

## *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***

**June 2016**

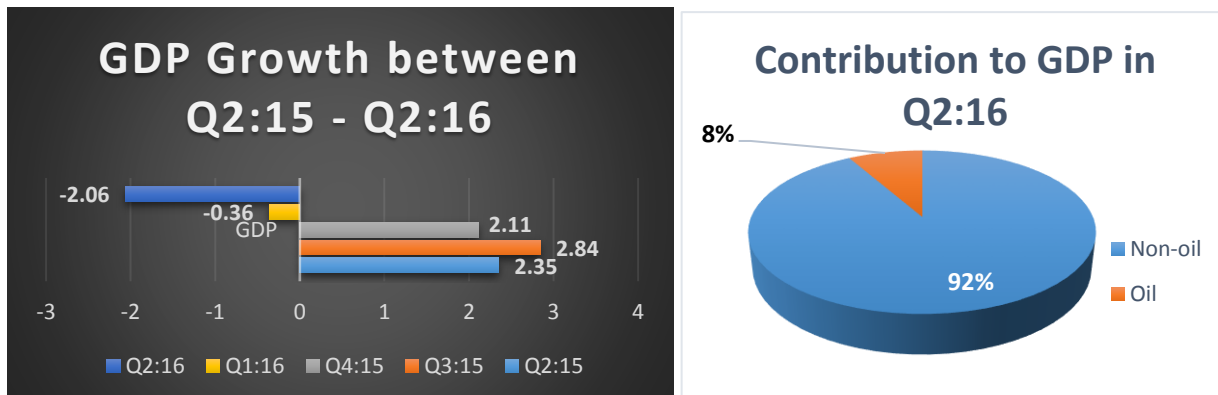
# SECTION ONE

## Pension Operating Environment

### 1.1 Macroeconomic Development

The pension industry operated in a sustained declined macroeconomic environment with negative growth of 2.06 percent year-on-year at the end of the second quarter of 2016. This is 1.70 percentage points lower than the growth in the previous quarter and 4.41 percentage points down than in the corresponding quarter of last year. However, real GDP quarter-on-quarter grew by 0.82 percent. In addition, the nominal GDP value grew by 2.73 percent from ₦22.86 trillion recorded in the preceding quarter ₦23.48 trillion.

The non-oil sector contributed 91.74 percent of the total economic growth during the quarter, more than 89.71 percent recorded in the first quarter of 2016. The oil sector contribution dipped to less than 8 percent.



**Figure 1: GDP Growth Trend between Q2:15 – Q2:16 and Sector Contribution**

Inflation rate increased sharply by 3.63 percentage points from 12.77 percent in the previous quarter to 16.48 percent in the second quarter of 2016. This dramatic jump represent a 28.43 percent rise and the highest since October, 2005 when the rate stood at 18.6 percent. The increase was largely a reflection of the greater pressure on exchange rate with a resulting high input cost, high fuel price due to deregulation, increased electricity tariff and insecurity inducing low productivity. The upsurge in the rate of inflation further impact negatively 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 sustained the tightened stance of the Central Bank of Nigeria (CBN) with restrictive monetary environment in the second quarter of 2016 as the Monetary Policy Rate (MPR) was retained at 12 percent. The Cash Reserve Ratio (CRR) was decreased to 20 from 25 percent in the first quarter of the year. 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 indicated an increase of over 30 percentage points in the interbank call rate from 4.32 percent in the first quarter, 2016 to 35.26 percent in the second quarter of the year. Similarly, the rates on deposits of various maturities was increased in the range of 5.17 and 6.92 percent in the quarter under review compared to 3.26 and 6.90 percent in the previous quarter. However, the prime lending rate decreased from 16.82 percent in the previous quarter to 16.78 percent, while the maximum lending rates remained 26.93 percent.

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

The Bond Market capitalization dipped by 0.70 percent in the second quarter of 2016 to ₦7.11 trillion from ₦7.16 trillion in the previous quarter. The capitalization was however 27.42 percent more than the corresponding quarter of the preceding year. The FGN and State Governments capitalized at ₦6.32 trillion and ₦535.08 billion in 17 and 22 listings respectively. Furthermore, Corporate Bonds capitalization stood at ₦224.91 billion, while supranational bonds was ₦24.95 billion. The total bond listing decreased from 65 in the last quarter to 64 in quarter under review.

