

## ***Corporate Vision and Mission***

### ***Vision***

***To be a world-class organization that ensures the prompt payment of retirement benefits and promotes a sustainable pension industry that positively impacts on the economic development of Nigeria***

### ***Mission***

**To be an effective regulator and supervisor that ensures the safety of pension assets and fair return on investment utilising appropriate technology, with highly skilled and motivated staff**

## **SECTION ONE**

### **Pension Operating Environment**

#### **1.1 Macroeconomic Development**

There was a slight decline in the Country's macroeconomic performance as real Gross Domestic Product (GDP) growth nosedived from 6.58 percent recorded in the second quarter to 6.48 percent in the third quarter, representing a marginal decline of 0.10 percent. The marginal reduction in the country's economic performance was attributable to the slowdown witnessed in the non-oil sector. The non-oil sector output growth declined marginally by 0.08 percent from 7.63 percent in the second quarter to 7.55 in the third quarter. The decline in the non-oil sector growth could be explained by the flood witnessed in some parts of the country that adversely affected agricultural output as well general decline in building & construction, cement, and hotel sectors.

The rate of inflation declined marginally from 12.6 percent recorded in the second quarter to 11.70 percent in the third quarter, representing a drop of 1.00 percent. This could be explained in food prices during the quarter. However, double digit rate of inflation could negatively the purchasing power of workers and especially the retirees who are generally on fixed income.

#### **1.2 Developments in the Money Market**

The stance of monetary policy was restrictive in the third quarter as the Central Bank of Nigeria (CBN) increased the Cash Reserve Ratio (CRR) from 8.00 percent in the second quarter to 12.00 percent, while the Monetary Policy Rate (MPR) was maintained at 12.00 percent. However, provisional figures from the CBN showed that the value of money market assets outstanding was ₦6,029.80 billion, which represented an increase of 3.60 percent relative to a decline of 0.30 percent recorded in the second quarter.

Interest rate development in the money market showed some impressive results with regards to interbank rates. For example, the weighted average inter-bank call rate, which was 14.34 percent in the second quarter increased by 1.16 percent to close at 15.50 percent in the third quarter. Similarly, the Nigeria Interbank Offered Rate (NIBOR) for the 7- and 30-day tenors increased from 14.90 and 15.33 percent in the second quarter to 16.06 and 16.75 percent respectively in the third quarter.

However, the primary segment of the money market witnessed some declines as the Nigerian Treasury Bills (NTBs) of 91-, 182- and 364-day tenors, amounting to ₦822.05, ₦2,095.54 and ₦822.05 billion, respectively, were

offered, subscribed to and allotted in the third quarter, representing declines of 18.10, 16.80, and 18.10 respectively relative to the second quarter figures.

### **1.3 Developments in the Bond Market**

The bond market performance was quite impressive in the third quarter as the auctioned FGN 3-, 5-, 7-, and 10-year tranches were oversubscribed by 115.56 percent. Thus, the total value of the bonds offered, subscribed to, and allotted during the third quarter were ~~₦~~210.00 billion, ~~₦~~452.68 billion, and ~~₦~~210.00 billion respectively.

The rate of return on the FGN bonds of various tenures which ranged from 12.95 to 16.59 percent in the third quarter was quite lower than the range of 14.95 to 16.24 that was obtained in the second quarter. The fall in yield could be explained by the renewed interest of foreign investors in the bond market following the the inclusion of Nigeria in the JP Morgan Government Bond Index-Emerging Market (GBI-EM) from the first of October, 2012.

### **1.4 Development in the Stock Market**

The stock market reflected some mixed performances in the third quarter as shown by the appreciation of some market indices. The number of deals had increased from 238,043 in the second quarter to 262,692 deals in the third quarter, representing an increase of 1035 percent. Similarly, the volume of traded securities increased from 26.49 billion shares in the in the second quarter to 21.90 billion shares in the third quarter, representing a decline of 17.33. Similarly, the value of traded shares also witnessed a decrease of 17.50 percent from ~~₦~~172.3 billion in the second quarter to ~~₦~~159.20 billion in the third quarter.

However, stock market capitalization recorded an increase of 20.12 percent as it increased from ~~₦~~6.90 trillion in the second quarter to ~~₦~~8.28 trillion in the third quarter. Similarly, the NSE All Share Index increased by 20.43 per cent to close the quarter at 26,011.64 points from 21,599.57 points That was obtained in the second quarter.

The improvement in some performances of the stock market could be explained by renewed interest by foreign investors in the Nigerian capital market arising from plans by JP Morgan Chase & CO. to include Nigeria in the Bond Index-Emerging Market (GBI-EM), impressive results declaration by companies in the market and the commencement of a number of new initiatives by the NSE as a means of enhancing the stock market efficiency.

