

## *Corporate Vision and Mission*

### ***Vision***

***By 2019, to be a pension industry with 20 million contributors delivering measurable impact on the Economy***

### ***Mission***

***PenCom exists for the effective regulation and supervision of the Nigerian Pension Industry to ensure that retirement benefits are paid as and when due***

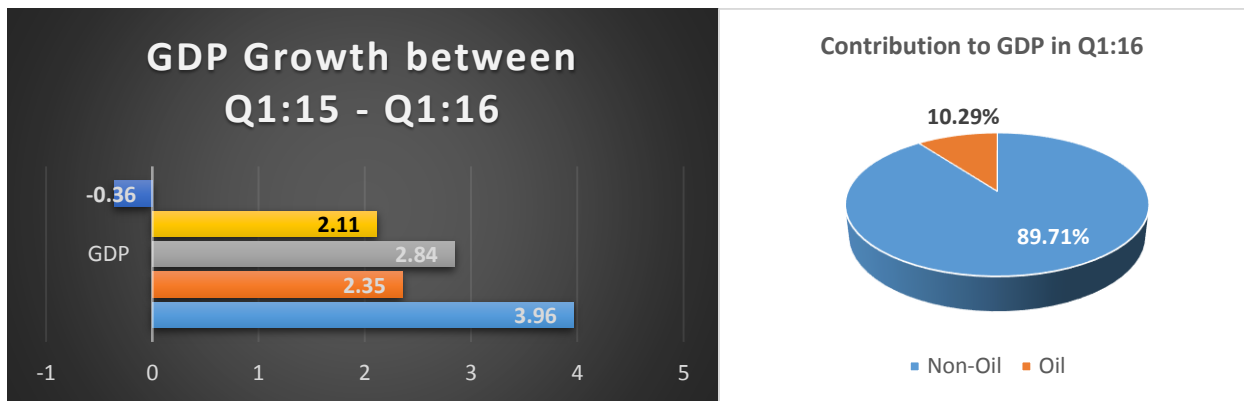
**March 2016**

# SECTION ONE

## Pension Operating Environment

### 1.1 Macroeconomic Development

The macroeconomic environment that the pension industry operated declined to negative growth of 0.36 percent to stand at ₦22.26 trillion nominal GDP in the first quarter, 2016. The real Gross Domestic Product (GDP) was down by 2.47 percentage points from the growth of 2.11 percent recorded in the previous quarter. The non-oil sector contributed 89.71 percent of the total economic growth during the quarter, while the oil sector contributed 1.89 percent. Both the oil and non-oil sectors recorded negative growths of 1.89 percent and 0.18 percent respectively.



**Figure 1: GDP Growth Trend between Q1:15 – Q1:16 and Sector Contribution**

Inflation rate increased sharply by 33.19 percent from 9.55 percent in the last quarter of 2015 to 12.72 percent in the period under review. The increase was largely a reflection of the structural factors (fuel scarcity, increased electricity tariff, insecurity and pressure on exchange rate) in the economy. This jump in the rate of inflation was a pointer to the negative impact on the real rate of return of the pension fund investment during the quarter under review.

### 1.2 Developments in the Money Market

The monetary policy portrayed the tightened stance of the Central Bank of Nigeria (CBN) with restrictive monetary environment in the first quarter of 2016 as the Monetary Policy Rate (MPR) was raised to 12 percent from 11 percent. The Cash

Reserve Ratio (CRR) was increased from 20 to 25 percent. The liquidity ratio was maintained at 30 per cent for the period under review as a check to the threat of rising prices. The symmetric corridor was retained at +200 and -500 basis points around the MPR.

Interest rate developments in the market showed an increase in the interbank call rate from 0.77 percent in the previous quarter to 4.32 percent in the quarter under review. However, the rates on deposits of various maturities was lowered in the range of 3.26 and 6.90 percent in the first quarter of 2016 compared to 3.33 and 7.11 in the previous quarter. Similarly, the spread between the average term deposit and maximum lending rates increased to 26.93 percent from 26.84 percent, representing a marginal increase of 0.34 percent.

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

The Bond Market capitalization gained from ₦7.14 trillion in the fourth quarter of 2015 to ₦7.16 trillion in the quarter under review. This represents 0.28 percent growth over the previous quarter. The FGN and State Governments raised ₦6.37 trillion and ₦548.08 billion in 17 and 24 listings respectively. The total bond listing also increased to 65 from 60 in the preceding quarter.

The Commission had formalized its partnership with the FMDQ OTC through the signing of Regulatory Supervision Collaboration Agreement on 07 April, 2016 to ensure adequate corporate governance and fair returns in the dealings of the PFAs on all Bond transactions.

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

The Nigerian Stock Market indicators continued in a bearish mood during the quarter with a decline of 6.59 percent in the market capitalization to ₦15.88 trillion from ₦17.00 trillion during the previous quarter. The NSE All Share Index also dipped by 11.65 percent from 28,642.25 in last quarter of 2015 to 25,306.22 in the quarter under review.

