



NATIONAL PENSION COMMISSION

PENSION INDUSTRY QUARTERLY REVIEW

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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

The general trends in the pension operating environment are discussed based on an analysis of the macro-environment, including money and capital markets activities as well as trend the stock market. The pension operating environment is generally scanned and analyzed in order to detect signals that could act as pointer to future changes in the pension industry. Based on general practice, the macro-environmental analysis is adopted because it acts as an early-warning signal that could afford an organization enough time to foresee opportunities and threats for the purpose of developing appropriate strategic responses to mitigate threats to the smooth functioning of the organization in particular and the industry in general. Thus, in order to decipher the general trends in the pension operating environment. This would aid the Commission to discern movements in the general environment that can impact its supervisory and regulatory activities.

1.1 Macroeconomic Development

The macroeconomic environment recorded slight improvement in the third quarter as Real Gross Domestic Product (RGDP) grew by 7.90 percent against the second quarter growth of 7.72 percent. The non-oil sector accounted for the sustained improvement in domestic economic performance as it grew by 8.6 percent during the quarter. This is against the oil and gas sector that made a modest contribution of 4.30 percent over the same period. The sustenance of economic performance in the third quarter points to a brighter future outlook for the pension industry outlook for the rest of 2011 and beyond. This suggests that the general improvement in economic activities could lead to improved performance of the real and service sectors, which could in turn lead to increased compliance with the Contributory Pension Scheme. This can thus lead to increase in total registrations and hence increase volume of pension assets.

The closing rate of inflation increased marginally from 10.2 percent in the second quarter to 10.3 percent in third quarter. The double digit rate of inflation is grossly at variance with the attainment of positive real rate of return on some money market instruments like the Nigeria inter-bank Offered Rate of 10.06 and 10.93 percent for 7- and 30-day tenor respectively in the third quarter. The implication of this on pension fund investment is that some investible instruments may return negative real return in the third quarter.

1.2 Developments in the Money Market

In a continued effort to contain inflation rate, the stance of monetary policy was largely restrictive in the third quarter as the Monetary Policy Rate (MPR) was increased twice from 8.00 percent in the second quarter to 8.75 and 9.25 percent in July and September respectively.

The tight monetary policy stance notwithstanding, the inter-bank call segment of the money market recorded decline in inter-bank call rate as the weighted average inter-bank call rate declined by 1.56 percent from 10.50 percent in the second quarter to close at 8.94 percent in the third quarter. This was attributed to high liquidity condition of the inter-bank market during the quarter. Similarly, the Nigeria Inter-bank Offered Rate (NIBOR) for 7- and 30- day tenors decreased from 11.24 and 12.22 percent in the second quarter to 10.06 and 10.93 percent respectively in the third quarter.

However, the primary segment of the money market witnessed increases in the yields on Nigerian Treasury Bills (NTBs) of various tenors. Consequently, the true yield on 91-, 182-, and 364-day tenors which was 7.94, 8.73, and 9.90 percent in the second quarter increased to 10.50, 11.47, and 12.67 percent respectively in the second quarter. This could be explained by the tight monetary policy stance that witnessed a two-time upward revision in the quarter.

1.3 Developments in the Bond Market

The Bond market continued to witness impressive performance during the quarter under review as investors demonstrated their confidence in the risk-free FGN securities and the attractive yields offered by this instrument when compared to other financial securities. Similar to what happened in the second quarter, the Federal Government of Nigeria Bonds of 3-, 5- and 10-year tranches were re-opened in the third quarter.

The total amount offered, subscribed to and allotted for the 3-year tenor were ~~₦~~210.00 billion, ~~₦~~471.54 billion, and ~~₦~~210.00 billion respectively. This suggests that there was an oversubscription to FGN bond of 3-year maturity by 124.54 percent. This was caused by investors' perception that the instrument is safe and will continue to provide high yields. The marginal rate of return for the 3-year tenor ranged between 10.24 – 10.50 percent, which was relatively lower than the marginal rate of 11.00 – 12.15 percent recorded in the second quarter. The reduction in the marginal rate of return on 3-year tenor could be explained by investors' demand that far outstripped the total amount that was offered for subscription.