## **SECTION TWO**

### **Regulatory and Supervisory Activities**

The need to ensure safety of pension assets, fair returns on investment and sustainability of the industry necessitated the need to proactively regulate and supervise the pension industry in order to achieve the aims and objectives of Pension Reform Act 2004. The supervisory approach rested on risk-based philosophy in order to cope with the challenges posed by the dynamics of the operating environment.

#### **2.1 Surveillance of the Pension Industry**

In addition to the on-site and off-site examinations, the Commission carried out target and special examinations on nine and two Pension Fund Administrators respectively. The off-site examination covered such areas as compliance, risk management and corporate governance. All these constituted the information source in planning the on-site examination carried out during the quarter. However, while the target examination was focused on service delivery, the special examination was aimed at determining PFAs compliance with the Commission's new Minimum Share Capital Requirement for PFAs.

The actuarial valuation report showed that three out of 11 Defined Benefit Schemes approved by the Commission had had deficits of ₦8.73 billion, ₦39.00 billion and ₦62.81 respectively. The Commission had written to the concerned sponsors of the Schemes on the need to fund the identified shortfalls to which one of them had responded.

The compliance report showed some inconsistencies on the part of Pension fund Administrators, which included: un-reconciled and un-credited contributions that amounted to ₦8.367 billion and ₦1.29 respectively; 146 cases of unpaid benefits that had earlier been approved by the Commission; wrong debit of N39 million on some RSAs by a Pension Fund Custodian (PFC); The Commission had forwarded compliance letters to the concerned operators regarding the listed inconsistencies. Other issues observed from the compliance report were: non-implementation of commitments made during examinations of operators; violation of PRA 2004, Regulations, Guidelines, Circulars, and Framework; and non-issuance of statement of accounts and Personal Identification Numbers (PINs) to customers by some Operators.

##### **2.1.1 Update on Corporate Governance of the Pension Industry**

The Commission observed violations of the Code of Corporate Governance for Pension Fund Operators as issued by the Commission. Some of the violations observed were: improper constitution of some statutory sub-committees; irregular Board meetings; poor attendance at Board meetings by

members; and inconsistent procedure for conducting performance evaluation of the Board, Committees and Directorate activities by Pension Fund Operators. The Commission has forwarded letters to the concerned Operators to bring these violations to the attention of their respective Boards.

### **2.1.2 Updates on Mandatory Returns through the Pension Return Rendition System (PenRRS)**

A review of the mandatory returns made by Pension fund Operators made through the PenRRS revealed some inadequacies such as: discrepancies in the Quarterly Returns Renditions submitted by some Operators with respect to certain portions of their financial accounts; late rendition and non-rendition of returns by some PFAs in respect of the RSA and Retiree Funds; and large sum of un-credited contributions due to non-maintenance of Transition Contribution Fund Account for the management of un-credited funds. Accordingly, the Commission has issued letters to the concerned Operators requesting them to address the issue. In addition, letters of clarification were also sent with respect to the inconsistencies in the financial report of the concerned Operators.

### **2.1.3 Updates on Risk Management in the Pension Industry**

During the quarter, the Commission observed some irregularities in the risk management reports submitted by Operators. These included the following: unprocessed benefit applications and un-credited contributions by a Pension Fund Custodian; discrepancies between contribution schedules and the payment instruments forwarded by some employers; delay in payment of retirees' benefits and non-compliance to Fund Accounting Guidelines by some Operators; and ICT challenges that were related to core application software, servers, and other support equipment. Consequently, letters had been sent to the affected Operators to address these issues.

## **2.2 Compliance and Enforcement Activities**

The Commission received 218 applications for the issuance of Compliance Certificate, out of which 175 were approved and issued with their Certificates. Following the issuance of the certificates, a total of ₦3.10 billion was remitted by these employers into 56,311 RSAs of their employees.

### **2.2.1 Transfer of National Social Insurance Trust Fund (NSITF) Contributions to Member's RSAs**

During the quarter under review, the Commission received 3,752 applications from Trustfund Plc for the transfer of contributions amounting to ₦242.44 million from the defunct NPF/NSITF to the respective RSAs of the applicants. The Commission reviewed and approved the transfer of ₦241.62 million to the RSAs of 3,743 applicants. The remaining applications were rejected due to incomplete documentation, zero balance or duplicated applications. This brought the total amount and contributors for whom NSITF contributions were remitted to their RSAs to ₦7.00 billion and 92,655 respectively.

However, in order to fast-track the transfer of NSITF contributions into the RSAs of contributors, the Commission in conjunction with Trustfund Plc initiated the matching of RSA records to the records in the NSITF database. In furtherance of the matching of the records, the guidelines on the transfer of NSITF contributions were further amended to accommodate this new activity.

### **2.2.2 Recovery of Outstanding Pension Contributions and Interest Penalty**

Consequent upon the engagement and subsequent execution of the Service Level Agreement between the Commission and the Recovery Agents, the Commission had so far received progress reports from 60 RAs as at the end of the quarter.

