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Impact of Contributory Pension Scheme on Workers' Savings and Investment in Nigeria: Anambra State Case Study

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Abstract: *This paper analyses the impact of Contributory Pension Scheme on employee savings and investment in Nigeria using Anambra State public workers as a case study. The paper uses cross – sectional primary data sourced through a structured questionnaire administered on 387 respondents (i.e. those that have been in service for the period of ≥ 5 years and on grade level ≥ 8. This choice is based on the fact that they will save money than those in grade levels less than 8. The empirical analysis reveals that majority of the respondents prefers to save outside any pension scheme implying that they are participating because it is compulsory. Again, most of the respondents are not aware of their employers' own contribution to their contributory pension scheme. The study therefore concludes among others that the Nigerian government should create more awareness and enlightement campaign on the workers' contributory pension scheme geared towards retirements.*

Keywords: *Pension scheme, savings, investment, retirement benefits*

I. Introduction

There is no gain saying the fact that individual and collective savings and investments are key to individual and family development including national development. Contributory pension scheme ensures that a savings habit when imbibed by workers will lead to investment necessary for economic development. Moreover, the benefit provided by pension scheme like tax incentive for both employers and employees encourages savings among the employees (Adetola, 2006). Accordingly, he further posited that since pension scheme saving is long – term in nature, it is useful as a macro-economic tool for national development through the investment process, which in turn promotes economic growth. A pension fund is any collective arrangement or scheme which has the objective of providing retirement benefits for working persons either in the form of regular income during retirement years or a lump sum at retirement. Pension funds are usually established by the constitution with the declaration that the funds would be managed in accordance with the rules governing the fund. The reason why employers offer pension benefit is mainly to attract employees; meanwhile, employees rely on retirement benefits as a form of financial security during period of retirement.

Nigeria had operated a defined benefit pension scheme which was largely unfounded and non-contributory before the enactment of the Pension Reform Act of 2004, which establishes a contributory pension scheme for all employees in Nigeria. However, it must be noted that the earlier pension scheme led to massive accumulation of pension debts and lack adequate and timely budgetary provisions, as well as increase in salaries and pensions. The administration of the scheme was very weak, inefficient, less transparent, leading to bureaucracy and highly liable to corrupt practices. Due to lack of reliable records of pensioners, huge amount of resources on what became yearly verification exercises were expended which did not result into the timely and efficient payment of pension benefit.

In the private sector, on one other hand, the employees were not covered by the pension schemes put in place by their employers and many of these schemes were not funded, where the schemes were funded, the management of the pension funds was full of malpractices between the fund managers and the trustees of the pension funds. This bad scenario within the pension administration led the Nigerian government in the year 2004 to introduce a pension system they believed would be sustainable and has the capacity to achieve the ultimate goal of providing a stable, predictable and adequate source of retirement incomes for each worker in the country (Eme and Uche, 2014).

The Pension Reform Act of 2004 ushered in a Contributory Pension Scheme (CPS) that is fully funded, privately managed and based on individual accounts for both the public and private sector employees in Nigeria (PENCOM, 2005). The Act also established the National Pension Commission (PENCOM) as the sole regulator and supervisor of all pension matters in the country. Under the new contributory system, the employees contribute a minimum of 7.5% of their basic salary, housing and transport allowances and 2.5% for the military while the employers shall contribute 7.5% in the case of the public sector and 12.5% in the case of the military.

Employers and employees in the private sector will contribute a minimum of 7.5% each. The advantage of the new pension scheme (contributory pension scheme) is that participants are allowed to open individual retirement savings account where contributions are accumulated till retirement. The scheme also permits members to make voluntary contributions as an additional percentage of their salaries into their individual capitalized account. Similarly, the mandatory equipment for Pension Fund Administrations (PFA) to provide regular/periodic statement of accounts to Retirement Savings Account (RSA) holders ensures that close monitoring of the account which could also guarantee quick report and correction of the errors. Since the introduction of the contributory pension scheme in Nigeria, one still doubts whether the scheme has been able to address the problem of scarcity of funds for long term investment in Nigeria. Empirical studies have shown that only about 10% of the working population has signed into the scheme in Nigeria. Again, low coverage of the scheme suggests that the scheme is still operating far below its capacity. Problems of corruption, poor monitoring, evaluation and supervision of pension fund still characterizes the contributory pension scheme. The overall objective of this study is to examine the impact of the contributory pension scheme on workers' savings and investment in Nigeria, Anambra state in particular. The following relevant questions should be addressed.

a. To what extent has the contributory pension scheme impacted on the workers' saving and investment in Anambra State.
b. What institutional factors hinders the effectiveness of Contributory Pension Scheme in Anambra State
c. What are the policy options open to government to ensure efficiency of the Contributory Pension Scheme.