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

The Nigerian Stock Market indicators demonstrated a rebound with a bullish trend during the quarter. The market capitalization moved up 8.82 percent from ₦15.88 trillion in the previous quarter to ₦17.28 trillion, it was also 1.53 percent up against the corresponding period of last year. Similarly, the NSE All Share Index grew by 16.96 percent from 25,306.22 in the first quarter of 2016 to 29,597.79 in the quarter under review.

However, total volume traded decreased from ~~N~~34.94 billion in the previous period to ~~N~~27.04 billion in the quarter. On the other hand, the total value traded increased from ~~N~~149.39 billion in last quarter to ~~N~~163.86 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 were on 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 following up 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.

#### **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 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.

#### **2.2 Compliance and Enforcement Activities**

The Commission continued to drive compliance with the PRA, 2014 by employers of labour through various strategies including public enlightenment campaigns, collaborations with regulatory agencies and sanctions. 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 3,150 applications for issuance of Compliance Certificates. Applications from 195 organizations were turned down due to non-remittance of employees' pension contributions or non-provision of Group Life Insurance Policy for the employees. However, 2,196 Compliance Certificates were issued while applications from 759 organisations were being processed. A total ~~N~~21.65 billion was remitted by the 2,196 organizations as the accumulated pension contributions as the quarter.

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

The Commission received 1,086 applications for the transfer of ₦71.38 million NSITF contributions into beneficiaries' RSAs managed by PFAs during the quarter under review. A total of 95.30 percent (1,035) of the applications were processed and the corresponding benefits amounting to ₦66.95 million were transferred to the RSAs of the contributors. However, 50 applications for a total benefit of ₦4.16 million were rejected due to incomplete documentations. Cumulatively, a total of about ₦9.27 billion had been transferred to the RSAs of 128,798 NSITF contributors from inception to date. The Commission also processed monthly pension payments of ₦76.63 million in respect of 4,356 NSITF pensioners. This brought the total pension payment to NSITF pensioners to ₦3.67 billion as at the end of the second quarter of 2016.

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

The services of 55 Recovery Agents 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 Agents, outstanding pension contributions and penalty of ₦818.46 million were recovered during the quarter, which makes the total recoveries to be ₦10.20 billion as at the end of June, 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 obtain stakeholders' perspectives and preferences in savings for retirement, which would allow the Commission 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.

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

The Commission had received statutory monthly returns from PTAD for the second quarter of 2016. Analysis of the returns revealed that 15,497 more pensioners were included in the PTAD payroll, representing 7.12 percent increase to cumulatively stand at 217,619 pensioners as at the end of the quarter. In addition, the monthly pension bill for the PTAD jumped by 24.68 percent (N1.54 billion) totaling a monthly pension bill of N7.78 billion as at 30 June, 2016. As part of its supervisory role on the activities of PTAD, the Commission followed up with the PTAD to ensure the implementation of the recommendations of the Maiden Examination carried out in 2015. The Commission was also planning for the 2016 routine examination of the Directorate. A total of 16 complaints were received by the Commission from pensioners under 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 204 applications for the refund of pension contributions to personnel of the Military and Security Service as a result of their exemption from the Contributory Pension Scheme (CPS). However, only 139 applications (68.14 percent) could be processed for refund, while the remaining 31.86 percent of the total applications were pending until issues of mismatched information in the database are resolved.