### **2.2.3 Training of Pension Fund Operators**

The Commission organized workshop in Lagos for Pension Fund Operators during the quarter. The workshop addressed the activities of the RAs and the role of Operators in the recovery exercise. The workshop afforded the Operators the opportunity to make suggestions and comments on ways of improving the recovery process as well as seek clarifications on issues that would ensure the success of the RAs.

### **2.2.4 Update on Compliance Certificate**

During the quarter, the Commission received 218 applications for the issuance of compliance certificate, out of which 175 were approved and issued. This culminated into the remittance of N3.1 billion in to the 56,311 RSAs of employees of the 175 employers. The affected employers whose requests were rejected have been issued letters advising them to ensure full compliance.

## **2.2.5 Update on Private Sector Compliance with Group Life Insurance Policy (GLIP)**

In line with the provision of Section 9(3) of the PRA 2004 and Section 5.5 of the Group Life Insurance Policy, the Commission requested 581 private sector employers to provide evidence of compliance with GLIP. This exercise showed that 396 employers out of 581 provided evidences of providing GLIP for their employees.

## **2.3 Other Compliance Efforts**

### **(a) Applications of Regime of Sanctions**

In line with the Sanction Regime, the Commission issued caution letters to 487 organizations for failure to comply with the provisions of the PRA, 2004. In addition, monetary penalties were imposed on 618 organizations during the period under review. The Commission has been following up to ensure that the organizations comply with the PRA 2004.

### **(b) Implementation Update by the State Governments**

A review of the compliance status with the Contributory Pension Scheme by state governments showed that 21 states had enacted their Pension Laws as at the end of the third quarter. The states were Kaduna, Ogun, Niger, Lagos, Delta, Zamfara, Osun, Jigawa, Oyo, Imo, Kebbi, Sokoto, Kogi, Bayelsa, Nasarawa, Taraba, Ekiti, Rivers, Akwa Ibom, Edo and Kano. It was also evident that 12 out of these states have commenced remittances of employees' contributions into their Retirement Savings Account as shown in Table 2.1. While 14 other state governments were at various stages of deliberations, Adamawa State is yet to commence the process of implementing the CPS.

**Table 2.1: Compliance by States with enacted Laws on the CPS**

<b>States that have commenced remittance</b>	<b>States that are yet to commence remittance</b>
Kaduna, Ogun, Niger, Lagos, Delta, Zamfara, Osun, Jigawa, Rivers, Kogi, and Sokoto	Oyo, Imo, Bayelsa, Nasarawa, Ekiti, Edo, and Akwa Ibom, while Kano is yet to transfer its pension assets.

### **(c) Update on the Funding of the Retirement Bond Redemption Accounts (RBRFA) with CBN by State Governments**

The number of state governments that have commenced funding of their .RBRFA with the Central Bank of Nigeria (CBN) increased from 4 in the second quarter to 5 as at the end of the third quarter. Lagos State RBRF was still domiciled in undisclosed commercial banks. While those of Niger, Ogun, Kaduna and Osun States were domiciled CBN Rivers Sate's account was domiciled with Premium Pensions Ltd. A breakdown of the funding of the RBRFA by state government is shown in Table 2.2.

**Table 2.2 Funding of RBRFA by State Governments**

<b>S/n</b>	<b>State</b>	<b>RBRFA Balance (N Billion)</b>	<b>Administrator</b>
1	Niger	1.23	CBN
2	Ogun	2.49	CBN
3	Kaduna	1.60	CBN
4	Osun	1.07	CBN
5	Rivers	300.29	Premium Pensions

## **2.4 Update of Pension Departments**

### **2.4.1 Exit of the Military and Security Agencies from the CPS**

The Commission refunded ~~N~~6.04 billion employees contributions and interest thereon to 39,474 serving employees of the Military and Department of State Security who have complete employment and RSA details. The Commission continues work on the remaining balance of 68,553 RSA records for onward refund of contributions into their RSAs.

### **2.4.2 Parastatals Pensioners' Verification Exercise (PPVE1)**

In the quarter, the Commission concluded the PPVE1 and issued the final report to the Budget Office of the Federation (BOF). During the exercise, 29,873 and 2,113 pensioners and next-of-kin (NOK) of deceased pensioners were enrolled respectively. The total estimated pension liabilities due to pensioners and NOKs enrolled during the exercise was ~~N~~33.76 billion. As at the end of the third quarter, the sum of N20.60 billion was paid by the Office of the Accountant General of the Federation (OAGF).

## **2.5 Update on Pension Transition Arrangement Department (PTAD)**

Consequent upon the inauguration of the Inter-Ministerial Committee (IMC) on the Transformation of the Public Service Pension Administration System, the process of establishing PTAD commenced with the immediate on-boarding of the Police and Civil Service Pension Offices. The IMC has developed the organizational structure, job description and manning levels, competency and



skill requirements, and the ICR framework. A Coordinator has been appointed for the PTAD and Core Staff have been assigned from the Office of the Head of Civil Service of the Federation, Office of the Accountant General of the Federation and the Police Pension Office as an interim measure to fast-track its activities pending the conclusion of the recruitment exercise.

