



NATIONAL PENSION COMMISSION

# PENSION INDUSTRY QUARTERLY REVIEW

FIRST QUARTER  
**2011**

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# **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**



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# SECTION ONE

## Pension Operating Environment

### 1.1 Macroeconomic Development

The Pension Industry operated under a favourable macroeconomic environment of sustained economic growth as provisional data suggested that real GDP growth was 7.43 percent in the first quarter of 2011. The non-oil sector which accounted for the sustained level of growth could be seen as a bright outlook for the growth of the pension industry in 2011 in terms of securing increased compliance, registration and hence increment in the volume of pension assets.

However, the closing inflation rate of 12.8 percent in December, 2010 was sustained in the first quarter of 2011 as the quarter closed with an inflationary rate of 12.8 percent. The Commission and the Pension Fund Administrators (PFAs) would have to be more proactive especially with regards to pension fund investment strategy following high inflation expectations in the course of 2011. These expectations derive from implementation of public sector wage increase, liquidity injection due to Asset Management Corporation of Nigeria (AMCON) activities and the likelihood of subsidy removal on petroleum products.

### 1.2 Developments in the Money Market

The first quarter of 2011 witnessed an upward review of the monetary policy rate (MPR) from 6.25 percent in December, 2010 to 6.50 percent in January 2011. In view of the fact that the MPR is the anchor for all other interest rates in the economy, key money market rates moved in tandem with its upward revision. Thus, this restrictive stance of monetary policy led to: increases in inter-bank rates; drop in Federal Government of Nigeria (FGN) bond prices across tenors; increase in FGN bond yields and coupon rates; and increase in banks' deposit rates across tenors.

A review of money market instruments showed that there was an upward pressure on average rates of interest on different instruments of various tenors during the quarter under review. For example, the 7-day and 90-day Nigerian Inter-Bank Offer Rates (NIBOR) closed at 11.44 percent and 13.48 percent in the first quarter from 9.67 percent and 12.17 percent in the fourth quarter of

2010 respectively. Similarly, government securities also witnessed upward pressures in the rates of various instruments of different maturities as the average discount rates on 91-day Treasury Bills (NTB), 182-day NTB and 365-day NTB moved from 6.32 percent, 5.09 percent and 3.68 percent in the fourth quarter of 2010 to 9.66 percent, 9.02 percent and 7.32 percent respectively in the first quarter of 2011.

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

The bond market witnessed some modifications in the bond issuing strategies of the Debt Management Office (DMO) in the first quarter of 2011. The modifications included: reduction in the amount of local borrowing through the bond market; raising of funds through the shorter tenured bonds, which are three and five years; and supplementation of local borrowing with the issuance of Sovereign Bond of US\$500 million. The strategies were modified in order to: reduce funding pressure on the local bond market so as not to crowd out the private sector; reduce volatility of bond prices; and develop benchmark for corporate organizations in Nigeria to access the International Bond Market for fund raising.

Consequently, the DMO offered 3-year and 5-year FGN Bonds in the first quarter of year 2011. Most of the bonds offered were in the quarter under review were re-openings, except for the 3-year FGN bond auction that was issued in the quarter.

The bond market was a beehive of activities in the first quarter of 2011 as witnessed by the level of subscription to the 3-year and 5-year tenured bonds offered. Thus, while a total of N186.50 billion worth of 3-year and 5-year tenured bonds were offered, the total subscription was N379.73 billion, representing a subscription level of 203.61 percent over the amount offered.

The level of subscription to the FGN bonds suggests the preference of investors for FGN bonds relative to money market instruments as the rates on both the 3-year and 5-year bonds were higher than the yields on money market instruments. Thus, while the average marginal rate of return on 3-year bond was 10.05 percent in the quarter, the marginal rate of return on 5-year FGN bond was 11.38 percent within the same period.

### **1.4 Developments in the Stock Market**

The performance of the stock market in the first quarter was not quite impressive as revealed by some indicators of market performance. The

Nigerian Stock Exchange All Share Index (NSEASI) dropped from 24,770.52 at the end of the fourth quarter of 2010 to 24,621.21 points as at the end of the quarter. This represented a depreciation of 0.60 percent. Similarly, the market capitalization lost 0.60 percent to close at N7.87 trillion in the first quarter against N7.91 trillion in the fourth quarter of 2010.

