

**NATIONAL PENSION COMMISSION  
(PenCom)**

**2010 ANNUAL REPORT**  
*& Statement of Accounts*

# **CORPORATE VISION AND MISSION STATEMENT**

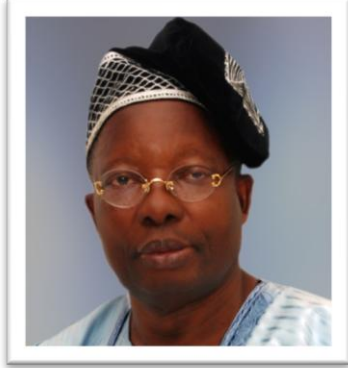
## **Corporate Vision**

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

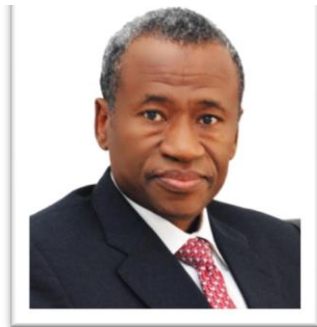
## **Mission Statement**

**“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”**

## MEMBERS OF THE BOARD



**Chief Oluwole A. Adeosun, FCA, OON**  
Chairman



**Mr. Muhammad K. Ahmad**  
Director General



**Mr. Pius N. Akubueze**  
Commissioner, Finance & Investment



**Ms. Eyamba T. Henshaw**  
Commissioner, Technical



**Dr. Musa A. Ibrahim**  
Commissioner, Inspectorate



**Mr. Manzuma T. Mamman**  
Commissioner, Administration

## MEMBERS OF THE BOARD



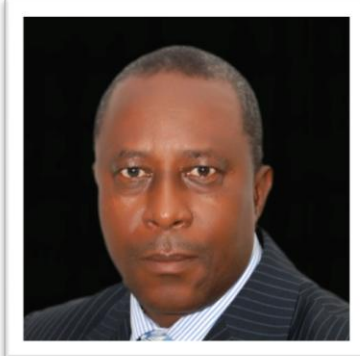
**Alhaji Ali Abatcha**  
Nigeria Union of Pensioners



**Mr. Charles Bonat**  
Office of the Head of Service of the Fed.



**Alhaji Lawal Sani Stores**  
Securities & Exchange Commission



**Mr. Ivor Takor**  
Nigeria Labour Congress



**Mr. Athans Braimah**  
Federal Ministry of Finance



**Mr. Segun Oshinowo**  
Nigeria Employers Consultative Association



**Mr. Suleiman Barau**  
Central Bank of Nigeria



**Chinelo Anohu-Amazu**  
Commission Sec./Legal Adviser

## EXECUTIVE COMMITTEE MEMBERS



**Mr. Muhammad K. Ahmad**  
Director General



**Mr. Pius N. Akubueze**  
Commissioner, Finance & Investment



**Ms. Eyamba T. Henshaw**  
Commissioner, Technical



**Dr. Musa A. Ibrahim**  
Commissioner, Inspectorate

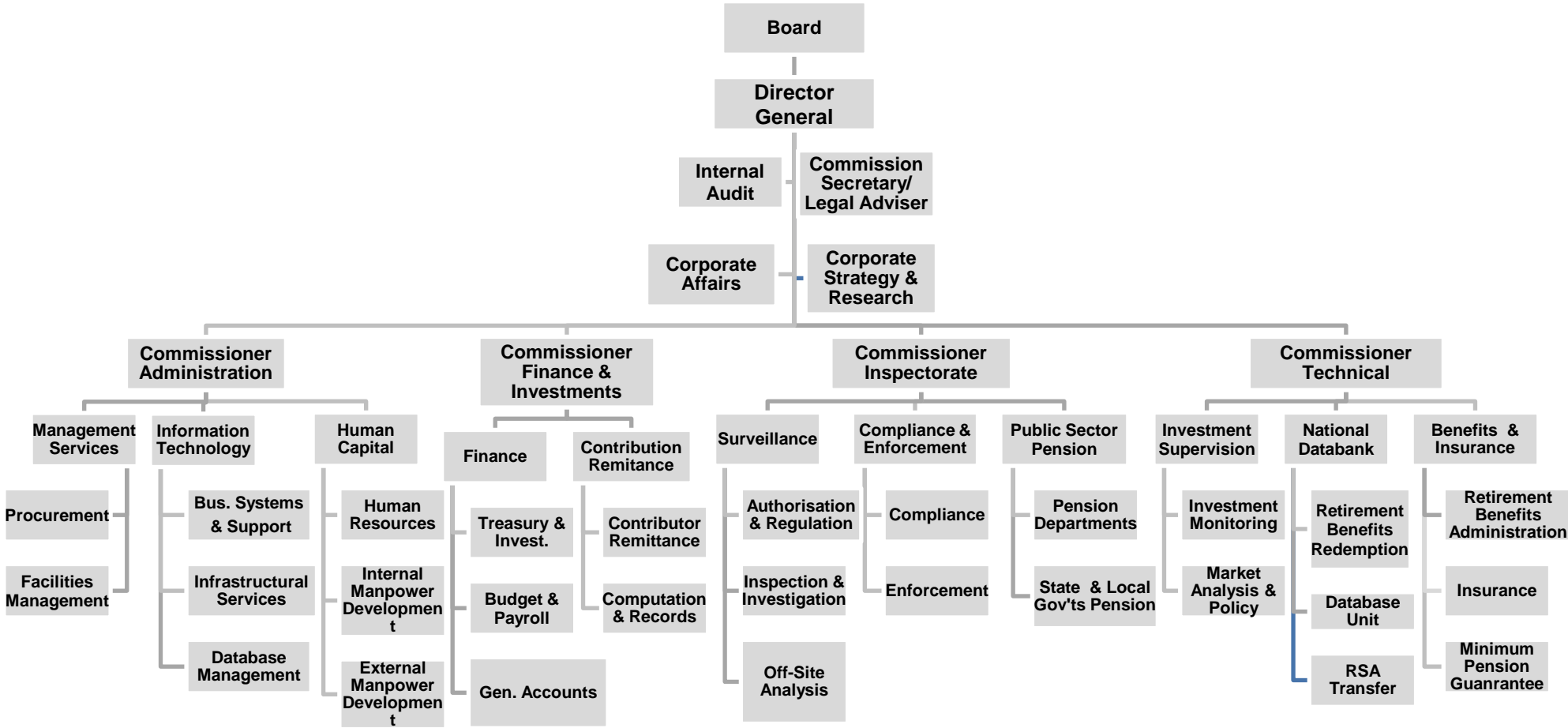


**Mr. Manzuma T. Mamman**  
Commissioner, Administration

## MANAGEMENT CONSULTATIVE COMMITTEE MEMBERS

Mr. Muhammad K. Ahmad	Director General
Mr. Pius N. Akubueze	Commissioner (Finance & Investment)
Ms. Eyamba T. Henshaw	Commissioner (Technical)
Dr. Musa A. Ibrahim	Commissioner (Inspectorate)
Mr. Manzuma T. Mamman	Commissioner (Administration)
Mrs. Chinelo Anohu-Amazu	Commission Secretary/Legal Adviser
Mrs. Aisha I. Mustafa	Head (Management Services Department)
Mr. Muhammad B. Umar	Head (Compliance & Enforcement Department)
Mrs. Grace Usoro	Head (Public Sector Pension Schemes Department)
Mr. Muhammad Y. Datti	Head (Surveillance Department)
Mr. Moses O. Loyinmi	Head (Benefits Administration Department)
Mrs. Ekanem B. Aikhomu	Head (National Databank Department)
Mr. Inuwa O. Iyodo	Head (Finance Department)
Dr. Dan Ndackson	Head (Human Resources Department)
Dr. Umaru F. Aminu	Head (Corporate Strategy & Research Department)
Mr. Ehimeme Ohioma	Head (Investment Monitoring Department)
Dr. Babayo Ardo	Head (Corporate Affairs Department)
Mr. Aliyu A. Tijjani	Head (FGN Contributions Department)
Mr. Nickolas Z. Mbajwa	Ag. Head (Internal Audit Department)
Dr. Dan Ndackson	Ag. Head (Information Technology Department)

# ORGANISATIONAL STRUCTURE



## **OFFICIAL CONTACT DETAILS**

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## CHAIRMAN'S REMARKS

I am pleased to present the Annual Report and Statement of Account of the National Pension Commission (PenCom) for the year ended 31 December, 2010. The report reviews important developments in the pension industry, highlights the activities of PenCom and above all provides information on the industry during the year under review.



In furtherance of the actualisation of its mandate, PenCom continued to regulate and supervise all pension matters in the country, which included ensuring the prompt payment of retirement benefits as well as promoting a vibrant and sustainable pension industry that positively impacted on the economic development of our dear nation, Nigeria.

Indeed, PenCom had during the year under review continued to pursue risk - based and consultative supervisory and regulatory approach covering all its activities particularly on issuance of guidelines and regulations; surveillance of licensed operators; compliance and enforcement; supervision of investment of Pension Fund Assets; and maintenance of databank on pension matters.

New guidelines and regulations were issued while some existing ones were revised in line with developments in the micro and macro economic environments of the economy and other operational challenges within the industry. In this regard, PenCom revised the Regulations on Investments of Pension Fund Assets with technical assistance from the International Finance Corporation IFC and World Bank Group under the Efficient Securities Markets Institutional Development (ESMID) programme. Work had started during the year on the introduction of multiple funds under the same programme.

Various strategies for ensuring compliance with the provisions of the PRA 2004 by both public and private sector employers were implemented. They focused on on-site inspection of employers, public enlightenment, collaboration with the key stakeholders, and the application of the Sanctions Regime.. Furthermore, PenCom benefitted from the support of various government agencies such as the Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS), Federal Inland Revenue Service (FIRS) and Bureau for Public Procurement (BPP) in its quest to promote and sustain the development of a sound and safe pension industry.

It is also important to note that additional state governments had taken steps to implement the Contributory Pension Scheme (CPS) in 2010. Two additional States, Osun and Imo enacted their laws on CPS within this period, which brought the total number of States that had enacted their laws to 16. Several other states are at varying stages of developing their pension laws. PenCom would continue to encourage and support the efforts of the state governments in implementing the CPS.

All these efforts resulted in significant growth of the industry in terms of number of participants particularly in the RSA scheme and size of the industry assets. It is imperative to note that the industry began to consolidate as some operators merged while others exited the business. This had tested, albeit successfully, one of the safeguards of the scheme that separated the functions of the PFAs and PFCs, which ensures that the exit of an operator would not affect the pension assets under its management.

Tremendous successes were recorded in handling all matters of retirement and payment of retirement benefits under the Scheme. Although most retirees preferred receiving the benefits through Programmed Withdrawal, recent developments had shown slight increase in the number of retirees that purchased life annuity for the payment of their periodic pensions.

I therefore recommend this report to all stakeholders and operators of the pension industry, captains of industry, the academia and all those interested in the welfare of the Nigerian workers and the growth of our economy.

I would like to use this medium to express my appreciation and gratitude to the Director-General, members of the Executive Committee, other members of the Board, Management and indeed all staff of PenCom for their dedication to duty and wonderful performance during the period under review. I would like to assure the Management and the Staff of the Commission that the Board would continue to provide the necessary support to the Commission and the industry as a whole. I would like to also express my profound gratitude to our operators, contributors, retirees and indeed both federal and state governments without whose support and cooperation the modest successes recorded by the industry in the last six years would not have been achieved.

A handwritten signature in black ink, appearing to read 'Oluwole A. Adeosun', written over a faint, illegible stamp or background.

**Chief Oluwole A. Adeosun, OON, FCA**

## **DIRECTOR GENERAL'S REPORT**

This report presents an overview of the activities of the National Pension Commission (PenCom) and the performance of the Nigerian Pension Industry for the year ended 31 December, 2010.



### **The Pension Industry**

The pension industry operated in an atmosphere of favourable macroeconomic environment in 2010.

The capital market that represents one of the platforms for investing pension funds witnessed improved performance in year 2010 compared to the performance in 2009 as shown by improvements in some stock market indicators. For example, the All Share Index (ASI) increased by 18.93 percent, which moved pension fund investments in equities from ₦36.79 billion in 2009 to ₦60.09 billion in 2010 due to improved valuations and additional placements.

The bond market continued to serve as safety alternative for the investment of pension funds, which were mostly put in FGN bonds with term to maturity of below seven (7) years. Improved activities in the bond market were direct impact of Government initiatives in this sector in order to encourage the development of the corporate bond market. These included making investment income earned from the instrument tax-free, the liquidity status granted to State Government bonds and the decrease in interest rate in September of 2010, which accounted for high coupon rate for new offers and higher marginal rates for re-opened issues. Consequently, investors including pension operators switched from other investment outlets to the bond market thereby trading high returns for safety.

However, one of the remarkable pictures of the bond market in 2010 was the surge in pension funds investment going to State Governments bonds that increased by 134 percent in 2010 over the placements in this investment class during the previous reporting period.

Notwithstanding the continued reforms in the banking sector during the year under review, the money market witnessed high liquidity in the year, which resulted into drop in interbank rates across tenors, drop in deposit interest rates across tenors, low interest rates and yields on money market instruments. The low yields on money market instruments was a challenge to pension fund investment as most of the rates on these instruments closed at a negative real rate of return with the exception of the 90-day offer rate that closed at a marginal positive real return of 0.37 percent.

There was an appreciable increase of 13.20 percent in the number of registered RSA holders over the 4.01 million recorded in 2009. The public sector maintained the lead in the RSA registrations with 56.45 percent, while the private sector had 43.55 percent. However, due to improved compliance by the private sector employers, RSA registrations in this sector increased by 19.44 percent against the public sector increase of 8.49 percent.

The period under review witnessed a remarkable increase in the value of pension fund assets from ₦1,529 billion as at 31 December, 2009 to ₦2,029 billion as at 31 December, 2010, indicating a 32.70 percent growth. The growth of pension fund assets was mainly accounted for by new capital injections either by contributors or scheme sponsors as well as investment income. The total pension contributions into the Retirement Savings Account in the private and public sectors amounted to ₦289.81 billion in 2010. This was accounted for by ₦162.46 billion public sector contributions and ₦127.35 billion private sector contributions, which represented 56.06 percent and 43.94 percent respectively. This represented average monthly contributions of ₦13.54 billion and ₦10.61 billion for the public and private sectors respectively. The gross investment income was a modest sum of ₦205.30 billion or 10.12 percent of the total pension assets during the year under review.

The RSA 'Active' Fund recorded a tremendous growth of ₦231.41 billion (30.9 percent) during the year under review. Also, the 'Retiree Fund' witnessed a very significant growth of 42.66 percent from ₦89.24 billion unaudited value as at end of 2009. Similarly, by the end of year 2010, the CPFA and AES assets had grown phenomenally from ₦342.36 billion and ₦266.1 billion in 2009 to ₦404.37 billion and ₦423.12 billion respectively.

## **Regulatory and Supervisory Framework**

The Commission's maintenance of the risk-based supervisory philosophy helped to sustain the pension industry and accounted for the major breakthroughs recorded during the year under review. On-site and the off-site examinations were carried out on Pension Fund Operators using the risk based supervision model adopted by PenCom. The examinations revealed that PFCs have standardized the processes of safekeeping, settlement, and corporate action, as well as showed that PFAs have remarkably improved on pension and benefit administration.

The Commission continued to collaborate with local and multilateral organizations in the revision of the Regulations on Investment of Pension Fund Assets that was issued in December 2010. The revision was conducted in order to enhance the risk-return profile and investment "universe" for pension fund

assets. In this regard, the Commission secured technical assistance from the International Finance Cooperation (IFC)/World Bank Group under the Efficient Securities Markets Institutional Development (ESMID) African Programme.

In order to ensure compliance with the PRA 2004 by both self-funded public and private sectors, the Commission, applied various strategies ranging from public enlightenment and awareness campaigns, on-site inspection of employers, mailing of compliance letters to identified eligible organizations, collaboration with regulatory and professional bodies and application of sanction regime. The examinations targeted insurance companies, publicly quoted companies, hotels and private hospitals. This resulted in improved registrations by employees especially of the private sector institutions. Similarly, funding of RSAs which hitherto was a challenge for many organisations had improved. In this regard, the sum of ₦5.17 billion was remitted into the unfunded RSAs of 10,068 private sector employees.

Routine examination was carried out on all the thirty five (35) licensed operators. The examination was risk based and involved the assessment of the financial viability, operational efficiency and governance/management structure of the pension operators. The examination reports confirmed the effectiveness of the various risk based measures implemented by PenCom in the discharge of its supervisory responsibility as well as identified areas of challenge to the industry that required some regulatory intervention.

The Commission implemented some measures to fast-track the transfer of NSITF contributions into respective RSAs of contributors, PenCom initiated a number of strategies which included revision of documentation requirements in the guideline for the transfer of NSITF contributions; organized stakeholders' meeting; placed advertisements in the national dailies; and public presentation on the transfer of NSITF contributions. Similarly, the Commission revalidated the existing pensioners of the NSITF scheme as Trustfund PFA was granted a "no objection" to conduct a follow up revalidation exercise for the existing NSITF scheme pensioners. Requests were approved from 43,467 applicants for the transfer of their accrued assets under the NSITF Scheme to their respective RSAs.