These questions are relevant because their resolutions can go a long way in guiding policy recommendations in the current pension reforms in Nigeria. Unfortunately, the number of studies that have assessed the impact of contributory pension scheme has been on workers' consumption and income, with few studies on savings. This study is to add to the existing knowledge on contributory pension scheme on savings and investment.

Our analysis is structured as follows: section 2 presents the literature review, section 3 discusses the area and methodology of the study. Analysis and presentation of results are presented in section 4. Lastly, section 5 focuses on summary of findings, policy recommendations, and conclusions, limitation and suggestions for future research.

II. Literature Review/Conceptual Framework

A pensionable job can specify a defined benefits pension scheme (DBPS) or a contributory pension scheme (CPS). A DBPS usually states the entitlements of workers after minimum qualifying years of service while CPS defines pension entitlements in relation to stated contributions of the employer and the employee (Diamond, 1995). The CPS is funded in the sense that the contributions and the returns from the investment of such funds provide the resources for meeting the pension obligations. The DBPS, on the other hand, is unfunded because the pension obligations are met from the general current revenue, taxation in the case of the government and this is the reason why it is referred to as a "pay-as-you go" system. Payment of pension obligations in the unfunded pension scheme thus depends on general productivity and tax revenue growth in the economy as well as a host of demographic features of the economy. In the funded pension system, payment of pension obligations would encounter problems if there were earnings problems with pension investments due to management problems and adverse movements in macroeconomic variables.

Pensioners under both schemes face risks as to what the feature value of their benefits would be, with pensioners under a publicly managed system facing largely political risks and the privately managed CPS facing investment risks. While the risks are spread through market mechanism in the CPS, in the DBPS it is through the legislative mechanism, which modifies the benefits plan in the future. A DBPS is said to have more potential for low administrative costs (due to the economics of scale that come with a single compulsory system with choice, limited requirement for reporting to individual accounts regularly by fund managers, low expenditures on advertisement and sales personnel. A major advantage of CPS with the mandated investments in private assets is its potentials contribution to the development of capital markets. A CPS is also recommended for its potential in raising national savings which increases investment and national income (Orszag and Orszag, 2000, Barr, 1995). The world over, pension schemes are in trouble due to mismanagement of pension funds, adverse macroeconomic developments, unfavourable demographic trends and fiscal indiscipline among governments (World Bank, 1994).

The impact of contributory pension scheme has been overemphasized in the literature. Poterba, Venti and Wise (1996, 1998) examined the effect of tax deferred savings accounts on overall savings rate. They opined that tax deferred savings mechanism like Individual Retirement Accounts lead to a net increase in savings, while others (Gale and Scholz 1994, Engen et al, 1996; and Gale, 1998) argues that the balances in these savings vehicles are offset by reductions in other forms of household wealth (Card and Ransom, 2007).

Thaler and Benartzi (2004) assessed the effectiveness of contributory pension scheme at increasing employee savings rate. From the study, employee who opted into an automatic annual 3% increase in their contribution rate saw their average contribution rate increase almost 4-folds from 3.5% of pay to 13.5% of pay, over the course of 4 years. In the opposite direction, employees who did not elect contribution pension scheme saw their average contribution rate increase by much less over the same time period, from 5.3% - 7.5%. Interestingly, this latter group started out saving much more than those who opted into contributory pension scheme but the relative positions were reversed 4 years later. The literature is also of the opinion that people with a future orientation save more than people who live for the here and now. (Munnell et al, 2000).

Further in the literature, Komolafe (2004) submitted that the Nigerian Pension System in general is fragmented, lacks an adequate overall policy, a legal and regulatory framework and an empowered coordinating body to supervise it. Babatunde (2012) on the Nigerian scenario summarized that there is significant relationship existing between contributory pension scheme and savings. He therefore reiterated on the advice of Adegbayi, that Nigeria must avoid minor pension reforms that are repeated periodically because of political problem associated with such adjustment. However, Eme and Uche (2014) has added to the fact that in the 10 year period, the pension industry in Nigeria has experienced phenomenal growth from a deficit of ₦2trn in the form of pension liabilities in 2004 to an accumulation of pension fund assets of up to ₦4.1trn by the end of 2013, a firm backing to the economy by the huge pool of funds.