## **2.3 Other Compliance Efforts**

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

State Governments continued to make progress in their level of implementation of the Contributory Pension Scheme (CPS). However, as at the end of the review period, the status of implementation remained the same as in the previous quarter. In this regard, with the number of State Governments that enacted Pension Laws remained twenty-six (26) and 10 States were at the Bill stage. Furthermore, 673,116 employees of the States 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) 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 Insurance | Life | Status of Legislation |
|-----|-------------|---|----------------|-----------------|------|-----------------------|
| 1   | Abia        | Yet to commence   | Not funded     | Not implemented |      | Bill                  |
| 2   | Adamawa     | Yet to commence   | Not funded     | Not implemented |      | Law                   |
| 3   | Akwa Ibom   | Yet to commence   | Not funded     | Not implemented |      | Bill                  |
| 4   | Anambra     | Commenced   | Funded         | Not implemented |      | Law                   |
| 5   | Bauchi      | Yet to commence   | Not funded     | Not implemented |      | Bill                  |
| 6   | Bayelsa     | Yet to commence   | Not funded     | Not implemented |      | Law                   |
| 7   | Benue       | Yet to commence   | Not funded     | Not implemented |      | Bill                  |
| 8   | Borno       | Yet to commence   | Not funded     | Not implemented |      | Bill                  |
| 9   | Cross River | Yet to commence   | Not funded     | Not implemented |      | Bill                  |
| 10  | Delta       | Commenced   | Funded         | Not Implemented |      | Law                   |
| 11  | Ebonyi      | Yet to commence   | Not funded     | Not implemented |      | Bill                  |
| 12  | Edo         | Yet to commence   | Not funded     | Not implemented |      | Law                   |
| 13  | Ekiti       | Yet to commence   | Not funded     | Not implemented |      | Law                   |
| 14  | Enugu       | Yet to commence   | Not funded     | Not implemented |      | Law                   |
| 15  | Gombe       | Yet to commence   | Not funded     | Not implemented |      | Law                   |
| 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 |      | Law                   |
| 17  | Jigawa      | Assets transferred to 6 PFAs for management   | N/A            | N/A             |      | Law                   |
| 18  | Kaduna      | Commenced   | Funded         | Not implemented |      | Law                   |
| 19  | Kano        | Assets yet to be transferred  | N/A            | N/A             |      | Law                   |
| 20  | Katsina     | Yet to commence   | Not funded     | Not implemented |      | Law                   |
| 21  | Kebbi       | Yet to commence   | Not funded     | Not implemented |      | Law                   |
| 22  | Kogi        | Yet to commence   | Not funded     | Not implemented |      | Law                   |
| 23  | Kwara       | Yet to commence   | Not funded     | Not implemented |      | Bill                  |
| 24  | Lagos       | Commenced   | Funded         | Implemented     |      | Law                   |
| 25  | Nasarawa    | Yet to commence   | Not funded     | Not implemented |      | Law                   |
| 26  | Niger       | Commenced   | Funded         | Implemented     |      | Law                   |
| 27  | Ogun        | Commenced   | Funded         | Not implemented |      | Law                   |
| 28  | Ondo        | Yet to commence   | Not funded     | Not implemented |      | Law                   |
| 29  | Osun        | Commenced   | Funded         | Implemented     |      | Law                   |
| 30  | Oyo         | Yet to commence   | Not funded     | Not implemented |      | Law                   |
| 31  | Plateau     | Yet to commence   | Not funded     | Not implemented |      | Bill                  |
| 32  | Rivers      | Commenced   | Funded         | Implemented     |      | Law                   |
| 33  | Sokoto      | Yet to commence   | Not funded     | Not implemented |      | Law                   |
| 34  | Taraba      | Yet to commence   | Not funded     | Not implemented |      | Law                   |
| 35  | Yobe        | Yet to commence   | Not funded     | Not implemented |      | Bill                  |
| 36  | Zamfara     | Commenced   | Not funded     | Not implemented |      | Law                   |

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 had commenced the funding of their Retirement Benefit Bond Redemption Fund Accounts (RBBRFAs).

### **(b) Implementation Plan of the CPS in States**

In line with the 12 – 18 months roadmap developed for the engagement of stakeholders, several engagements and implementation meetings were held with the Heads of Service and Labour Unions of Adamawa, Bauchi, Imo Enugu, Kogi, Kwara, Niger, Rivers and Taraba States to facilitate the implementation of the CPS.

A consultative Forum for Pension Bureaus, Boards and Commissions of States and Local Governments that have commenced the implementation of the CPS held in Lagos to provide platform to discuss and proffer solution to challenges being faced by the State Governments in the implementation of the CPS. A total of 14 State and Local Government Pension Bureaus, Boards and Commissions were in attendance.

## SECTION THREE

### Pension Industry Statistics

#### 3.1 Scheme Memberships

The pension industry scheme membership grew by 1.70 percent during the second quarter of 2016, moving from 7,072,013 contributors at the end of the preceding quarter to 7,191,930 in the reporting period. The expansion in industry membership was driven by Retirement Savings Account (RSA) Scheme, which had an increase of 121,338 contributors representing 1.71 percent. Membership of the Closed Pension Fund Administration Scheme (CPFA) also grew by 197 representing 0.82 percent growth during the period. However, the Approved Existing Scheme (AES) membership remained steady at 40,951. See Table 3.1.