There was an increase in the number of States implementing the CPS. During the year under review, two additional States enacted laws on the implementation of CPS, which brought the number of States that implemented the CPS to sixteen (16). In addition, five (5) States have commenced funding their Retirement Benefit Redemption Bond Accounts with the Central Bank of Nigeria. As an integral part of the oversight functions of PenCom, the Management of the Commission visited some States in the year and held technical sessions with key

officials as well as offered guidance on identified implementation challenges during the sessions.

As a way of ensuring safety of the pension industry and in furtherance of its consultative philosophy, PenCom organized consultative forums with Chief Executive Officers of Pension Fund Operators where problems in the pension industry were discussed and solutions preferred. Decisions were taken in these meetings that helped in ensuring the safety of pension assets and the general effectiveness of the pension industry.

There were indeed quite a number of challenges faced in the course of regulating the pension industry during the year especially with regards to the funding of the Retirement Bond Redemption Fund Accounts to defray accrued pension rights of Federal Government employees. Other challenges included the need to ensure fair returns on pension fund investment in the face of generally low rates of interests on some financial instruments and the need to enforce full compliance by all eligible employers.

## **Future Outlook**

The pension industry has a promising future with the sustainable government support in creating the enabling environment for the industry to grow as well as continuous support of all stakeholders. PenCom would maintain its risk-based philosophy in order to promote transparency, provide early warning signals and encourage pension operators to regularly self-evaluate their activities particularly their investment decisions. The dynamic investment monitoring process would continue to be pursued in line with changes in the operating environment. Thus, the Commission would continue to be proactive in its regulatory and supervisory activities as well as leverage on the reforms in the banking and non-banking financial sector to promote growth of pension fund assets and ensure fair returns on pension fund investments.

The Commission would leverage on the state-of-the-art information and communication technology to enhance its surveillance and supervisory activities on the industry. There is no doubt that the deployment of the Risk Management and Analysis System (RMAS) would enable PenCom obtain direct information on different activities of the Pension Fund Operators to ensure a safe and sound pension industry. Similarly the Automatic Fingerprint Identification System (AFIS) would assist the Commission to identify multiple registrations using biometrics of the RSA holders. Finally, the Oracle E-business Suite application would also enhance the efficiency of the operations of the Commission. Arrangements had already commenced toward ensuring the completion and implementation of these applications in 2011.

The Commission would intensify its compliance and enforcement strategies through public enlightenments and awareness campaigns and prosecution of erring employers as well as continue to support the efforts of state governments in the implementation of the PRA 2004.

As part of its efforts to strengthen the pension industry, some strategic initiatives were outlined for implementation in 2011 as part of the Commission's strategic plan for the years 2010 to 2013. In order to ensure a strong and competitive pension industry that would be driven by fit and proper persons, the Commission would raise paid-up capital requirement for licensed operators. In addition, the guidelines for qualification of top management staff of licensed operators would also be updated towards achieving this goal. Already work is ongoing in developing and implementing framework for supervision of states and local governments as well as Standard Operating Procedures for corrective actions, withdrawal and suspension of licence, mergers & acquisitions and contingency plan.

In line with the objective of ensuring that retirees get their retirement benefits as and when due, the Commission would initiate processes to automate retirement benefits approval process, develop framework for auctioning annuity/ program withdrawals as well as examine and propose Reserve/Intervention Fund to handle diminution in value of pension assets. All these would necessitate strengthening the internal operations of PenCom to enable it effectively and efficiently discharge its duties and attain world class standards. In this regard, the Commission would refine its structure in line with changing operational environment, ensure clarity in the definition of roles and responsibilities of its staff and pension operators as well as commence the automation of its processes and operations.

### **Appreciation**

I would like to thank the Chairman of the Board of PenCom and the Board members for their immeasurable contributions to the achievements recorded during the year under review. I also wish to acknowledge the contributions from colleagues on the Executive Committee, the Management and the entire staff of the Commission for their enormous contributions and belief in the course of the Commission. I therefore urge all to intensify efforts towards coping with future challenges of the industry.



**Muhammad K. Ahmad**

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## ABBREVIATIONS AND ACRONYMS

AES	Approved Existing Schemes
AFIS	Automatic Fingerprint Identification System
AMCON	Asset Management Corporation of Nigeria
ASI	All-Share Index
CBN	Central Bank of Nigeria
CIPM	Chartered Institute of Personnel Management
CPFA	Closed Pension Fund Administrator
CPS	Contributory Pension Scheme
CRC	Concession and Regulatory Commission
CRS	Contributor Registration System
DBA	Death Benefit Account
DMO	Debt Management Office
ESMID	Efficient Securities Markets Institutional Development
EXCO	Executive Committee
FGN	Federal Government of Nigeria
FIRS	Federal Inland Revenue Service
GDP	Gross Domestic Product
GLIP	Group Life Insurance Policy
IFC	International Finance Corporation
MCC	Management Consultative Committee
MDAs	Ministries, Departments and Agencies
MPG	Minimum Pension Guarantee
NAICOM	National Insurance Commission
NASB	The Nigerian Accounting Standards Board
NBS	National Bureau of Statistics
NECA	Nigeria Employers' Consultative Association
NHIS	National Health Insurance Scheme
NLC	Nigerian Labour Congress
NSE	The Nigerian Stock Exchange
NSITF	National Social Insurance Trust Fund
NTA	Nigeria Television Authority
PenCom	National Pension Commission
PenRRS	Pension Returns Rendition System
PFA	Pension Fund Administrator
PFC	Pension Fund Custodian
PRA 2004	Pension Reform Act 2004
RBBRF	Retirement Benefits Bond Redemption Fund
RMAS	Risk Management and Analysis System
ROI	Return on Investment
RSA	Retirement Savings Account
SEC	Securities and Exchange Commission
TTM	Term to Maturity
VAT	Value Added Tax

## **PART ONE: MANDATE AND CORE VALUES**

### **1.1 Organisational Mandate**

The National Pension Commission (PenCom) was established on 25 June 2004 with the passage of the Pension Reform Act 2004 (PRA 2004). Section 14(1) of the PRA 2004 provides for the establishment of PenCom to “*regulate, supervise and ensure the effective administration of pension matters in Nigeria*”.

### **1.2 Core Values**

The core values of PenCom emphasize Transparency, Responsiveness, Integrity, Proactivity and Professionalism (**TRIPP**).










- **Transparency:** In the quest to create a transparent and accountable pension industry, staff of PenCom are required to maintain the highest ethical standards and create an atmosphere of mutual trust and confidence through openness and clarity in the discharge of their responsibilities.
- **Responsiveness:** Promptness, efficiency, timeliness and accuracy in service delivery are qualities exhibited by staff of PenCom.
- **Integrity:** Steadfast adherence to honesty and dedication are virtues that are a hallmark of all staff of PenCom.
- **Proactivity:** The ability to act in advance of future situation rather than just reacting to it is a desirable quality that each staff of PenCom should possess.
- **Professionalism:** In the discharge of their responsibilities, staff are expected to exhibit the highest level of professionalism. In this regard, staff must be competent, resourceful, respectful, creative and above all, team players.

### **1.2 Supervisory Philosophy**

The supervisory method is risk-based through on-site and off-site inspections. The supervisory function centers on surveillance, resolution and enforcement as well as risk management. It is heavily IT driven, open, transparent and consultative with zero tolerance for any infraction.

## 1.4 PenCom Charter

PenCom adopts a tailored approach in meeting the needs of each class of its stakeholders and hereby ensures the following:

<b>Pensioners</b>		<ul style="list-style-type: none"> <li>• Timely payment of pension</li> <li>• Security of pension assets</li> </ul>
<b>Contributors</b>		<ul style="list-style-type: none"> <li>• Security of pension assets</li> <li>• Ensure compliance of employers</li> <li>• Ensure effective service delivery by operators</li> </ul>
<b>Government</b>		<ul style="list-style-type: none"> <li>• A safe, sound and stable pension industry</li> <li>• Positive contribution to economic development</li> <li>• Contribution to social security net</li> </ul>
<b>PenCom Staff</b>		<ul style="list-style-type: none"> <li>• A recognition and reward for good performance</li> <li>• Provision of a learning environment, opportunities for career advancement and development</li> <li>• Promotion of team spirit and provision of conducive working environment</li> <li>• Provision of effective communication channels</li> </ul>
<b>Public</b>		<ul style="list-style-type: none"> <li>• Effective communication and enlightenment</li> <li>• Responsive corporate citizen</li> <li>• Environment friendly organization</li> </ul>
<b>Employers</b>		<i>Operators of New Schemes (RSAs)</i> <ul style="list-style-type: none"> <li>• Proactivity and responsiveness</li> <li>• Ensure compliance</li> </ul>
		<i>Operators of Existing Schemes</i> <ul style="list-style-type: none"> <li>• Safety of assets and fair returns on investment</li> <li>• Effective supervision</li> </ul>
<b>Pension Operators</b>		<i>PFA, CPFAs and PFCs</i> <ul style="list-style-type: none"> <li>• Effective and efficient regulation and supervision</li> <li>• Prompt regulatory and supervisory intervention on all operators' issues</li> <li>• Capacity development for the industry</li> </ul>
		<i>Insurance Companies and Pension Departments</i> <ul style="list-style-type: none"> <li>• Continuous collaboration with NAICOM for a flourishing life insurance business</li> <li>• Effective supervision of pension departments</li> <li>• Technical support for both pension departments and insurance companies in the implementation of CPS</li> </ul>

## **PART TWO: CORPORATE ACTIVITIES**

### **2.1 Regulatory and Supervisory Activities**

The regulatory and supervisory functions of PenCom are categorized into issuance of guidelines and regulations for the smooth functioning of the pension industry; surveillance; compliance and enforcement activities; investments monitoring; and the maintenance of a databank on pension matters.

#### **2.1.1 Issuance of Guidelines and Regulations**

The Regulation on Investment of Pension Fund Assets was revised and issued in December 2010. The Commission wish to acknowledge the technical assistance provided by the International Finance Corporation (IFC)/World Bank Group under the Efficient Securities Markets Institutional Development (ESMID) Africa program in reviewing the Regulation. The major objectives of the revision were to enhance the risk-return profile and investment 'universe' for pension fund assets. The revised Regulation had the following main features:

- Introduction of new asset classes, namely, Infrastructure Bonds/Funds, Private Equity Funds and Supranational Bonds.
- Direct investment in Commercial Papers of 'Blue Chip' Companies.
- Increase in portfolio limit for corporate bonds/debt securities from 30% to 35%.
- Introduction of ordinary shares investment in RSA 'Retiree' Funds (subject to a maximum of 10% of portfolio value).

All Regulations, Guidelines and Frameworks issued by PenCom are available on [www.pencom.gov.ng](http://www.pencom.gov.ng).

#### **2.1.2 Surveillance of the Pension Industry**

##### **(a) On-Site Examination**

During the period under review, routine examination was carried out on thirty four (34) of the thirty five licensed operators. The method of examination was risk based and involved the assessment of the financial viability, operational efficiency and governance/management structure of the operators. The PFCs examination covered the core custody functions of collection, safekeeping, settlement, and corporate action. Other areas examined included fund accounting, performance measurement and compliance. The examination of the PFAs on the other hand focused on pension and benefit administration, investment activities and fund accounting.

The examination revealed that, the PFCs had standardized the processes of safekeeping, settlement, and corporate action while in the case of the PFAs there had been marked improvements in pension and benefit administration, despite the increase in the number of employees enrolling and retiring from the CPS. However, challenges remained in the collections of pension contribution, performance measurement, as well as fund accounting.

In line with the risk based approach of PenCom, commitments to remedial actions were obtained from the operators with timelines for implementation. In addition, PenCom embarked on a number of initiatives which included the setting up of Committees for the design of a Contribution Payment Portal and the implementation of the adoption of IFRS by operators. The development of a Guideline on Fund Accounting to address record keeping challenges faced by operators was also embarked upon.

### **(b) Off-Site Examination**

Through the analysis of returns rendered by operators via the Pension Returns Rendition System, PenCom was able to track the performance of the funds under management on a daily basis and that of the pension operators on a quarterly basis.

### **(c) Authorization and Regulation**

There was no new licence within the period under review. However, PenCom approved the business combination between First Alliance Pensions and Benefits Limited (First Alliance) and ARM Pension Managers (PFA) Limited (ARM). In the same vein, Standard Alliance Pension Managers Limited voluntarily returned its licence to PenCom and the pension assets under its management were taken over by Pension Alliance Limited. Similarly, the pension assets under custody of Oceanic PFC were transferred to Diamond PFC, following the voluntary exit of Oceanic PFC from the PFC business. Following these developments, the total number of licensed operators decreased from 37 in 2009 to 35 in 2010.

### **2.1.3 Compliance and Enforcement Activities**

PenCom continued to implement the various strategies for ensuring compliance with the provisions of the PRA 2004 by both public and private sector employers. The strategies focused on on-site inspection of employers, public enlightenment, collaboration with the key stakeholders, and application of the sanctions regime.



## **(a) On-Site Inspection of Employers**

In 2010, PenCom continued to engage the employers in various sectors that were not in compliance with the PRA 2004 based on the on-site inspection conducted the previous year. Eighty-four organizations were inspected in 2010. The inspection revealed that the organizations had 10,441 employees out of which 10,068 had opened RSAs while 373 staff were yet to open RSA. The sum of ₦5.17 billion was remitted to the RSAs of the 10,068 employees.

### **(i) Insurance Companies**

All but two of the forty insurance companies inspected in 2009 had fully complied with the PRA 2004 in 2010. All their employees had opened RSAs which were being funded regularly while the remaining pension assets worth ₦1 billion were transferred to licensed operators during the year. One of the defaulting insurance companies had commenced the process of transferring the legacy assets in its possession to a Custodian. PenCom had commenced the process of legal action against the other insurance company that was yet to comply and had notified the National Insurance Commission (NAICOM), accordingly.

### **(ii) Publicly Quoted Companies**

All employees of the thirty nine (39) publicly quoted companies inspected in 2009 that were yet to open RSAs did so in 2010. In addition, legacy assets worth ₦2.06 billion out of the ₦3.23 billion remaining with the quoted companies as at 2009 were transferred to licensed pension operators in 2010. The process of transferring the remaining ₦1.17 billion would commence in 2011.

### **(iii) Hotels and Hospitals**

The forty one (41) hotels and fifty five (55) hospitals that were inspected in 2009 had by the end of 2010 largely complied with the PRA 2004 as most of the staff had opened RSAs and the accounts were being regularly funded. Appropriate sanctions were imposed on the defaulting hospitals and hotels.

## **(b) Collaboration with Other Stakeholders**

PenCom continued to collaborate with various agencies including the Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS), Federal Inland Revenue Service (FIRS) and Bureau for Public Procurement (BPP) with the aim of ensuring compliance with the provisions of the PRA 2004 among private

sector organizations that were not publicly quoted. During the year, a total of 1,015 applications for Compliance Certificates were received from such unquoted private sector organisations. Out of that number, 920 applications were processed and issued clearance letters while request from 95 organisations were turned down due to incomplete documentation.

**(c) Letters Demanding Compliance with PRA 2004**

During the period under review, letters were mailed to 12,914 private sector organizations whose compliance statuses were yet to be ascertained. The letters required the organisations to comply with the PRA 2004 and provide appropriate evidence. Deadlines were given for the submission of necessary evidence in line with the sanctions regime. At the expiration of the respective deadlines, 9,762 organisations responded and provided the required evidence of compliance.

**(d) Regime of Sanctions**

In accordance with the Regime of Sanctions, 3,521 organisations were issued with warning letters for failure to respond to the letters requesting for evidences of compliance with the PRA 2004. Similarly, monetary penalties were imposed on 2,616 organisations for continued violation of the provisions of the PRA, 2004. PenCom also imposed public censure on 292 recalcitrant organizations for continued violation of the PRA 2004 in 2010.

**(e) Implementation of the CPS by States and Local Governments**

The year under review witnessed increased buy-in by States in the implementation of the CPS. Two additional States, Osun and Imo enacted their laws on CPS within this period, which brought the total number of States that had enacted laws for the implementation of CPS to 16. In addition, Niger State and Ogun Local Government Pension Bureaux have commenced funding of their Retirement Benefit Redemption Bond Accounts with balances of ₦1.127 billion and ₦1.43 billion respectively. As part of its interaction with State Governments, Management of PenCom visited Lagos and Cross River States within the year and held technical sessions with key officials. PenCom offered guidance on identified implementation issues during the sessions.

## **2.1.4 Resolution Activities**

### **(a) Transfer of NSITF Contributions into RSAs of Members**

PenCom initiated a number of measures including reviewing the documentation requirements in the Guideline for the Transfer of NSITF contributions, meeting with stakeholders, placing advertisements in the national dailies, and public presentations on the transfer of NSITF contributions. As at 31 December, 2010, PenCom had approved 43,467 applications for the transfer of ~~N~~2.3 billion into employees' RSAs. Trustfund PFA had transferred the amounts to the Custodians of the members' PFAs where members maintained their RSAs to credit them.

### **(b) Transfer of Pension Assets to Custodians of Trustfund Pensions Plc**

PenCom continued efforts to ensure the transfer of outstanding pension assets from NSITF to the Custodians of Trustfund Pensions Plc. As at 31 December, 2010, assets worth ~~N~~51.98 billion or 94.73% of ~~N~~54.87 billion assets had been effectively transferred.