Umar and Tsado (2012) on the contributory pension scheme as a tool of economic growth in Nigeria reveals that pension fund investments in domestic quoted equities amounted to ₦240.38 billion (2.36% of total market capitalization) in 2007, 3.17% in 2008, 4.42% in 2009 and 4.53% in 2010, also the value of total Pension Fund Assets stood at ₦2,029 billion as at 2010.

2.1 Conceptual Issues

Robelo (2002) asserted that pension is also a method whereby a person pays into pension scheme a proportion of his/her earnings during his working life. The contributions provide an income (or pension) on retirement that is treated as earned income. This is taxed at the investor's marginal rate of income tax. On the other hand, gratuity entails a lump sum of money payable to a retiring officer who has served for a minimum period of time.

Adams (2005) in his assessment of pension, declared that pension is the amount paid by government or company to an employee after working for some specified period of time, considered too old or ill to work or have reached the statutory age of retirement. Similarly Ozor (2006) explained that pension consists of lump sum payment paid to an employee upon his disengagement from active service. He further stated that pension plans may be contributory or non-contributory, fixed or variable, group or individual, insured or trustee, private or public, and single or multi-employer.

According to Adebayo(2006) and Ugwu (2006), there are four main classification of pensions in Nigeria, namely, retiring pension, compensatory pension, superannuating pension and compassionate allowance. This was supported by Amujiri, (2009) who defined compassionate allowance as a pension scheme that is not admissible or allowed on account of a public servants removal from service for misconduct, insolvency or incompetence or inefficiency. In the same vein, Dhameji and Dhameji (2009) tried to link commitment to motivation and opined that commitment is also tied to how well an employee is motivated. Motivation here entails the process of influencing employee's behaviour towards the attainment of organizational goals. Accordingly, Sule and Ezugwu (2009) asserts that a good pension guarantees employee's comfort and commitment to the organization during his/her active years.

A pension is a contract for a fixed sum to be paid regularly to a pensioner, typically following retirement from service. It is different from, severance pay because the former is paid in regular installments while the latter is paid in one lump sum (Eme and Uche, 2014). A pension plan created by an employer for the benefit of employees is commonly referred to as an occupational or employer person. Labour Unions, the government and other organizations also fund pensions. Many pension plans also contain an additional insurance aspect, since they often will pay benefits to survivors or disabled beneficiaries.

Ayegba et al (2013) described the term pension as payments a person receives upon retirement, usually under pre-determined legal and/or contractual terms. The Nigerian new Pension Scheme increased the coverage of the Defined Contributory Pension Scheme in the private sector entities with three employees and above, in line with the drive towards informal sectors participation.

2.2 Stylized Facts on Contributory Pension Scheme in Nigeria

The Nigerian Contributory Pension Scheme came through the Pension Reform Act of 2004. The new pension scheme is called contributory because it is fully funded, on individual accounts that are privately managed by Pension Fund Administrators (PFAs) with the pension fund assets held by Pension Fund Custodians. Under the system, the employees contribute a minimum of 7.5% of their Basic Salary, Housing and

Transport Allowance while the employers shall contribute 7.5% in the case of the public sector. Employers and employees in the private sector will contribute a minimum of 7.5% each. An employer may elect to contribute on behalf of the employees such that the total contribution shall not be less than 15% of the basic salary, housing and transport allowance of the employees. The recent amendments to the Act exempted military personnel from contribution. According to PRA (2004), 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. However, the contribution and retirement benefits have tax exemption. The employee opens an account known as "Retirement Saving Account in his name with a Pension Fund Administrator of his choice. This individual account belongs to the employee and will remain with him throughout his life time. He may change employers 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. Meanwhile every employer shall maintain life insurance policy in favour of an employee for a minimum of three times the annual total emolument of the employee. Based on the guidelines of Pension Commission of Nigeria (PENCOM) and National Insurance Commission (NAICOM) for group life insurance, employers must bear all costs related to life insurance for its employees, separate from contributions made under the scheme. The contributory pension scheme requires pension funds to be kept by pension fund custodians (PECs) and privately managed by pension fund administrators (PFAs). PFAs are private organizations that have been duly licensed to open retirement savings accounts for employees, invest and managed the pension funds in fixed income securities listed and other instruments as the commission may from time to time prescribe, maintain books of accounts on all transactions relating to the pension funds managed by it, provide regular information on investment strategy to the employees or beneficiaries and pay retirement benefits to employees in accordance with the provision of the Act. The Table 1 below highlights the growing importance of pension assets as a proportion of Nigeria gross domestic products between the years 2007 to 2010.