1.4 Developments in the Capital Market

Similar to the performance of the stock market in the second quarter, activities in the stock market was characterized by mixed results in the third quarter as some performance indicators were quite impressive while others were not. For example, the volume and value of traded securities dropped by 21.50 and 15.50 percent to 19.09 billion shares and ₦134.44 billion, respectively in 326,515 deals. This is against the second quarter figures of 24.34 billion shares, valued at ₦159.10 billion in 326,515 deals.

The market capitalization witnessed a decline of 9.10 percent in the third quarter as it dropped from ₦11.20 trillion in the second quarter to ₦10.17 trillion. The equity segment of the capital market accounted for 64.00 percent (₦6.5 trillion) of total market capitalization during the quarter. Similarly, the All Share Index (ASI) recorded a decline of 6.40 percent in the third quarter as it decreased from 24,980.20 in the second quarter to close at 23,373.00 in the third quarter.

SECTION TWO

Regulatory and Supervisory Activities

The Commission continued its consultative philosophy in the regulation of the industry during the second 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

During the period under review, the Commission carried out routine examinations on 6 pension fund operators. The examinations which was as usual risk-based, was focused on the operating systems of the operators in order to determine any risk therein. The examination approach was modified such that substantial part of the process was done offsite while examiners identified key risk areas that were evaluated onsite.

In another surveillance activity, the Commission took over the management of First Guarantee Pension Limited and appointed an interim Management Committee comprising of Messrs Issa Aremu (Chairman), Jude Chima Akaleze (Acting Managing Director), and Johnny Ojeaga (Member). The take-over was as a result of poor corporate governance issues established against the Operator.

2.1.1 Update on Pension Returns Rendition System (PenRRS)

The Commission monitors and ensures that licensed pension operators submit their monthly and quarterly returns on their operations through the PenRRS application. In the quarter under review, twenty six Pension Fund Operators made submission to the Commission, while 9 did not. Consequently, appropriate sanctions were imposed on the erring Operators.

2.1.2 Resolution Activities

The Commission resolved 47 complaints on non-remittance of pension contributions by employers as well enquiries made concerning the workings of the Contributory Pension Scheme.

2.2 Compliance Activities

As part of its strategic framework for ensuring compliance with the Pension Reform Act (PRA) 2004, the Commission identified 1,034 new eligible private sector employers in the quarter under review. Letters requesting for compliance status with appropriate evidences were sent to these employers. In all, 732 organizations responded, out of which 302 were in full compliance, 280 were in partial compliance, 100 were yet to comply, while 50 claimed to have less than 5 employees. The 582 organizations in partial and full compliance had remitted the sum of ₦2.23 billion into the RSAs of 4,312 employees.

2.2.1 On-site Inspection of Employers

In the Quarter under review, the Commission conducted onsite inspection on forty- six privately owned media houses and forty seven privately owned security and other companies with a view to determine their levels of compliance with the Pension Reform Act 2004. Out of a total of ninety three privately owned organizations inspected, nineteen had fully complied, eighteen were in partial compliance, while fifty six were yet to comply. Apart from the fact that the eighteen organizations in partial compliance were yet to commence the remittance of their employee's contributions into their respective RSAs, they have also not provided Group Life Insurance Cover for the employees.

An examination of the payrolls of the thirty seven organizations in full compliance showed that 10,038 out of 13,256 employees had opened RSAs, while 3,218 were yet to. While the sum of ₦5.25 billion were remitted into employees RSAs with respective PFAs between January and September, 2011, the sum of ₦480.37 million, which included pension contributions of employees that were yet to open RSAs was yet to be remitted by 12 organizations. These organizations had after the inspection been advised to remit the outstanding pension contributions to any PFA pending when the concerned staff would open RSAs.

2.2.2 Issuance of Clearance Letters to organizations bidding for Contracts with Federal Ministries, Departments and Agencies

During the quarter under review, the Commission received a total of 394 applications for clearance letters. However, 142 clearance letters were issued, while 252 applications were declined due to improper documentations. The list of organizations issued with clearance letters was sent to the Bureau of Public Procurement (BPP) for further necessary action. The list was also publicized on the Commission's website.