### **(c) Revalidation of Existing Pensioners of the NSITF Scheme**

During the year under review, Trustfund PFA was granted a 'no objection' to conduct a follow up revalidation exercise for existing NSITF Scheme Pensioners who missed the earlier exercise conducted in September/October, 2009. Trustfund PFA was also requested to conduct the follow up exercise for a more extended period of twelve months at its eight Regional Offices in Lagos, Ibadan, Benin, Abuja, Port Harcourt, Maiduguri and Kano so as to ensure that adequate time was given to revalidate all pensioners under the scheme.

## **2.1.5 Supervision of Investment of Pension Assets**

PenCom continued the supervision of investment of pension fund assets through the review of daily valuation reports received from PFAs on RSAs as well as monthly reports on CPFA and AES funds. This had availed PenCom the opportunity of monitoring pension fund investments to ensure compliance with stipulated rules and regulations and to take prompt corrective actions where the need arose.

## **2.1.6 Maintenance of Databank on Pension Matters**

In pursuant of Section 20(e) of the PRA 2004, PenCom developed and continued to maintain a database of all registered RSA holders under the CPS. Other contents of the database include the codes of registered employers, the nominal rolls of registered treasury funded MDAs of FGN, the details of their contributions

as well as details of redeemed retirement bond certificates. Similarly, the records of all FGN employees that retired under the CPS as well as those of intending retirees for 2011 and 2012 were captured in the database.

## **2.2 Pension Operators Forum**

In furtherance of PenCom's philosophy of being consultative, the PenCom organized a total of five (5) consultative forums with Chief Executive Officers of pension operators where problems in the pension industry were discussed and solutions proffered. Far reaching decisions were taken with a view to ensuring the safety of pension assets and the general effectiveness of the Pension Industry. Some of the decisions taken bordered on efforts to improve on the reconciliation of pension contributions, enhance the transfer of NSITF contributions and improve customer service delivery by operators. The forum also provided an avenue to discuss and proffer solutions to various challenges affecting the industry. Notable challenges which the forum addressed included: the issue of tax for additional voluntary contribution, classification of PFAs as provident companies by the Corporate Affairs Commission (CAC) and the meltdown in the Nigerian capital market.

## **2.3 Departmental Activities**

### **2.3.1 Office of the Commission Secretary/Legal Adviser**

The Commission Secretariat/Legal Department, headed by the Commission Secretary/Legal Adviser serves the Board, Management and all Departments in PenCom. The Department is the custodian of the PenCom's seal, original copies of legal instruments and all correspondences. As part of its activities, the Department successfully arranged and coordinated meetings of PenCom's Board and its sub-committees, the Executive Committee as well as the Management Consultative Committee (MCC). Excerpts of decisions emanating from the various meetings were appropriately communicated to the relevant Divisions of PenCom for implementation.

The Department played its role of providing legal support and advice to all Departments of PenCom, the pension operators and other stakeholders. The Department, as part of its responsibility of managing existing and potential litigations of PenCom, handled eight civil suits out of which PenCom was a principal party in two cases. The prominent issues in these cases focused on benefit assessments or entitlements and PenCom's regulatory activities. As at 31 December, 2010, one case had been resolved in favour of PenCom while seven cases were still pending.

### **2.3.2 Corporate Strategy and Research Department**

During the year, the Department monitored the implementation of PenCom's Corporate Strategy Plan. The implementation of the Corporate Plan which commenced in the fourth quarter of 2010 witnessed a change in the organizational structure of PenCom. Other activities carried out by the Department included the preparation of the 2009 Annual Report of PenCom; development and presentation of papers at sensitization and awareness campaigns; drafted position papers for members of the Executive Committee (EXCO); maintained statistics on the pension industry; managed the contents of PenCom's website as well as the general e-mail box; and served as the Secretariat for PenCom's SERVICOM activities.

### **2.3.3 Internal Audit Department**

The Department carried out prepayment and post payment audit on all financial transactions of PenCom during the year. The audits were carried out to confirm that all necessary laid down procedures and policies were strictly adhered. In addition, the Department reconciled with PFAs/CPFAs all remittances of Pension Contributions and Accrued Rights made to them. It also verified the Accrued Rights/Pension Contributions of retiring Federal Government workers as well as remittances of contributions of workers to the various PFAs/PFCs during the year under review.

Other activities carried out by the Department included monitoring of the security systems put in place to ensure that risk to assets of PenCom's was ameliorated; carrying out of compliance test; and ensuring that the controls put in place were re-evaluated periodically to assess their adequacy in order to mitigate risk.

### **2.3.4 Corporate Affairs Department**

The Corporate Affairs Department sustained the promotion of wider publicity of the activities of PenCom with the objective of educating and enlightening the general public on the implementation of the CPS and maintained the corporate image. Towards this end, the Department organised a Workshop for Finance, Insurance, and Labour Correspondents in Calabar with the view to keeping the media abreast of the activities of PenCom and the pension industry in general. The Department also collaborated with the producers of **Pension Matters**, a public enlightenment programme on Nigeria Television Authority (NTA) Network on Sundays.

The Department provided protocol services such as immigration requests, ticketing and procurement of visas. It also liaised with the relevant arms and

agencies of Government to engender harmonious working relationship with PenCom.

### 2.3.5 Management Services Department

The Management Services Department provided materials and other logistic support for the smooth operation of PenCom in the year under review. The Department procured, stored and distributed all required materials and equipment. It also sourced and managed PenCom's facilities. Other activities of the Department included the provision of insurance services for PenCom's assets as well as the supervision of the activities of all Service Providers.

### 2.3.6 Human Resources Department

Capacity building at PenCom continued to take a centre stage in the implementation of the reform in the pension industry. A larger number of the training programmes attended by staff within the year were locally organized with 164 staff in attendance. In addition, in-house programmes were organized such as the specialized CBN Bank Examiners' course with 75 staff attending the programme which was organized in two batches. A summary of the training statistics for 2010 is presented Table 2.1:

**Table 2.1: Staff Training Statistics in 2010**

S/N	Division	No. of Courses Attended			No. of Staff Trained		
		Local	Foreign	Total	Local	Foreign	Total
1	DG's Office	12	7	19	17	8	25
2	Finance & Investment	18	5	23	19	5	24
3	Technical	20	8	28	42	9	51
4	Inspectorate	32	12	44	52	14	66
5	Administration	18	8	26	32	9	41
<b>Total</b>		<b>100</b>	<b>40</b>	<b>140</b>	<b>162</b>	<b>45</b>	<b>207</b>

*Note: Some staff attended the same courses, hence the number of staff trained is higher than the number of courses attended*

Besides building the capacity of staff of PenCom for enhanced operational efficiency, the Department organized several capacity building programmes for the pension industry. Among these were the two runs of the Conference for the Directors of Licensed Pension Fund Operators held in June and December 2010.

Arising from the 2009 annual staff performance appraisal exercise, 91 staff of PenCom were promoted to various grades with effect from 1 January, 2010. This

is in line with PenCom's posture of rewarding and motivating staff for good performance. In addition, recruitment exercises were conducted in July and August, 2010, consequent upon which 46 new staff were employed. The newly recruited staff assumed duty on 29 November, 2010.

### **2.3.7 Information Technology Department**

The Information Technology Department is a driving force in the realization of PenCom's ICT objectives as well as providing support to all stakeholders in performing their various roles in advancing the pension industry in Nigeria. The Department is currently implementing the Risk Management and Analysis System (RMAS) application which would enable PenCom to obtain direct information on various aspects of operations of pension operators to ensure a safe and sound pension industry. Other applications in the process of implementation include Oracle E-Business Suite which would provide PenCom staff with the tools required to achieve the goal of becoming a paperless office and the Automatic Fingerprint Identification System (AFIS) that would assist in identifying multiple registrations using biometrics.

The Department also provided support for the existing applications such as the Contributor Registration System (CRS) and Pension Returns Rendition System (PenRRS). In addition, the Department provided a robust connectivity both within PenCom and also between the stakeholders via fibre optics and VSAT Networks as well as maintenance of all ICT infrastructure.

### **2.3.8 Finance Department**

The Finance Department is mandated to make funds available to drive PenCom's corporate goals and put in place an efficient accounting system that would foster transparency and accountability. In the realization of this objective, the Department coordinated the preparation of PenCom's budget for 2010 and strictly enforced the application of the various budget control mechanisms to ensure compliance with same. The Department also tagged all fixed assets in PenCom in compliance with the best practice on physical controls over fixed assets. Consequently, the fixed assets register was updated up to 31 December, 2010.

### **2.3.9 FGN Contributions Department**

The Department has the responsibility to compute and remit the pension contributions of all FGN employees in treasury funded Ministries, Departments and Agencies (MDAs). Towards this end, the Department remitted ₦96.77 billion to RSAs domiciled with the various PFAs. In addition, the Department received and updated the staff nominal rolls of 49 MDAs which were used for the remittance of pension contributions of their employees.

### **2.3.10 Surveillance Department**

In 2010, the Department carried out both on-site and off-site examination of all the licensed pension operators. The risk-based examination covered an assessment of the financial viability and governance/management of the company as well as pension and benefit administration, investment activities and fund accounting. Applications for licence and request from operators for the appointment of directors and top management, and for advertisements, etc were processed by the Department. The Department equally participated in the CBN pilot risk based consolidated supervision of UBA Plc and Access Bank Plc in 2010.

### **2.3.11 Compliance and Enforcement Department**

The Compliance and Enforcement Department implemented the various strategies for ensuring compliance with the provisions of the PRA 2004. The strategies, as contained in the Framework for Compliance, included on-site inspection of employers, public enlightenment, collaboration with the key stakeholders, and application of the Sanctions Regime. The Department also ensured the transfer of NSITF contributions into RSAs of members was ongoing pursuant to the provisions of Section 42 of the PRA 2004. Furthermore, the Department followed up on the transfer of the remaining NSITF assets to PFCs.

### **2.3.12 Public Sector Pension Schemes Department**

The Department is responsible for supervision and regulation of Pension Departments, Unified Pension Schemes and the implementation of the CPS by State Governments. Towards this end, the Department facilitated the visits to State Governments to ascertain their level of implementation of the CPS. The Department also supervised the six Pension Departments and commenced the process of reconciliation of the 2006 verification database with the payroll of the Civil Service Pension Department. In addition, the Department continued the



verification and enrollment of pensioners of 145 parastatals under the Ministries of Health and Education who were not captured in 2008 and 2009 verification exercises. The exercise mainly covered pensioners residing abroad and those severed under the Bureau of Public Service Reform initiative

### **2.3.13 Investment Monitoring Department**

The Department carried out daily and monthly reviews of valuation reports submitted by pension operators on pension fund investments to ensure compliance with the Regulation on Pension Fund Investments. To further diversify and optimize returns on pension fund investments, the Department facilitated the review of the Regulation on Pension Fund Investment which introduced new asset classes and adjusted the portfolio limits in some cases.

### **2.3.14 Benefit Administration Department**

The Department is saddled with the responsibility of ensuring that benefits are paid as and when due. It also supervises all matters pertaining to group life insurance for employees. In this regard, the Department reviewed the requests for approval of retirement/terminal benefits submitted by PFAs on behalf of retirees and/or contributors. Other activities of the Department in 2010 included the processing of death benefits; review of requests to access to RSA on health grounds; payment to foreign nationals as well as employees who were disengaged from work due to redundancy, termination and dismissal; monitoring of compliance with life insurance policy (including payments of life insurance benefits); and the development of the framework for the implementation of the Minimum Pension Guarantee (MPG).

### **2.3.15 National Databank Department**

The National Databank is charged with the responsibility of maintaining a database on all pension matters. Thus, the Department continued with the registration of contributors as well as employers who were joining the CPS as required by the provisions of the PRA 2004. In addition, the Department updated its records of existing and would be FGN retirees up to 2011. The verification, validation and remittance of accrued benefits, for services rendered under the old scheme, into RSAs of FGN employees who retired in 2010 was carried out by the Department.

## **2.4 Other Activities of PenCom**

### **2.4.1 Sensitization Seminars/Workshops and Public Enlightenment**

During the year, PenCom organized public enlightenment workshops/interactive sessions for some key stakeholders. That included the Finance, Insurance, and Labour Correspondents/Business Editors, the Chartered Institute of Personnel Management (CIPM), Private Sector Industrial Unions, National Health Insurance Scheme (NHIS), Nigerian Labour Congress (NLC) and Nigeria Employers' Consultative Association (NECA). The broad objective of the sessions was to continuously improve on the implementation of the CPS through dialogue with all the stakeholders. The interactive sessions held in 2010 discussed the stakeholders' challenges in complying with the PRA, 2004 and kept the participants abreast of developments in the pension industry. The interactive session with NHIS was centered on best practice in regulation.

### **2.4.2 Financial Reporting Standards for the Pension Industry**

PenCom continued its collaboration with the Nigerian Accounting Standards Board (NASB) to develop accounting and financial reporting standards for the pension industry. In the year under review, the Council of NASB approved the issuance of the following exposure drafts on the proposed Statement of Accounting Standard:

- Exposure Draft on Statement of Recommended Practice 1 on Employees' Retirement and Termination Benefits for Public Sector Entities; and
- The Exposure Draft on Statement of Recommended Practice for the public sector had been finalized and would soon be issued to the public.

## **PART THREE: THE PENSION INDUSTRY**

### **3.1 The Operating Environment**

#### **3.1.1 Macroeconomic Developments**

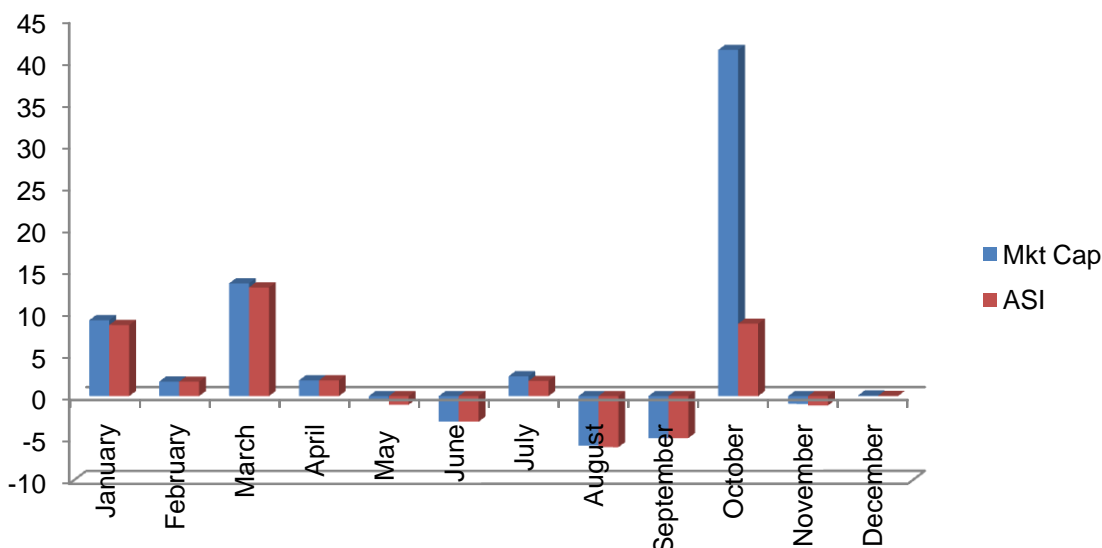
The pension industry operated in an improved macroeconomic environment in year 2010 with a real Gross Domestic Product (GDP) growth of 7.8 percent as against the 5-year average of 6.3 percent between 2005 and 2009. Indeed, it was a marked improvement over the growth rate of 6.96 percent recorded in 2009. There was a general improvement in economic activities during the year under review and that mainly explained the improved performance recorded in the pension industry.

Inflation also decelerated as the year-on-year inflation rate dropped from 12.4 percent in 2009 to 11.8 percent in year 2010. Further fall in the inflation rate would be salutary to enhance the purchasing power of retirees, and hence their standard of living.

#### **3.1.2 Developments in the Nigerian Stock Market**

The Nigerian Stock Market showed an improved performance in year 2010 compared with 2009 performance as revealed by significant improvements in some stock market indicators. The All Share Index (ASI) increased by 18.93 percent from 20,827.14 as at the end of December, 2009 to 24,770.52 as at the end of December, 2010. Similarly, the market capitalization recorded a growth rate of 58.83 percent from ₦4.98 trillion as at 31 December, 2009 to ₦7.91 trillion by the end of December, 2010.

However, the month-on-month performance of the stock market in terms of ASI and market capitalization was mixed. For example, the ASI recorded positive growth for seven months of the year (January, February, March, April, July, October and December), while it recorded losses in May, June, August, September and November 2010 as shown in Figure 3.1. The market capitalization witnessed the same trend in the 12-month period.



**Figure 3.1: Monthly Growth of All Share Index and Market Capitalization in 2010**

In the same vein, trading activities on the floor of the Nigerian Stock Exchange (NSE) witnessed improved performance as 91.96 billion shares worth ₦797.93 billion were traded in 1,893,807 deals in 2010, compared with 101.33 billion worth ₦675.12 in 1,709,002 deals in 2009. This represents a decline of 9.24 percent in terms of volume, 18.19 percent appreciation in value and 10.81 percent increase in the number of deals in the comparable years.