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

| <b>Scheme</b> | <b>Q4:2015</b>   | <b>Q1:2016</b>   | <b>Q2:2016</b>   | <b>% change<br/>(Q6: 2015 and Q2:2016)</b> |
|---------------|------------------|------------------|------------------|--|
| RSA           | 6,885,396        | 7,006,734        | 7,126,676        | 1.71                                       |
| CPFA          | 24,156           | 24,106           | 24,303           | 0.82                                       |
| AES           | 40,951           | 40,951           | 40,951           | 0  |
| <b>Total</b>  | <b>6,950,503</b> | <b>7,072,013</b> | <b>7,191,930</b> | <b>1.70</b>                                |

##### 3.1.1 Membership of RSA

A breakdown of the RSA membership figures revealed that the private sector registrations represented 53.14 percent of the total RSA registrations. The dominance of the sector was further demonstrated by the 2.40 percent growth (1.45 percent higher than the public sector) recorded in the second quarter of 2016. This growth represented an increase of 88,698 registrations over the previous quarter to bring the total private sector registration to 3,786,771. The growth could be attributed to the increased buy-in and compliance due to the various strategies implemented by the Commission and the pension operators to expand coverage of the scheme and engender greater acceptability. See Table 3.2.

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

| Age Range        | Public Sector    |                  | Private Sector   |                | Total            |                  | Grand Total      |               |
|------------------|------------------|------------------|------------------|----------------|------------------|------------------|------------------|---------------|
|                  | Male             | Female           | Male             | Female         | Male             | Female           | Number           | %             |
| Less than 30 yrs | 121,394          | 53,727           | 369,880          | 172,071        | 491,274          | 225,798          | 717,072          | 10.06         |
| 30 - 39 yrs      | 743,673          | 369,029          | 1,219,126        | 451,636        | 1,962,799        | 820,665          | 2,783,464        | 39.06         |
| 40 - 49 yrs      | 603,452          | 375,918          | 767,268          | 200,490        | 1,370,720        | 576,408          | 1,947,128        | 27.32         |
| 50 - 59 yrs      | 511,997          | 278,898          | 385,541          | 67,116         | 897,538          | 346,014          | 1,243,552        | 17.45         |
| 60 - 65 yrs      | 154,223          | 56,777           | 90,526           | 10,260         | 244,749          | 67,037           | 311,786          | 4.37          |
| above 65 yrs     | 56,930           | 13,887           | 48,263           | 4,594          | 105,193          | 18,481           | 123,674          | 1.74          |
| <b>Total</b>     | <b>2,191,669</b> | <b>1,148,236</b> | <b>2,880,604</b> | <b>906,167</b> | <b>5,072,273</b> | <b>2,054,403</b> | <b>7,126,676</b> | <b>100.00</b> |

Public sector registrations grew by 0.94 percent, representing 31,244 increase in membership in the quarter under review to close at a total of 3,308,661 registered RSAs. This registration figure represented 46.86 percent of RSA membership as at the end of the second quarter of 2016.

A further analysis of the age distribution of RSA holders revealed that membership of the scheme remained very young, as over 76 percent of the members were below 50 years and about 50 percent of the members were under 40 years. Thus, the demography of the scheme favoured longer accumulation periods and long-term investments. This scenario provides an opportunity for infrastructure and other long term developmental financing.

### 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 second 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 4.46 and 15.25 percent as at the end of the reporting period respectively. However, the market shares of top five and ten dropped from 56.63 and 81.61 percent in the previous quarter to 56.49 and 81.52 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>Q1:16 (%)</b> | <b>Q1:16 (%)</b> |
|--------------------|------------------|------------------|
| Top 3              | 39.97            | 39.77            |
| Top 5              | 56.63            | 59.49            |
| Top 10             | 81.61            | 81.52            |
| Bottom 3           | 1.57             | 1.64             |
| Bottom 5           | 4.36             | 4.46             |
| Bottom 10          | 15.16            | 15.25            |

Table 3.3 further indicates that the share of the top three PFAs had reduced from 39.97 percent as at the end of fourth quarter, 2015 to 39.77 percent as at the second quarter of 2016. The share of the bottom three PFAs increased from 1.57 percent as at the end of fourth quarter, 2015 to 1.64 percent.

Table 3.4 shows that 5 (24 percent) of the PFAs had registered at least 500,000 RSAs, while four (19 percent) PFAs registered less than 100,000 RSAs.