2.2.3 Transfer of National Social Insurance Trust Fund Contributions into Members RSAs

During the quarter, the Commission amended the Guidelines on transfer of NSITF contributions to members RSAs in order to allow employers to submit request directly to Trustfund Pension Plc on behalf of their employees for the transfer of their NSITF contributions into their RSAs. Consequently, the Commission received 2,804 applications for the transfer of ₦258,505,159.36 into employees RSAs from Trustfund Pensions Plc. The Commission had however, communicated its approval to 2,706 applications for the transfer of ₦248,505,528.01 into employees RSAs.

2.2.4 Closed Pension Fund Operators (CPFAs)

The Commission engaged the CPFAs directly in order to ensure that the parent companies complete and submit their employees transfer application Forms. Consequently, additional NSITF transfers were made on behalf of the employees of parent companies of the following CPFAs during the review period:

Table 1: Transfer of NSITF Contributions into CPFA Members Accounts

S/N	CPFA	Number of Contributors	Amount (N'Million)
1	Shell	378	48.52
2	Progress Trust	13	2.39
	Total	391	50.9191

2.3 Recovery of Unremitted Pension Contributions

Apart from the development of a framework for recovering outstanding pension contributions and interest penalty from defaulting employers, the Commission placed advertisement in the National Dailies for the expression of interest in the provision of services for the recovery of outstanding pension contributions and interest penalty to be paid by defaulting employers.

2.4 Other Compliance Efforts

(a) Application of Regime of Sanctions

In line with the regime of sanction, the Commission issued caution letters to 617 organizations for failure to comply with the provisions of the PRA 2004. In addition, monetary penalty was imposed on 386 organizations while 343 others were considered for public censure and prosecution.

(b) Implementation Updates by the State Governments

The first and second batch of the pre-legislation personal identification numbers were merged during the quarter and had since undergone quality assurance test prior to the final re-assignment exercise across the States.

In furtherance of the implementation of the Contributory Pension Scheme in the States, two out of 17 States Governments that had enacted the Contributory Pension have commenced funding of their Retirement Bond Redemption Fund Accounts (RBRFAs) with the Central Bank of Nigeria (CBN). These States are Niger and Ogun States with balances of ₦1.127 billion and ₦1.43 billion respectively. Although Lagos had since commenced the funding of its RBRFAs, the funds are however domiciled in commercial banks other than CBN.

SECTION THREE

Pension Industry Statistics

The pension industry statistics provides a snapshot of the pension industry in an accurate manner that could help the Commission and Pension Fund Operators to take decisions with reasonable level of precision that could foster the smooth operations of the pension industry. Thus, statistical information on growth in the number of participants in the Contributory Pension Scheme, growth in pension fund assets, movements in pension fund investment portfolio, and other issues on retirement are presented in this section. This is with a view to providing means of gauging pension industry performance as well as taking informed decision on the strategic direction of the industry on the basis of existing facts.

3.1 Scheme Memberships

The total scheme memberships of Retirement Savings Account (RSA), Closed Pension Fund Administrators (CPFAs), and Approved Existing Schemes (AESs) moved from 4,854,449 in the second quarter to 4,951,751 in the third quarter, representing an increase of 2.08 percent as shown in Table 3.1. The RSA scheme accounted for the highest proportion of total scheme memberships, representing 98.66 percent of total memberships. The CPFAs and AESs accounted for 0.50 and 0.84 percent respectively.

A breakdown of total scheme memberships into various components shows that RSA registrations for both the public and private sectors increased by 97,287 in the third quarter, representing an increment of 2.03 percent. However, memberships of CPFA and AES increased marginally by 0.04 and 0.01 percent respectively in the quarter under review.