Table 1: Pension Assets under PFA Management

Asset Types	**2007**	**2008**	**2009**	**2010**
Local Ordinary Shares	240.38	220.54	220.71	358.03
Foreign Ordinary Shares	3.06	2.23	2.80	24.10
FGN Securities	279.69	350.67	498.88	829.20
State Govt. Securities	0.05	0.16	33.71	69.60
Local Money Market Security	159.92	332.44	542.22	489.25
Foreign Money Market securities	26.09	17.25	17.25	7.36
Open/Close – End Funds	4.46	9.03	5.74	8.61
Real Estate Properties	79.08	125.50	142.96	17.52
Unquoted Securities	4.43	6.86	6.18	8.18
Cash and Other Assets	17.79	19.20	27.53	14.19
Total	815.18	1,099.01	1,529.63	2,029.77

Source: PENCOM Annual Reports 2007-2010

From the Table, it can be ascertained that the value of total pension fund assets stood at ₦2, 029 billion as at 2010. The table also highlights the diversification and spread of the assets type. Comparatively, the value of the assets in 2010 far exceeds the 2007 of ₦815 billion as against ₦2, 029 of 2010. The seemingly increase was mainly accounted for by the additional contributions from members, funds injected by fund sponsors and investment income.

Table 2: Pension Fund Investment Proportion to Market Capitalization

Year	**market capitalization (N)**	**Pension fund in quoted equities (N Billion)**	**Percentage of Pension fund in market capitalization**
2007	10,188.35	240.38	2.36
2008	6,960.16	220.54	3.17
2009	4,990.42	220.71	4.42
2010	7,910.08	358.03	4.53
Total	**30049.01**	**1039.66**	**13.48**

Source: PENCOM Annual Reports, 2007 – 2010.

Highlights of the Table reveals that market capitalization was ₦10, 188.35 billion as at the end of 2007, out of which Pension Fund Investments accounted for ₦240.38 billion (2.36%). Moreover, the proportion of the fund increased to 3.17% in 2008, despite the financial global crisis that affected the Nigerian capital market. In 2009 and 2010, the value in percentages were 4.42% and 4.53% respectively, a further indication that contributory pension scheme has enhanced mobilization of savings and investment, which translate to economic growth in Nigeria.

Meanwhile, the poor performance of the CPS in Nigeria can be traced directly to the larger question of how the banking system, stock market and the macro economy interact with the CPS. It must be noted that the major problem of CPS in Nigeria is still the scarcity of investment avenues, worsened by the ongoing reform in the Nigerian financial sector. Besides, the Nigerian capital market is still under developed. For instance, the top twenties companies in the capital market have more than 70% of the total market capitalization, thus making pool of pension funds chasing few quality investments. Author challenge confronting the CPS is the compliance rate within the working population. PENCOM has confirmed that only 10 out of the 36 states of the federation have fully aligned with the pension reform in the country. In the private sector, organizations with at least five employees are required by the Act to implement the contributory pension scheme. However, compliance by the private sector has remained a serious challenge due to lack of comprehensive database of employers of labour in the country, which limits the extent of enforcement by regulators. Employers on their own regard it as additional cost to their organization, the reason for their unwillingness. Similarly, the integration of informal sector has made it difficult for the effectiveness of CPS in Nigeria, due to the incoherent structure of the informal sector in Nigeria.

III. The Study Area, Methodology And Data Sources

Anambra state that was carved out of the Enugu State in 1991, is made up of 21 Local Government Areas (LGAs) with three senatorial zones. The state is in South-Eastern Nigeria. The capital and the seat of Government is Awka. Onitsha and Nnewi are the biggest commercial and industrial cities respectively. The state's theme is: Light of the Nation. Boundaries are formed by Delta Sate to the West, Imo state and River State to the South, Enugu state to the East and Kogi State to the North.

The indigenous ethnic groups in Anambra state are the Ibos (98% of population) and small population of Igalas (2%) who live in the North Western part of the State. Anambra is the eight most populated states in Nigeria and the second most densely populated state in Nigeria after Lagos. Anambra state has a total population of 4, 055, 048 according to National Population Commission (NPC, 2007). The main economic activity of the rural people is farming (Small scale farming, animal husbandry and food processing). Informal trading and other micro-entrepreneurship are also playing a crucial role in their economic life.