The general decline in stock market performance in the first quarter could be explained by a number of factors as: increased interest rates in the money market as a result of the restrictive monetary policy stance of the Central Bank of Nigeria (CBN); and high demand pressure in the foreign exchange market, which could be seen as a signal to possible depreciation of the Naira vis-à-vis other foreign currencies.

## **SECTION TWO**

### **Regulatory and Supervisory Activities**

The Commission continued its consultative philosophy in the regulation of the industry during the first quarter. The risk-based examination approach was continuously implemented as a way of promoting transparency, providing early warning signals and encouraging pension operators to regularly self-evaluate their positions.

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

The period under review witnessed the on-site examination of five operators. The examination, which was risk-based, involved assessment of the financial viability and governance/management of the companies. The examination also focused on pension and benefit administration, investment activities of the operators, fund accounting, performance measurement and compliance. A new strategy to on-site examination was introduced where at least 60 percent of the reports on on-site examination were done off-site to enable examiners identify key risk areas requiring special attention during the on-site examination.

The Commission commenced the process of designing and deploying a Risk Management and Analysis System (RMAS) application during the period under review. The ultimate goal of the RMAS is to automate the information gathering, processing, storing and reporting on all aspects of operators' activities and other entities handling pension matters in Nigeria. The deployment of this application would enhance timely rendition of reliable information from operators to the Commission as well as facilitate the analysis of their financial condition and performance. The application would also provide business intelligence tools that would enhance the decision making process of the Commission.

##### **2.1.1 Resolution Activities**

In order to ensure that employees whose accrued rights were transferred to PFAs by insurance companies receive their benefits as and when due, the Commission developed a framework for resolving issues associated with the transferred assets. The framework was meant to resolve challenges

associated with the disposal of non-cash assets to create liquidity, reconciliation of accrued liabilities and payment of benefits.

## **2.2 Compliance and Enforcement Activities**

As a way of improving compliance with the Pension Reform Act (PRA) 2004, 30 companies in the Oil and Gas Industry were inspected during the quarter with a view to determining their level of compliance. The inspection revealed that 22 of the companies had fully complied, while eight had partial compliance as they were yet to remit some of their employees' pension contributions as well as provide Group Life Insurance Policy cover for the employees. The eight affected companies claimed that the outstanding pension contributions were for employees that were yet to open Retirement Savings Accounts (RSAs) at the time of inspection. They were advised to remit the outstanding pension contributions of their respective employees to any PFA pending when the affected staff open their RSAs in which their pension contributions would be transferred.

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

A total of 68,832 applications were received in the quarter by Trustfund Pensions Plc from contributors for the transfer of their contributions from the defunct NPF/NSITF to their respective PFAs for onward credit of their RSAs. The Trustfund Pension Plc processed and submitted 58,698 applications out of the 68,832 received for the transfer of N4.4 billion into the RSAs of the applicants. The Commission reviewed Trustfund's submissions and approved 53,732 applications for the transfer of N3.6 billion into respective RSAs. To fast-track the transfers, the Commission engaged 305 organisations each of which had remitted at least N20 million as NSITF contributions of their employees.

#### **2.2.1.1 Transfer of Pension Assets to Custodians of Trustfund Plc**

In pursuit of ensuring the transfer of outstanding pension assets of the NSITF Scheme to the Custodians of Trustfund Pensions Plc, additional pension assets worth N2.12 billion were transferred during the quarter, bringing the total pension assets so far transferred to N54.10 billion.

### **2.2.1.2 Recovery of Unremitted Pension Contributions**

As part of the initiative to recover unremitted pension contributions from private sector employers along with interest penalty, the Commission developed a framework to facilitate the recovery of unremitted contributions from defaulting employers.

During the quarter under review, the Commission also sent a general Circular to PFAs requesting them to send demand letters to employers that fail to remit monthly contributions within the statutory seven working days after payment of salaries. The PFAs were also requested to send quarterly updates on defaulting employers to the Commission. Following the quarterly updates from PFAs, the Commission sent the first batch of demand letters to defaulting employers requesting for remittance of all outstanding pension contributions with interest penalty. The interest penalty was set at not less than two percent of the total contributions that were unpaid for each month as provided in Section 11(7) of the PRA, 2004.