**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 24,303 and 40,951 respectively as at the end of the second quarter of 2016 as shown in Tables 3.5 and 3.6. A review of the Tables shows a slight increase of 0.82 percent in the membership of the CPFAs from the figures of the previous quarter, 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 |               |
|---------------------|---------------|---------------|---------------|---------------------|---------------|
|                     | Q4:2015       | Q1:2016       | Q2:2016       | Q1:2016             | Q2:2016       |
| Active Members      | 17,599        | 17,556        | 17,760        | 72.83               | 73.08         |
| Existing Pensioners | 5,962         | 5,955         | 5,948         | 24.70               | 24.47         |
| Deferred Pensioners | 595           | 595           | 595           | 2.47                | 2.45          |
| <b>Total</b>        | <b>24,156</b> | <b>24,106</b> | <b>24,303</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 |               |
|---------------------|---------------|---------------|---------------|---------------------|---------------|
|                     | Q4:2015       | Q1:2016       | Q2:2016       | Q1:2016             | Q2:2016       |
| 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 N3.59 trillion as at the end of second, quarter of 2016. This shows an increase of N35.59 billion representing 1.00 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 53.37 percent of the total contributions, while the Private sector contributed the remaining 46.63 percent. However, while the Public Sector contributed 45.43 percent of the total contributions received during the quarter under review, the Private sector contributed 54.57 percent.

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

| Year/Quarter | Public Sector         |               | Private Sector        |               | Total                 |               |
|--------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
|              | Amount<br>(₦ billion) | % of<br>Total | Amount<br>(₦ billion) | % of<br>Total | Amount<br>(₦ billion) | % of<br>Total |
| 2004         | 15.60                 | 0.81          | -                     | -             | 15.60                 | 0.43          |
| 2005         | 34.68                 | 1.81          | -                     | -             | 34.68                 | 0.97          |
| 2006         | 37.38                 | 1.95          | 23.03                 | 1.38          | 60.41                 | 1.68          |
| 2007         | 80.63                 | 4.21          | 68.34                 | 4.08          | 148.97                | 4.15          |
| 2008         | 99.28                 | 5.18          | 80.81                 | 4.83          | 180.09                | 5.02          |
| 2009         | 137.10                | 7.16          | 91.21                 | 5.45          | 228.31                | 6.36          |
| 2010         | 162.46                | 8.48          | 103.03                | 6.16          | 265.49                | 7.40          |
| 2011         | 228.92                | 11.95         | 119.53                | 7.14          | 348.45                | 9.71          |
| 2012         | 331.14                | 17.29         | 174.43                | 10.42         | 505.57                | 14.09         |
| 2013         | 278.50                | 14.54         | 225.42                | 13.47         | 503.92                | 14.04         |
| 2014         | 237.76                | 12.42         | 343.97                | 20.56         | 581.73                | 16.21         |
| 2015         | 200.05                | 10.45         | 358.91                | 21.45         | 558.96                | 15.58         |
| Q1:2016      | 55.38                 | 2.89          | 65.13                 | 3.89          | 120.51                | 3.36          |
| Q2:2016      | 16.17                 | 0.84          | 19.42                 | 1.16          | 35.59                 | 0.99          |
| <b>Total</b> | <b>1,915.05</b>       | <b>100.00</b> | <b>1,673.23</b>       | <b>100.00</b> | <b>3,588.28</b>       | <b>100.00</b> |

The aggregate total pension contribution of the Private sector increased from ₦1.65 trillion as at first quarter of 2016 to ₦1.67 trillion as the second quarter of 2016 representing a growth of 1.17 percent. Whereas, the aggregate total pension contribution of the Public Sector grew by 0.85 percent from ₦1.90 trillion to ₦1.92 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 69.33 percent of the total contributions as at the end of the quarter under review. The top 10 ranking PFAs accounted for 90.50 percent of the total contributions. The bottom 5 and 10 PFAs received ₦45.02 billion and ₦199.51 billion contributions representing 1.45 percent and 6.55 percent of the total contributions received as at the end of the Second quarter of 2016 respectively.

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

| Rank      | Amount (N billion) | Percentage of Total |
|-----------|--------------------|---------------------|
| Top 5     | 2,111.66           | 69.33               |
| Top 10    | 2,756.40           | 90.50               |
| Bottom 5  | 44.02              | 1.45                |
| Bottom 10 | 199.51             | 6.55                |