The low deposit rates and yields on government securities had necessitated a reallocation of funds and shifts of investments away from the money market in favour of the stock market. Similarly, the attractive valuations of a number of stocks with good fundamentals, the commencement of operations of the Asset Management Corporation of Nigeria (AMCOM) and the relative stability in the macroeconomic environment were some of the factors that accounted for the improvement in the performance of the Nigerian stock market.

### 3.1.3 Developments in the Bond Market

The Nigerian bond market recorded increased activities as witnessed by large patronage and subscription in year 2010. At the end of December, 2010, a total of ₦1,073.12 billion worth of Federal Government of Nigeria (FGN) bond was offered, an increase of 74.65 percent over its level of ₦614.44 billion offered in 2009. The total subscription in 2010 was ₦2,141.84 billion, up by 71.46 percent from ₦1,249.16 billion subscribed in 2009. The subscription level estimated at

199.59 percent in 2010 was slightly lower than the subscription level of 203.30 percent recorded in 2009. The total amount of FGN bond sold in 2010 was ₦1,083.16 billion, which represented an increase of 73.05 percent over the amount of ₦625.94 billion sold in 2009.

The policy of the Federal Government to encourage the development of the corporate bond market by making investment income earned from the instrument tax-free in order to encourage issuance of bonds at competitive coupon rates was one of the factors that accounted for increased activities in the bond market. This encouraged more companies (e.g. UACN Property Development Company Plc, Flour Mills of Nigeria Plc, etc) to issue corporate bonds in the year. The liquidity status granted to State Government bonds was also another booster to the development of the sub-national debt market in the country.

Other factors that led to increase in activities in the bond market included the decrease in interest rate in September of 2010, which accounted for high coupon rate for new offers and higher marginal rates for re-opened issues. Consequently, investors substantially switched from other investment outlets to the bond market thereby trading high returns for safety.

#### **3.1.4 Developments in the Money Market**

The money market witnessed high liquidity in the year under review following an injection of about ₦3,268.31 billion monthly statutory allocation, withdrawal from the excess crude oil account and through payments for matured government securities. There was also the extension of the Central Bank of Nigeria (CBN) guarantee of interbank placements which ensured that activities in the interbank market remained active in the year and the relative stability in the foreign exchange market.

The consequence of the improved liquidity included among others: drops in the interbank rates across tenors; drop in deposits interest rates across tenors; and high oversubscription in government securities leading to low interest rates and yields on these instruments. A cursory look at the 7-day interbank offer rate showed that the rate closed at 9.67 percent in 2010 as against 6.92 percent recorded in 2009. Similarly, the 90-day interbank offer rate closed at 12.17 percent in 2010 as against 15.29 percent that obtained in 2009. Thus, while the 7-day interbank offer rate closed at a negative real rate of return on investment, the 90-day offer rate closed at a marginal positive real rate of return of 0.37 percent in 2010.

Similarly, while the average discount rates on 91-day, 182-day and 365-day treasury bills were 3.68, 5.09, and 6.32 percentages in 2010, they were 4.30, 4.13 and 5.91 percentages respectively in 2009. This showed that the returns on Treasury Bill returns were negative in real terms at an inflation rate of 11.8 percent in year 2010. The implication of the foregoing for pension fund investment was that the money market did not offer a commensurate return on pension fund investment in 2010 as rates in the market were generally lower than the inflation rate.

### **3.1.5 Developments in the Annuity Market**

The activities in the annuity market picked up in the year as PenCom received a total of 74 requests for annuity retirement plan and they were approved. It should be noted that the annuity market is relatively new in Nigeria as the regulation on annuities was finalized and released by PenCom in collaboration with the National Insurance Commission (NAICOM) in December, 2009, after the consolidation exercise in the insurance industry. This accounted for the late commencement of purchase of annuity by retirees as another method of collecting regular periodic payments of pensions.

It should be noted that NAICOM in collaboration with PenCom endorsed 26 Life Insurance Companies to carry out annuity business in Nigeria.

### **3.1.6 Developments in the Banking Industry**

As part of the strategic initiatives of the CBN to reform the banking system, the universal banking model was repealed in 2010 in order to ensure financial system stability, enhance the quality of banks and promote a healthy financial sector. Consequently, the banks were given two options to either apply for a commercial or merchant banking licence. The banks that would go for commercial banking licence also have the option to be a regional, national or international player. The objective is to make banks focus on core banking activities as they have been directed to divest from non-banking business and hence ensure specialization in any of these activities.

In order to further strengthen the reform process, the Asset Management Corporation of Nigeria (AMCON) Bill was signed into law in 2010. It is expected that AMCON would serve as a resolution conduit through which the toxic assets of banks would be purchased and thus abate the erosion of capital which the toxic assets had caused them.

A rationale for the shift in the banking regime from universal banking is because banks are further exposed to greater risk as most of them have limited skills to cover the entire spectrum in the banking group. There is also the high likelihood of improper allocation of depositors' funds to high risk investment and proprietary trading and its consequent negative performance in the universal bank.

The PenCom as a major stakeholder is in support of any reform that would enhance the contribution of banks to the development of the real economy because of its potential positive effects on the pension industry. The promotion of sound corporate governance in the banking industry that would ensure sustainable and healthy financial system that would provide a safe haven for pension funds investment is desirable and should be vigorously pursued.

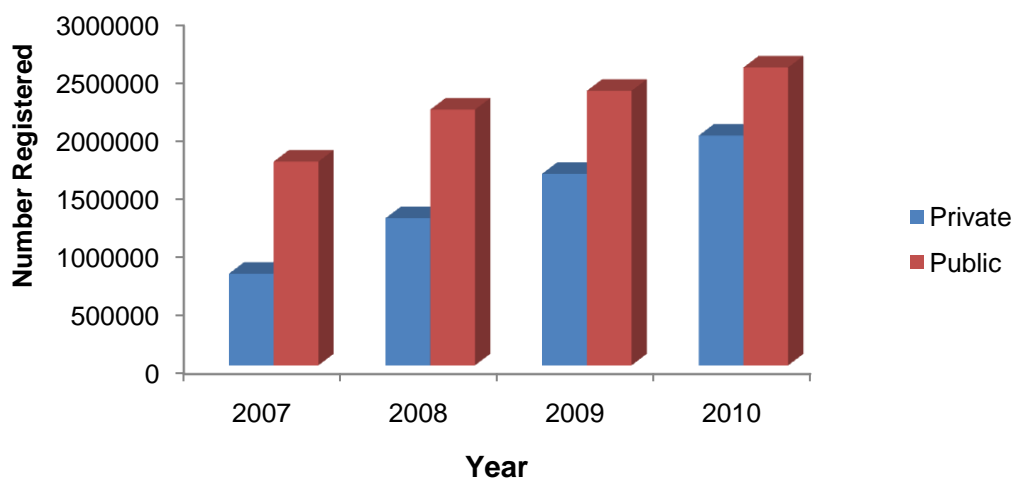
## **3.2 Registration of Contributors**

The public sector continued to dominate the private sector in the number of RSA registrations in 2010. The compliance and enforcement activities of PenCom yielded results in 2010 as the number of complying private sector employers increased from 157,078 in 2009 to 168,206 in 2010, representing an increase of 7.08 percent over the 2009 figures. This led to a remarkable increase in the number of RSA holders in the private sector as this increased by 328,895 or 19.94 percent in year 2010 over the figure recorded in 2009.

### **3.2.1 Membership of RSA**

The total RSA registrations in both the private and public sectors witnessed some remarkable improvement as total RSA holders increased from 4,012,498 in 2009 to 4,542,250 in 2010 representing an increase of 529,752 or 13.20 percent as shown in Figure 3.2. The public sector accounted for a higher proportion of RSA registrations at 2,564,310, accounting for 56.45 percent of total RSA registrations as at 31 December, 2010. The private sector accounted for the remaining 43.55 percent of total RSA registrations as at the end of 2010.

It should however be noted that the growth in public sector registrations could be accounted for by the increased level of compliance on the part of the State Governments as 16 State Governments had their Bills passed into law.



**Figure 3.2: RSA Registrations by Sector**

An examination of Figure 3.2 shows that the level of compliance with the CPS had been on the increase in the private sector notwithstanding the public sector domination of the number of registered participants as at 31 December, 2010. For example, Figure 3.2 shows that RSA registrations in the private sector increased from 789,150 and 1,264,071 in 2007 and 2008 to 1,649,045 and 1,977,940 in 2009 and 2010 respectively. Similarly, the rate of growth of RSA registration was higher in the private sector as it witnessed a growth of 19.44 percent in 2010 as against the public sector that witnessed a growth of 8.49 percent in the same year.

**Table 3.1: RSA Registrations in 2010**

Age Range	Public Sector		Private Sector		Total		Grand Total	
	Male	Female	Male	Female	Male	Female	Number	Percentage
Less than 30 yrs	421,477	163,029	493,172	200,671	914,649	363,700	1,278,349	28.14
30 - 40 yrs	540,409	303,129	581,451	175,679	1,121,860	478,808	1,600,668	35.24
41 - 50 yrs	487,546	264,346	307,333	61,164	794,879	325,510	1,120,389	24.67
51 - 60 yrs	258,728	98,690	117,849	13,913	376,577	112,603	489,180	10.77
Above 61 yrs	22,500	4,456	24,216	2,492	46,716	6,948	53,664	1.18
<b>Total</b>	<b>1,730,660</b>	<b>833,650</b>	<b>1,524,021</b>	<b>453,919</b>	<b>3,254,681</b>	<b>1,287,569</b>	<b>4,542,250</b>	<b>100.00</b>

A further analysis of the RSA registration by age distribution of participants shows that the number of contributors in the age bracket “30 – 40” accounted for the highest proportion of RSA holders in 2010 (see Table 3.1). This age category accounted 35.24 percent of RSA holders in the year. This was closely followed by those in the age category “less than 30 years”, which accounted for 28.14 percent of RSA holders in 2010. These age categories together accounted for 63.38 percent of RSA holders in both the public and private sectors in 2010.



The foregoing suggests that the Nigerian working population is relatively young and that the issue of ageing is not yet a concern for Nigeria as it is in many other African countries. Thus, a large percentage of contributors still have at least more years of contributions under the CPS before they can enjoy pension. It also suggests that pension funds can be successfully invested in long-term instruments in line with the reviewed pension fund investment guidelines.

As indicated in the earlier part of this section, it is expected that the number of participants in the scheme will continue to increase in view of the intensified compliance efforts of PenCom and the resolve by various State Governments to implement the scheme. Similarly, more private sector employers are expected to implement the scheme with the application of sanction regimes by PenCom and the further strengthening of the PenCom's sensitization and awareness programmes. All these are in addition to macroeconomic stability and improved economic activities of the country which are contributing to the growth of the pension industry.

### 3.2.2 Membership of CPFAs and AES

The respective membership of AES and CPFAs are 41,669 and 26,605 as at 31 December, 2010. This shows that while membership of AES witnessed an increase of 166 (0.40 percent), membership of CPFA declined by 61 (0.23 percent) in the year. A breakdown of the AES and CPFAs membership structure is shown in Tables 3.2 and 3.3.

**Table 3.2: Membership of AES in 2010**

<b>Enrolment Type</b>	<b>Number</b>	<b>Percentage of Total</b>
Active Members	25,455	61.09
Current Pensioners	14,831	35.59
Deferred Pensioners	149	0.36
Dependants	1,234	2.96
<b>Total</b>	<b>41,669</b>	<b>100</b>

Note: Dependants are protégés of the deceased

Deferred pensioners are pensionable retirees who are not eligible to start drawing pensions until they reach certain age in accordance with the rules and regulations of their respective schemes.

**Table 3.3: Membership of CPFA in 2010**

Enrolment Type	Number	Percentage of Total
Active Members	21,251	79.87
Current Pensioners	5,228	19.65
Deferred Pensioners	126	0.48
<b>Total</b>	<b>26,605</b>	<b>100</b>

### 3.3 Pension Contributions

The total pension contributions into the Retirement Savings Accounts of employees in the private and public sectors amounted to ₦289.81 billion in 2010 as shown in Tables 3.4 and 3.5. The public sector accounted for ₦162.46 billion, which represented 56.06 percent of total pension contributions in the year, while the private sector accounted for ₦127.35 billion or 43.94 percent of the contributions. However, in cumulative terms, total pension contributions as at 31 December, 2010 amounted to ₦957.97 billion in 2010. This was made up of ₦567.23 billion (59.21 percent) public sector contributions and ₦390.74 billion (40.79 percent) private sector contributions.

**Table 3.4: Public Sector Pension Contributions**

Year	Amount (₦ billion)	Percentage of Total (%)
2004	15.6	2.75
2005	34.68	6.11
2006	37.38	6.59
2007	80.63	14.21
2008	99.28	17.50
2009	137.1	24.17
2010	162.56	28.66
<b>Total</b>	<b>567.23</b>	<b>100.00</b>

The total contribution by the public sector included ₦33.02 billion from participating State and Local Governments' employees and self - funding State and FGN agencies. The average monthly contributions for the public sector successively increased from ₦8.27 billion in 2008 to ₦11.43 billion in 2009 and ₦13.54 billion in 2010, giving an increase of 18.46 percent over the 2009 figures.

**Table 3.5: Private Sector Pension Contributions**

Year	Amount (₦ Billion)	Percentage of Total (%)
2004	-	-
2005	-	-
2006	23.03	5.89
2007	68.34	17.49
2008	80.81	20.68
2009	91.21	23.34
2010	127.35	32.59
<b>Total</b>	<b>390.74</b>	<b>100.00</b>

Similarly, the private sector pension contribution witnessed a leap in 2010 as it increased from ₦91.21 billion in 2009 to ₦127.35 billion in 2010, representing an increase of 39.62 percent. Consequently, the average monthly pension contribution by the private sector increased by 39.61 percent from ₦7.60 billion in 2009 to ₦10.61 billion in 2010.

### 3.4 Industry Portfolio Analysis

The unaudited value of total pension fund assets increased from ₦1,529 billion as at 31 December 2009 to ₦2,029 billion as at 31 December 2010, indicating a 32.70 percent growth in value. The growth was mainly accounted for by additional contributions from members, funds injected by Fund sponsors and investment income. Table 3.6 gives the breakdown of the industry portfolio for 2010.

**Table 3.6: Portfolio of Pension Funds as at December 2010**

S/N	Asset Class	RSA		AES	CPFA	Total					
		Active	Retiree	(₦ bn)	(₦ bn)	2010		2009		Variance	
		(₦ bn)	(₦ bn)			(₦ bn)	%	(₦ bn)	%	(₦ bn)	%
1	Local Ordinary Shares	151.80	0.11	146.03	60.09	358.03	17.6	220.71	14.4	137.32	62.2
2	FGN Securities	544.65	75.2	130.18	79.17	829.2	40.9	498.88	32.6	330.32	66.2
3	State Govt. Securities	42.67	11.44	9.23	6.26	69.60	3.4	33.71	2.2	35.89	106.5
4	Corporate Debt Securities	15.28	2.91	9.20	23.34	50.73	2.5	31.18	2.0	19.55	62.7
5	Local Money Mkt. Securities	214.22	36.53	145.28	93.22	489.25	24.1	542.22	35.5	-52.97	-9.8
6	Open/Close Funds	5.33	0	1.45	1.83	8.61	0.4	5.74	0.4	2.87	50.0
7	Real Estate Properties	0	0	68.45	102.07	170.52	8.4	142.96	9.4	27.56	19.3
8	Unquoted Securities	0	0	3.39	4.79	8.18	0.4	6.18	0.4	2.00	32.4
9	Foreign Investments										
	i. Equities	0	0	0	24.10	24.10	1.2	2.80	0.2	21.3	760.7
	ii. Money Mkt. Securities	0	0	0	7.36	7.36	0.4	17.72	1.2	-10.36	-58.5
10	Cash & other Assets	6.33	1.12	4.60	2.14	14.19	0.7	27.53	1.8	-13.34	-48.5
	<b>TOTAL</b>	<b>980.28</b>	<b>127.31</b>	<b>517.81</b>	<b>404.37</b>	<b>2,029.77</b>	<b>100</b>	<b>1,529.63</b>	<b>100</b>	<b>500.14</b>	<b>32.7</b>

Due to increased investor confidence which was witnessed in the stock market, pension fund managers were slightly bullish in equity investments during the year under review. The increased equity investments were successful as that was attested to by the 18.90 percent rate of return recorded by the Nigerian Stock Exchange (NSE) in 2010.