## SECTION THREE

### Pension Industry Statistics

The pension industry statistics gives a panoramic view of the pension industry in a way that could help the Commission and Pension Fund Operators to take decisions that could foster the smooth operations of the pension industry. Thus, statistical information on growth in the number and structure of RSA holders, pension fund assets, structural breakdown of pension fund investment portfolio, and other issues on retirement is presented in this section.

#### 3.1 Scheme Memberships

The total Scheme memberships increased from 5,224,551 in the second quarter to 5,349,772 in the third quarter. This represented an increase of 2.40 percent as shown in Table 3.1. The RSA scheme accounted for the highest proportion of total scheme memberships at 98.71 percent. The Closed Pension Fund Administrators (CPFAs) and Approved Existing Schemes (AESs) accounted for 0.46 and 0.83 percent respectively.

A review of total RSA holders shows that RSA registrations for both the public and private sectors increased from 5,155,571 in the second quarter to 5,280,928 in the third quarter, which represented an increment of 125,357 (2.43 percent). While membership of CPFA witnessed a marginal growth of 0.11percent, the membership of AES declined by 0.07 percent.

**Table 3.1: Scheme Membership by Type of Scheme**

Scheme	Q3:2011	Q4:2011	Q1:2012	Q2:2012	Q3:2012	% change (Q2 vs Q3:2012)
RSA	4,885,271	4,927,216	5,040,421	5,155,571	5,280,928	2.43
CPFA	24,728	24,613	24,597	24,596	24,622	0.11
AES	41,752	41,752	41,810	44,384	44,351	(0.07)
<b>Total</b>	<b>4,951,751</b>	<b>4,993,581</b>	<b>5,106,828</b>	<b>5,224,551</b>	<b>5,349,772</b>	<b>2.40</b>

Note: Figures in parenthesis represent decline

#### 3.1.1 Membership of RSA

A review of RSA registration by sector of employment showed that the public sector dominated total RSA registrations at 2,860,210 accounting for 54.16 percent of total registrations. The public sector is made up of state government RSA holders which accounted for 1,205,244 and the Federal Government RSA holders which accounted for 1,654,696. All these represent 42.14 and 57.86 percent of public sector registrations respectively.

**Table 3.2: RSA Registrations by Age and Sector in the Third Quarter of 2012**

Age Bracket (Years)	Public Sector				Private Sector		Sub-Total		Grand Total	
	Federal Govt.		State Govt.		Male	Female	Male	Female	Number	%
	male	Female	Male	Female						
Less than 30	452,281	132,513	110,169	88,208	666,103	278,068	1,228,553	498,789	1,727,342	32.71
30 – 39	364,537	159,422	224,029	194,371	697,611	201,240	1,286,177	555,033	1,841,210	34.87
40 – 49	278,093	102,794	227,228	174,968	343,368	65,635	849,189	343,397	1,192,586	22.58
50 – 59	122,860	32,301	116,449	59,289	126,787	14,332	367,097	105,922	473,018	8.96
60 and above	7,765	1,400	8,574	1,459	25,151	2,423	41,490	5,282	46,772	0.89
<b>Total</b>	<b>1,226,536</b>	<b>428,430</b>	<b>686,949</b>	<b>518,295</b>	<b>1,859,020</b>	<b>561,698</b>	<b>3,772,505</b>	<b>1,508,423</b>	<b>5,280,928</b>	<b>100.00</b>

The private sector recorded 2,420,718 RSAs representing a proportional contribution of 45.84 percent to total registration as at the end of the quarter. This could be explained by intensified compliance efforts of the Commission, the activities of the appointed Recovery Agents, and the marketing strategies of the PFAs.

A review of the age distribution of RSA holders shows that those in the age category “30 – 40” continued to have the highest proportion of RSA holders in both the public and the private sectors at 34.87 percent as shown in Table 3.2. This suggests that pension funds can be safely invested in long-term instruments as a higher proportion of RSA holders are either less than 30 years or between 30 and 40 years. In fact, these two age brackets accounted for 67.52 percent of total RSA holders during the quarter under review.

### 3.1.2 RSA Registrations by PFA Market Share

The ranking of PFAs by total registered contributors shows an increase in the share of the top three and five PFAs from 41.97 and 60.10 percent in the second quarter to 45.39 and 60.10 percent respectively as at the end of the third quarter as shown in Table 3.3.