However, total volume traded increased to 34.94 billion in the quarter from 18.37 billion in the previous period. On the other hand, the total value traded decreased from ₦172.8 billion in quarter four 2015 to ₦149.39 billion in the review period.

## **SECTION TWO**

### **Regulatory and Supervisory Activities**

The Commission continued its consultative philosophy in regulating and supervising the industry. The risk-based examination approach was implemented as a way of promoting transparency and providing early warning signals as well as encourage pension operators to regularly self-evaluate their positions.

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

There was neither routine nor special examination carried out in the pension industry during the period under review. However, a retreat was held for lead examiners and training sessions were held for staff that participate in the examination of branches of licensed operators.

##### **a) Compliance Reports**

The major issues observed from the review of the compliance reports forwarded by the operators during the quarter ended were un-credited pension contributions and delays in the payment of retirement benefits to the retirees. The failure to fill vacant top management positions by Operators was also identified as an emerging issue.

The Commission had forwarded letters to the operators involved on the issues and had been reviewing responses towards resolving them. In addition, some of the issues were also raised and discussed with the Operators during on-site examinations.

##### **b) Actuarial Valuation**

The Commission received 4 Actuarial Valuation reports in respect of 4 Defined Benefit Schemes for the financial year ended 31 December, 2015. The review of all the reports revealed that three out of the 4 schemes recorded surplus of ₦262.27 million, ₦28.29 million and ₦2.36 million respectively while one scheme recorded a deficit of ₦1.55 million. The Commission had written to the Scheme Sponsor to come up with funding arrangement to defray the recorded deficit.

## **c) Corporate Governance**

The 2015 Routine Examination on one of the Operators revealed issues bordering on Corporate Governance in its operational activities. Consequently, the Commission placed monetary sanction on the Operator for violation of its licensing conditions; issued caution letter to the Managing Director to desist from any act capable of undermining the independence of the Compliance Officer and Internal Auditor; and issued warning letter to two (2) of its Directors for not upholding sound corporate governance, which requires high ethical conduct at all times.

## **d) Regulatory Intervention**

The regulatory intervention of First Guarantee Pension Limited (FGPL) is still ongoing and is presently under the superintendence of a three-man Interim Management Committee (IMC) constituted since 2011 by the Commission pending the resolution of the PFA's issues.

### **2.1.1 Update on Returns Rendition System**

As part of the their obligations to the Commission, 30 Licensed Pension Operators compromising 19 PFAs and 7 CPFAs and 4 PFCs have rendered returns on the Funds under their management/custody as well as their companies' accounts to the Commission through Risk Management Analysis System (RMAS) for the quarter under review. The returns for 2 PFAs were yet to be received.

The review of returns rendered so far indicated an increase in the pension assets under management/custody of the operators. However, the detailed analysis of the financials of the Funds and Operators was still ongoing as at the time of writing this report.

### **2.1.2 Resolution Activities**

First Guarantee Pension Managers Limited remained under the regulatory intervention of the Commission. The PFA has been under the management of a three-man Interim Management Committee (IMC) appointed by the Commission to superintend over the affairs of the PFA in 2011 pending the resolution of the PFA's issues.

## **2.2 Compliance and Enforcement Activities**

The Commission continued to apply sanctions and collaborate with key stakeholders on public enlightenment campaigns on its drive to promote

compliance by employers of labour. Similarly, engagement of defaulting employers continued via pension recovery agents employed to recover unremitted pension contributions.

### **2.2.1 Update on Compliance by the Private Sector**

During the quarter under review, the Commission received a total of 2,670 applications for issuance of Compliance Certificates. The Compliance Certificates were issued to 2,196 organizations while applications from 474 were turned down due to non-remittance of pension contributions or non-provision of Group Life Insurance Policy for their employees.

### **2.2.2 Transfer of Nigeria Social Insurance Trust Fund (NSITF) Contributions to Members RSAs**

The Commission received a total of 1,467 applications for the transfer of NSITF contributions totaling ₦96.33 into beneficiaries' RSAs during the quarter under review. Already, 1,400 applications were processed and the corresponding benefit amounting to ₦91.27 million was transferred to their RSAs. However, 67 applications totaling ₦5.06 million were rejected due to incomplete documentations. Cumulatively, a total of about ₦9.21 billion had been transferred to the RSAs of 127,835 NSITF contributors from inception to date. The Commission also processed monthly pension payments of ₦72.73 million in respect of 4,353 NSITF pensioners. This brought the total pension payment to NSITF pensioners to ₦3.59 billion from inception to the end of March 2016.