Table 3.1: Scheme Membership by Type of Scheme

Scheme	Q 3: 2010	Q 4: 2010	Q 1: 2011	Q 2: 2011	Q 3: 2011	% change (Q2 and Q3)
RSA	4,421,167	4,542,250	4,700,235	4,787,984	4,885,271	2.03
CPFA	26,573	26,605	25,652	24,716	24,728	0.04
AES	41,449	41,669	41,717	41,749	41,752	0.01
Total	4,489,189	4,610,524	4,767,604	4,854,449	4,951,751	2.08

3.1.1 Membership of RSA

The improvement in RSA membership was higher in the third quarter as it witnessed a growth rate of 2.03 percent against the growth rate of 1.74 percent recorded in the second quarter as shown in Table 3.2.

As in the previous quarters, the public sector dominated total RSA registrations in the third quarter with a total registration figure of 2,678,755, which accounted for 54.83 percent of total registrations in the quarter.

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

Age Range	Public Sector		Private Sector		Sub-Total		Grand Total	
	Male	Female	Male	Female	Male	Female	Number	%
Less than 30 yrs	446,823	177,441	561,244	231,649	1,008,067	409,090	1,417,157	29.01
30 - 40 yrs	565,673	320,223	647,050	191,336	1,21,723	511,559	1,724,282	35.30
41 - 50 yrs	502,084	272,771	336,585	65,104	838,669	337,875	1,176,544	24.08
51 - 60 yrs	265,683	100,921	129,982	14,437	395,665	115,358	511,023	10.46
Above 61 yrs	22,734	4,402	26,650	2,479	49,384	6,881	56,265	1.15
Total	1,802,997	875,758	1,701,511	505,005	3,504,508	1,380,763	4,885,271	100

The private sector also witnessed some improvements in the number of RSA registrations which increased by 68,976, representing 3.23 percent over the figure recorded in the second sector. Thus, the private sector accounted for 45.17 percent in the quarter under review. The improvement in the number of private sector participants in the Contributory Pension Scheme could be seen as the result of compliance strategic framework put in place by the Commission, application of regime of sanctions on erring employers, and various marketing strategies of the Pension Fund Administrators.

A review of the age distribution of RSA holders shows that pension contributors are relatively young as those in the age category “30 – 40” accounted for the highest proportion of contributors in both the public and the private sectors. This age category accounted for 35.30 percent of RSA holders in both the private and the public sectors. The age structure of the RSA holders reflects a brighter opportunity for investing pension funds in long-term investment as a higher proportion of RSA holders are either less than 30 years or between 30 and 40 years. In all, pension contributors in the age category that is less than 30 and 40 years accounted for 64.31 percent of the total RSA holders in the third quarter.

3.1.2 RSA Registrations by PFA Market Share

The ranking of PFAs by registered contributors shows a decrease in the share of the top three, and five PFAs from 46.40 and 61.10 percent of the total registration as at the end of the second quarter to 42.34 and 60.02 percent respectively at the end of the third quarter as shown in Table 3.3. However, the share of the top ten PFAs appreciated marginally by 0.52 percent from 83.89 percent in the second quarter to 84.41 percent in the third quarter. As in the second quarter, the shares of the bottom three, five, and ten PFAs increased slightly from 0.16, 0.59, and 4.44 percent at the end of the second quarter to 0.27, 1.17, and 6.25 percent respectively at the end of the quarter under review.

Table 3.3: RSA Registration by Market Share

PFA Ranking	Q4:2010 (% of Total)	Q1:2011 (% of Total)	Q2:2011 (% of Total)	Q3:2011 (% of Total)
Top 3	46.78	46.56	46.40	42.34
Top 5	61.39	61.23	61.10	60.02
Top 10	83.90	83.88	83.89	84.41
Bottom 3	0.12	0.14	0.16	0.27
Bottom 5	0.53	0.56	0.59	1.17
Bottom 10	4.22	4.34	4.44	6.25

A review of the range of market share of RSA registrations by number of PFAs shows slight improvement as the number of PFAs that had registered over 500,000 contributors by the end of the third quarter increased from 2 to 3 as shown in Table 3.4. While twelve PFAs had less than 100,000 registered contributors each, nine PFAs had contributors between the range of 100,000 and 499,999.