The research methodology is that of the survey statistics . According to Ogbuoshi (2006) the research design used in any research is determined substantially by the nature of the problem as well as the objective. The justification for using the survey method is due to its ability to collect up-to-date primary data on Anambra State public workers who have been in service for the period of ≥ 5 years and on grade level ≥ 8. This class of Anambra public servant was selected based on the fact that they are likely going to save and invest more than those workers on grade levels less than 8. Moreover, the justification for this sample was because of the fact that Anambra State public service workers have experienced the PAYG system of pension scheme and now witnessing the CPS. Again the choice of Anambra State is as a result of proximity to the researcher. The major tool used for this study is the questionnaire containing twenty-four (24) questions. These questions cover socio-economic and demographic variables such as sex, age, income and educational level of the responding Grade Level 8 Anambra State Civil servants. The researcher used the simple random sampling technique to select ten (10) LGAs out of the twenty one (21) LGAs that make up Anambra State. They include: Anambra East, Anambra West, Dunukofia, Idemili South, Nnewi North, Nnewi South, Ogbaru, Onitsha South, Orumba North and Oyi LGAs. From these ten LGAs, 400 public workers' were sampled, of which 40 were selected from each LGA.

Data for the research were gathered from both the secondary and primary sources. The primary data were through questionnaire while the secondary were through peer reviewed journal articles, textbooks, conference papers and official documents. Meanwhile, the instrument of data collection was subjected to face validation by experts in social and management sciences research and to determine the reliability of the instrument, the researchers used the external consistency method, in other words the researchers conducted a test using 5% of the sample size which is 20. Therefore, twenty copies of the questionnaire were used for this test, which was administered to 20 people in Awka South, with an introductory letter acquainting them of the rationale of the study. Results were collated and a re-test was conducted after two weeks on the sample size. For the first test, the twenty copies of the questionnaire were all retrieved (100% response rate). The result of the re-test conducted correlated with the first test, confirming the reliability of the tests. The administration of questionnaire was carried out between December 2014 and January 2015 through the help of assistants who were recruited and trained for the purpose. The questionnaires were administered to 400 respondents in the Anambra state public service, 387 were adequately filled, returned and was used for the analysis. The questionnaire was analyzed using simple percentages while the hypothesis formulated were tested and analyzed using the chi-square statistics in order to test the statistical significance of the result.

Research Hypotheses

H_1: There is significant relationship between the Contributory Pension Scheme and workers' saving and investment in Anambra state public service.

H_2: There are policy measures to enhance Anambra state public service workers' Contributory Pension Scheme.

IV. Results and Discussion

Table 3: Questionnaire Administration

LGAs	Questionnaire Distributed	Questionnaire returned	Questionnaire rejected	Questionnaire accepted
Anambra East	40	40	3	37
Anambra West	40	40	-	40
Dunikofia	40	40	2	38
Idemili South	40	40	2	38
Nnewi North	40	40	-	40
Nnewi South	40	40	4	36
Ogbaru	40	40	-	40
Onitsha South	40	40	-	40
Onitsha North	40	40	-	40
Orumba North	40	40	2	38
Total	400	400	13	387
Percentage	(100%)	(100%)	3.25%)	(96.75%)

Source: Own survey, 2015

The first section of the questionnaire analyses the demographic information of the respondents. These analyses were based on the responses from the questionnaire completed and returned by the respondents.

Table 4. Age of Respondents

Age	Frequency	Percentage (%)
31 – 40	155	40.05
41 – 50	147	37.98
51 – 60	85	21.96
Total	387	100.%

Source: Own Survey, 2015

From Table 4, out of 387 questionnaires returned, 155 respondents fall within the age bracket of 31 – 40 which gives 40.05% while 85 respondents fall within the age bracket of 51-60, which gives 21.96%. Majority of the respondents fall within the age bracket of 31-40, which is ordinarily the active working population

Table 5: Gender of Respondents

Gender	Frequency	Percentage (%)
Female	182	46.03%
Male	205	52.97%
Total	387	100.%

Source: Own Survey, 2015

From Table 5, out of 387 respondents, 182 are females which give 47.03% while 205 respondents are male which gives 52.97%. In terms of the year spent in the public service, from Table 6 below, 52 respondents have only worked for > 5 years but less than 10 years which gives 13.44% while 76 respondents have been in service for > 10 years but < 20 years which gives 19.64%. 150 respondents have been in service for 20 years which is 38.76% and 109 respondents have been in service for > 20 years which gives 28.17%.

Table 6: Years Spent in Service

Years spent	Frequency	Percentage (%)
>5	52	13.44%
>10	76	19.64%
20	150	38.76%
>20	109	28.17%
Total	387	100.%

Source: Own Survey, 2015

Table 7: Marital Status

Marital Status	Frequency	Percentage (%)
Married	250	64.60%
Single	120	31.01%
No response	17	4.39%
Total	387	100.%

Source: Own Survey, 2015

From Table 7, 250 respondents, representing 64.60% are married while 120 respondents representing 31.01% are singles. 17 respondents refused to indicate their marital status i.e. whether they are married or not.