### **2.2.3 Update on the Recovery of Outstanding Pension Contributions and Interest Penalty from Defaulting Employers**

The services of 55 consultants were maintained to follow-up and conclude the recovery of outstanding pension contributions with penalty from defaulting employers. Following the issuance of demand notices to defaulting employers whose liabilities had been established by the consultants, some employers have remitted the outstanding pension contributions and penalty of ₦348.81 million during the quarter, making the total recoveries from inception at ₦9.38 billion as at the end of the first quarter, 2016.

#### **2.2.4 Update on Informal Sector Participation in the Contributory Pension Scheme (CPS)**

During the quarter, the Commission embarked on consultations with some key stakeholders with the view of mobilizing the self-employed and persons working for organizations with less than three employees to participate in the Micro-Pension Scheme. The consultations were to provide stakeholders' perspectives and preferences in savings for retirement, which would allow the Commission to finalize the Framework and Guidelines for the Micro Pension. In this regard, consultations were held with leaders of Lagos State Council of Trade Men and Artisans (LASCOSTA) and Nigerian Builders Association. A meeting was also held between the Commission and the Central Bank of Nigeria (CBN) to discuss the modalities for using the mobile money platform for pension contributions as well as the BVN for verification and validation during registration of the Micro Pension participants.

#### **2.2.5 Update on Activities of the Pension Transitional Arrangement Department (PTAD)**

The Commission received statutory monthly returns from PTAD for February and March, 2016 during the review period. Analysis of the returns revealed that PTAD had a total of 217,619 pensioners on its payroll with a monthly pension bill of ₦6.24 billion as at 31 March, 2016. As part of its supervisory role on the activities of PTAD, the Commission participated, as an observer, in the validation exercise of the Next of Kin (NOK) to the deceased pensioners of Federal Government Parastatal under the insured pension scheme in the Ministries of Health and Education. A total of 16 complaints were received from pensioners of the old scheme. These complaints comprised of stoppage of monthly pension, non-payment of pension benefits, and short payment of Federal share of monthly pension. The complaints were forwarded to the PTAD Office for prompt attention.

#### **2.2.6 Update on the Refund of Pension Contribution of the Military and Security Agencies**

The Commission received a total of one hundred and forty-five (145) applications for refund of 2.5% of Military pension contributions as a result of their exemption from the Contributory Pension Scheme (CPS). Out of these 145 applications, one hundred and thirty six (136) were processed for refund while 9 were still pending as a result of a mismatch of information in the database.

## 2.3 Other Compliance Efforts

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

State Governments continued to make progress in the level of their implementation of the Contributory Pension Scheme (CPS). As at the end of the review period, twenty-six (26) States Governments had enacted their pension laws, 10 States were at the Bill stage. Furthermore, 673,116 contributors were registered with the various Pension Fund Administrators (PFAs). However, out the total number of registered Retirement Savings Accounts (RSAs), only 62.07 percent (417,834) of the RSAs were currently funded. A breakdown of the level of implementation of the CPS by the State Governments is presented in Table 2.1

**Table 2.1: Level of Compliance with the CPS by State Governments**

S/N	State	Remittance of Contribution	Accrued Rights	Group Life Insurance
1	Abia	Yet to commence	Not funded	Not implemented
2	Adamawa	Yet to commence	Not funded	Not implemented
3	Akwa Ibom	Yet to commence	Not funded	Not implemented
4	Anambra	Commenced	Funded	Not implemented
5	Bauchi	Yet to commence	Not funded	Not implemented
6	Bayelsa	Yet to commence	Not funded	Not implemented
7	Benue	Yet to commence	Not funded	Not implemented
8	Borno	Yet to commence	Not funded	Not implemented
9	Cross River	Yet to commence	Not funded	Not implemented
10	Delta	Commenced	Funded	Not Implemented
11	Ebonyi	Yet to commence	Not funded	Not implemented
12	Edo	Yet to commence	Not funded	Not implemented
13	Ekiti	Yet to commence	Not funded	Not implemented
14	Enugu	Yet to commence	Not funded	Not implemented
15	Gombe	Yet to commence	Not funded	Not implemented
16	Imo	Yet to commence remittance of pension contributions but the Imo State University is currently implementing the CPS under the auspices of the PRA 2014	Not funded	Not implemented
17	Jigawa	Assets transferred to 6 PFAs for management	N/A	N/A
18	Kaduna	Commenced	Funded	Not implemented
19	Kano	Assets yet to be transferred	N/A	N/A
20	Katsina	Yet to commence	Not funded	Not implemented
21	Kebbi	Yet to commence	Not funded	Not implemented
22	Kogi	Yet to commence	Not funded	Not implemented
23	Kwara	Yet to commence	Not funded	Not implemented