**Table 3.3: RSA Registration by Market Share of PFAs**

PFA Ranking	Q4:2011 (% of Total)	Q1:2012 (% of Total)	Q2:2012 (% of Total)	Q3:2012 (% of Total)
Top 3	42.26	42.09	41.97	45.39
Top 5	59.96	59.77	59.60	60.10
Top 10	84.30	84.08	84.06	83.55
Bottom 3	0.27	0.28	0.29	0.36
Bottom 5	1.16	1.16	1.15	0.98
Bottom 10	6.31	6.43	6.44	5.04

However, the share of the top ten PFAs declined marginally from 84.06 percent in the second quarter to 83.55 percent in the third quarter. Similarly, the share of the bottom five and ten PFAs also declined marginally from 1.15 and 6.44 percent in the second quarter to 0.98 and 5.04 percent respectively in the third quarter. The share of the bottom three PFAs however witnessed a marginal increase of 0.07 percent from 0.29 in the second quarter to 0.36 as at the end of the third quarter.

In addition, Table 3.4 shows that a PFA had over 1,000,000 contributors by the end of the second quarter; two PFAs had between 500,000 to 1,000,000; 10 PFAs had contributors in the range of 100,000 and 499,999; and 11 PFAs had less than 100,000 registered contributors each.

**Table 3.4: Range of RSA Registration per PFA**

Range of RSA Registrations	Number of PFAs
Above - 1,000,000	1
500,000 – 1,000,000	2
100,000 – 499,999	10
Less than 100,000	11

### 3.1.3 Memberships of CPFA and AES

The total memberships of licensed CPFAs and Approved Existing Schemes were 24,622 and 44,351 respectively at the end of the third quarter as shown in Tables 3.5 and 3.6. These Tables further show that while membership of CPFAs increased marginally by 0.11 percent, membership of AESs recorded a marginal decline of 0.07 percent in the quarter. The breakdown of the CPFA and AES memberships are shown in Tables 3.5 and 3.6 respectively.

**Table 3.5: Membership of CPFAs as at Third Quarter of 2012**

Enrolment Type	Number			Percentage of Total	
	Q1:2012	Q2:2012	Q3:2012	Q2	Q3
Active Members	18,681	18,671	18,699	75.91	75.94
Existing Pensioners	5,321	5,330	5,328	21.67	21.64
Deferred Pensioners	595	595	595	2.42	2.42
<b>Total</b>	<b>24,597</b>	<b>24,596</b>	<b>24,622</b>	<b>100.00</b>	<b>100.00</b>

Note: Deferred pensioners are pensionable retirees who are not eligible to start drawing pension until they reach a certain age in accordance with rules and regulations of the scheme.

**Table 3.6: Membership of AES as at Third Quarter of 2012**

Enrolment Type	Number			Percentage of Total	
	Q1:2012	Q2:2012	Q3:2012	Q2:2012	Q3:2012
Active Members	25,583	28,195	28,162	63.53	63.50
Current Pensioners	14,844	14,806	14,806	33.36	33.38
Deferred Pensioners	149	149	149	0.33	0.34
Dependants	1,234	1,234	1,234	2.78	2.78
<b>Total</b>	<b>41,810</b>	<b>44,384</b>	<b>44,351</b>	<b>100.00</b>	<b>100.00</b>

Note: Dependants are protégés of deceased pensioners.

### 3.2 Pension Contributions

The total pension contribution by employees of both the public and private sectors was ₦1,469.37 billion as at the end of the third quarter. This marked an increase of ₦92.03 billion, representing 6.02 percent over the total contributions recorded at the end of second quarter as shown in Table 3.7. The increase in total pension contributions could be explained by the increased level of compliance with the Pension Reform Act 2004 by the State Governments, and the private sector.

A review of total contributions in the third quarter shows that public sector had ₦879.44 billion, representing a 59.85 percent of the total contributions as against the private sector contributions of 40.15 percent.

**Table 3.7: Pension Contributions**

Year/ Quarter	Public Sector		Private Sector		Total	
	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total
2004	15.60	1.77	-	-	15.60	1.06
2005	34.68	3.94	-	-	34.68	2.36
2006	37.38	4.25	23.03	3.90	60.41	4.11
2007	70.25	7.99	68.34	11.58	138.59	9.43
2008	99.28	11.29	80.81	13.70	180.09	12.26
2009	98.43	11.19	91.21	15.46	189.64	12.91
2010	162.45	18.47	102.86	17.44	265.31	18.06
2011	228.91	26.03	119.53	20.26	348.44	23.71
Q1:2012	33.84	3.85	32.84	5.57	66.68	4.54
Q2:2012	46.36	5.27	31.54	5.35	77.90	5.30
Q3:2012	52.26	5.94	39.77	6.74	92.03	6.26
Total	879.44	100.00	589.93	100.00	1,469.37	100.00

#### 3.2.1 Contributions by Rank of PFA

The ranking of PFAs by total contributions shows that while the top 5 PFAs accounted for 73.43 percent of total contributions during the quarter, the top

10 accounted for 91.16 percent as revealed in Table 3.8. The Table further reveals that the bottom 5 and 10 PFAs accounted for 1.40 and 6.85 percent of the contributions as at the end of the quarter respectively.