Table8: Income per Annum

Income	Frequency	Percentage (%)
<N400,000	158	40.83%
<N500,000	135	34.89%
<N600,000	74	19.12%
>N600,000	15	3.88%
No response	5	1.29%
Total	387	100.%

Source: Own Survey, 2015

From the Table, 158 respondents earn <₦400, 000 per annum which gives 40.83%, 135 respondents earn <₦500, 000 per annum which 34.89% while 74 respondents earn <₦600, 000 per annum which gives 19.12%. Also from Table 9 shown below, 205 respondents are married which gives 40.83% while 122 respondents representing 31.52% were singles.

Table 9: Marital Status

Marital Status	**Frequency**	**Percentage (%)**
Married	205	52.97%
Single	122	31.52%
No response	60	15.50%
Total	387	100.%

Source: Own Survey, 2015

Table 10: Family Size

Respondents	**Frequency**	**Percentage (%)**
<4	150	38.76%
<6	172	44.44%
>6	65	17.00%
Total	387	100.%

Source: Own Survey, 2015

On family size, 150 respondents have a family size of <4 which gives 38.76%, 172 respondents have a family size <6 which gives 44.44% while 65 respondents have a family size of >6 which gives 17.00%.
The preceding analysis is the second segment of the questionnaire as it relates to the research questions.

Table 11: Are You Aware of Any Pension Scheme?

Respondents	**Frequency**	**Percentage (%)**
Yes	324	83.72%
No	63	16.28%
Total	387	100.%

Source: Own Survey, 2015

From Table 11, out of 387 respondents asked on their awareness of pension scheme, 324 representing 83.72% answered in the affirmative while 63 representing 16.28% said they are not aware. Therefore, majority of the respondents are aware of pension scheme.

Table 12: Are You Involved in Any Pension Scheme?

Respondent	**Frequency**	**Percentage (%)**
Yes	286	73.90%
No	83	21.44%
No response	18	4.65
Total	387	100.%

Source: Own Survey, 2015

Moreover, 286 respondents representing 73.90% are involved in pension scheme while 83 respondents representing 21.44% are not in involved. A question was also asked to know if respondent are aware of the percentage of their income that goes for their pension as shown in the succeeding Table 13.

Table 13: Do You Know the Percentage of Your Income that goes into Pension?

Respondent	**Frequency**	**Percentage (%)**
Yes	210	54.26
No	170	43.93
No response	7	1.81
Total	387	100.%

Source: Own Survey, 2015

201 respondents said yes while 170 said no. This shows that some of the respondents are not aware of what percentage of their income that goes into their pension.

Table 14: Are You Aware of Your Employers' own Contribution that goes into your Pension?

Respondent	Frequency	Percentage (%)
Yes	170	54.26
No	200	43.93
No response	27	1.81
Total	387	100.%

Source: Own Survey, 2015

One hundred and seventy (170) respondents answered yes while 200 answered no. Majority of the respondents are not aware of their employers own part contribution while 27 respondents gave no response to the question. The reason why majority do not know has been traced to communication gap or break down within public service structure in the state.

Table 15: Does Your Pension Fund Administrator Report Your RSA Status Regularly?

Respondent	Frequency	Percentage (%)
Yes	182	47.03%
No	200	51.68%
No response	5	1.29
Total	387	100.%

Source: Own Survey, 2015

On whether the Pension Fund Administrator (PFAs) regularly reports individual saving account, 182 respondents said yes while 200 said no implying that the PFAs seems not to be regularly reporting their clients saving account status.

Table 16: My Participation in the Scheme is because it is Compulsory

Respondent	Frequency	Percentage (%)
Strong agreed	60	15.50%
Agreed	210	54.26%
Undecided	35	9.04%
Disagreed	48	12.40%
Strongly Disagreed	34	8.79%
Total	387	100.%

Source: Own Survey, 2015

About 210 respondents representing 54.26% agreed that they are participating because it is compulsory. This shows that given alternative, they will not participate in the scheme. While 48 respondents representing 12.4% disagreed. They are participating because they want to participate and because of the gains thereof.

Table 17: Pension Scheme serves as an Incentive to Save.

Respondent	Frequency	Percentage (%)
Strong agreed	89	23.00%
Agreed	162	41.86%
Disagreed	74	19.12%
Strongly Disagreed	62	16.02%
Total	387	100.%

Source: Own Survey, 2015

On whether the pension scheme serves as an incentive to save, 162 respondents (41,86%) agreed that the pension scheme is an incentive to save while 74 respondents (19.12%) did not agree that the pension scheme in an incentive to save, reasons they did not give.