### **2.3 Issuance of Guidelines and Regulations**

The following guidelines were developed by the Commission during the period under review:

- i. Guideline on Voluntary Contribution: it has been presented to stakeholders for comments before it is issued.
- ii. Guideline on Informal Sector Participation in Contributory Pension Scheme (CPS): it will be presented to stakeholders for comments as soon as it is finalized.
- iii. Guideline on Fund Accounting.

### **2.4 Other Compliance Efforts**

#### **(a) Identification of New Eligible Employers**

During the quarter under review, the Commission sent 829 letters to eligible employers requesting them to provide evidences of compliance with PRA 2004, out of which the Commission received only 360 responses. It was discovered during the exercise that the sum of N987.32 million was remitted by 281 organizations that were in both full and partial compliance into RSAs of 2,312 employees. Seventy organisations claimed to have less than five employees while nine were yet to comply.

### (b) Application of Regime of Sanctions

In line with the regime of sanctions, the Commission issued warning letters to 572 organizations for failure to comply with the provisions of PRA 2004. In addition, monetary penalties were imposed on 389 organizations during the quarter under review while 141 organizations were publicly censured. Another set of 90 organizations were also considered for both public censure and prosecution.

### (c) Implementation Update by the State Governments

A review of the level of implementation of the CPS by State Governments showed that 17 States of the Federation had enacted their Pension Reforms Laws as at the end of the first quarter. The States were Bayelsa, Delta, Ekiti, Imo, Jigawa, Kaduna, Kano, Kebbi, Kogi, Lagos, Nasarawa, Niger, Ogun, Osun, Oyo, Sokoto, and Zamfara. Out of the 17 States, five had registered 444,845 employees as shown in Table 2.1.

**Table 2.1: Number of Employees Registered by State Governments**

S/N	State	Number of Employees
1	Lagos	125,646
2	Ogun	76,663
3	Kaduna	78,190
4	Niger	115,290
5	Zamfara	49,056
	<b>Total</b>	<b>444,845</b>

Table 2.1 shows that Niger State had the highest number of registered contributors at 115,290, representing 25.92 percent of the total number of employees registered by states as at the end of first quarter of 2011.

Coincidentally, the five states had also commenced remittance of contributions into the RSAs of the employees as shown in Table 2.2. The table also shows that a total of N30.73 billion had been remitted by the specified State Governments by the end of the first quarter of 2011.

**Table 2.2: Remittance of Contributions into RSAs of Employees**

<b>S/N</b>	<b>State</b>	<b>Amount (N'Billion)</b>
1	Lagos	20.95
2	Ogun	4.27
3	Kaduna	3.14
4	Niger	2.06
5	Zamfara	0.31
	<b>Total</b>	<b>30.73</b>

#### **(d) Public Enlightenment Campaigns**

During the quarter under review, the Commission presented papers on risk-based supervision to representatives of the National Insurance Commission (NAICOM) and the Central Bank of Nigeria.

#### **(e) Collaboration with Stakeholders**

As a result of the activities of the Joint Committee of PenCom and the NASB, the Council of the Nigeria Accounting Standard Board (NASB) approved the release of the Statement of Recommended Practice (SORP) on Employees' Retirement and Benefits for public sector employees.

### **2.5 Parastatals Pensioners' Verification Exercise (PPVE) Phase 1**

#### **2.5.1 Verification and Enrolment of Next-of-Kin (NOK) of Deceased Pensioners under the PPVE Phase 1, 2008**

The Commission, in conjunction with the Budget Office of the Federation (BOF), Office of the Accountant General of the Federation (OAGF), and Office of the Auditor General of the Federation (OAUGF) conducted verification and enrolment exercise of Next-of-Kin (NOK) of deceased pensioners under the PPVE Phase 1. In this exercise, a total of 1,949 were verified and enrolled out of the estimated 3,065 NOKs.



## **2.5.2 Verification and Enrolment of Pensioners of Institutions**

In continuation of the enrolment of the unverified pensioners from various institutions under the PPVE 1, and those whose employments were severed by the Bureau of Public Service Reforms (BPSR), the Commission rectified/verified and enrolled 73 pensioners as well as validated 158 pensioners in the quarter under review.