### 3.3 Pension Fund Investment

The total value of pension fund assets grew from N5.46 trillion as at 31 March, 2016 to N5.73 trillion as at the period under review, representing a growth of 4.92 percent (N263.53 billion). The growth can be attributed to the improved performance of the Capital market and increased investment incomes on fixed income instruments as a result of slight increase in interest rates on money market 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  | Q4:2015         |               | Q1:2016         |               | Q2:2016         |               | Change between Q2:2016 & Q1:2016 |               |
|--------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|----------------------------------|---------------|
|              | N' Billion      | % of Total    | N' Billion      | % of Total    | N' Billion      | % of Total    | N' Billion                       | % of Total    |
| RSA Active   | 3,455.08        | 64.33         | 3,588.55        | 65.71         | 3,825.14        | 66.76         | 236.59                           | 88.10         |
| RSA Retiree  | 421.15          | 8.07          | 438.25          | 8.03          | 428.69          | 7.48          | (9.56)                           | (3.56)        |
| CPFAs        | 755.09          | 14.4          | 749.63          | 13.73         | 812.92          | 14.19         | 63.29                            | 23.57         |
| AESs         | 671.56          | 13.19         | 684.36          | 12.53         | 662.58          | 11.56         | (21.78)                          | (8.11)        |
| <b>Total</b> | <b>5,302.88</b> | <b>100.00</b> | <b>5,460.80</b> | <b>100.00</b> | <b>5,729.33</b> | <b>100.00</b> | <b>268.54</b>                    | <b>100.00</b> |

Table 3.9 shows that RSA active fund constituted the largest proportion of the total pension fund, accounting for 66.76 percent (N3,825.14 billion) of total pension portfolio. RSA active fund grew N236.59 billion, representing 88.10 percent of the total assets generated during the reporting period. Assets of the CPFAs and AESs were valued at N812.92 billion and N662.58 billion representing 14.19 percent and 11.56 percent of the total assets respectively. The RSA Retiree Fund had N438.25 billion indicating a dip of 2.18 percent to represent 8.03 percent of the total assets.



A breakdown of pension industry portfolio as illustrated in Table 3.10 below shows that that Federal Government Securities accounted for 67.48 percent of total pension assets as at the end of June, 2016. This was made up of FGN Bonds (58.98 percent) and Treasury Bills (8.50 percent).

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

| Asset Class               | Q1:2016         |               | Q2:2016         |               | Variance (Mar'16 & June'16) |               |
|---------------------------|-----------------|---------------|-----------------|---------------|-----------------------------|---------------|
|                           | ₦ Billion       | %             | ₦ Billion       | %             | ₦ Billion                   | %             |
| Quoted Ordinary Shares    | 469.96          | 8.61          | 561.45          | 9.80          | 91.49                       | 34.07         |
| FGN Securities:           |                 |               |                 |               |                             |               |
| FGN Bonds                 | 3,235.76        | 59.25         | 3,379.23        | 58.98         | 143.47                      | 53.43         |
| Treasury Bills            | 448.69          | 8.22          | 487.08          | 8.50          | 38.39                       | 14.30         |
| State Govt. Bonds         | 152.82          | 2.80          | 139.59          | 2.44          | (13.23)                     | (4.93)        |
| Corporate Debt Securities | 186.42          | 3.41          | 269.81          | 4.71          | 83.39                       | 31.05         |
| Supranational Bonds       | 12.47           | 0.23          | 12.82           | 0.22          | 0.35                        | 0.13          |
| Money Market Instruments  | 574.35          | 10.52         | 494.51          | 8.63          | (79.84)                     | (29.73)       |
| Open/Close-End Funds      | 22.20           | 0.41          | 18.65           | 0.33          | (3.55)                      | (1.32)        |
| Real Estate Property      | 212.26          | 3.89          | 212.84          | 3.71          | 0.58                        | 0.22          |
| Private Equity Funds      | 17.01           | 0.31          | 18.66           | 0.33          | 1.65                        | 0.61          |
| Infrastructure Funds      | 1.02            | 0.02          | 1.62            | 0.03          | 0.60                        | 0.22          |
| Foreign Investments:      |                 |               |                 |               |                             |               |
| Equities                  | 67.97           | 1.24          | 99.50           | 1.74          | 31.53                       | 11.74         |
| Money Market Instruments  | 2.70            | 0.05          | 1.84            | 0.03          | (0.86)                      | (0.32)        |
| Cash & Other Assets       | 59.30           | 1.09          | 31.73           | 0.55          | (27.57)                     | (10.27)       |
| Other Liabilities         | (2.13)          | (0.04)        | 0.00            | 0.00          | 2.13                        | 0.79          |
| <b>Total</b>              | <b>5,460.80</b> | <b>100.00</b> | <b>5,729.32</b> | <b>100.00</b> | <b>298.53</b>               | <b>100.00</b> |

Table 3.10 further indicates that the value of investments in quoted ordinary shares was ₦561.45 billion (9.80 percent) showing an increase of ₦91.49 billion (34.07 percent) compared to ₦469.96 billion as at 31 March 2016. This was primarily due to improvement in the market prices of quoted equities during the period, as reflected by key market indicators. Indeed, the NSE-All Share Index and Market Capitalization appreciated from 25,306.22 basis points and ₦15.88 trillion in the first quarter of 2016 to 29,597.79 basis points and ₦17.281trillion during the quarter under review.