Table 18: Contributory Pension Scheme is Actually an Improvement over the Old

Respondent	Frequency	Percentage (%)
Strong agreed	120	31.00%
Agreed	186	48.06%
Undecided	10	2.58%
Disagreed	40	10,34
Strongly Disagreed	31	8.01%
Total	387	100.%

Source: Own Survey, 2015

In addition, 186 respondents (48.06%) agreed that the contributory pension scheme is an improvement over the old pension scheme, 40 respondents (16.34%) did not agree while 10(2.58%) are undecided on whether the scheme is an improvement over the former or not.

Table 19: Prefer to Save Outside Any Pension Scheme

Respondent	Frequency	Percentage (%)
Strong agreed	58	14.99%
Agreed	212	54.78%
Undecided	25	6.46%
Disagreed	58	14.99%
Strongly Disagreed	34	8.79%
Total	387	100.%

Source: Own Survey, 2015

Furthermore, 212 respondents representing 54.78% preferred to save outside the contributory pension scheme. This only supports the fact that majority of the respondent are participating in the scheme because it is compulsory. About 58 respondents representing 14.99% did not prefer to save outside the contributory pension scheme while 25 respondents of 6.46% are not certain whether they prefer to save outside or not of any pension scheme.

Table 20: Have You Ever Tried to Calculate How Much You Need to Save for Retirement?

Respondent	Frequency	Percentage (%)
Yes	68	17.57%
No	200	82.43%%
Total	387	100.%

Source: Own Survey, 2015

About 319 respondents representing 82.43% said that they have not tried calculating how much the need to save for retirements while 68 respondents of about17.57% said yes. This implies that majority of the respondents are not thinking of retirement.

Table 21: What Percentage of Your Income Do You Think You Should Be Saving For Retirement?

Respondent	Frequency	Percentage (%)
>5%	100	25.84%
5-9%	80	20.67%
10-14%	145	37.47%
>15%	56	14.47%
No response	6	1.55%
Total	387	100.%

Source: Own Survey, 2015

On the percentage of the income that respondents think, they should be saving for retirement, 100 respondents representing 25.84% noted that up to 5% of their income should be saved while 80 respondents of about 20.67% noted that they should be saving between 5 and 9%. 145 respondents representing37.47% said between 10 and 14% of the income should be saved, 56 respondents of 14.47% said they think they should save > 15%.

Table 22: What is Your Level of Income that is being saved?

Respondent	Frequency	Percentage (%)
Your are saving too much	52	13.44$
Your are saving the correct amount	176	45.48%
Your are saving too little	122	31.52%
Your are not saving enough	20	5.17%
No response	17	4.39%
Total	387	100.%

Source: Own Survey, 2015

Out of 387 respondents, 52 respondents (13.44%) noted that they are saving too much while 176 respondents (45.48%) noted that they are saving the correct amount. Also 122 respondents (31.52%) noted that they are saving too little and 20 respondents, 5.17% noted that they are not saving enough.

Table 23: Contributory Pension Scheme Has Effect on Workers' Savings and Investment After Retirement.

Response	Frequency	Percentage (%)
Very strong effect	208	53.7%
Strong effect	179	46.3%
Minimal	0	0%
Very minimal effect	0	05
Total	387	100.%

Source: Own Survey, 2015

From Table 23, 208 respondents representing 53.7% of the total respondents very strongly agreed that the contributory pension scheme has effect on savings and investment after retirement, 179 respondents (46.3%) is of the opinion that it has strong effect, while zero respondents did not indicate their opinions.

Table 24: Existing Legal Framework Being Adequate in Addressing Mismanagement of Pension Funds

Respondent	**Frequency**	**Percentage (%)**
Strong agreed	60	16%
Agreed	119	31%
Disagreed	125	32%
Strongly Disagreed	83	21%
Total	387	100.%

Source: Own Survey, 2015

From Table 24, 60 respondents representing 16% of the total respondents strongly agreed that the existing legal framework is adequate in addressing the mismanagement of pension fund while119 respondents representing 31% of the total respondents agreed. 125 respondents representing 32% of the total respondents disagreed, while 83 respondents representing 21% of the total respondents strongly disagreed.

Question 1: Responses on Existing Legal Framework for Addressing Mismanagement of Pension Funds

Some of the responses on the existing framework are summarized below:

1. Ten – year jail term for anyone who misappropriates pension funds
2. A three time refund of the amount embezzled
3. Attorney General of the Federation instituting criminal proceeding against employers who persistently fail to deduct and/or remit pension contribution of their employees within the stipulated time.
4. PENCOM taking proactive corrective measures on licensed operators whose situations, actions or inactions jeopardize the safety of pension assets.
5. In the event of job loss, the waiting period for accessing benefits was reduced to 4 months to identify with the yearning of contributor and labour.