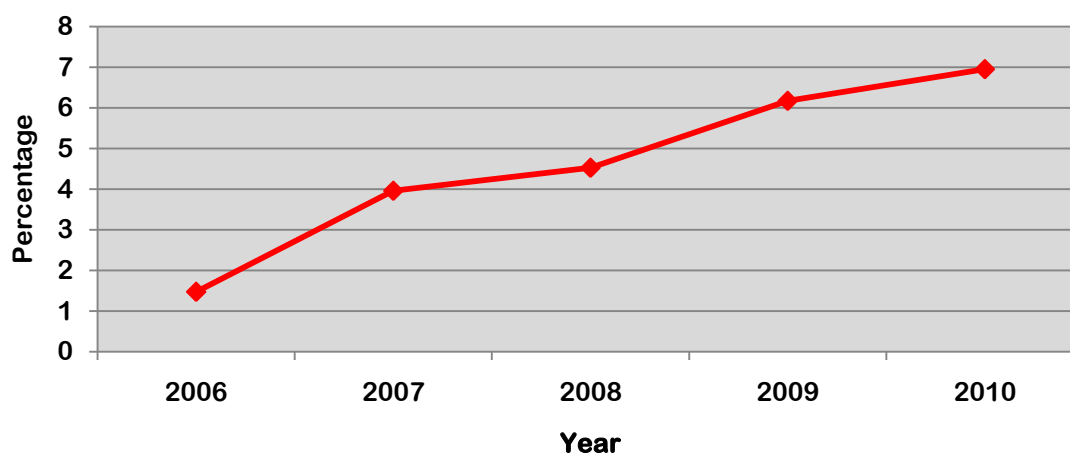
Also, the low interest rate regime in the money market which prevailed for the better part of 2010 resulted in pension fund managers re-allocating money market investments in favor of FGN and State Government Bonds, which offered higher yields.

A summary of the pension funds under management is given in Table 3.7 for the period 2008 to 2010. The summary reveals some minor shift in the asset mix of pension fund managers in response to market fundamentals.

**Table 3.7: Three Year Summary of Pension Assets under Management**

S/N	Asset Classes	2010		2009		2008	
		Amount (₦ Billion)	%	Amount (₦ Billion)	%	Amount (₦ Billion)	%
1	Local Ordinary Shares	358.03	17.64	220.71	14.43	220.54	20.07
2	Foreign Ordinary Shares	24.10	1.19	2.80	0.18	2.23	0.20
3	FGN Securities	829.20	40.85	498.88	32.61	350.67	31.91
4	State Govt. Securities	69.60	3.43	33.71	2.20	0.16	0.01
5	Corporate Debt Securities	50.73	2.50	31.18	2.04	15.13	1.38
6	Local Money Market Securities	489.25	24.10	542.22	35.45	332.44	30.25
7	Foreign Money Market Securities	7.36	0.36	17.72	1.16	17.25	1.57
8	Open/Close-End Funds	8.61	0.42	5.74	0.38	9.03	0.82
9	Real Estate Properties	170.52	8.40	142.96	9.35	125.50	11.42
10	Unquoted Securities	8.18	0.40	6.18	0.40	6.86	0.62
11	Cash & Other Assets	14.19	0.70	27.53	1.80	19.20	1.75
<b>Total Pension Fund Assets</b>		<b>2,029.77</b>	<b>100.00</b>	<b>1,529.63</b>	<b>100.00</b>	<b>1,099.01</b>	<b>100.00</b>

The yearly average growth of the pension assets over the three-year period was 35.94 percent, which could be attributed to increased contributions received as a result of increased compliance by employers. The trend also highlights the increasing significance of pension funds as major institutional investors in the Nigerian financial landscape. It also highlights the growing importance of pension assets as its proportion to GDP continued to increase. The contribution of pension assets to national development is not in doubt given the provision of long-term fund which had hitherto been scarce in Nigeria. Figure 3.3 below shows the proportion of pension assets to GDP between 2006 and 2010.



**Figure 3.3: Pension Assets as Proportion of GDP**

### 3.4.1 RSA Portfolio Analysis

The value of pension fund assets in both Active and Retiree RSA Funds totalled ₦1,107.6 billion as at 31 December 2010 based on the unaudited valuation reports of the Funds. This marked a net growth of 48 percent over ₦748.87 billion recorded as at 31 December 2009. The 'Active' Fund accounted for ₦980.29 billion (88.29 percent) while the 'Retiree' Fund accounted for ₦127.31 billion (11.71 percent). The portfolio of the RSA Funds were spread across seven asset classes, namely: Local Quoted Equities (13.72 percent); Federal Government Securities (55.96 percent); State Government Bonds (4.89 percent); Corporate Debt Securities (1.64 percent); Local Money Market Instruments (22.64 percent); and Open/Close End Funds (0.48 percent). Table 3.8 gives the portfolio mix of the RSA Funds.

**Table 3.8: Portfolio of RSA Funds as at 31 December 2010**

S/N	Asset Class	RSA Active Fund		RSA Retiree Fund		2010 RSA Fund Total		2009 RSA Fund Total		Percentage Change (%)
		Amt (₦B)	%	₦ Billion	%	₦ Billion	%	₦ Billion	%	
1	Local Ordinary Shares	151.8	15.49	0.11	0.09	151.91	13.72	79.68	10.64	90.65
2	FGN Securities	544.65	55.56	75.2	59.07	619.85	55.96	363.42	48.53	70.56
3	State Govt. Securities	42.67	4.35	11.44	8.99	54.11	4.89	26.44	3.53	104.65
4	Corporate Debt Securities	15.28	1.56	2.91	2.29	18.19	1.64	8.88	1.19	104.84
5	Local Money Market Instruments	214.22	21.85	36.53	28.69	250.76	22.64	256.35	34.23	-2.18
6	Open/Close End Funds	5.33	0.54	0	0	5.33	0.48	3.06	0.41	74.18
7	Cash & Other Assets	6.33	0.65	1.12	0.88	7.45	0.67	11.04	1.47	-32.52
	<b>Total</b>	<b>980.28</b>	<b>100</b>	<b>127.31</b>	<b>100</b>	<b>1,107.60</b>	<b>100</b>	<b>748.87</b>	<b>100</b>	<b>47.9</b>

The value of RSA Active Funds increased by ₦320.65 billion from ₦659.64 billion as at 31 December, 2009 to ₦980.29 billion as at 31 December, 2010. This comprised of funds under management with PFAs amounting to ₦816.59 billion and contributions of ₦163.70 billion invested in CBN and awaiting remittance to the RSAs of relevant contributors. Similarly, RSA Retiree Funds at ₦127.31 billion as at 31 December, 2010 had a net growth of ₦38.07 billion or 42.66 percent above ₦89.24 billion recorded as at 31 December 2009. The sum of ₦33.91 billion was transferred out of the Active Funds to pay benefits to retirees and those on temporary unemployment (payment of 25 percent of RSA balance). The sources of portfolio growth during 2010 for both Active and Retiree RSA Funds are outlined in Table 3.9.

**Table 3.9: Sources of Growth of the RSA Funds in 2010**

S/N	Sources Of Portfolio Growth	Active Fund		Retiree Fund	
		Amount (₦' bn)	% of Total	Amount (₦' bn)	% of Total
1	New Inflow of Funds				
	• Contributions	289.81	90.38	-	-
	• Transfers from Active Fund	-	-	71.36	187.4
2	Investment Income				
	• Interests/Coupons	50.8	15.58	7.77	20.4
	• Dividends	2.62	0.82		
	• Net realized gains	3.77	1.18	3.11	8.17
3	Net unrealized gains on quoted equities/equity funds	23.2	7.24	-	-
4	Transfers to Retiree Fund	-33.91	-10.58	-	-
5	Benefits Paid	-	-	-43.27	-113.63
6	Charges/Fees				
	• Asset Based Fees	-15.64	-4.88	-	-
	• Income Based Fees	-	-	-0.89	-2.34
	<b>Total</b>	<b>320.65</b>	<b>100.00</b>	<b>38.08</b>	<b>100.00</b>

The major sources of growth for the Active and Retiree RSA Funds were contributions of ₦289.81 billion and transfers from Active Fund of ₦71.36 billion respectively received during the year under review. This marked improvement was due to increased number of registration as a result of improved compliance by employees/employers.

The net unrealized gains on investments in equities/equity funds were ₦23.20 billion in 2010, which were significantly higher than ₦0.57 billion recorded in 2009. The increase was due to the gradual return of confidence in the Nigerian stock market, based on improved regulation/supervision by the Securities and Exchange Commission (SEC), as well as the good financial performance of most

quoted companies in the banking, food/beverages, construction and petroleum marketing sectors. On the other hand, the net realized gains on sale of equities and bonds were ₦3.77 billion. This was largely due to high prices of FGN Bonds in the 1<sup>st</sup> Quarter of the year, which presented opportunities for PFAs to make substantial gains on their disposal during the period.

### 3.4.2 Portfolio Analysis for RSA Active Fund

The value of RSA Active Fund investment in shares of quoted companies was ₦151.80 billion, accounting for 13.71 percent of total RSA funds in 2010, an increase of 5 percentage points over the proportion as at 31 December, 2009. Investments in the banking subsector dominated the equity holdings of PFAs as it accounted for 42.74 percent of total equity investments and that was reflective of the capitalization pattern of the stock market. Other significant investments were in food & beverages (14.16 percent); breweries (11.42 percent); petroleum marketing (9.23 percent); and building materials (8.88 percent).

During the year under review, PFAs had invested ₦544.65 billion in Federal Government securities (bonds and treasury bills) accounting for 47.87 percent of Funds under management. This marked a drop of 3 percentage points below the proportion held by the Funds as at 31 December 2009. The term to maturity profile of the investments in FGN bonds in 2010 is outlined in Table 3.10.

**Table 3.10: Term to Maturity Profile of FGN Bonds as at 31 December 2010**

S/N	Term to Maturity	% of Total Placements in FGN Bonds	
		Active Funds	Retiree Funds
1	Below 3 years	36	35
2	3 years – 7 years	25	-
3	8 years – 10 years	12	-
4	Above 10 years	27	40

The term to maturity profile indicated that PFAs played at the short end of the market due to the combined effects of fluctuating interest rates and high inflationary trend.

The value of investments in State Government Bonds had increased by 83.05 percent above that of 2009. The attraction for PFAs was the availability of the instruments as four State Governments issued bonds during the year as well as the high yields on these Bonds, which averaged 13.5 percent relative to yields on other fixed income securities.

Investment in Corporate Debt Securities remained low at 2 percent of total assets under management but indicated a growth of 88.88 percent over the value recorded in 2009. Although the value of the total investment in these asset class was too low considering the portfolio limit of 35 percent stipulated in the Investment Regulation, it is expected that more corporate entities would come to the bond market to raise funds in subsequent years in view of renewed corporate awareness and tax concessions granted by the Federal Government in 2010 in respect of sub-national and corporate bonds.

Money market investments were valued at ₦214.22 billion, which was a marginal increase of 0.82 percent over the value recorded in 2009. Due to the relatively low interest rates, which prevailed in 2010, most PFAs had restructured their portfolio by investing new funds and matured money market investments in bonds (Federal, State and Corporate), which offered higher returns.

Cash balances in banks represented were contributions awaiting deployment and matured investments awaiting re-investment. Interest rate on cash balances in banks averaged 7 percent per annum in the 1<sup>st</sup> quarter but declined to 2 percent per annum for the remaining part of the year as a reflection of prevailing market rates.

### **3.4.3 Portfolio Analysis for RSA Retiree Fund**

PFAs had invested only ₦0.11 billion of Retiree Fund assets in quoted equities, which accounted for less than 1 percent of total assets under management. The equity investments were in line with the revised Regulation on Investment of Pension Fund Assets issued on 16 December, 2010, which allowed up to 10 percent of the Retiree Fund portfolio to be invested in quoted equities.

Investments in Federal Government Securities (bonds and treasury bills) were valued at ₦75.20 billion and accounted for 59 percent of total Retiree Fund assets under management, which was an increase of 116 percent relative to ₦34.82 billion invested in FGN securities as at 31 December 2009. The Term to Maturity (TTM) profile indicated that 40 percent of investments in FGN Securities were in Bonds with TTM above 10 years, while 35 percent of the investments had TTM of less than 3 years. Investments in State Government bonds increased by 265 percent in 2010 relative to the value of ₦3.13 billion in 2009. Similarly, investments in Corporate Debt Instruments had recorded a growth of 268 percent over the value of investments in 2009. Money market investments were valued at ₦36.53 billion, which was a drop of 17.77 percent below the values recorded in 2009.



#### **3.4.4 Portfolio Performance**

The weighted average return on investment (ROI) on the RSA Active Fund was 11.64 percent in 2010 while the 'Retiree' Fund recorded a weighted average ROI of 9.67 percent in the same period. The higher return the Active Fund could be attributed to the balanced portfolio maintained by the PFAs throughout the year while the performance of the Retiree Fund reflected the relatively low interest rates on fixed income securities, especially on money market instruments. The performances of the Funds were considered reasonable given the economic and market conditions that prevailed in the year under review.

#### **3.5 PFAs' Market Share of RSA Fund**

Analysis of the market share of the various RSA Active Funds as at 31 December 2010 indicated that five PFAs controlled approximately 70 percent of market share in terms of both assets and number of RSAs under management while another set of seven PFAs controlled 27 percent of the market share. The bottom 12 PFAs accounted for 3 percent of the market share. Similar to the banking sector where ten banks controlled about 75 percent of total assets and deposits, the pension market was oligopolistic in nature in 2010. However, PenCom's regulation would not condone any form of collusion among these market leaders.

#### **3.6 CPFA Portfolio Analysis**

The value of the CPFA assets had a net growth of ₦62.01 billion (18 percent), increasing from ₦342.36 billion as at 31 December 2009 to ₦404.37 billion as at December 2010. The valuations were based on un-audited reports of the Funds. The major sources of growth for the CPFA assets were new contributions or funds injected by sponsors to bridge funding gaps and investment incomes.

Table 3.11 provides highlights of the portfolio mix of CPFA Funds as at 31 December 2010, based on un-audited valuation reports of the Funds.

**Table 3.11: Portfolio of CPFA Funds as at 31 December 2010**

S/N	Asset Classes	2010		2009		Variance	
		N' bn	%	N' bn	%	N' bn	%
1	Local Ordinary Shares	60.09	14.86	36.79	10.75	23.3	63.33
2	Foreign Ordinary Shares	24.1	5.96	2.8	0.82	21.3	760.71
3	FGN Securities	79.17	19.58	66.24	19.35	12.93	19.52
4	State Govt. Securities	6.26	1.55	2.68	0.78	3.58	133.58
5	Corporate Debt Securities	23.34	5.77	20.01	5.84	3.33	16.64
6	Local Money Market Securities	93.22	23.05	97.26	28.41	-4.04	-4.15
7	Foreign Money Market Securities	7.36	1.82	17.72	5.18	-10.36	-58.47
8	Open/Close-End Funds	1.83	0.45	2.14	0.63	-0.31	-14.49
9	Real Estate Property	102.07	25.24	91.45	26.71	10.62	11.61
10	Unquoted Securities	4.79	1.18	3.77	1.1	1.02	27.06
11	Cash & other Assets	2.14	0.53	1.5	0.44	0.64	42.67
<b>Total Pension Fund Assets</b>		<b>404.37</b>	<b>100.00</b>	<b>342.36</b>	<b>100.00</b>	<b>62.01</b>	<b>18.11</b>

The investment pattern showed increases in both local and foreign equity portfolio. Equity investment in the banking sub sector was the highest amongst all sub sectors, accounting for 32 percent of domestic equity investments and 5 percent of total CPFA Fund assets. Other significant investments were in breweries (3 percent); food & beverages (3 percent); conglomerates (1 percent); petroleum marketing (1 percent); and building materials (1 percent). Foreign equity investments accounted for 6 percent of the CPFA portfolio.

Most investments in FGN Securities were in FGN Bonds with term to maturity of below 7 years. However, there was a surging increase of 134% in investment in State Government bonds, which was the pattern displayed by the PFAs on both Active and Retiree Funds due to the high yields recorded by this class of securities during the year. There were reductions in the value of investments in both domestic and foreign money market instruments as well as in mutual funds due to prevalent low interest rates. The value of Real Estate investments increased by 12% over the year largely due to the revaluation of the properties, in addition to the capitalization of expenses in respect of ongoing projects.

The breakdown of the sources of growth for the CPFA Funds for the year is outlined in Table 3.12.

**Table 3.12: Sources of Growth for the CPFA Funds in 2010**

S/N	Source of portfolio growth	Amount	
		₦ Billion	% of Total
1	New Contributions/Funds Injected by Sponsors	39.21	63.23
2	Interest/Coupon Incomes	17.42	28.09
3	Net Unrealized Gains on Equity/Equity Funds	16.28	26.25
4	Net Realized Gains	0.89	1.44
5	Rental Income	2.17	3.50
6	Revaluation Surplus on Real Estate Properties	4.88	7.87
7	Payment of Retirement Benefits	-16.22	-26.16
8	Asset Based Fees Paid	-2.62	-4.23
<b>Total</b>		<b>62.01</b>	<b>100.00</b>

In general, the weighted average ROI on the CPFA Funds was 11.74% in 2010.

### 3.7 AES Portfolio Analysis

The value of pension assets of the AES Funds was ₦423 billion as at 31 December 2010. This marked a growth of 59 percent over the total of ₦266 billion on the same day in 2009. Pension investments were spread across various asset classes as shown in Table 3.13.