## SECTION THREE

### Pension Industry Statistics

#### 3.1 Scheme Memberships

The Retirement Savings Account (RSA) scheme memberships for both public and private sectors increased from 4,524,250 as at the end of the fourth quarter 2010 to 4,700,235 at the end of the first quarter 2011, representing an increase of 157,985 (3.48 percent). Similarly, during the same period, membership of the Approved Existing Schemes (AES) increased from 41,669 to 41,717, representing an increase of 0.12 percent, while the Closed Pension Fund Administrators (CPFAs) witnessed a decline of 3.58 percent from 26,605 to 25,652 as shown in Table 3.1.

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

Scheme	Q1:2010	Q2:2010	Q3:2010	Q4:2010	Q1:2011	% change (Q4 and Q1)
RSA	4,130,160	4,283,417	4,421,167	4,524,250	4,700,235	3.48
CPFA	26,666	26,606	26,573	26,605	25,652	-3.58
AES	41,424	41,410	41,449	41,669	41,717	0.12
<b>Total</b>	<b>4,198,250</b>	<b>4,351,433</b>	<b>4,489,189</b>	<b>4,610,524</b>	<b>4,767,604</b>	<b>3.41</b>

Table 3.1 demonstrated the increase in total scheme memberships from 2.70 percent in the fourth quarter of 2010 to 3.41 percent in the first quarter of 2011.

##### 3.1.1 Membership of RSA

As indicated in Table 3.2, a review of RSA membership show a dominance of the public sector in the first quarter of 2011 with a total RSA registration of 2,623,170, which accounted for 55.81 percent of total registrations as at the end of the quarter under review. This increase could be seen as a result of intense compliance efforts by the Commission and various marketing strategies by the PFAs.

**Table 3.2: RSA Registrations by Age and Sector in the First Quarter of 2011**

	Public Sector		Private Sector		Sub-Total		Grand Total	
	Male	Female	Male	Female	Male	Female	Number	%
Less than 30 yrs	431,488	169,470	521,501	213,040	952,989	382,510	1,335,499	28.41
30 - 40 yrs	553,779	311,951	611,482	180,803	1,165,261	492,754	1,658,015	35.27
41 - 50 yrs	496,799	269,761	322,426	62,383	819,225	332,144	1,151,369	24.50
51 - 60 yrs	262,940	100,101	124,065	13,727	387,005	113,828	500,833	10.66
Above 61 yrs	22,525	4,356	25,261	2,377	47,786	6,733	54,519	1.16
<b>Total</b>	<b>1,767,531</b>	<b>855,639</b>	<b>1,604,735</b>	<b>472,330</b>	<b>3,372,266</b>	<b>1,327,969</b>	<b>4,700,235</b>	<b>100.00</b>

There was an improved performance in the number of RSA registrations by the private sector as total registrations increased from 1,976,455 in the fourth quarter of 2010 to 2,077,065 in the first quarter of 2011. The private sector accounted for 44.19 percent of total RSA registrations as at the end of the quarter under review.

A review of the age distribution of RSA holders reveals that the age category “30-40” accounted for the highest proportion of contributors in the first quarter of 2011. The age category accounted for 35.27 percent of RSA registrations as at the end of the quarter under review. This was followed by age categories less than 30 years and “41-50 years” at 28.41 and 24.50 percent respectively. This shows that a higher proportion (63.68 percent) of RSA contributors were below the age of 40 years, which points to the bright prospects of investing pension funds in long-term investment.

The future of the pension industry looks encouraging with improved compliance by the various eligible institutions.

### **3.1.2 Ranking of PFA by Registration Market Share**

The ranking of PFAs by number of registered contributors shows a slight drop in the share of the top three PFAs from 46.78 percent of total registration as at the end of the fourth quarter 2010 to 46.56 percent at the end of the first quarter of 2011 as shown in Table 3.3. Similarly, the shares of the top five and 10 PFAs dropped slightly from 61.39 and 83.90 percent at the end of the fourth quarter of 2010 to 61.23 and 83.88 percent respectively at the end of the first quarter of 2011.

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

PFA Ranking	Q2:2010 (%)	Q3:2010 (%)	Q4:2010	Q1:2011 (%)
Top 3	44.00	43.91	46.78	46.56
Top 5	60.00	59.49	61.39	61.23
Top 10	84.01	83.17	83.90	83.88
Bottom 3	0.26	0.11	0.12	0.14
Bottom 5	0.83	0.55	0.53	0.56
Bottom 10	4.56	4.20	4.22	4.34

However, there was slight increase in the RSA registration share of the bottom three PFAs from 0.12 percent in the fourth quarter of 2010 to 0.14 percent in the first quarter of 2011. Similarly, the bottom five and 10 PFAs also witnessed slight increases from 0.53 and 4.22 percent in the fourth quarter of 2010 to 0.56 and 4.34 percent respectively in the first quarter of 2011.