S/N	State	Remittance of Contribution	Accrued Rights	Group Life Insurance
24	Lagos	Commenced	Funded	Implemented
25	Nasarawa	Yet to commence	Not funded	Not implemented
26	Niger	Commenced	Funded	Implemented
27	Ogun	Commenced	Funded	Not implemented
28	Ondo	Yet to commence	Not funded	Not implemented
29	Osun	Commenced	Funded	Implemented
30	Oyo	Yet to commence	Not funded	Not implemented
31	Plateau	Yet to commence	Not funded	Not implemented
32	Rivers	Commenced	Funded	Implemented
33	Sokoto	Yet to commence	Not funded	Not implemented
34	Taraba	Yet to commence	Not funded	Not implemented
35	Yobe	Yet to commence	Not funded	Not implemented
36	Zamfara	Commenced	Not funded	Not implemented

Apart from enacting laws on the CPS, Table 2.1 further shows that ten (10) out of the 36 states had commenced remittance of contributions into the RSAs of their employees. In addition to the information in Table 2.1, eight (8) States have commenced the funding of their Retirement Benefit Bond Redemption Fund Accounts (RBBRFAs).

### **(b) Implementation Plan of CPS**

A 12 – 18 months roadmap has been developed for the engagement of Labour Unions, State employees, State Government Officials and other stakeholders, to positively influence State compliance. In order to ensure smooth implementation of the action plans in the roadmap, technical support and guidance would continue to be given to all States in the areas of actuarial valuation, employment verification (i.e. payroll clean-up); evolving viable funding plans for implementation of the CPS; registration of employees; and IT integration. The Commission has held engagement meetings with the Heads of Service and Labour Unions of Enugu, Imo, Akwa-Ibom and Rivers States in this regard. It also held implementation meeting with the newly appointed Executive Secretary of Zamfara State Pension Board.

## SECTION THREE

### Pension Industry Statistics

#### 3.1 Scheme Memberships

The pension industry witnessed 1.75 percent growth in the scheme membership during the first quarter of 2016, from 6,950,503 contributors at the end of the preceding quarter to 7,071,791 in the reporting period. The expansion in industry membership was driven by Retirement Savings Account (RSA) Scheme. RSA scheme had an increase of 121,338 contributors representing 1.76 percent whereas membership of the Closed Pension Fund Administration Scheme (CPFA) declined by 50 representing 0.21 percent of the total members of the scheme during the period. The Approved Existing Scheme (AES) membership remained unchanged. See Table 3.1.

**Table 3.1 Scheme Memberships as at First Quarter, 2016**

Scheme	Q3:2015	Q4:2015	Q1:2016	% change (Q4: 2015 and Q1:2016)
RSA	6,745,406	6,885,396	7,006,734	1.76
CPFA	24,197	24,156	24,106	(0.21)
AES	40,951	40,951	40,951	0.00
<b>Total</b>	<b>6,810,554</b>	<b>6,950,503</b>	<b>7,072,013</b>	<b>1.75</b>

Note: Figures in parenthesis represent decrease from the previous reporting period

As PRA 2014 has closed new entrants into the CPFA and AES, it is expected that memberships of these scheme could at least remain constant or reduce due to change of jobs, deaths and retirements. This is more so given that membership of these Schemes is restricted to staff of the sponsoring organizations.

##### 3.1.1 Membership of RSA

A breakdown of the RSA registrations indicates a 1.23 percent (40,222) increase in membership of the public sector over the previous quarter to stand at 3,308,661. This figure represents 47.22 percent of the total RSA registration as at the first quarter of 2016, as shown in Table 3.2.

**Table 3.2: RSA Registrations by Age and Sector in First Quarter, 2016**

Age Range	Public Sector		Private Sector		Total		Grand Total	
	Male	Female	Male	Female	Male	Female	Number	%
Less than 30 yrs	128,528	56,475	367,654	169,928	496,182	226,403	722,585	10.31
30 - 39 yrs	738,922	366,942	1,193,185	438,359	1,932,107	805,301	2,737,408	39.07
40 - 49 yrs	595,203	371,317	746,826	192,851	1,342,029	564,168	1,906,197	27.21
50 - 59 yrs	507,659	274,257	377,544	64,696	885,203	338,953	1,224,156	17.47
60 - 65 yrs	151,177	54,413	88,020	9,863	239,197	64,276	303,473	4.33
above 65 yrs	51,675	12,093	44,938	4,209	96,613	16,302	112,915	1.61
<b>Total</b>	<b>2,173,164</b>	<b>1,135,497</b>	<b>2,818,167</b>	<b>879,906</b>	<b>4,991,331</b>	<b>2,015,403</b>	<b>7,006,734</b>	<b>100.00</b>

The private sector shows a continuous dominance in RSA membership with 52.78 percent (3,698,073) of the total RSA registration as at the end of the reporting period, from 3,616,957 in the previous quarter. The sector also witnessed a higher growth of 2.24 percent (81,116) than that of the public sector. This can be attributed to the increase in the level of compliance by the private sector as a result of the various steps taken by the Commission to improve compliance and coverage, as well as marketing strategies of the PFAs.