**Table 3.8: PFA Ranking by Size of Contributions**

<b>Rank</b>	<b>Amount (N' Billion)</b>	<b>Q3:2012 (% of Total)</b>
Top 5	73.59	73.43
Top 10	91.35	91.16
Bottom 5	1.44	1.40
Bottom 10	6.86	6.85

The average monthly contributions received by the top 5 and 10 PFAs as at the end of the quarter were ₦24.53 billion and ₦30.45 billion respectively. Similarly, the average monthly contributions received by the bottom 5 and 10 PFAs amounted to ₦0.48 billion and ₦2.29 billion respectively.

The size of the pension contributions of the PFAs may be seen as a reflection of the number of RSAs registered by PFAs and the size of pension contributions received during the quarter. Thus, the bottom 5 and 10 PFAs accounted for 1.40 and 6.85 percent of pension contributions in the third quarter respectively. In all, the bottom five and ten PFAs accounted for 8.25 percent share of total contributions received in the reviewed period.

### 3.3 Pension Fund Investment

The total value of unaudited pension assets increased by ₦208.64 billion in the third quarter from ₦2.74 trillion recorded in the second quarter to ₦2.95 trillion in the third quarter. This represented an increase of 7.66 percent as shown in Table 3.9. It can further be seen from the Table that RSA "Active" Funds had the largest pension fund investment portfolio during the quarter, accounting for 55.51 percent. The AES and CPFAs accounted for 19.59 and 17.17 percent respectively. The RSA "Retiree" Fund accounted for the remaining balance of 7.72 percent.

**Table 3.9: Pension Fund Portfolio by Fund Type as at Third Quarter, 2012**

<b>Fund/Period</b>	<b>Q1:2012</b>		<b>Q2:2012</b>		<b>Q3:2012</b>		<b>Change between Q2 &amp; Q3:2012</b>	
	<b>N' Billion</b>	<b>% of Total</b>	<b>N' Billion</b>	<b>% of Total</b>	<b>N' Billion</b>	<b>% of Total</b>	<b>N' Billion</b>	<b>% of Total</b>
RSA Active	1,391.68	54.47	1,506.38	55.00	1,636.30	55.51	129.96	62.26
RSA Retiree	186.98	7.32	199.59	7.29	227.69	7.72	28.10	13.47
CPFAs	464.51	18.18	477.30	17.43	506.10	17.17	28.80	13.80
AESs	511.66	20.03	555.61	20.29	577.47	19.59	21.88	10.48
<b>Total</b>	<b>2,554.83</b>	<b>100.00</b>	<b>2,738.98</b>	<b>100.00</b>	<b>2,947.56</b>	<b>100.00</b>	<b>208.64</b>	<b>7.66</b>

All the Funds witnessed increases in the value of their pension fund portfolios. The growth in RSA active funds was largely attributable to pension contributions that averaged ₦40 billion per month. Similarly, the CPFA and AES funds recorded increases in their investment portfolios, which could be explained by returns on investment and fund injection by scheme sponsors.

A review of pension fund investment portfolio shows that PFAs continued to invest bulk of pension funds in FGN securities at 58.66 percent in the third quarter. This investment class contributed 63.08 percent of total pension investment portfolio in the second quarter from 59.78 percent in the first quarter as shown in Table 3.10. In addition, investment in FGN securities increased by ₦1.21 billion, representing an increase of 0.07 percent over the figure recorded in the second quarter. This performance could be explained by increased investors' confidence in FGN securities and the safety of the assets as well as strategic investment moves of the PFAs.

An interesting picture from Table 3.10 is the increase in the quantum of pension fund investment in money market securities that increased by ₦138.48 billion in the third quarter, representing an increase of 49.48 percent. This improvement could be explained by a slightly higher rate of return which averaged 15.73 percent as against the rates of return on Nigeria Treasury Bill and FGN Bond which closed the quarter at 14.93 and 15.13 percent respectively.

**Table 3.10: Structure of Pension Fund Assets as at Thd Quarter, 2012**

Asset Class	Q1:2012		Q2:2012		Q3:2012		Change between Q2 & Q3:2012	
	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% Change
Ordinary Shares	319.24	12.50	310.06	11.32	360.14	12.22	50.08	16.15
FGN Securities	1,527.16	59.78	1,727.82	63.08	1,729.03	58.66	1.21	0.07
State Govt. Bonds	104.12	4.08	109.24	3.99	113.81	3.86	4.57	4.18
Money Market Securities	287.80	11.27	279.85	10.22	418.33	14.19	138.48	49.48
Corporate Debt Securities	75.57	2.96	71.53	2.61	82.68	2.81	11.15	15.59
Private Equity	-	-	-	-	9.90	0.34	9.90	-
Other Assets	240.56	9.42	240.43	8.78	233.68	7.93	(6.75)	(2.80)
<b>Total Assets</b>	<b>2,554.55</b>	<b>100.00</b>	<b>2,738.68</b>	<b>100.00</b>	<b>2,947.57</b>	<b>100.00</b>	<b>208.64</b>	<b>7.63</b>

Note: Figures in Parenthesis are decreases

The period under review also witnessed PFAs investing in private equity as this asset class recorded ₦9.90 billion worth of investment from zero or nothing in the first and second quarters.