A review of the range of market share of RSA registrations by number of PFAs shows that only one PFA had registered over 500,000 contributors as shown in Table 3.4. Eleven 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
500,000 – 1,000,000	1
100,000 – 499,999	12
Less than 100,000	11

### 3.1.3 Memberships of CPFA and AES

The total memberships of licensed CPFAs and Approved Existing Schemes were 25,652 and 41,717 respectively as at the end of the quarter under review. While membership of CPFAs witnessed a decline of 3.58 percent during the review period, membership of AES increased by 0.12 percent over the same period. 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 First Quarter of 2011**

Enrolment Type	Number			Percentage of Total	
	Q3:2010	Q4:2010	Q1:2011	Q4:2010	Q1:2011
Active Members	21,214	21,251	19,899	79.70	77.57
Existing Pensioners	5,233	5,288	5,158	19.83	20.11
Deferred Pensioners	126	126	595	0.47	2.32
<b>Total</b>	<b>26,573</b>	<b>26,605</b>	<b>25,652</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 First Quarter of 2011**

Enrolment Type	Number			Percentage of Total	
	Q3:2010	Q4:2010	Q1:2011	Q4:2010	Q1:2011
Active Members	25,561	25,455	25,490	61.09	61.17
Current Pensioners	14,550	14,831	14,844	35.59	35.62
Deferred Pensioners	149	149	149	0.36	0.35
? Dependants	1,234	1,234	1,234	2.96	2.96
<b>Total</b>	<b>41,449</b>	<b>41,669</b>	<b>41,717</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 the public and private sectors into the RSA Scheme was N928.77 billion at the end of the period under review. This was an increase of N28.27 billion, representing 3.14 percent over the total contributions recorded at the end of the fourth quarter of 2010 as shown in Table 3.7. The total public sector contribution was higher than that of private sector by N139.41 billion at the end of the quarter under review.

**Table 3.7: Pension Contributions**

Year/ Quarter	Public Sector		Private Sector		Total	
	Amount (N' billion)	% of Total	Amount (N' billion)	% of Total	Amount (N' billion)	% of Total
2004	15.60	2.92	-	-	15.60	1.68
2005	34.68	6.49	-	-	34.68	3.73
2006	37.38	7.00	23.03	5.84	60.41	6.50
2007	80.63	15.10	68.34	17.32	148.97	16.04
2008	99.28	18.59	80.81	20.47	180.09	19.39
2009	137.10	25.67	91.21	23.11	228.31	24.58
Q1:2010	21.37	4.01	24.58	6.23	45.95	4.95
Q2:2010	33.32	6.23	24.53	6.22	57.85	6.23
Q3:2010	15.53	2.91	27.83	7.05	43.36	4.67
Q4:2010	59.20	11.08	26.08	6.60	85.28	9.18
Q1:2011	0.00	0.00	28.27	7.16	28.27	3.04
<b>Total</b>	<b>534.09</b>	<b>100</b>	<b>394.68</b>	<b>100</b>	<b>928.77</b>	<b>100</b>

### 3.2.1 Contributions by Rank of PFA

The ranking of PFAs by total contributions shows that while the top five PFAs received 70.52 percent of total contributions, the top 10 received 91.67 percent of total contributions as revealed in Table 3.8. The Table further shows that the average monthly contributions received by the top five and 10 PFAs were N14.01 billion and N18.22 billion respectively in the quarter. However, the average monthly contributions received by the bottom five and bottom 10 PFAs amounted to N18.30 million and N429.74 million respectively.

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

Rank	Amount (N' Billion)	Q1:2011 (% of Total)
Top 5	42.04	70.52
Top 10	54.65	91.67
Bottom 5	0.05	0.09
Bottom 10	1.29	2.16

The bottom five and 10 PFAs accounted for 0.09 percent and 2.16 percent respectively, representing an infinitesimal 2.25 percent share of total contributions received in the review period.

### 3.3 Pension Fund Investment

The total value of unaudited pension assets increased by N55.11 billion (2.72 percent) from N2.03 trillion recorded in the fourth quarter of 2010 to N2.08

trillion as at the end of the first quarter of 2011 The breakdown of the assets by fund types is shown in Table 3.9.