Analysis of the age distribution of RSA holders revealed that membership of the scheme is very young, as about 77 percent of the members were below 50 years and about 50 percent of the members still remained under 40 years. Thus, the demography of the scheme favoured longer accumulation periods and long-term investments, such as, in instruments that would support provision of necessary infrastructure for economic development.

### **3.1.2 RSA Registrations by PFA Market Share**

The ranking of PFAs by number of registered contributors showed a redistribution of the market share across the various ranked groupings. While the market shares of the bottom three, five and ten PFAs had continued to grow, those of the top three, five and ten slightly dipped as at end of first quarter of 2016. The shares of bottom five and ten PFAs increased from 4.27 and 15.01 percent in the fourth quarter, 2015 to 4.36 and 15.16 percent as at the end of the reporting period respectively. However, the market shares of top five and ten dropped from 56.80 and 81.75 percent in the previous quarter to 56.63 and 81.61 percent as at the end of the quarter under review (see Table 3.3).

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

<b>PFA Ranking</b>	<b>Q4:15 (%)</b>	<b>Q1:16 (%)</b>
Top 3	40.17	39.97
Top 5	56.80	56.63
Top 10	81.75	81.61
Bottom 3	1.54	1.57
Bottom 5	4.27	4.36
Bottom 10	15.01	15.16

Table 3.3 further indicates that the share of the top three PFAs had reduced from 40.17 percent as at the end of fourth quarter, 2015 to 39.97 percent as at the first quarter, 2016. The share of the bottom three PFAs increased from 1.54 percent as at the end of fourth quarter, 2015 to 1.57 percent.

Table 3.4 shows that 76 percent (16) of the PFAs had registered less than 500,000 RSA contributors. The Table also shows that five PFAs (24 percent) registered at least 500,000 RSA contributors.

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

<b>Range of RSA Registrations</b>	<b>Number of PFAs</b>
Above 1,000,000	1
500,000 – 1,000,000	4
100,000 – 499,999	12
Less than 100,000	4

### **3.1.3 Memberships of CPFAs and AES**

The total memberships of licensed CPFAs and AESs were 24,106 and 40,951 respectively as at the end of the first quarter of 2016 as shown in Tables 3.5 and 3.6. A review of the Tables shows a slight decrease of 0.21 percent in the membership of the CPFAs from the figures of the fourth quarter of 2015, while that of the AESs remained unchanged compared to the previous reporting period.

**Table 3.5: Membership of CPFAs as at Third Quarter, 2015**

Enrolment Type	Number			Percentage of Total	
	Q3:2015	Q4:2015	Q1:2016	Q4:2015	Q1:2016
Active Members	17,623	17,599	17,556	72.86	72.83
Existing Pensioners	5,979	5,962	5,955	24.68	24.70
Deferred Pensioners	595	595	595	2.46	2.47
<b>Total</b>	<b>24,197</b>	<b>24,156</b>	<b>24,106</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, 2015**

Enrolment Type	Number			Percentage of Total	
	Q3:2015	Q4:2015	Q1:2016	Q4:2015	Q1:2016
Active Members	24,255	24,255	24,255	59.23	59.23
Current Pensioners	15,313	15,313	15,313	37.39	37.39
Deferred Pensioners	149	149	149	0.36	0.36
Dependants	1,234	1,234	1,234	3.01	3.01
<b>Total</b>	<b>40,951</b>	<b>40,951</b>	<b>40,951</b>	<b>100.00</b>	<b>100.00</b>

Note: Dependants are protégés of deceased pensioners.

### 3.2 Pension Contributions

The total monthly pension contribution made by contributors from both the public and private sectors into their RSAs was ₦3.55 trillion as at the end of first quarter 2016. This shows an increase of ₦120.51 billion representing 3.51 percent over the total contributions as at the end of the previous quarter as shown in Table 3.7. A review of the aggregate total contribution shows that the Public Sector contributed 53.45 percent of the total contributions, while the Private sector contributed the remaining 46.55 percent. However, it is important to note that Public Sector contributed 45.95 percent of the total contributions received during the quarter under review while the Private sector contributed 54.05 percent.

**Table 3.7: Pension Contributions as at first Quarter, 2016**

Year/Quarter	Public Sector		Private Sector		Total	
	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total
2004	15.6	0.82	-	-	15.6	0.44
2005	34.68	1.83	-	-	34.68	0.98
2006	37.38	1.97	23.03	1.39	60.41	1.70
2007	80.63	4.25	68.34	4.13	148.97	4.19
2008	99.28	5.23	80.81	4.89	180.09	5.07
2009	137.1	7.22	91.21	5.52	228.31	6.43
2010	162.46	8.56	103.03	6.23	265.49	7.47
2011	228.92	12.06	119.53	7.23	348.45	9.81
2012	331.14	17.44	174.43	10.55	505.57	14.23
2013	278.5	14.67	225.42	13.63	503.92	14.18
2014	237.76	12.52	343.97	20.80	581.73	16.37
2015	200.05	10.54	358.91	21.70	558.96	15.73
Q1:2016	55.38	2.92	65.13	3.94	120.51	3.39
<b>Total</b>	<b>1,898.88</b>	<b>100.00</b>	<b>1,653.81</b>	<b>100.00</b>	<b>3,552.69</b>	<b>100.00</b>