Table 3.4: Range of RSA Registration per PFA

Range of RSA Registrations	Number of PFAs
500,000 – 1,000,000	3
100,000 – 499,999	9
Less than 100,000	12

3.1.3 Memberships of CPFAs and AES

The total memberships of licensed CPFAs and Approved Existing Schemes were 24,728 and 42,752 respectively as at the end of the third quarter. However, while membership of CPFAs recorded marginal increment of 0.03 percent, members of

AESs actually declined by 1.41 percent in the quarter. The breakdown of the CPFA and AES memberships are shown in Tables 3.3 and 3.4 respectively.

Table 3.5: Membership of CPFAs as at Third Quarter of 2011

Enrolment Type	Number			Percentage of Total	
	Q1	Q2	Q3	Q2	Q3
Active Members	19,899	18,910	18,921	76.49	76.51
Existing Pensioners	5,158	5,216	5,212	21.10	21.08
Deferred Pensioners	595	595	595	2.41	2.41
Total	25,652	24,721	24,728	100.00	100.00

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 2011

Enrolment Type	Number			Percentage of Total	
	Q1	Q2	Q3	Q2	Q3
Active Members	25,490	25,522	25,525	60.27	61.13
Current Pensioners	14,844	14,844	14,844	35.05	35.55
Deferred Pensioners	149	749	149	1.77	0.36
Dependants	1,234	1,234	1,234	2.91	2.96
Total	41,717	42,349	41,752	100.00	100

Note: Dependants are protégés of deceased pensioners.

3.2 Pension Contributions

The total pension contribution by both the public and private sectors into the RSA Scheme at the end of third quarter was ₦1,978.24 billion. This recorded an increase of ₦916.02 billion, representing 98.63 percent over the total contributions at the end of the 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.

A review of total contributions in the third quarter shows public sector dominance as it accounted for 79.54 percent of total contributions as at the end of the quarter. This is against the private sector contributions that only accounted for the balance of 20.46 percent as at the end of the same period.

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	0.99	-	-	15.60	0.85
2005	34.68	2.20	-	-	34.68	1.90
2006	83.22	5.29	23.03	5.06	106.25	5.37
2007	176.63	11.22	68.34	15.02	244.97	12.38
2008	193.57	12.30	80.81	17.76	348.09	13.87
2009	256.88	16.32	91.21	20.05	274.38	17.60
2010	293.14	18.63	102.86	22.61	396.00	20.02
Q1:2011	144.31	9.17	28.42	6.25	172.73	8.73
Q2:2011	221.81	14.10	30.28	6.66	252.09	12.74
Q3:2011	153.73	9.78	30.00	6.59	183.73	9.29
TOTAL	1,573.57	100	454.95	100	1,978.24	100

3.2.1 Contributions by Rank of PFA

The ranking of PFAs by total contributions shows that while the top 5 PFAs accounted for 66.14 percent of total contributions, the top 10 accounted for 90.74 percent in the third quarter as revealed in Table 3.8. The Table further shows that the average monthly contributions received by the top 5 and 10 PFAs were N23.34 billion and N32.03 billion respectively in the quarter. Similarly, the average monthly contributions received by the bottom 5 and 10 PFAs amounted to N125.22 million and N1.03 billion respectively in the quarter.

Table 3.8: PFA Ranking by Size of Contributions

Rank	Amount (N' Billion)	Q2:2011 (% of Total)
Top 5	70.03	66.14
Top 10	90.08	90.74
Bottom 5	0.38	0.35
Bottom 10	3.09	2.92

The size of the pension contributions of the bottom 10 PFAs can be seen as a reflection of the range of RSA registration figures, which are lower than 100,000 as shown in Table 3.4. This establishes a direct relationship between 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 0.35 percent and 2.92 percent of pension contributions in the second quarter respectively. In

all, the bottom five and ten PFAs marginally accounted for 3.27 percent share of total contributions received in the reviewed period.