**Table 3.13: Portfolio of AES Funds as at December 2010**

S/N	Asset Classes	2010		2009		Change	
		₦ Billion	%	₦ Billion	%	₦ Billion	%
1	Local Ordinary Shares	118.88	28.1	85.18	32.01	33.70	39.56
2	Foreign Ordinary Shares	0.00	0.00	0.00	0.00	0.00	0.00
3	FGN Securities	124.8	29.5	27.84	10.46	96.96	348.28
4	State Govt. Bonds	9.1	2.15	0.00	0.00	9.10	100.00
5	Corporate Bonds	8.63	2.04	1.49	0.56	7.14	479.19
6	Local Money Market Securities	132.4	31.29	126.32	47.47	6.08	4.81
7	Foreign Money Market Securities	0.00	0.00	0.00	0.00	0.00	0.00
8	Open/Close-End Funds	1.33	0.31	0.29	0.11	1.04	358.62
9	Real Estate Property	21.56	5.1	15.51	5.83	6.05	39.01
10	Unquoted Securities	3.39	0.8	2.41	0.91	0.98	40.66
11	Cash & other Assets	3.03	0.72	7.06	2.65	-4.03	-57.08
<b>Total Pension Fund Assets</b>		<b>423.12</b>	<b>100</b>	<b>266.1</b>	<b>100</b>	<b>157.02</b>	<b>59.01</b>

Equity investment in the banking sub-sector was the highest accounting for 45 percent of total equity investments. Other significant equity investments were in breweries (15 percent); petroleum marketing (10 percent); and building materials (9 percent).

The period under review witnessed a net increase of 348 percent investment in FGN Securities, which was driven mainly by the need to properly balance the portfolio for safety and regulatory purposes. One remarkable change was the investment by AES Funds in State Government bonds which was not done completely in 2009, but up to ₦9.10 billion was invested in 2010. Investment in corporate bonds also saw a phenomenal growth of 479 percent over the value of investments in this asset class as at 31 December 2009. This pattern was experienced in the AES Fund investments in open/close end funds where the value increased by 358 percent. However, there was a significant reduction in the amount of cash held by the AES Funds over the year.

The major sources of growth of the AES Funds in 2010 were new contributions by scheme members or funds injected by sponsors to bridge funding gaps and investment incomes (mostly from fixed income investments). Table 3.14 gives the breakdown of the sources of growth of the AES Funds in 2010.

**Table 3.14: Sources of Growth of the AES Fund**

S/N	Source of portfolio growth	Amount	
		₦ Billion	% of Total
1	New Contributions(Net)	95.39	60.75
2	Interest/Coupon Income	36.88	23.49
3	Dividend Income	3.43	2.18
3	Rental Income	0.56	0.36
4	Net Unrealized gains/losses	30.50	19.42
5	Other Investment income	0.39	0.25
6	Net realized Gains on disposal of equity/Bonds	11.51	7.33
7	Payment of retirement benefits	-16.27	-10.36
8	Fees & Other Charges	-5.37	-3.42
<b>Total</b>		<b>157.02</b>	<b>100.00</b>

In general, the weighted average ROI on AES Fund was 9.72 percent. This indicates that the AES Funds among the RSA Active Fund, RSA Retiree Fund, and CPFA Fund had recorded the least average ROI in 2010. However, as the economy continued to witness growth, all the Funds are expected to record higher ROIs in the coming years.

### 3.8 Charges to the Pension Funds

The sum of ₦26.95 billion was charged on the pension funds, which was 1.33 percent of the total pension fund assets as at 31 December 2010. That proportion is less by 0.92 percent below the maximum 2.25 percent allowed by the revised Regulation on Fees Structure. Breakdown of the fees charged on the Pension Funds in 2010 is presented in Table 3.15. It should be noted that the total charges included ₦1.2.1 billion transaction charges, which were not part of the regime of charges as contained in the Regulation and were always part of the consideration paid when transacting in quoted equities. It, therefore, follows that the actual charges on the funds less the transaction charges was 1.27 percent of the total pension assets as at 31 December 2010.

**Table 3.15: Charge to Pension Assets in 2010**

S/N	Charges	RSA Active (₦ Billion)	RSA Retiree (₦ Billion)	CPFA (₦ Billion)	AES (₦ Billion)	Total 2010 (₦ Billion)	Total 2009 (₦ Billion)
1	Administrative Fess	2.66	-	-	-	2.66	4.12
2	Asset Based Fees	15.21	0.91	2.2	4.76	23.08	16.32
3	Transaction Charges	0.83	0	0.04	0.34	1.21	0.43
<b>Total</b>		<b>18.7</b>	<b>0.91</b>	<b>2.24</b>	<b>5.1</b>	<b>26.95</b>	<b>20.87</b>
<b>Total as % of Total Pension Assets</b>		<b>1.91</b>	<b>0.71</b>	<b>0.55</b>	<b>0.98</b>	<b>1.33</b>	<b>1.36</b>

### 3.9 Effect of Taxes on Pension Funds

The various pension funds were subjected to various taxes, especially 5 percent Withholding Tax (WHT) on interest income and 5 percent Value Added Tax (VAT) on fees payable to the pension operators. The impact of these taxes on the value of pension fund assets was quite significant, as it resulted in lower return on investments and further depletion of contributors' funds. During the year under review, ₦1,229.59 million and ₦663.09 million were charged as WHT and VAT respectively. As a way of reducing this tax burden, PenCom made concerted efforts to engage the Federal Inland Revenue Service (FIRS) on the need to grant necessary tax concessions/waivers to pension funds. A Joint PenCom/FIRS Committee was proposed to review the various tax issues affecting pension funds and make appropriate recommendations to FIRS. It is expected that the recommendations proffered by the Committee would facilitate the required tax concessions/waivers to pension funds in order to enhance the ultimate retirement benefits of contributors.

### 3.10 Processing Retirement/Terminal Benefits

PenCom had received requests for approval to pay retirement benefits submitted by the PFAs on behalf of retirees and/or contributors. The request included death benefits, access to RSA on health ground, payment to foreign nationals as well as employees who were disengaged from work due to redundancy, termination and dismissal. On the other hand, terminal benefits were processed on behalf of deceased employees while compliance with life insurance policy (including payment of life insurance benefits) was enforced.

### 3.11 Programmed Withdrawal

The total number of retirees on programmed withdrawal increased by 69.23 percent from 16,469 in 2009 to 27,871 as at 31 December 2010. The public sector retirees accounted for about 90 percent of the total number of retirements on programmed withdrawal, which showed a drop of about 3 percent from the 2009 total figures. On the other hand, retirement on programmed withdrawal by the private sector increased by 146 percent as at 31 December 2010 as shown in Table 3.16. This represents 3 percentage points proportional increase in total retirements on programmed withdrawal relative to the 2009 figures.

**Table 3.16: Retirees on Programmed Withdrawal**

Sector	2008		2009		2010	
	Number	% of Total	Number	% of Total	Number	% of Total
Public	4,933	96.27	15,319	93.02	25,041	89.85
Private	191	3.73	1,150	6.98	2,830	10.15
<b>Total</b>	<b>5,124</b>	<b>100.00</b>	<b>16,469</b>	<b>100.00</b>	<b>27,871</b>	<b>100.00</b>

The retirees in Table 3.16 had all made lumpsum withdrawals from their RSAs at retirement and the outstanding balances in the RSAs were left for the purpose of paying their monthly/quarterly retirement benefits.

The sum of ₦79.98 billion was paid as lumpsum to retirees as at the end of the year under review. This marked a significant increase of 67.43 percent over the amount paid as at the end of 2009. Similarly, the average monthly programmed withdrawal increased from ₦619.85 million in 2009 to ₦930.05 million in 2010, that is, 50 percent. The breakdown of these withdrawals by sector and gender is summarized in Table 3.17 below:

**Table 3.17: Payment of Retirement Benefits through Programmed Withdrawal from inception**

Sector	Male		Female		Total		% of Total		Average Monthly PW (N'M)		Lumpsum (N'M)	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Public	13,172	21,069	2,147	3,887	15,319	24,956	93.02	84.52	604.34	891.59	47,036.76	78,143.69
Private	1,055	2,590	95	325	1,150	2,915	6.98	15.48	15.51	38.46	731.26	1,834.61
<b>Total</b>	<b>14,227</b>	<b>23,659</b>	<b>2,242</b>	<b>4,212</b>	<b>16,469</b>	<b>27,871</b>	<b>100.00</b>	<b>100.00</b>	<b>619.85</b>	<b>930.05</b>	<b>47,768.02</b>	<b>79,978.30</b>

As shown in Table 3.17, the public sector had consistently accounted for the highest number of retirees and the highest amount withdrawn either as lump sum or monthly retirement benefits. However, though there are increases in the number of retirees from both sectors, the private sector had higher proportional increase, from 6.98 percent as at December 2009 to 15.48 percent relative to the total number of retirees as at the end of 2010.

### 3.12 Retirement by Annuity

PenCom received and approved a total of 74 requests for annuity retirement plans during the year under review. The combined withdrawals of lump-sums and monthly annuity for the retirees stood at N270.77 million and N2.54 million respectively as shown in Table 3.18. The sum of N278.41 million was paid as premium for the annuity contracts.

**Table 3.18: Retirement by Annuity as at 31 December 2010**

Sector	Retirees				Retirement Benefits	
	Male	Female	Total	% of Total	Average Monthly Annuity (N Million)	Lump Sum (N Million)
Public	65	6	71	96	2.47	269.96
Private	3	0	3	4	0.07	0.81
<b>Total</b>	<b>68</b>	<b>6</b>	<b>74</b>	<b>100</b>	<b>2.54</b>	<b>270.77</b>

Table 3.18 reveals that only 4 percent of the retirees on annuity plan were from the private sector compared to 96 percent from the public sector.

The breakdown of retirees shows that while 0.27 percent were under annuity, 99.73 percent were under programmed withdrawals in 2010. It is important to note that the Regulation for Annuities was finalised and released by PenCom

jointly with National Insurance Commission (NAICOM) in December 2009, after the consolidation exercise in the insurance industry, thus, accounting for the late commencement of and low retirement by annuity as compared to programmed withdrawal.

### 3.13 Approval of Death Benefits

Death benefits of 958 deceased employees from both the public and private organisations were approved in 2010. The amount approved and paid stood at ₦2.00 billion out of which the sum of ₦489.24 million or 24.47 percent was approved for dependants of the private sector deceased employees. The summary is presented in Table 3.19 below:

**Table 3.19: Approval of Death Benefits**

<b>Sector</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Death Benefits (₦ billion)</b>
Public	675	28	703	1.51
Private	235	20	255	0.49
<b>Total</b>	<b>910</b>	<b>48</b>	<b>958</b>	<b>2.00</b>

### 3.14 Withdrawal of 25 Percent of RSA Balance

During the year under review, approvals were granted for payment of ₦1,210.35 million to 8,057 RSA holders of which 471 were from the public sector and 7,586 from the private sector to withdraw 25 percent of their respective RSA balances. The beneficiaries were those who disengaged/retired before the age of 50 years in accordance with the terms and conditions of their respective employment and who, having stayed for at least six months after retirement, but could not secure another employment.

An analysis of these requests showed that private sector employees accounted for ₦1,056.18 million or 87 percent percent of the total withdrawals while the public sector employees accounted for ₦154.17 million or 13 percent as shown in Table 3.20.



**Table 3.20: Withdrawal of 25% of RSA Balance in 2010**

Sector	Retirees			% of Total	Retirement Benefits	
	Male	Female	Total		Total 25% Request (₦ Million)	Total RSA Balance (₦ Million)
Public	372	99	471	5.85	154.17	616.68
Private	6,488	1,098	7,586	94.15	1,056.18	4,224.72
<b>Total</b>	<b>6,860</b>	<b>1,197</b>	<b>8,057</b>	<b>100</b>	<b>1,210.35</b>	<b>4,841.40</b>

It should, however, be noted that many of the requests largely came from junior employees of construction companies whose jobs were normally terminated at the end of a contract.

There were cases where the RSA balances were very small to allow for any programmed withdrawal arrangement to be implemented for the retirees. In cases where the RSA balances were less than ₦500,000.00 per retiree, the total balances were paid to the RSA holders en-block. However, for the cases where the RSA balances were greater than ₦500,000.00, the amounts were spread over the guaranteed period of the RSA holders. The summary as presented in Table 3.21 shows that a total of ₦1.36 billion was paid to 7,602 RSA holders comprising 2,035 public and 5,567 private sector retirees.

**Table 3.21: En-bloc Payments to Retirees in 2010**

Sector	Retirees			% of Total	Total En-bloc Payments (₦ Million)
	Male	Female	Total		
Public	1,516	519	2,035	26.77	261.85
Private	5,229	338	5,567	73.23	1,100.62
<b>Total</b>	<b>6,745</b>	<b>857</b>	<b>7,602</b>	<b>100</b>	<b>1,362.46</b>

### 3.15 Payments on Medical Grounds

Requests were reviewed and approved for payments to eligible retirees/contributors on medical grounds. In this regard, the sum of ₦11.45 billion and ₦106,994.22 were approved as lump-sum and monthly pension respectively to 20 beneficiaries from both the public and private organisations based on retirements on medical grounds.

### 3.16 Payments to Foreign Nationals

Foreign nationals who, during the year under review, disengaged from various employments in the country were paid a total of ₦52.31 million as their retirement benefits. This shows an increase of ₦10.43 million or 24.90 percent over the amount in 2009. Similarly, the number of foreign retirees increased by 19.61 percent in 2010 relative to the number of retirees in 2009 as shown in Table 3.22.

**Table 3.22: Payment of Retirement Benefits to Foreign Nationals**

2009				2010			
Public	Private	Total	Amount (₦ million)	Public	Private	Total	Amount (₦ million)
-	51	51	41.88	1	61	62	52.31

### 3.17 Implementation of Group Life Insurance Policy

The Federal Government through the Office of Head of Service of the Federation (OHOSF) appointed 17 underwriters and 54 brokers who continued to underwrite/coordinate the Group Life Insurance Policy (GLIP) for the civilian employees in MDAs. The premium for the year was paid to provide the insurance cover for the Armed Forces, Para-Military as well as The Police and Intelligence personnel. The claim on the policy were remitted into RSAs of deceased persons through the coordinating brokers where there were death cases.

PenCom will continue to engage the private sector to ensure wider implementation of GLIP as the compliance rate within this sector was still low.

### 3.18 Missing Person

During the period under review, there was no report of any case of missing employee from any MDA/employer for consideration.

### 3.19 Implementation of Minimum Pension Guarantee

Section 76 of PRA provides for Minimum Pension Guaranteed (MPG) to cater for certain categories of retirees. PenCom engaged a Consultant to advise on a framework for the implementation of this outstanding very important pillar of the CPS.

## **PART FOUR: OUTLOOK OF THE PENSION INDUSTRY**

### **4.1 Regulatory and Supervisory Outlook**

The pension industry buoyed up in 2010 after the adverse effects of the global financial meltdown on the Nigerian economy. There was an increase in the number of private sector employers that implemented the CPS. Many state governments had also recorded progress implementing the scheme for their civil servants while sixteen (16) of them had passed the legislations for its implementation. It is expected that more states would implement the scheme in 2011 as most of them had forwarded their CPS draft bills to their respective Houses of Assembly for enactment.

The regulatory outlook of the pension industry in 2011 is anchored on two themes, namely: increased dynamism in regulating pension fund investments; and risk based supervision of the pension industry. The trend in 2011 would see a shift towards proactive and strict regulatory and supervisory activities that would leverage on the reforms in the financial sector to promote growth in pension fund assets and ensure fair ROI. In this regard, the Regulation on Investment of Pension Fund Assets had been revised to allow for direct investment in Commercial Papers of eligible companies, Supranational Infrastructure Funds, and Private Equity Funds. Work is in progress to introduce multi-funds.

In addition, PenCom would further strengthen its collaboration with other regulatory agencies as well as social partners to ensure full compliance. Collaboration with Securities and Exchange Commission (SEC) would be strengthened to encourage the growth of the corporate bond market; Debt Management Office (DMO) to enhance the secondary market for government bonds; the Central Bank of Nigeria (CBN) to regulate the commercial paper market; the Federal Inland Revenue Service (FIRS) on tax issues with regards to the issuance of REITS and corporate bonds; and Infrastructure Concession and Regulatory Commission (ICRC) on the issuance of the infrastructure bonds.

Special focus would be given to research findings and full implementation of the Risk Management and Analysis System (RMAS) software application for timely rendition of accurate returns by operators to enhance surveillance activities and safety in the industry.

Awareness campaigns would be intensified to encourage employees in the informal sector, nongovernmental establishments, states and self employed to participate in the CPS.

Furthermore, it is being expected that the framework for the transfer of RSAs between PFAs would be finalized. This would allow RSA holders to change their

PFAs and transfer their RSAs as desired once in a year. Similarly, an automated technical platform for processing retirement benefits and auctioning annuities for retirees covered by the CPS would be implemented.

As part of the implementation of PenCom's Corporate Strategy, service delivery initiatives would include the provision of a help desk that would provide a comprehensive customer support services and facilitate the resolution of their complaints. SERVICOM unit will continue to handle the numerous complaints from stakeholders.

In general, the future of the industry in 2011 is very bright. A more conducive and macroeconomic environment that would provide the necessary conditions for continuous contribution to the benefit of the Nigerian workers is expected. PenCom would outline factors that would improve the risk management in the pension industry to generate timely and reliable off-site assessment of pension operators. In all, PenCom would continue to intensify its efforts towards enforcement initiatives through administrative sanctions and prosecution of erring employers in the court of Law.