The aggregate total pension contribution of the Private sector increased from ₦1.59 trillion as at fourth quarter of 2015 to ₦1.65 trillion as the first quarter of 2016 representing a growth of 4.10 percent. Whereas, the aggregate total pension contribution of the Public Sector grew by 3.00 percent from ₦1.84 trillion to ₦1.90 trillion over the same periods.

### 3.2.1 Contributions by Rank of PFA

The ranking of PFAs by total pension contributions indicates that the top 5 ranking PFAs received 69.17 percent of the total contributions as at the end of the quarter under review. The top 10 ranking PFAs accounted for 90.52 percent of the total contributions. The bottom 5 and 10 PFAs received N43.07 billion and N192.17 billion contributions of their members, representing 1.46 percent and 6.53 percent of the total contributions received as at the end of the first quarter of 2016 respectively.

**Table 3.8: PFA Ranking by Size of Contributions as at First Quarter, 2016**

Rank	Amount (N billion)	Percentage of Total
Top 5	2,036.86	69.17
Top 10	2,665.49	90.52
Bottom 5	43.07	1.46
Bottom 10	192.17	6.53

### 3.3 Pension Fund Investment

The total value of pension fund assets grew to N5.46 trillion as at 31 March, 2016 from N5.30 trillion reported for the preceding quarter, representing a growth of 2.98 percent (N157.92 billion). This indicated a slower growth compared to the 3.71 percent growth as at the fourth quarter of 2015, which can be attributed to reduction in investment incomes on fixed income instruments as well as unrealized losses on equity investments. The breakdown of the pension assets is shown in Table 3.9.

**Table 3.9: Pension Fund Portfolio by Fund Type as at First Quarter, 2016**

Fund/Period	Q3:2015		Q4:2015		Q1:2016		Change between Q1:2016 & Q4:2015	
	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total
RSA Active	3,350.96	65.54	3,455.08	64.33	3,588.55	65.71	133.47	84.52
RSA Retiree	399.80	7.82	421.15	8.07	438.25	8.03	17.11	10.83
CPFAs	709.26	13.87	755.09	14.4	749.63	13.73	(5.46)	(3.4)
AESs	652.97	12.77	671.56	13.19	684.36	12.53	12.80	8.10
<b>Total</b>	<b>5,112.98</b>	<b>100.00</b>	<b>5,302.88</b>	<b>100.00</b>	<b>5,460.80</b>	<b>100.00</b>	<b>157.92</b>	<b>100.00</b>

Table 3.9 shows that RSA active fund constituted the largest proportion of the total pension fund, accounting for 65.71 percent (N3, 588.55 billion) of total fund. RSA active fund also accounted for 84.52 percent (N133.47 billion) of the total assets as at the end of the reporting period. CPFAs and AESs assets stood at N749.63 billion and N684.36 billion representing 13.73 percent and 12.53 percent of the total assets respectively. The RSA Retiree Funds recorded N438.25 billion, representing 8.03 percent of the total assets.

A breakdown of pension industry portfolio as illustrated in Table 3.10 shows that Federal Government Securities accounted for 67 percent of total pension assets as at the end of March, 2016. This was made up of FGN Bonds- 59 percent and Treasury Bills-8 percent.

**Table 3.10: Pension Industry Portfolio as at March, 2016**

Asset Class	Q4:2015		Q1:2016		Variance (Dec'15 Mar'16)	
	N Billion	%	N Billion	%	N Billion	%
Quoted Ordinary Shares	517.76	9.76	469.96	8.61	(47.80)	(30.27)
FGN Securities:						
FGN Bonds	3,044.49	57.41	3,235.76	59.25	191.27	121.12
Treasury Bills	470.69	8.88	448.69	8.22	(21.99)	(13.93)
State Govt. Bonds	152.44	2.87	152.82	2.80	0.38	0.24
Corporate Debt Securities	183.01	3.45	186.42	3.41	3.41	2.16
Supranational Bonds	12.82	0.24	12.47	0.23	(0.35)	(0.22)
Money Market Instruments	561.07	10.58	574.35	10.52	13.28	8.41
Open/Close-End Funds	20.72	0.39	22.20	0.41	1.48	0.94
Real Estate Property	230.34	4.34	212.26	3.89	(18.07)	(11.45)
Private Equity Funds	24.55	0.46	17.01	0.31	(7.55)	(4.78)
Infrastructure Funds	1.36	0.03	1.02	0.02	(0.34)	(0.21)
Foreign Investments:						
Equities	68.35	1.29	67.97	1.24	(0.38)	(0.24)
Money Market Instruments	0.13	0.00	2.70	0.05	2.57	1.63
Cash & Other Assets	36.04	0.68	59.30	1.09	23.26	14.73
Other Liabilities	(20.87)	(0.39)	(2.13)	(0.04)	18.75	11.87
<b>Total</b>	<b>5,302.88</b>	<b>100</b>	<b>5,460.80</b>	<b>100</b>	<b>157.92</b>	<b>100</b>