The value of investments in FGN Bonds also increased by ₦143.47 billion (4.43 percent), due to new investments and asset reallocations arising from matured money market investments. Similarly, investments in Corporate Debt Securities

increased significantly, following the subscription of pension funds in the Series I and II bonds of Lafarge Africa Plc, with maturities in 2019 and 2021 respectively.

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 50.27 and 60.80 percent respectively at the end of the second quarter, 2016. The top ten ranking PFAs managed 85.25 percent of the total RSA assets while the bottom ten PFAs accounted for 11.57 percent of the RSA assets under management at the end of the reporting period. .

**Table 3.11: Rank of PFA by the Size of Assets under their Management**

| PFA Rank  | Q4:2015            |                       | Q1:2016            |                       | Q2:2016            |                       |
|-----------|--------------------|-----------------------|--------------------|-----------------------|--------------------|-----------------------|
|           | Amount (₦ Billion) | % of Total RSA Assets | Amount (₦ Billion) | % of Total RSA Assets | Amount (₦ Billion) | % of Total RSA Assets |
| Top 3     | 2,071.31           | 54.32                 | 2,134.78           | 54.19                 | 2,078.58           | 50.27                 |
| Top 5     | 2,548.09           | 66.82                 | 2,622.71           | 66.58                 | 2,514.27           | 60.80                 |
| Top 10    | 3,366.25           | 88.28                 | 3,474.57           | 88.20                 | 3,524.95           | 85.25                 |
| Bottom 3  | 15.26              | 0.40                  | 16.46              | 0.42                  | 240.30             | 5.81                  |
| Bottom 5  | 60.17              | 1.58                  | 63.88              | 1.62                  | 301.26             | 7.29                  |
| Bottom 10 | 330.60             | 8.67                  | 344.11             | 8.74                  | 478.31             | 11.57                 |

The bottom three, five and ten PFAs showed significant improvement in the proportion of the RSA assets under their management over the previous quarter with increases of 5.81 percent, 7.29 percent and 11.57 percent respectively.

### 3.3.3 Portfolio Performance

The Weighted Average Rate of Return (WARR) on the RSA Active Fund was 13.98 percent (annualized) in the second quarter, 2016. This was a marked improvement compared with the WARR of 5.00 percent recorded in the first quarter of the year. The performance recorded in the second of the year was largely due to the stock market appreciation.

The Net Asset Value of the RSA Retiree Fund decreased by ₦9.57 billion, from ₦438.25 billion as at 31 March, 2016 to ₦428.69 billion in the second quarter of the year. The decline can be ascribed to the payment of retirement benefits to retirees which outstripped the receipts from the RSA Active Fund. The fund recorded a WARR of 9.52 percent (annualized) in the period under review, showing a decline performance compared with the 11.60 percent return in the

preceding quarter. The performance can be credited to the rollover of money market investments at reduced deposit rates and minimal equity exposure, which did not enjoy the stock appreciation.

The annualized rates of return recorded on the CPFA Funds ranged between 12.94 percent and 17.43 percent in the period. This was a better performance compared to -5.22 percent and 12.90 percent recorded in the first quarter, 2016. The returns recorded mirror the assets allocation of the individual Funds. Improved performance witnessed in Funds with relatively high exposure to variable income investments and United State Dollar denominated investments compared to other Funds with higher exposure to fixed income assets.

Similarly, the bullish capital market performance affected AES Funds investment in the ordinary shares during the period, which resulted in the appreciation in the market value of equity investments.

### 3.4 Retirement/Terminal Benefits

#### 3.4.1 Retirees on Programmed Withdrawal

The total number of retirees currently receiving their pensions under Programmed Withdrawal (PW) increased from 132,405 in the previous quarter to 137,196 in the Second quarter, 2016. This represented 3.62 percent (4,791) increase as shown in Table 3.12. A sectoral breakdown of those that retired under the PW shows that the public sector had 72.05 percent of total retirees on PW during the quarter while the private sector had 27.43 percent (1,591) of the retirees.