Testing of Hypothesis

Hypothesis 1:

$H_{1:}$ There is significant relationship between the contributory pensions scheme and workers' saving and investment in Anambra Public Service.

In testing this hypothesis, the data collected and presented in Table 23 on the effect of contributory pension scheme were used.

Table25: Hypothesis 1 Contingency Table

RESPONSES					**TOTAL**
	Very strong	Strong effect	Minimal effect	Very minimal effect	
Male	135 (151)	146 (130)	0 (0)	0 (0)	281
Female	73 (57)	33 (49)	0 (0)	0 (0)	106
Total	208	179	0	0	387

Source: Own Survey, 2015

To compute chi-square X^2, we use the formula which is

$$X^2 = \sum \frac{(F0 - Fe)^2}{Fe}$$

Where: $\sum$ = sum of operative assumptions

Fo = observed frequency

Fe = expected frequency

Response	Fo	Fe	Fo – Fe	$(Fo - Fe)^2$	$\frac{(Fo - Fe)^2}{Fe}$
Very strong effect	135	151	-16	256	1.69536
Strong effect	146	130	16	256	1.96923
Minimal effect	0	0	0	0	0
Very minimal effect	0	0	0	0	0
Very strong effect	73	57	16	256	4.49122
Strong effect	33	49	-16	256	5.22448
Minimal effect	0	0	0	0	0
Very minimal effect	0	0	0	0	0
					∑13.38029

Source: Author's Computation

To obtain chi-square (X^2) value from the table (critical value), we first find the degree of freedom, i.e (R-1) (C-1).

Where: R = Row Total
C = Column total
= (R-1) (C-1)
= (2-1) (4-1)
= (1) (3) = 3

P – Value = 5% = 0.05 (significance level)

X^2 tab is critical value of chi-square = X^2 for 3df at 0.05 – 7.815.

Decision Rule

The computed chi-square value of (13.38029) is greater than the critical table value of chi-square (7.815). Therefore, there is a significant relationship between CPS and workers' savings and investment in Anambra state, Nigeria.

Hypothesis 2:

H_2: There are policy measures to enhance Anambra State Public Service Workers' contributory pension scheme.
In testing this hypothesis, the data collected and presented in Table 24 were used.

Table 26: Hypothesis 2 Contingency Table

Respondent	RESPONSES		TOTAL
	Yes	No	
Male	270 (255)	11(26)	281
Female	81 (96)	25(10)	106
Total	351	36	387

Source: Own survey, 2015

To compute chi-square (X^2) value

Response	Fo	Fe	Fo – Fe	(Fo – Fe) ^{2}	$\frac{(Fo - Fe)^2}{Fe}$
Yes	270	225	15	225	0.88235
No	11	26	-15	225	8.65384
Yes	81	96	-15	225	2.34375
No	25	10	15	225	22.5
					∑34.37994

Source: Author's computation

P – value = 5% = 0.05 (significance level)

X^2 tabulated of chi-square for 1df at 0.05 = 3,841

Decision Rule

The computed chi-square value of (34.37994) is greater than the critical table value of chi-square of (3.841). The hypothesis that there are legal/policy measures to enhance workers' contributory pension scheme is accepted.

V. Conclusion and Recommendation

This study aims at evaluating the impact of the contributory pension scheme on employees' savings in Nigeria, using Anambra State as a case study. The method of analysis is the survey approach of questionnaire containing 24 questions. These questions cover socio-economic and demographic variables such as sex, age, income, educational level etc. The researchers used the simple random sampling technique to select ten (10) LGAs out of the twenty – one (21) LGAs that make up the state. The findings among others reveals that majority of the respondents prefer to save outside any pension scheme while others do not know how to calculate how much they need to save for retirement. The reasons are simple, workers find it difficult to entrust their future in the hands of the pension fund administrators in addition to low savings from their salaries. The study therefore concludes from the findings of the study as follows:

i. Government should create more awareness on CPS to encourage and educate employees on the scheme as most workers are ignorant of its existence.
ii. Pension Fund Administrator (PFAs) should be transparent and accountable in their dealings with their clients through regular update of their customers' account status.
iii. PENCOM as a regulatory agent should take proactive corrective measures on licensed operators whose situations, actions or inactions jeopardize the safety of pension assets as lay down by the PENCOM establishing laws.

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