**Table 3.9: Pension Fund Portfolio as at March, 2011**

Fund/Period	Q3:2010		Q4:2010		Q1:2011		Change between Q4:2010 & Q1:2011	
	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total
RSA Active	862.24	46.96	980.28	48.30	1,018.12	48.34	37.84	68.66
RSA Retiree	104.83	5.71	127.31	6.27	122.29	5.87	(5.02)	(9.11)
CPFAs	387.96	21.13	404.37	19.92	419.24	20.11	14.87	26.98
AESs	480.98	26.95	517.81	25.51	525.23	25.68	7.42	13.46
<b>Total</b>	<b>1,836.01</b>	<b>100.00</b>	<b>2,029.77</b>	<b>100.00</b>	<b>2,084.88</b>	<b>100.00</b>	<b>55.11</b>	<b>100.00</b>

A further review of Table 3.9 shows that RSA active fund accounted for 48.34 percent of total pension assets in the quarter under review. The CPFA and AES accounted for 20.11 percent and 25.68 percent respectively. The CPFA and AES funds recorded growth of 3.68 percent and 1.43 percent respectively. However, the RSA retiree fund witnessed a decline of 5.02 percent in the quarter as retiree assets declined from N127.31 billion in the fourth quarter of 2010 to N122.27 in the first quarter of 2011. The decline in retiree funds was due to payments of pensions that did not match with the corresponding injection of funds from the RSA 'Active Fund' as retirement benefits.

A structural review of pension fund investment portfolio shows that FGN securities dominated total investment portfolio in the quarter, accounting for 44.03 percent of total pension assets as shown in Table 3.10. It also increased by 10.69 percent in the quarter as PFAs strategically divested part of their investment portfolio from money market instruments whose yields were generally lower than the FGN securities. The growth in FGN securities could be explained by increased investment in Treasury Bills that had a relatively high average rate of return of 9 percent as against money market instruments with an average rate of return of 7 percent. Thus, pension funds were invested in 3-year, 5-year, and 20-year bonds, which had 10.84 percent, 12.37 percent and 13.75 percent rate of return per annum respectively. The period under review also witnessed improvements in the investment of pension funds in bonds issued by State Governments, which increased by 26.89 percent in the first quarter from N69.61 billion in the fourth quarter of 2010 to N88.67 billion. Consequently, share of money market instruments in pension fund investment portfolio declined by 19.04 percent from N496.06 billion in the fourth quarter of

2010 to N401.59 in the quarter under review. Thus, apart from trading for safety, the PFAs also strategically traded for higher returns on FGN securities.

**Table 3.10: Structure of Pension Fund Assets as at First Quarter, 2011**

Asset Class	Q3:2010		Q4:2010		Q1:2011		Change between Q4:2010 & Q1:2011	
	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% Change
Ordinary Shares	336.92	18.35	381.40	18.79	397.23	19.05	15.83	4.15
FGN Securities	706.21	38.46	829.38	40.86	918.05	44.03	88.67	10.69
State Government Bonds	74.53	4.06	69.61	3.43	88.33	4.24	18.72	26.89
Money Market Securities	421.82	22.98	496.06	24.43	401.59	19.26	(94.47)	(19.04)
Corporate Debt Securities	43.52	2.37	50.73	2.50	52.66	2.53	1.93	3.80
Real Estate Property*	163.07	8.88	171.01	8.42	171.42	8.22	0.41	0.24
Other Assets	89.94	4.90	31.78	1.57	55.6	2.67	23.82	74.95
<b>Total Assets</b>	<b>1,836.01</b>	<b>100</b>	<b>2,029.96</b>	<b>100</b>	<b>2,084.88</b>	<b>100</b>	<b>54.92</b>	<b>2.71</b>

Table 3.10 also shows that the proportion of domestic equities in the pension fund portfolio hovered between 18.35 percent in the third quarter of 2010 and 19.05 percent in the first quarter of 2011. The marginal increase of investment in this asset class could partly be due depreciation in the stock prices of the banking sector and partly by other factors earlier explained in the first section of this report.

### 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 continued to account for more than half of the RSA assets at 55.35 and 68.88 percent respectively at the end of the first quarter of 2011. This picture was expected given the fact that the top three and five PFAs accounted for 46.56 and 61.23 percent of RSA registration respectively in the quarter.



