeria: An Overview", A Paper
Delivered at the First Annual Conference on Economic Reforms and the Nigerian Financial System, Department of Finance, University of Lagos, Held Between 3rd -4th April, pp 1-9.Onwumere, J.U.J. (2005)," Business and Economic Research Methods", Lagos: Don-Vinton Limited.

Pension Reform Act (2004), "National Pension Commission", www.pencom.gov.ng.

Peterside, A.N.A. (2006), "Investment and Risk Management Under The New Pension Scheme", CBN Bullion, Vol. 3, No.2, April-June, pp19-29.

Statement of Accounting Standards 8 (1991), "Accounting for Employees Retirement Benefits.

Uzoma, P.A. (1987), "Pension Schemes in Nigeria", Lagos: Gentle Press Limited,