3.3 Pension Fund Investment

The total value of unaudited pension assets decreased by ₦94.67 billion in the third quarter from ₦2.25 trillion recorded in the second quarter to ₦2.24 trillion during the quarter. This represented a diminution of 0.32 percent as shown in Table 3.9. The diminution could be explained by the depreciation in the value of equity investments of the CPFAs and the AESs funds during the period under review. This suggests these Funds had more exposures to equity investment relative to RSA (Retiree and Active) Funds.

Table 3.9: Pension Fund Portfolio by Fund Type as at Third Quarter, 2011

Fund/Period	Q1		Q2		Q3		Change between Q2 & Q3	
	₦' Billion	% of Total	₦' Billion	% of Total	₦' Billion	% of Total	₦' Billion	% of Total
RSA Active	1,007.89	48.34	1,112.40	49.42	1,153.47	51.40	41.07	(568.05)
RSA Retiree	122.27	5.87	150.87	6.70	165.15	7.36	14.28	(197.51)
CPFAs	419.24	20.11	442.26	19.65	433.00	19.30	(9.26)	128.08
AESs	535.46	25.68	545.59	24.23	492.27	21.94	(53.32)	737.48
Total	2,084.88	100.00	2,251.12	100.00	2,243.89	100.00	(7.23)	100.00

Note: Figures in Parenthesis are decreases

As in the first two quarters of the year, Table 3.9 shows that RSA active funds dominated total pension fund investment portfolio during the quarter, accounting for 51.40 percent. The AES and CPFAs accounted for 21.94 and 19.30 percent respectively. The RSA retiree fund accounted for the remaining balance of 7.36 percent. Both the RSA Active and Retiree Funds witnessed improvements in the quantum of their pension fund portfolios at ₦41.07 billion, ₦14.28 billion respectively.

A breakdown of pension fund investment portfolio shows that FGN securities dominated total pension fund investment portfolio in the quarter, accounting for 50.12 percent of total pension assets as shown in Table 3.10. Aside from dominating pension fund investment portfolio, it also increased by ₦64.67 billion, representing an increase of 6.10 percent over the figure recorded in the second quarter. This could be seen as a strategic measure by PFAs to divest part of their investment portfolio away from equity whose yields were generally lower than the FGN securities. Indeed, investment in ordinary shares was reduced to 15 percent of industry portfolio value from ₦421.22 billion in the second quarter to ₦344.69

billion in the third quarter, representing a decrease of 76.53 percent. However, growth in FGN securities could be explained by increased investment in Government Bonds that had higher rates relative to money market rates that averaged 10 percent during the quarter. Thus, pension funds were heavily FGN bonds because of investors' safety and higher rate of return.

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

Asset Class	Q1		Q2		Q3		Change between Q2 & Q3	
	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% Change
Ordinary Shares	397.23	19.05	421.22	18.71	344.69	15.36	(76.53)	(18.17)
FGN Securities	918.05	44.03	1,060.01	47.09	1,124.68	50.12	64.67	6.10
State Government Bonds	88.33	4.24	79.01	3.51	81.29	3.62	2.28	2.89
Money Market Securities	401.59	19.26	390.75	17.36	398.52	17.76	7.77	(2.64)
Corporate Debt Securities	52.66	2.53	57.03	2.53	69.32	3.09	12.29	21.55
Real Estate Property	171.42	8.22	178.07	7.91	178.08	7.94	0.01	0.01
Other Assets	55.6	2.67	65.03	2.89	47.30	2.11	(17.73)	(27.26)
Total Assets	2,084.88	100	2,251.12	100	2,243.88	100	(7.24)	(0.32)

Note: Figures in Parenthesis are decreases

The period under review also witnessed decline in investment in money market securities, which decreased by ₦10.81 billion from ₦409.33 billion in the second quarter to ₦398.52 billion in the third quarter. This could be seen as strategic investment initiatives of the PFAs to adjust their investment portfolio in order to take advantage of slight increases in other fixed income securities, especially the Federal Government Securities. Similarly, the PFAs strategically reduced the exposure of pension fund investment to the money market instruments and equities.

During the quarter under review, corporate debt instrument witnessed an increase of 21.55. This suggests that private sector organizations are becoming aware of the importance of corporate debt instrument as a source of investment financing.