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

PFA Rank	Q3:2010		Q4:2010		Q1:2011	
	Amount (N' Million)	% of Total Pension Assets	Amount (N' Million)	% of Total Pension Assets	Amount (N' Million)	% of Total Pension Assets
Top 3	399.42	55.63	448.10	54.85	483.64	55.35
Top 5	504.42	70.26	563.19	68.93	601.92	68.88
Top 10	664.25	92.52	744.86	91.17	797.02	91.21
Bottom 3	0.83	0.11	0.91	0.11	0.96	0.11
Bottom 5	2.00	0.28	2.38	0.29	2.50	0.29
Bottom 10	14.08	1.96	16.95	2.08	18.70	2.14

The bottom three and five PFAs' share of pension assets did not witness any change during the quarter under review as they remained at 0.11 and 0.29 percent respectively. However, the bottom 10 PFAs witnessed a marginal improvement in their shares of total pension assets as their proportion increased from 2.08 percent in the fourth quarter of 2010 to 2.14 percent in the quarter under review.

### **3.4 Pension Fund Custodians Appointed for the RSA Funds**

The pension Fund Custodians (PFCs) are licensed pension fund operators saddled with the responsibility for keeping pension fund assets in safe custody for the Pension Fund Administrators (PFAs) and on trust for the contributors and beneficiaries of the retirement benefits associated with the RSAs being managed by PFAs. Appointment of PFCs is sole responsibility of the PFAs for the safe keeping of RSA funds under their management. In the period under review, the following PFCs were engaged in the safe keeping of RSA funds as shown in Table 3.13.

**Table 3.12: PFCs Appointed for the Management of RSA Funds**

(S/n)/ PFC	First Custodian	UBA Custodian	Diamond Custodian	Zenith Custodian
1	Premium	Pensure	Royal Trust	IBTC
2	First Guarantee	Sigma		ARM
3	NLPC	Pensions Alliance		Trustfund
4	Crusader	Legacy		
5	AIICO	PENMAN		
6	Oak	Anchor		
7	Amana	Evergreen		
8	FUG			
9	APT Pension			
10	Fidelity Pension			
11	CRIB Pension			
12	Standard Alliance			
13	IGI			

A review of Table 3.12 shows that First Custodian has the largest share of the market for the safe keeping of RSA funds accounting for 54.17 percent of the market share. This was followed by UBA Custodian and Zenith Custodian at 29.16 and 12.50 percent respectively. Diamond Custodian accounted for the balance of 4.17 percent.

### 3.5 Retirement/Terminal Benefits

#### 3.5.1 Retirees on Programmed Withdrawal (PW)

In the first quarter, the Commission received and approved 3,262 applications for accessing retirement benefits through programmed withdrawal. This brought the total number of retirees on programmed withdrawal to 31,133 from 27,871 recorded during the fourth quarter of 2010 as shown in Table 3.13.

**Table 3.13: Number of Retirees on PW as at First Quarter, 2011**

Period	Number of Retirees	Lumpsum (N' Million)	Programmed Withdrawal (N' Million)
Q4:2010	27,871	8,658.73	88.38
Q1:2011	3,262	79,978.30	930.05
<b>Total</b>	<b>31,133</b>	<b>86,637.03</b>	<b>1,018.43</b>

A breakdown of the total number of retirees by private and public sectors shows that while the public sector accounted for 2,614 retirees (80.13 percent) the private sector accounted for 648 retirees (9.87 percent) in the first quarter of 2011 as shown in Table 3.14.

**Table 3.14: Payment of Retirement Benefits by Programmed Withdrawal**

Sector	Male	Female	Total	Lump Sum (N' Million)	Average Monthly PW (N'Million)
Public	2,050	564	2,614	8,237	79.54
Private	572	76	648	2,947	8.84
<b>Total</b>	<b>2,622</b>	<b>640</b>	<b>3,262</b>	<b>11,184</b>	<b>88.38</b>

From Table 3.13, it can further be seen that the total lump sum withdrawal as at the end of the first quarter increased by 10.83 percent to N88,637.03 during the quarter under review. The Table also shows that the total programmed withdrawal over the same period increased to N1,018.46 million from N930.08 million.