## **PART FIVE: STATEMENT OF ACCOUNTS**

### **STATEMENT OF ACCOUNTS AS AT 31 DECEMBER, 2010**

#### **5.1 AUDITOR'S REPORT**

#### **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF NATIONAL PENSION COMMISSION**

##### **Report on the financial statements**

We have audited the accompanying financial statements of **National Pension Commission**, set out on pages 2 to 13 which comprise the balance sheet as at 31 December 2010, the income statement, statement of cash flows and statement of value added for the year then ended, and a summary of significant accounting policies, financial summary and other explanatory information.

##### **Directors' Responsibility for the Financial Statements**

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with Section 25 of the Pension Reform Act 2004, the Commission's rules and regulations, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but

not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of **National Pension Commission** as at 31 December 2010, and of its financial performance and its cash flows for the year then ended; the Commission has kept proper books of account which are in agreement with the balance sheet and income statement, in the manner required by Section 25 of the Pension Reform Act, 2004 and the Commission's rules and regulations, and in accordance with the Statement of Accounting Standards issued by the Nigeria Accounting Standards Board.

**Chartered Accountants**  
**Abuja, Nigeria**  
**2011**

## **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2010**

### **5.2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The following are the significant accounting policies adopted in the preparation of these financial statements:

**(a) Basis of accounting**

The accounts are prepared under the historical cost convention.

**(b) Income recognition**

**i. Budgetary receipts**

Receipts from Federal Government are accounted for on modified cash basis.

**ii. Investment income**

Investment income on Government Securities and short term placements are recognized on accrual basis.

**iii. Fees and commissions**

Asset based fees

Asset based fees are charged by the Commission on Pension Fund Assets in line with the firms regulation on fee structure, as amended from time to time.

**(c) Fixed assets**

Fixed assets are stated at cost less accumulated depreciation.

**(d) Depreciation**

Depreciation is provided to write off the cost of fixed assets in equal annual installments over their estimated useful lives at the following annual rates:

		%
Motor vehicles	-	25
Furniture and fittings	-	15
Computer equipment	-	33.33
Office machines	-	25
Plant and machinery	-	20

**(e) Stocks**

Stocks are valued at the lower of cost and net realizable value.

**(f) Foreign exchange transactions**

Transactions in foreign currencies are recorded in Naira at the rates of exchange ruling at the time they arise.

Assets and liabilities existing in foreign currencies are converted to Naira at the foreign exchange market rates ruling at the balance sheet date. Gains or losses arising on translation are included in the revenue and expenditure account.

**(g) Pension cost**

Arrangement for retirement benefits for members of staff is based on the provisions of the Pension Reform Act, 2004. The Commission and employees contribute between 22.5% and 37.5% of basic, housing and transportation to the scheme. Membership of the scheme is automatic upon resumption of duties with the Commission.

Provision for staff retirement benefits are computed and charged to income and expenditure account.

**(h) Provision**

Provisions are recognized when the Commission has a present obligation, whether legal or constructive as a result of a past event for which it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.



**STATEMENT OF INCOME AND EXPENDITURE  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**5.3 STATEMENT OF INCOME AND EXPENDITURE**

	Note	2010 N'000	2009 N'000
<b>Income</b>			
Budgetary receipts	2	315,720	260,000
Fees and commissions	3	3,167,819	2,609,646
Investment income	4	1,313	6,552
Other income	5	44,363	64,396
		<b>3,529,215</b>	<b>2,940,594</b>
<b>Expenditure</b>			
Administrative expenses		(3,195,104)	(2,497,237)
Depreciation of fixed assets		(267,399)	(279,274)
Surplus/(deficit) for the year	14	<b>66,712</b>	<b>164,083</b>

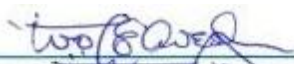
The accounting policies on pages 2 and 3 and other explanatory notes on pages 7 to 11 form an integral part of these financial statements.

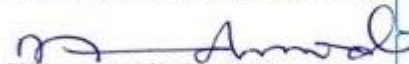
**BALANCE SHEET**  
AS AT 31 DECEMBER 2010

**5.4 STATEMENT OF ASSETS AND LIABILITIES**

	Note	2010 N'000	2009 N'000
<b>Assets employed</b>			
<b>Fixed assets</b>	8	1,379,130	1,395,369
<b>Current assets</b>			
Stocks	9	20,447	20,239
Debtors and prepayments	10	919,359	550,779
Bank and cash	11	154,259	123,530
		1,094,065	694,548
<b>Current liabilities</b>			
<b>Amounts falling due within one year</b>			
Creditors	12	217,929	130,136
<b>Net current assets</b>		876,136	564,412
<b>Total assets less current liabilities</b>		<b>2,255,266</b>	<b>1,959,781</b>
<b>Financed by:</b>			
General reserve fund	14	390,317	323,605
Capital grant	15	1,864,949	1,636,176
		<b>2,255,266</b>	<b>1,959,781</b>
<b>Contingent liabilities</b>			
Contingent liabilities and other obligations on behalf of Federal Government of Nigeria and its employees	16	<b>169,607,381</b>	<b>133,361,874</b>

The financial statements on pages 2 to 13 were approved by the Board of the Commission on \_\_\_\_\_ 2011 and signed on its behalf by:

  
Chief Oluwolé A. Adeosun OON

 Directors  
Muhammad K. Ahmad

The accounting policies on pages 2 and 3 and other explanatory notes on pages 7 to 11 form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**  
**AS AT 31 DECEMBER 2010**

**5.5 STATEMENT OF CASH FLOWS**

	Note	2010 N'000	2009 N'000
<b>Cash flows from operating activities</b>			
Cash received from activities		3,160,635	2,687,748
Cash paid to suppliers and employees		(3,109,073)	(2,533,111)
Net cash provided by operating activities	17	51,562	154,637
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		(251,160)	(43,140)
Proceeds on disposal of fixed assets		1,554	311
Net cash used in investing activities		(249,606)	(42,829)
<b>Cash flows from financing activities</b>			
Capital grants received		228,773	-
Net cash provided by financing activities		228,733	-
Net increase in cash and short term funds		30,729	111,808
<b>Cash and cash equivalent, beginning of the year</b>		123,530	11,722
<b>Cash and cash equivalent, end of the year</b>	18	<b>154,259</b>	<b>123,530</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2010

**5.6 NOTES TO THE FINANCIAL STATEMENTS**

**1. The Commission**

**(a) Legal form**

The National Pension Commission was established by the Pension Reform Act, 2004 and commenced operations in September 2004.

**(b) Principal activities**

The principal activities are to regulate, supervise and ensure the effective administration of pension matters in Nigeria.

**2. Budgetary receipt**

This represents annual grant from Government for operational expenses to supplement the internally generated revenue.

**3. Fees and Commissions**

Supervisory fees and levies

	<b>2010</b>	<b>2009</b>
	<b>N'000</b>	<b>N'000</b>
	3,167,819	2,609,646
	<b>3,167,819</b>	<b>2,609,646</b>

The Commission charged 0.25% (2009:0.25%) on Retirement Savings Account (RSA) and 0.15% (2009:0.15%) on Closed Pension Fund Administrators (CPFA) and Approved Existing Schemes (AES).

**4. Investment Income**

Interest on bank placements

	<b>1,313</b>	<b>6,552</b>
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**5. Other income**

Penalty/application fee

5,300                      3,500

Licence fee

5,000                      -

Profit on disposal of fixed assets

1,554                      311

Contractors' registration fees

410                          565

Provision no longer required

15,000                      23,645

Conference fee

14,585                      3,607

Insurance income

531                          6,255

Exchange difference

1,691                      504

Miscellaneous income

292                          59

Donation received

-                              25,950

**44,363**                      **64,396**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2010

**6 Surplus for the year**

This is stated after charging:

Depreciation	267,399	279,274
Auditors' remuneration	8,000	8,000
Interest income	1,313	6,552
Profit on disposal of fixed assets	1,554	311

**7 Taxation**

No provision is made in these financial statements for taxation. The Directors are of the view that no liability will crystallise in future on account of Corporate taxes.

<b>8 Fixed assets</b>	<b>Land &amp; buildings</b>	<b>Motor vehicle</b>	<b>Office equipment</b>	<b>Computer Equip. &amp; software</b>	<b>Plant &amp; machinery</b>	<b>Furniture &amp; fittings</b>	<b>Assets in progress</b>	<b>Total</b>
<b>Cost</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Balance, beginning of year	1,097,483	90,160	62,134	731,125	32,668	137,593	-	2,151,163
Additions	11,180	36,898	3,403	13,154	10,902	17,071	158,552	251,160
Disposals	-	(45,928)	-	-	-	-	-	(45,928)
Balance, end of year	1,108,663	81,130	65,537	744,279	43,570	154,664	158,552	2,356,395
<b>Accumulated depreciation</b>								
Balance, beginning of year	63,278	69,371	53,897	491,256	18,725	59,267	-	755,794
Charge for the year	22,053	18,118	5,051	194,336	6,415	21,426	-	267,399
Disposal	-	(45,928)	-	-	-	-	-	(45,928)
Balance, end of year	85,331	41,561	58,948	685,592	25,140	80,693	-	977,265
<b>Net book value</b>								
At 31 December, 2010	<b>1,023,332</b>	<b>39,569</b>	<b>6,589</b>	<b>58,687</b>	<b>18,430</b>	<b>73,971</b>	<b>158,552</b>	<b>1,379,130</b>
At 31 December, 2009	1,034,205	20,789	8,237	239,869	13,943	78,326	-	1,395,369

	<b>2010</b>	<b>2009</b>
	<b>N'000</b>	<b>N'000</b>
<b>9 Stocks</b>	<b>20,447</b>	<b>20,239</b>

<b>10 Debtors and prepayments</b>		
Asset based fee debtors	400,811	205,553
Staff debtors	393,434	298,718
Prepayments	20,277	29,179
Subvention receivable	86,752	-
Other debtors	18,085	17,329
	<b>919,359</b>	<b>550,779</b>

<b>11 Bank and cash</b>		
Guaranty Trust Bank Plc	137,058	33,728
Zenith International Bank Plc	15,190	19,281
Union Bank of Nigeria Plc	-	69,392
UBA Plc	-	270
Central Bank of Nigeria	11	-
Cash at hand	2,000	2,250
	154,259	124,921
Less provision for doubtful bank and cash balances	-	(1,391)
	<b>154,259</b>	<b>123,530</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2010

	<b>2010</b>	<b>2009</b>
	<b>N'000</b>	<b>N'000</b>
<b>12 Creditors</b>		
Other credit balances	30,519	14,343
Severance benefits	170,667	-
Dedicated funds	32	32
Creditors and accruals	16,631	47,052
Other creditors - Union Bank Plc	-	68,709
Deferred income	80	-
	<u>217,929</u>	<u>130,136</u>
<p>Dedicated funds represent funds received from Federal Government of Nigeria to cater for expenses associated with the issuance of bond and terminal benefits.</p>		
<b>13 Pension cost</b>		
Balance, beginning of year	-	-
Charge to income and expenditure	203,143	111,174
	<u>203,143</u>	<u>111,174</u>
Payments in the year	(203,143)	(111,174)
Balance, end of year	<u>-</u>	<u>-</u>
<b>14 General reserve fund</b>		
Balance, beginning of year	323,605	102,608
Prior year adjustment	-	56,914
Surplus for the year	66,712	164,083
Balance, end of year	<u>390,317</u>	<u>323,605</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2010

	<b>2010</b> <b>N'000</b>	<b>2009</b> <b>N'000</b>
<b>15 Capital grant</b>		
Balance, beginning of year	1,636,176	1,636,176
Receipts during the year	228,773	-
Balance, end of year	<b>1,864,949</b>	<b>1,636,176</b>
<p>This represents funds released to the Commission to augment cost of acquisition of land and buildings and acquisition and implementation of information and communication technology.</p>		
<b>16 Contingent assets/liabilities (fiduciary funds)</b>		
<p>The Commission holds the following funds on behalf of the Federal Government of Nigeria and its employees.</p>		
Contributory Fund Account	165,387,776	123,712,829
Retirement Benefits Bond Redemption Fund	4,157,651	9,645,471
Others	61,954	3,574
	<b>169,607,381</b>	<b>133,361,874</b>

Contributory Fund Account represents Federal Government of Nigeria employees' and employers' pension contributions and held in CBN in trust for the beneficiaries by the Commission pending determination of amount due to individual employees of the Federal Government and onward transfer to Pension Fund Administrators chosen by these individuals.

The Retirement Benefits Bond Redemption Fund was created in compliance with the provision of Section 29 of the Pension Reform Act 2004. This section places the responsibility for managing and investing the fund on Central Bank of Nigeria (CBN). However, the Commission on behalf of Federal Government of Nigeria has been verifying and ascertaining the accrued pension rights of the retiring employees and advising CBN on the various liabilities and payments to be made to them. The Commission is neither a signatory to nor is it involved in the management of the Account.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2010

	<b>2010</b> <b>N'000</b>	<b>2009</b> <b>N'000</b>
<b>17 Reconciliation of net surplus in the year to net cash used in operating activities</b>		
Surplus for the year	66,712	164,083
Add: Depreciation	267,399	279,274
Profit on disposal of fixed assets	(1,554)	(311)
Prior year adjustment	-	56,914
	<u>332,557</u>	<u>499,960</u>
<b>Movements in working capital:</b>		
Stocks	(208)	(6,099)
Debtors and prepayments	(368,580)	(252,846)
Creditors	87,793	(86,378)
Net cash provided by operating activities	<u><b>51,562</b></u>	<u><b>154,637</b></u>
<b>18 Cash and cash equivalents</b>		
Cash at bank	152,259	121,280
Cash at hand	2,000	2,250
	<u><b>154,259</b></u>	<u><b>123,530</b></u>
<b>19 Employees</b>		
Aggregate payroll costs:		
Wages, salaries, allowances and bonus	1,763,798	1,508,729
Pension	290,697	111,174
Pension	<u><b>2,054,495</b></u>	<u><b>1,619,903</b></u>
<b>19.1 Number of employees</b>		
Executives		
Management	5	5
Senior	15	16
Junior	159	92
	8	9
	<u><b>187</b></u>	<u><b>122</b></u>
<b>20 Post balance sheet events</b>		

There were no post balance sheet events which could have had material effect on the balance sheet of the Commission at 31 December, 2010 and on the income and expenditure for the period ended on that date which have not been adequately provided for or recognized in these financial statements.

**21 Comparative figures**

Certain comparative figures have been reinstated in line with the presentation in the current year.



**STATEMENT OF VALUE ADDED**  
FOR THE YEAR ENDED 31 DECEMBER 2010

**5.7 STATEMENT OF VALUE ADDED**

	<b>2010</b>		<b>2009</b>	
	<b>N'000</b>	<b>%</b>	<b>N'000</b>	<b>%</b>
Income	3,529,215		2,940,594	
Less: Bought in materials and services				
- local	(1,140,609)		(877,334)	
	<b>2,388,606</b>	<b>100</b>	<b>2,063,260</b>	<b>100</b>
<b>Applied as follows:</b>				
<b>To pay employees'</b>				
Wages, salaries and other benefits	2,054,495	86	1,619,903	79
<b>To provide for assets replacement</b>				
Depreciation	267,399	11	279,274	14
<b>Retained for future growth</b>				
Surplus for the year	66,712	3	164,083	8
	<b>2,388,606</b>	<b>100</b>	<b>2,063,260</b>	<b>100</b>

## FINANCIAL SUMMARY

### 5.8 FINANCIAL SUMMARY

31 DECEMBER	2009 N'000	2009 N'000	2008 N'000	2007 N'000	2006 N'000
<b>FIXED ASSETS</b>	1,379,130	1,395,369	1,630,339	1,362,961	130,451
<b>WORK IN PROGRESS</b>	-	-	-	-	350,000
<b>CURRENT ASSETS</b>					
Stocks	20,447	20,239	14,140	4,978	-
Debtors and prepayments	919,359	550,779	297,933	551,085	142,052
Bank and cash	154,259	123,530	11,722	495,974	90,615
	1,094,065	694,548	323,795	1,052,037	232,667
<b>CURRENT LIABILITIES</b>					
Creditors and accruals	217,929	130,136	215,350	255,941	11,356
Staff retirement benefits	-	-	-	-	12,851
	217,929	130,136	215,350	255,941	24,207
Net current assets	876,136	564,412	108,445	796,096	208,460
<b>NET ASSETS</b>	<b>2,255,266</b>	<b>1,959,781</b>	<b>1,738,784</b>	<b>2,159,057</b>	<b>688,911</b>
<b>FINANCED BY</b>					
Capital grant	1,864,949	1,636,176	1,636,176	1,636,176	434,976
General revenue fund	390,317	323,605	102,608	522,881	253,935
	<b>2,255,266</b>	<b>1,959,781</b>	<b>1,738,784</b>	<b>2,159,057</b>	<b>688,911</b>
<b>Contingent assets/liabilities</b>					
Contingent liabilities and other obligations on behalf of Federal Government of Nigeria and its employees	<b>169,607,381</b>	<b>133,361,874</b>	<b>151,260,549</b>	<b>155,037,214</b>	<b>55,372,634</b>
<b>Revenue</b>					
Income	3,483,539	2,869,646	2,255,458	1,932,865	439,798
Other income	45,676	70,948	36,422	38,661	27,635
	3,529,215	2,940,594	2,291,880	1,971,526	467,433
<b>Less: Expenditure</b>					
Administrative expenses	3,195,104	2,497,237	2,439,908	1,583,617	550,373
Depreciation of fixed assets	267,399	279,274	272,245	118,962	57,948
Surplus for the year	<b>66,712</b>	<b>164,083</b>	<b>(420,273)</b>	<b>268,947</b>	<b>(140,888)</b>