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

| Period                   | Public        |               | Private       | Total          | Lump sum<br>(₦ Million) | Monthly<br>PW<br>(₦ Million) |
|--------------------------|---------------|---------------|---------------|----------------|-------------------------|------------------------------|
|                          | FGN           | State         |               |                |                         |                              |
| Inception to<br>Q1: 2016 | 86,297        | 10,203        | 35,905        | 132,405        | 329,384.15              | 4,364.39                     |
| Q2: 2016                 | 1,993         | 359           | 1,727         | 4,791          | 10,543.67               | 147.81                       |
| <b>Total</b>             | <b>88,290</b> | <b>10,562</b> | <b>37,632</b> | <b>137,196</b> | <b>339,927.82</b>       | <b>4,512.20</b>              |

The Table further shows that lump sum withdrawals during the quarter stood at ₦10.54 billion, which cumulatively amounted to ₦339.93 billion from inception. In

addition, an average of ₦4.51 billion is paid monthly to the retirees as monthly Programmed Withdrawal (pension) as at the end of the reporting period.

### 3.4.2 Retirement by Annuity

The Commission approved a total of 2,511 applications for annuity retirement plan during the quarter, bringing the total number of retirees receiving their retirement benefits through the annuity plan to 32,131. The 2,511 retirees received ₦2.36 billion as lump sum payment and paid annuity premium of ₦12.05 billion to Insurance Companies cumulating to a total of ₦44.21 billion and ₦157.09 billion as lump sum payments and annuity premium respectively. The retirees were receiving average monthly annuity of ₦1.62 billion as at the end of June, 2016.

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

| Period                | Public        |              | Private      | Total         | Lump sum<br>(₦ Million) | Premium<br>(₦ Million) | Annuity<br>(₦ Million) |
|-----------------------|---------------|--------------|--------------|---------------|-------------------------|------------------------|------------------------|
|                       | FGN           | State        |              |               |                         |                        |                        |
| Inception to Q1: 2016 | 19,527        | 2,960        | 7,133        | 29,620        | 41,846.34               | 145,038.91             | 1,508.11               |
| Q2: 2016              | 1721          | 188          | 602          | 2,511         | 2,361.89                | 12,048.92              | 113.96                 |
| <b>Total</b>          | <b>21,248</b> | <b>3,148</b> | <b>7,735</b> | <b>32,131</b> | <b>44,208.23</b>        | <b>157,087.83</b>      | <b>1,622.07</b>        |

### 3.4.3 Withdrawal of 25 Percent of RSA Balances

During the quarter under review, approval was granted for payment of ₦3.36 billion to 13,437.47 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 95.27 percent (161,402) of the disengaged RSA holders, who received a total of ₦52.91 billion being 25 percent of their RSA balances as at the reporting period.

**Table 3.14: Withdrawal of 25% of RSA Balance in the Second Quarter, 2016**

| Period                | Public       |              | Private        | Total          | Total RSA<br>Balance (₦<br>Million) | Total 25%<br>Request<br>(₦ Million) |
|-----------------------|--------------|--------------|----------------|----------------|-------------------------------------|-------------------------------------|
|                       | FGN          | State        |                |                |                                     |                                     |
| Inception to Q1: 2016 | 5,040        | 2,059        | 152,262        | 159,361        | 198,189.70                          | 49547.43                            |
| Q2: 2016              | 784          | 134          | 9,140          | 10,058         | 13,437.47                           | 3,359.37                            |
| <b>Total</b>          | <b>5,824</b> | <b>2,193</b> | <b>161,402</b> | <b>169,419</b> | <b>211,627.17</b>                   | <b>52,906.8</b>                     |

### 3.6 Approval of Death Benefits

The Commission approved payments of ₦4.57 billion as death benefits to the beneficiaries of the 1,145 deceased employees during the quarter under review. This figure moved the cumulative payments of death benefits to a total of ₦105.09 billion. This amount was for 35,555 deceased employees from both the private and public sector (FGN and States) and included Group Life Insurance benefits.

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

| Sector                   | Public        |              | Private      | Total         | Total Amount Paid<br>(₦ Million) |
|--------------------------|---------------|--------------|--------------|---------------|----------------------------------|
|                          | FGN           | State        |              |               |                                  |
| Inception to Q1:<br>2015 | 26,394        | 1,846        | 6,170        | 34,410        | 100,516.30                       |
| Q2: 2016                 | 743           | 135          | 266          | 1,145         | 4,569.15                         |
| <b>Total</b>             | <b>27,137</b> | <b>1,981</b> | <b>6,436</b> | <b>35,555</b> | <b>105,085.45</b>                |

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

#### 3.3.4 Outlook for Second Quarter 2016

The outlook for the third 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 could only be compared to what was 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.