### 3.5.2 Retirement by Annuity

A total of 73 retirees opted for annuity retirement plan in the first quarter of 2011. The sum of N220.07 million was approved as total lump-sum for the retirees, while the sum of N270.29 million was paid out to the insurance companies as premium in return for average monthly annuities of N2.87 million as shown in Table 3.15.

**Table 3.15: Retirement by Annuity in the First Quarter of 2011**

Sector	Male	Female	Total	% of Total	Average Monthly Annuity (N)	Lumpsum (N)	Premium (N)
Public	47	20	67	92	2,320,217.13	217,028,528.09	261,602,381.68
Private	4	2	6	8	549,307.60	3,038,237.03	8,690,896.58
<b>Total</b>	<b>51</b>	<b>22</b>	<b>73</b>	<b>100</b>	<b>2,869,524.73</b>	<b>220,066,765.12</b>	<b>270,293,278.26</b>

The number of retirees on annuity retirement plan in the review period had shown increased level of awareness of life annuity as a retirement plan under the CPS. The total number of retirees on the plan rose to 147 as at the end of the review period as shown in Table 3.15. It can further be seen from the Table that the public sector had a larger proportion of retirees under the annuity plan at

67 (91.78 percent) retirees to the 6 (8.22 percent) retirees recorded by the private sector.

**Table 3.16: Retirement by Annuity as at the end of First Quarter: 2011**

Period	Number of Retirees	Lumpsum	Average Monthly Annuity	Premium Paid
Q1:2011	73	220,066,765.12	2,869,524.73	270,293,278.26
As at Q4:2010	74	270,776,335.83	2,537,068.34	278,406,312.48
<b>Total</b>	<b>147</b>	<b>490,843,100.95</b>	<b>5,406,593.07</b>	<b>548,699,590.74</b>

Table 3.16 further revealed that while the cumulative lump-sum withdrawal as at the end of the review period was N490.84 million, a cumulative premium of N548.70 million was paid to insurance companies for an average monthly pension of N5.41 million.

### 3.5.3 Withdrawal of 25 Percent of RSA Balances

Withdrawal of 25 percent of RSA balances is made by persons that retired before the age of 50 years in accordance with the terms and conditions of their employment and who having stayed for at least six months without securing another employment. In this regard, approvals were granted under the review period for the payment of N481.56 million to 3,148 RSA holders comprising 3,018 retirees from the private sector and 130 retirees from the public sector as shown in Table 3.17.

**Table 3.17: Withdrawal of 25% RSA Balance as at Q1:2011**

Sector	Male	Female	Total	% of Total	Total 25% Request (N Million)
Public	91	39	130	4	44.65
Private	2,621	397	3,018	96	436.91
<b>Sub-Total for Q1:2011</b>	<b>2,712</b>	<b>436</b>	<b>3,148</b>	<b>100</b>	<b>481.56</b>
Total as at Q4:2010	16,108	2,117	18,225	100	2,488.94
<b>Total as at Q1:2011</b>	<b>18,820</b>	<b>2,553</b>	<b>21,373</b>	<b>100</b>	<b>2,970.50</b>

A review of the request for 25 percent withdrawal during the review period shows that the private sector retirees accounted for N436.91 million or 90.73 percent of total withdrawals, while the public sector accounted for N44.65 (9.27 percent).

### 3.6 Implementation of Group Life Insurance

The Commission intensified its compliance and enforcement activities in accordance with the provision of Section 9(3) of PRA 2004 that requires employers to maintain life insurance policy in favour of their employees. In this regard, the pension industry witnessed a phenomenal increase in the number of private sector employers implementing the Group Life Insurance that moved from 42 employers recorded in the fourth quarter of 2011 to 133 employers during the quarter under review as shown in Table 3.18.

**Table 3.18: Submission of Group Life Insurance Certificates**

S/N	Category	Q4:2010	Q1:2011
1	Financial Institutions	7	56
2	Educational Institutions	5	3
3	Constructions	2	9
4	Oil and Gas	7	8
5	Manufacturing	0	13
6	Hospitality	7	9
7	Government	3	7
8	Others	11	28
	<b>Total</b>	<b>42</b>	<b>133</b>

A further review of Table 3.18 shows that the financial institutions topped the list of complying organizations as the number of complying employers in this sector moved from 7 as at the end of the fourth quarter of 2010 to 56 during the quarter under review.