Table 3.10 further indicates that the value of investments in quoted ordinary shares was ~~N~~469.96 billion (9 percent) showing a decrease of ~~N~~47.80 billion (9 percent) compared to ~~N~~517.76 billion as at 31 December 2015. This was primarily due to depreciation in the market prices of quoted equities during the period, as reflected by key market indicators, the NSE-All Share Index and Market Capitalization depreciated in from 28,642.25 basis points, that is, from ~~N~~9.85 trillion to 25,306.22 basis points and ~~N~~8.71trillion during the first quarter of 2016.

The value of investments in FGN Bonds increased by ~~N~~191.28 billion (6 percent), due to new investments and asset reallocations arising from matured Treasury Bill investments. The value of investment in Supranational Bonds decreased by ~~N~~0.35 billion as a result of coupon payments during the period.



A review of PFAs' ranking by size of assets under their management shows that the top three and five PFAs accounted for more than half of the total RSA assets at 54.19 and 66.58 percent respectively at the end of the first quarter, 2016. The top ten ranking PFAs managed 88.20 percent of the total RSA assets while the bottom ten PFAs accounted for 8.74 percent of the RSA assets under management at the end of the reporting period. .

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

PFA Rank	Q3:2015		Q4:2015		Q1:2016	
	Amount (₦ Billion)	% of Total RSA Assets	Amount (₦ Billion)	% of Total RSA Assets	Amount (₦ Billion)	% of Total RSA Assets
Top 3	2,005.71	54.57	2,071.31	54.32	2,134.78	54.19
Top 5	2,479.13	67.45	2,548.09	66.82	2,622.71	66.58
Top 10	3,240.68	88.17	3,366.25	88.28	3,474.57	88.20
Bottom 3	14.99	0.41	15.26	0.40	16.46	0.42
Bottom 5	59.32	1.61	60.17	1.58	63.88	1.62
Bottom 10	319.82	8.70	330.60	8.67	344.11	8.74

The bottom three, five and ten PFAs showed improvement in the proportion of the RSA assets under their management over the previous quarter with 0.41 percent, 1.61 percent and 8.70 percent respectively.

### 3.3.3 Portfolio Performance

The Net Asset Value (NAV) of the RSA 'Active' Fund recorded a net growth of ₦133.46 billion (3.86 percent), as it increased from ₦3.46 trillion on 31 December, 2015 to ₦3.59 trillion on 31 March, 2016. The RSA 'Active' Fund recorded an annualized Weighted Average Rate of Return (WARR) of 5.00 percent during the first quarter of 2016. This was a decline in performance compared to the WARR of 7.88 percent recorded in the last quarter of 2015. The low performance in the quarter was largely due to the diminution in stock prices as characterized by the negative performance of the NSE ASI, which shed 9.57 percent in the period under review, resulting in unrealized losses of ₦46.54 billion to the RSA 'Active' Funds

The Net Assets Value of RSA 'Retiree' Funds increased by ₦17.10 billion in the review period to ₦438.25 billion as at 31 March, 2016. The annualized Weighted Average Rate of Return (WARR) of the RSA 'Retiree' Fund declined to 11.60 from 13.22 percent recorded in the previous quarter. This was primarily attributable to

the unrealized losses on equity investments as well as reduced interest rates on money market and Treasury Bills.

Annualized Rates of Return recorded on the CPFA Funds ranged between -5.22 percent and 12.90 percent in the quarter and were reflective of the actual assets allocation of the individual Funds. The Funds with relatively high exposure to variable income investments recorded poor performances, when compared to other Funds with higher exposure to fixed income assets.

Similarly, the annualized returns on the individual AES Funds ranged between -14.80 percent and 18.2 percent, depending on the Funds' level of exposure to variable income securities.

### **3.3.4 Outlook for Second Quarter 2016**

The outlook for the next Quarter of 2016 is moderate, as economic analysts expect a gradual rebound in economic activities, largely as a result of the start of the implementation of the 2016 budget, which should spur economic activities. However, the year-on-year inflation rate as at March 2016 was 12.8 percent, reflecting an increase in the prices of goods (imported food and non-food items) and services (especially electricity tariffs) to a year-on-year high that was last recorded in July of 2012, and is expected to move on high trend due to the deregulation of the downstream activities of the petroleum sector.