### 3.3.2 PFA Ranking by Size of RSA Assets

A review of PFAs' ranking by size of RSA assets shows that the top three and five PFAs accounted for more than half of the RSA assets at 55.57 and 69.74 percent respectively at the end of the quarter under review. This was expected, given the fact that the top three and five PFAs accounted for 45.39 and 60.10 percent of RSA registration respectively in the quarter.

**Table 3.11: Rank of PFA by Asset Size**

PFA Rank	Q1:2012		Q2:2012		Q3:2012	
	Amount (₹ Million)	% of Total Pension Assets	Amount (₹ Million)	% of Total Pension Assets	Amount (₹ Million)	% of Total Pension Assets
Top 3	769.84	55.06	853.83	55.20	809.10	55.57
Top 5	977.44	69.91	1,084.52	70.11	1,015.50	69.74
Top 10	1,284.06	91.84	1,419.19	91.79	1,329.06	91.27
Bottom 3	1.72	0.12	0.22	0.14	8.81	0.61
Bottom 5	5.76	0.41	1.02	0.66	29.80	2.05
Bottom 10	38.23	2.73	5.32	3.44	178.48	12.26

The bottom three, five and 10 PFAs' share of pension assets witnessed large improvements during the quarter under review as they increased minimally from 0.14, 0.66 and 3.44 percent in the second quarter to 0.61, 2.05, and 12.26 percent respectively in the third quarter. The large improvements could be explained by the consolidation exercise that was carried out in the pension industry that led to the exit of marginal PFAs from the industry.

## 3.4 Retirement/Terminal Benefits

### 3.4.1 Retirees on Programmed Withdrawal (PW)

The Commission approved 4,607 applications for Programmed Withdrawal during the quarter. This brought the total number of retirees on Programmed Withdrawal to 54,558 from inception to the end of the third quarter of 2012. The breakdown of retirees on Programmed Withdrawal by gender and sector is presented in Table 3.12.



**Table 3.12: Number of Retirees on PW as at Third Quarter, 2012**

Sector	Gender		Total	Lump sum (N'Million)	PW (N'Million)
	Male	Female			
Public – FGN	2,557	774	3,331	9,227.29	106.60
Public - State	130	146	276	697.88	8.92
Private	877	123	1,000	696.87	14.01
<b>Q3: Sub-Total</b>	<b>3,564</b>	<b>1,043</b>	<b>4,607</b>	<b>10,622.04</b>	<b>129.53</b>
<b>Inception to Q2</b>	41,236	8,715	49,951	134,747.07	1,559.50
<b>Total</b>	<b>44,800</b>	<b>9,758</b>	<b>54,558</b>	<b>145,369.11</b>	<b>1,689.03</b>

Note: Public Sector refers to both Federal and State Governments

Table 3.12 further shows that while the public sector accounted for 3,607 retirees (78.29 percent), the private sector accounted for 1,000 retirees (21.71 percent). In the public sector, while the total Federal Government retirees were 3,331, representing 72.30 percent of total retirees, those of the state governments were 276, representing 5.99 percent.

A review of the retirees on Programmed Withdrawal from inception to the end of third quarter by gender shows the dominance of the male sex which accounted for 77.36 percent of total retirees against the female gender that accounted for the balance of 22.64 percent.

### 3.4.2 Retirement by Annuity

During the quarter, a total of 564 retirees opted for Life Annuity retirement plan. Thus, the total number of retirees on annuity plan increased from 998 as at the end of the second quarter to 1,408 in the third quarter, representing an increase of 41.08 percent.

The sum of ₦1,577.68 million was approved as total lump-sum and paid out to retirees during the third quarter. Similarly, the sum of ₦2,528.95 million was paid out to insurance companies as premium in return for an average monthly/quarterly annuity payout of ₦25.84 million as shown in Table 3.14.