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 55.40 and 69.81 percent respectively at the end of the quarter under review. This was expected

as given the fact that the top three and five PFAs accounted for 42.34 and 60.02 percent of RSA registration respectively in the quarter.

Table 3.11: Rank of PFA by Asset Size

PFA Rank	Q1:2011		Q2:2011		Q3:2011	
	Amount (N' Million)	% of Total Pension Assets	Amount (N' Million)	% of Total Pension Assets	Amount (N' Million)	% of Total Pension Assets
Top 3	483.64	55.35	534.29	55.80	567.64	55.40
Top 5	601.92	68.88	671.41	70.12	715.27	69.81
Top 10	797.02	91.21	883.05	92.22	942.65	92.00
Bottom 3	0.96	0.11	1.11	0.12	0.96	0.09
Bottom 5	2.50	0.29	3.06	0.32	3.54	0.35
Bottom 10	18.70	2.14	22.26	2.32	25.20	2.46

The bottom five, and ten PFAs' share of pension assets witnessed slight improvements during the quarter under review as they increased from 0.32, and 2.32 percent to 0.35 and 2.46 percent respectively.

3.4 Retirement/Terminal Benefits

3.4.1 Retirees on Programmed Withdrawal (PW)

The Commission received and approved 4,125 applications for programmed withdrawal during the quarter. This brought the total number of retirees on programmed withdrawal to 35,419 from inception to the third quarter of 2011. 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 Second Quarter, 2011

Sector	Gender		Total	Lump sum (N'Million)	PW (N'Million)
	Male	Female			
Public	2,722	821	3,543	10,285.37	114.28
Private	505	77	582	327.28	7.90
Q3	3,227	898	4,125	10,612.65	122.18
Q2	2,757	666	3,423	8,706.42	97.50
Cum to Q3	5,984	1,564	7,548	19,319.07	219.68
As at Dec. 2010	23,659	4,212	27,871	79,978.30	930.05
Total (Inception to 30/9/2011)	29,643	5,776	35,419	99,297.37	1,149.73

Note: Public Sector refers to both Federal and State Governments

Table 3.12 further shows that while the public sector accounted for 3,543 retirees (85.89 percent) the private sector accounted for 582 retirees (14.11 percent) in the third quarter as shown in Table 3.13. A review of the retirees on programmed withdrawal by gender shows the dominance of the male retirees which accounted for 78.23 percent of total retirees in the quarter against the female gender that accounted for 21.73 percent. Cumulatively, Table 3.12 shows that 35,419 retirees are on programmed withdrawal from inception to the third quarter of 2011.

3.4.2 Retirement by Annuity

A total of 152 retirees opted for annuity retirement plan in the third quarter. The sum of ₦580.09 million was approved as total lump-sum and paid out to retirees during the reviewed period. The sum of ₦731.53 million was paid out to the insurance companies as premium in return for average monthly/quarterly annuities of ₦17.46 million as shown in Table 3.14. Another picture from Table 3.14 lies in the increasing level of awareness of annuity retirement plan as the number of retirees on annuity plan increased by 84.92 percent from 179 in the second quarter to 331 in the third quarter.

Table 3.14: Retirement by Annuity in the Third Quarter of 2011

Sector	Male	Female	Total	% of Total	Annuity (₦'Million)	Average Monthly Annuity (₦'Million)	Lump sum (₦'Million)	Premium (₦'Million)
Public	118	8	126	82.89	16.54	5.51	496.59	629.81
Private	4	3	7	4.61	0.21	0.07	14.22	23.40
State	5	14	19	12.50	0.71	0.24	69.28	78.32
Total	127	25	152	100.00	17.46	5.82	580.09	731.53

Thus, the total number of retirees on annuity plan in the third quarter was 152 as against the second quarter figure of 106 as shown in Table 3.15. It can be seen from Table 3.14 that the public sector had a larger proportion of retirees under the annuity plan at 145 retirees, representing 95.39 percent of total retirees on annuity retirement plan in the third quarter. This is against the private sector retirees of 4.61 percent in the reviewed quarter.