Average bond yields in quarter one, 2016 were 11.98 percent, against 12.53 percent obtained in the last quarter of 2015. However, following the planned increase in net domestic borrowings as a result of the decline in oil prices and continued increase in inflation rates, yields on fixed income securities are expected to trend upwards in the second quarter of 2016.

Overall, we expect the performance of pension funds in next quarter not to be too different from the period under review.

## **3.4 Retirement/Terminal Benefits**

### **3.4.1 Retirees on Programmed Withdrawal**

The total number of retirees on Programmed Withdrawal (PW) increased from 126,775 in the fourth quarter, 2015 to 132,405 in the first quarter, 2016. The 5,630 increase represents 4.44 percent from the figure recorded in the previous quarter

as shown in Table 3.12. A sectoral breakdown of those that retired under the PW shows that the public sector accounted for 71.74 percent (4,039) of total retirees on PW during the quarter while the private sector recorded 28.26 percent totaling 1,591 retirees.

**Table 3.12: Number of Retirees on PW as at First Quarter, 2016**

Period	Public		Private	Total	Lump sum (₦ Million)	Monthly PW (₦ Million)
	FGN	State				
Inception to Q4: 2015	83,677	8,784	34,314	126,775	316,754.63	4,182.72
Q1: 2016	2,620	1,419	1,591	5,630	12,629.52	181.67
<b>Total</b>	<b>86,297</b>	<b>10,203</b>	<b>35,905</b>	<b>132,405</b>	<b>329,384.15</b>	<b>4,364.39</b>

The Table further shows that the lump sum withdrawals within the quarter stood at ₦12.63 billion, which cumulatively amounted to ₦329.38 billion from inception. In addition, an average of ₦4.36 billion is paid monthly to the retirees of the scheme as monthly Programmed Withdrawal as at the end of the reporting period.

### 3.4.2 Retirement by Annuity

The Commission approved a total of 3,288 applications for annuity retirement plan during the quarter, bringing the total number of retirees receiving their retirement benefits through the annuity plan to 29,620. The 3,288 retirees received ₦3.96 billion as lump sum payment and paid annuity premium of ₦15.44 billion cumulating to a total of ₦41.85 billion and ₦145.04 billion as lump sum payments and annuity premium respectively. The retirees were receiving average monthly annuity of ₦1.51 billion as at the end of March 2016.

**Table 3.13: Retirement by Annuity as at First Quarter, 2016**

Period	Public		Private	Total	Lump sum (₦ Million)	Premium (₦ Million)	Annuity (₦ Million)
	FGN	State					
Inception to Q4: 2015	17,324	2,447	6,561	26,332	37,887.52	129,602.56	1,357.56
Q1: 2016	2,203	513	572	3,288	3,958.82	15,436.35	150.55
<b>Total</b>	<b>19,527</b>	<b>2,960</b>	<b>7,133</b>	<b>29,620</b>	<b>41,846.34</b>	<b>145,038.91</b>	<b>1,508.11</b>

### 3.4.3 Withdrawal of 25 Percent of RSA Balances

During the quarter under review, approval was granted for payment of ₦3.32 billion to 10,481 RSA holders under the age of 50 years who were disengaged from work and were unable to secure another job within 4 months of disengagement. Table 3.14 showed that the private sector accounted for 95.55 percent (152,262) of the disengaged RSA holders, who received a total of ₦49.55 billion being 25 percent of their RSA balances as at the time they were disengaged.

**Table 3.14: Withdrawal of 25% of RSA Balance in the Third Quarter, 2015**

Period	Public		Private	Total	Total RSA Balance (₦ Million)	Total 25% Request (₦ Million)
	FGN	State				
Inception to Q4: 2015	4,770	1,777	142,333	148,880	184,929.20	46,232.30
Q1: 2016	270	282	9,929	10,481	13,260.50	3,315.13
<b>Total</b>	<b>5,040</b>	<b>2,059</b>	<b>152,262</b>	<b>159,361</b>	<b>198,189.70</b>	<b>49,547.43</b>

### 3.6 Approval of Death Benefits

The death benefit of 2,006 deceased employees with total value of ₦6.24 billion was approved for payment to the beneficiaries/administrators of the deceased employees during the quarter under review. Cumulatively, a total of ₦100.52 billion as paid as death benefits (including life insurance) of 34,410 deceased employees from both the private and public sector as at the end of first quarter, 2016.

**Table 3.16: Approval of Death Benefits as at First Quarter, 2016**

Sector	Public		Private	Total	Total Amount Paid (₦ Million)
	FGN	State			
Inception to Q4: 2015	24,983	1613	5,808	32,404	94,278.70
Q1: 2016	1,411	233	362	2,006	6,237.60
<b>Total</b>	<b>26,394</b>	<b>1,846</b>	<b>6,170</b>	<b>34,410</b>	<b>100,516.30</b>

Note: Total Amount paid is inclusive of Group Life Insurance Claims