**Table 3.14: Retirement by Annuity in the Third Quarter of 2012**

Sector	Male	Female	Total	% of Total	Annuity (N'M)	Average Monthly Annuity (N'M)	Lump Sum (N'M)	Premium (N'M)
FGN	305	99	404	71.63	18.35	6.12	1,158.87	1,786.21
State	61	58	119	21.10	5.28	1.76	322.67	527.18
Private	38	3	41	7.27	2.21	0.74	96.14	215.66
<b>Total (Q3:2012)</b>	<b>404</b>	<b>160</b>	<b>564</b>	<b>100.00</b>	<b>25.84</b>	<b>8.62</b>	<b>1,577.68</b>	<b>2,528.95</b>
Total inception to Q2:2012	998	378	1,376	Na	59.08	Na	4,574.14	6,220.23
<b>Cumulative Total as at Q2:2012</b>	<b>1,408</b>	<b>538</b>	<b>1,940</b>	<b>Na</b>	<b>84.92</b>	<b>Na</b>	<b>6,151.82</b>	<b>8,749.18</b>

Na = Not applicable

Table 3.14 further shows that the public sector had a larger proportion of retirees under the Life Annuity plan at 523, representing 92.73 percent in the third quarter. This is against the private sector's share of 7.27 percent. However, while cumulative lump-sum withdrawal as at the end of the review period was ₦6,151.82 million, a cumulative premium of ₦8,749.16 million was paid to insurance companies.

### 3.5.3 Withdrawal of 25 Percent of RSA Balances

During the quarter, the Commission approved the payment of ₦965.15 million being payment of 25% of RSA balance to 5,208 RSA holders under the age of 50 years and were disengaged from work and could not secure another job within six months as stipulated in the PRA 2004. An appraisal of the requests showed that private sector employees accounted for the highest proportion at 5,050, representing 95.86 percent of total requests during the quarter. While this category of RSA holders was paid the sum of ₦863.97 million, the public sector was paid ₦102.09 million or 10.58 percent of total payment as shown in Table 3.15.

**Table 3.15: Withdrawal of 25% RSA Balance as at Q3:2012**

Sector	Male	Female	Total	% of Total	Total 25% Request (N Million)
FGN	152	56	208	3.95	99.22
State	6	4	10	0.19	2.87
Private	4,268	782	5,050	95.86	863.97
<b>Sub-Total for Q3:2012</b>	<b>4,426</b>	<b>842</b>	<b>5,268</b>	<b>100.00</b>	<b>966.06</b>
Inception to Q2:2012	30,230	4,120	34,350	Na	6,048.01
<b>Cumulative Total as at Q3:2012</b>	<b>34,656</b>	<b>4,962</b>	<b>39,618</b>	<b>Na</b>	<b>7,014.07</b>

### 3.6 Implementation of Group Life Insurance Policy (GLIP)

In furtherance of compliance with the provisions of Section 9(3) of the PRA 2004, the pension industry recorded an increase in the number of organizations implementing the GLIP as the number of complying organizations increased by 564 from 858 as at the end of the second quarter to 1,422 in the third quarter. This represented an increase of 65.73 percent as at the end of the third quarter, 2012 as shown in Table 3.16.

**Table 3.16: Submission of Group Life Insurance Certificates**

S/N	Category	Cum to Q1:2012	Q2:2012	Q3:2012	Cum. Total
1	Financial Institutions	117	32	7	156
2	Educational Institutions	13	4	1	18
3	Construction	34	21	42	97
4	Oil and Gas	40	13	0	53
5	Manufacturing	52	13	60	125
6	Hospitality	26	9	31	66
7	Government	175	5	0	180
8	Pension Operators	32	17	3	52
9	Commercial	124	59	233	416
10	Others	54	18	187	259
	<b>TOTAL</b>	<b>667</b>	<b>191</b>	<b>564</b>	<b>1,422</b>

Table 3.16 further shows that the Commercial activities sector topped the list of organizations that implemented the Policy in the third quarter at 233 followed by the manufacturing sector at 60.

### 3.7 Payment of Death Benefits

The Commission approved 1,504 requests for payment of death benefits to the Next of Kin of deceased employees in both the public and private sectors as at the end of second quarter as shown in Table 3.17. The total death benefits paid during the third quarter stood at ₦3,667.79 million, out of which ₦850.22 million represents proceeds of Group Life Insurance Policy. The public sector accounted for the highest proportion of death benefit claims at 98.87 percent.

**Table 3.17: Payment of Death Benefits as Q3:2012**

<b>Sector</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>% of Total</b>	<b>Life insurance Paid (N'm)</b>	<b>Total Death Benefit Paid (N'm)</b>
FGN	1,016	170	1,186	78.86	647.09	2,917.21
State	263	38	301	20.01	190.73	650.62
Private	7	10	17	1.13	12.39	99.96
<b>Total for Q3:2012</b>	<b>1,286</b>	<b>218</b>	<b>1,504</b>	<b>100.00</b>	<b>850.21</b>	<b>3,667.79</b>
Jan: 2011 to Q2:2012	4,219	819	5,038	100.00	1,744.84	7,527.12
<b>Total</b>	<b>5,505</b>	<b>1,037</b>	<b>6,542</b>	<b>100.00</b>	<b>2,595.05</b>	<b>11,194.91</b>

The cumulative total death benefit payments stood at ~~N~~11,194.91 million as at the end of the third quarter of 2012.