Table 3.15: Retirement by Annuity as at the end of the Third Quarter: 2011

Period	Number of Retirees	Lump sum	Average Monthly Annuity	Premium Paid
Q1:2011	73	220.07	2.87	270.29
Q2:2011	106	391.86	1.58	511.91
Q3:2011	152	580.09	5.82	731.53
Total	331	1,192.02	10.27	1,513.73

Table 3.15 further revealed that while the cumulative lump-sum withdrawal as at the end of the review period was ₦1,192.02 million, a cumulative premium of ₦1,513.73 million was paid to insurance companies for an average monthly annuity of ₦10.27 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 could not secure another employment. Thus, approvals were granted under the review period for the payment of ₦418.90 million to 3,153 RSA holders comprising 3,014 retirees from the private sector and 139 retirees from the public sector as shown in Table 3.16.

Table 3.16: Withdrawal of 25% RSA Balance as at Q3:2011

Sector	Male	Female	Total	% of Total	Total 25% Request (₦ Million)
Public	104	35	139	4.12	49.88
Private	2,652	362	3,014	95.88	369.02
Sub-Total for Q3:2011	2,756	397	3,153	100	418.90
Total as at Q2:2011	21,145	2,871	24,016	100	3,439.78
Cumulative as at Q3:2011	23,901	3,268	27,169	100	3,856.68

A review of the request for 25 percent withdrawal during the review period shows that the private sector retirees accounted for ₦369.02 million or 88.09 percent of total withdrawals, while the public sector accounted for ₦49.88 (11.91 percent).

3.6 Implementation of Group Life Insurance Policy (GLIP)

In line with the provision of Section 9(3) of the PRA 2004 that requires employers to maintain life insurance policy in favour of their employees, the pension industry continued to experience increase in the number of public sector establishments implementing the Group Life Insurance policy 148 public sector organizations implemented the Group Life Insurance Policy for their employees during the quarter. This brought the total number of private sector organizations that have implemented the GLIP to 157, representing 27.99 percent of total organizations that have implemented the GLIP in the reviewed quarter as shown in Table 3.17.

Table 3.17: Submission of Group Life Insurance Certificates

S/N	Category	Q1:2011	Q2:2011	Q3:2011	Cum to Q3:2011
1	Financial Institutions	56	26	17	99
2	Educational Institutions	3	6	1	10
3	Construction	9	3	6	18
4	Oil and Gas	8	17	7	32
5	Manufacturing	13	32	4	49
6	Hospitality	9	9	5	23
7	Government	7	2	148	157
8	Pension Operators	26	1	1	28
9	Commercial	0	66	35	101
10	Others	28	13	3	44
	TOTAL	159	175	127	561

However, contrary to what happened in the first two quarters of the year where financial institutions topped the list of organizations implementing the GLIP, Table 3.19 further shows that the public sector was ahead of other institutions implementing the GLIP in the quarter. Another interesting picture from Table 3.17 is the impressive performance of the commercial activities sector in the implementation of the Group Life Insurance policy with a cumulative figure of 101 organizations (one hundred and one) in the quarter.

3.7 Payment of Death Benefits

The Commission approved 925 requests for payment of death benefits to the Next of Kin of deceased employees in the public and private sectors as shown in Table 3.18. The public sector accounted for a higher proportion of death benefit claims at 82.46 percent, while the private sector accounted for 17.54 percent.

Table 3.18: Payment of Death Benefits

Sector	Male	Female	Total	% of Total	Life insurance Paid (N'Million)	Total Death Benefit Paid (N'Billion)
Public	599	111	710	82.46	318.93	1.89
Private	139	12	151	17.54	141.13	0.28
Total	738	123	861	100	460.06	2.17
Total as at Q2	1,811	224	2,036	100	0.283	3,401
Cum. to Q3	2,495	347	2,896	100.00	743.83	5.57

Expectedly, the public sector also accounted for a higher proportion of death benefits paid at ₦1.89 billion (87.10 percent), while the private sector accounted for the remaining balance of 12.90 percent. The cumulative total death benefits paid as at the end of the third quarter amounted to ₦5.57 billion.