## PART SIX: ADDRESSES AND PROFILES OF PENSION FUND OPERATORS

### 6.1 Contact Details of Pension Fund Operators

**Table 6.1: Pension Fund Administrators**

<i>S/No</i>	<i>Name of Operator</i>	<i>Managing Director</i>	<i>Address</i>	<i>Phone No.</i>	<i>E-mail and Web Addresses</i>
1	Aiico Pension Managers Limited	Bola Akindeinde	Plot 2, Oba Akran Avenue, Ikeja Lagos	08056177025 01-2624667, 2625003	info@aiicopension.com www.aiicopension.com
2	Amana Capital Pension Limited	Mohammed G. Shuaibu	No 7, Victoria Falls Street, Off Shehu Shagari Way (Behind Legacy House) Maitama, Abuja	08022902465 09-4615300 4615380-99	Info@amanapension.com www.amanapension.com
3	Apt Pension Funds Managers Limited	Hamza Sule Wuro Bokki	Federal Mortgage Bank House, Plot 266, Cadastral AO, Central Business District, Garki, Abuja	08033139435 09-4614400-29,	info@aptpension.com www.aptpension.com
4	ARM Pension Managers (PFA) Limited	Funso Doherty	Plot 698, Sanusi Fafunwa Street, Victoria Island, Lagos	08035260493, 01-2715000	info@armpension.com www.armpension.com
5	Citi Trust Pension Managers Limited	Otunba Otukayode Otufale	Citi Trust Plaza, 10th Floor, 9/11 Catholic Mission Street, Lagos Island, Lagos	08027784632, 01-2645380 2635381	info@cititrustpension.com www.cititrustpension.com
6	Crib Pension Fund Managers Limited	Vacant	Aret Adams House, Left Wing 2nd Floor, 233 Ikorodu Road, Ilupeju, Lagos	07034021818, 08072742736 01-2790866 -7, 01-8978296,	info@cribpension.com www.cribpension.com
7	CrusaderSterling Pensions Limited	Adeniyi Falade	Plot 42, Adeola Hopewell Street, Victoria Island, Lagos	08058084953, 01-2713800-4	info@crusaderpensions.com www.crusaderpensions.com

**Table 6.1: Pension Fund Administrators (Cont'd)**

<b>S/No</b>	<b>Name of Operator</b>	<b>Managing Director</b>	<b>Address</b>	<b>Phone No.</b>	<b>E-mail and Web Addresses</b>
8	Evergreen Pensions Limited	Clement E. John	74 Abak Road, Uyo, Akwa Ibom State	08033238845 085-200285 085-200286	info@evergreenpensions.com www.evergreenpensions.com
9	Fidelity Pension Managers Limited	Obi John Ikechukwu	2 Adeyemo Alakija Street, Victoria Island, Lagos	08033090800 01-4626968-9, 4626993	info@fidelitypensionmanagers.com www.fidelitypensionmanagers.com
10	First Guarantee Pension Limited	Wilson Ideva	Irorun Plaza, No65c Kudirat Abiola Way, Oregun, Ikeja Lagos.	08073399874 09-4130995, 09-4131006, 4130732-3	info@firstguaranteepension.com www.firstguaranteepension.com
11	Future Unity Glanvills Pensions Limited	Usman B. Suleiman	Plot 1230B Bishop Oluwole Street, Victoria Island, Lagos	08033435906 01-4627060 01-4627061	info@fugpensions.com www.fugpensions.com
12	IEI-Anchor Pension Managers Limited	Oyebanji Alaga	No. 51A, Oro Ago Crescent, Garki II, Abuja.	08033007696 09-3146526 09-4618900-9	info@ieianchorpensions.com www.ieianchorpensions.com
13	IGI Pension Fund Managers Limited	Yinka Obalade Emmanuel	8, Adeola Odeku Street, Victoria Island, Lagos	08027785055 01-6213043-47	info@igipfm.com www.igipfm.com
14	Leadway Pensure PFA Limited	Mrs. Aderonke Adedeji	Afric Place, No. 7 Afric Road, Off Western Avenue, Lagos	08022242181 01-2800800 01-2800850	info@leadway-pensure.com www.pensure-nigeria.com
15	Legacy Pension Managers Limited (PFA)	Bello Mohammed Maccido	No. 39, Adetokunbo Ademola Crescent, Wuse II, Abuja	08033082184, 09-6738002, 09 -4613500-3, 08059580002	info@legacypension.com www.legacypension.com

**Table 6.1: Pension Fund Administrators (Cont'd)**

<b>S/No</b>	<b>Name of Operator</b>	<b>Managing Director</b>	<b>Address</b>	<b>Phone No.</b>	<b>E-mail and Web Addresses</b>
16	NLPC Pension Fund Administrators Limited	Adewale O. Kolawole	No. 312A, Ikorodu Road, Anthony, Lagos	08034027008 01-2793580-2	info@nlpcpfa.com www.nlpcpfa.com
17	Oak Pensions Limited	Micheal O. Olayinka	15B, Oko Awo Street, Off Adetokunbo Ademola Street, Victoria Island, Lagos	08034035607 01-4614075	info@oakpensions.com www.oakpensions.com
18	Penman Pensions Limited	Engr. Umaru Kilishi	NACRDB Plaza, Link Block Independence Avenue, Central Business District, Abuja	07038441979 09- 4618900-9 01-2706401	info@penmanpensions.com www.penmanpensions.com
19	Pensions Alliance Limited	Emenike D. Uduanu	7th Floor, Bull Plaza, 38/39 Marina, Lagos	08034039191 01-2802290 - 3	info@pensionsalliance.com www.pensionsalliance.com
20	Premium Pension Limited	Aliyu AbdulRahaman Dikko	No. 7, Dar-Essalam Street, Off Aminu Kano Crescent, Wuse II, Abuja	08035606044 09-4615701 - 5 09-461 5700	info@premiumpension.com www.premiumpension.com
21	Royal Trust Pension Fund Administrator Ltd	Okechukwu Okorie	Plot 2107, Tafawa Balewa Way, Area 3, Garki, Abuja	08033242553 09-7800427 09-7802508	royalinfo@royaltrustpfa.com www.royaltrustpfa.com
22	Sigma Pensions Limited	Adamu M. Modibbo	No. 29 Durban Street, Off Adetokunbo Ademola Crescent, Wuse II, Abuja	08025014950 09-4613333 09-5237787 09-5237816	info@sigmapensions.com www.sigmapensions.com
23	Stanbic IBTC Pension Managers Limited	Obinnia Abajue	Plot 1678, Olakunle Bakare Close, Victoria Island, Lagos	08034020098, 01-2716000	pensionmanagers@stanbicibtc.com www.stanbicibtc.com

**Table 6.1: Pension Fund Administrators (Cont'd)**

<b>S/No</b>	<b>Name of Operator</b>	<b>Managing Director</b>	<b>Address</b>	<b>Phone No.</b>	<b>E-mail and Web Addresses</b>
24	Trustfund Pensions Plc	Bernard N. Ekwe	Plot 820/821, Labour House, Central Business District, Abuja	08033034272 08057003000 08056000102 08069778760 09-6710699	info@trustfundpensions.com www.trustfundpensions.com

**Table 6.2: Closed Pension Fund Administrators**

<b>S/No</b>	<b>Name of Operator</b>	<b>Managing Director</b>	<b>Address</b>	<b>Phone No.</b>	<b>E-mail and Web Addresses</b>
1.	Chevron Nigeria Pension Plan Limited	Mrs Obafunke Alade-Adeyefa	SPG Complex (Agungi Bus Stop), Lekki/Ajah Express Way, Lagos	08035250363, 01-2600600, 01-3661828, 01-3668129	info@chevron.com/nigeria www.chevron.com/nigeria
2.	Nestle Nigeria Trust (CPFA) Limited	Michael Olufemi Awotedu	22/24 Industrial Avenue, Ilupeju, Lagos	08034020172,	info@ng.nestle.com www.ng.nestle.com
3.	Nigerian Agip CPFA Limited	Chukwudi N. Illoh	258A, Etim Inyang Crescent, Victoria Island, Lagos	07034060851 01-2600100-9, 01-2621600-9	info@naoc.agip.it www.naoc.agip.it
4.	Progress Trust CPFA Limited	Mrs. H.T. Lawani	Iganmu House, No 1, Abebe Village Road, Iganmu, Lagos	08053184274, 01-5801340	info@progresstrustcpfa.com www.progresstrustcpfa.com
5.	Shell Nig. Closed Pension Fund Administrator Ltd	Mrs. Yemisi Ayeni	1st Floor C-Wing, Bank of Industry Building, 23 Marina, Lagos	08070362007, 08070269999, 01- 2769999	info@shellnigeria.com www.shellnigeria.com
6.	Total (E and P) Nigeria CPFA Limited	Emmanuel Essien	Plot 25, Trans Amadi Industrial Layout, Portharcourt.	08039793973, 01 -2623720-38	info@total.com www.total.com
7.	Unico CPFA Limited	Mrs. Muyibat Abbas	Niger House, 1-5 Odunlami Street, Lagos	08033340592, 01-2661756 01-7943025 01-7410932 01-7410928	unicocpfa@uacnplc.com www.unicocpfa.com

**Table 6.3: Pension Fund Custodians**

<i>S/No</i>	<i>Name of Operator</i>	<i>Managing Director</i>	<i>Address</i>	<i>Phone No.</i>	<i>E-mail and Web Addresses</i>
1.	Diamond Pension Fund Custodian Limited	Emeka Osuji	1A Tiemiyu Savage Street, Victoria Island, Lagos	08033066986, 01-2713954, 01-2713680, 01-723161, 01-4613753	info@diamondbank.com www.diamondpfc.com
2.	First Pension Custodian Nigeria Limited	Akinwumi Fanimokun	124 Awolowo Road, Ikoyi, Lagos	08022901979, 01-2713217, 01-82692736	info@firstcustodiannigeria.com www.firstpensioncustodian.com
3.	UBA Pensions Custodian Limited	Mrs. Oluwatomi A. Soyode	Plot 22b, Idowu Taylor Street, Victoria Island, Lagos	08038077700, 01- 2718000-4	info@ubagroup.com www.ubagroup.com
4.	Zenith Pensions Custodian Limited	Nkem Oni-Egboma	1 Samuel Manuwa Street, Victoria Island, Lagos	08023164118 01-2782900 - 30	enquiries@zenithcustodian.com www.zenithcustodian.com



## 6.2 Profile of Pension Fund Operators

**Table 6.4: Profile of Pension Fund Administrators**

S/N	PFA Name	Board of Directors		Paid-up Share Capital (₦ million)	Number of Branches/ Service Centres	External Auditors
1.	Aiico Pension Managers	Chief (Dr.) Rasheed Gbadamosi, OFR J. B. Akindeinde Chief (Dr.) S. I. Adegbite, OFR Chief (Dr.) O. Fajemirokun S. D. A. Shobanjo Adeboye Shonekan B. J. Oluwadiya Ademola Abimbola Adebisi Nuradeen Adeyemo Fagbenro Ebi Ernest Chukwudi	Chairman Managing Director/CEO Director Director Director Director Director Director Director	800.00		Ernst & Young 2A Bayo Kuku Street, Ikoyi, Lagos Tel: 01-4630479-80
2.	Amana Capital Pension Limited	Chief O. C. Harry JP. Modibbo Yusufu Aliyu Mohammed Gulani Shuaibu Effiong S. O. Onwionoko Abubakar Muhammed Mann Yaro-Alhaji Jinjiri Mohammed Bashir Tukur Edward O. Akerele Bello Mustapha Belel Babajika Mustafa	Chairman Vice Chairman Managing Director/CEO Director Director Director Director Director Director Director	452.89		P. A. Adebimpe & Co. First Floor, Wema Bank Building, Central Business District, Abuja Tel: 08036858830
3.	Apt Pension Funds Managers Limited	Al-Mujtaba Abubakar Gumi Hamza Sule Wuro Bokki Kasimu Garba Kurfi Ahmed Rufai Altı Danfuloti Kado Guga Hassan Usman	Chairman Managing Director/CEO Director Director Director Director	472.43		Muhtari Dangana & Co. (Chartered Accountants) 12, Bompai Road, Kano

**Table 6.4: Profile of Pension Fund Administrators (Cont'd)**

<b>S/N</b>	<b>PFA Name</b>	<b>Board of Directors</b>	<b>Paid-up Share Capital (N' million)</b>	<b>Number of Branches/ Service Centres</b>	<b>External Auditors</b>
4.	ARM Pension Managers Limited	Christopher Nonyelum Okeke Funsho Doherty Ayodeji Ali Ms. Jumoke Ogundare Emmanuel Ikazoboh	Chairman Managing Director/CEO Director Director Independent Director	1,190.47	KPMG Professional Services. 22A, Gerrard Road, Ikoyi, Lagos Tel: 01-2694660-4 01-4630290-3
5.	Citi Trust Pension Managers Limited	Otunba Otukayode Otufale Olusegun Olusanya Chief Alex Duduyemi Chief Adedotun B. Adebajo	Chairman/CEO Director Director Director	200.00	Oyelami Soetan Adeleke & Co (Chartered Accountants), Kresta Laurel Complex, 4 <sup>th</sup> Floor, 376 Ikorodu Road, Maryland, Lagos Tel: 01-7744873, 4935391
6.	Crib Pension Fund Managers Limited	Chief Babajide Olatunde-Agbeja Akin Akinbola Adedotun Ogunwoolu Mrs. Bola Onigbogi Adegboyega Isiaka Oyetola Olumide Koya Kenneth Etim Femi Olubanwo Bode Olatunji Ms. Mojisola Agbabiaka	Chairman Ag. Managing Director/CEO Director Director Director Director Director Director Director Director	200.00	SIAO (Chartered Accountants), 18B, Temple Road, Ikoyi, Lagos Tel: 01-4630867, 01-4630873

**Table 6.4: Profile of Pension Fund Administrators (Cont'd)**

<b>S/N</b>	<b>PFA Name</b>	<b>Board of Directors</b>	<b>Paid-up Share Capital (N' million)</b>	<b>Number of Branches/ Service Centres</b>	<b>External Auditors</b>
7.	Crusader Sterling Pension Limited	Olutola O. Mobolurin Adeniyi Falade Gabriel O. A. Oyelami Akinwale Charles Adewunmi Lanre Adesanya Joseph O. Ameh Tofarati Augusto Razack Adeyemi Adeola Ms.Benedikter C. Molokwu Ngozi Nlebemuo	Chairman Managing Director/CEO Director Director Director Director Director Director Independent Director Alternate Director to Gabriel O.A.O	951.04	Akintola Williams Deloitte, Chartered Accountants 235, Ikorodu Road, Ilupeju Lagos
8.	Evergreen Pensions Limited	Ini Etuk Clement Etim John Elder (Mrs.) Ukeme Esang Mrs. Comfort Essien Mrs. N. A. Roberts Ubong Awah Eng. Nsikanabasi Ebanga Eng. Basseyy Usang Basseyy Mr. Peter Udo	Chairman Managing Director/CEO Director Director Director Director Director Director Director	200.00	Dan Oku & Co. (Chartered Accts. & Consultants) No. 2, Offiong Ekpo Close, Off. 65, Marian Extension, Calabar Tel: 08033181182
9.	Fidelity Pension Managers Limited	Chief Christopher Eze John Obi Okechukwu Frank Onwu Maj. Gen. Mohammed Magoro (Rtd) Mike Osime Reginald Ihejiahi	Chairman Managing Director/CEO Director Director Director Director	631.75	Akintola Williams Deloitte 235, Ikorodu Road, Ilupeju, Lagos Tel: 01-4930720-4

**Table 6.4: Profile of Pension Fund Administrators (Cont'd)**

<b>S/N</b>	<b>PFA Name</b>	<b>Board of Directors</b>	<b>Paid-up Share Capital (₦' million)</b>	<b>Number of Branches/ Service Centres</b>	<b>External Auditors</b>
10.	First Guarantee Pension Limited	Olaiya O. Ojo Nze Chidi Duru Wilson Ideva Tsegba Terngu Umar Ibrahim El-Yakub Frank Nweke Jnr	Chairman Vice Chairman Managing Director/CEO Director Director Director	687.96	KPMG Professional Service 22A Gerrard Road, Ikoyi, Lagos
11.	Future Unity Glanvills Pensions Limited	Vacant Usman B. Suleiman Richard Asabia Kayode Pitan Adekunle AbdulRazzaq Oyinloye Ibrahim Tanko Muhammed Adeyinka O. Sogunle Anthony Ojeshina Chief A. O. Omisore Colone I. Akanni Oluyemi Patrik Olatunji	Chairman Managing Director/CEO Director Director Alternate Director Director  Alternate Director Alternate Director	500.00	KPMG Professional Services 22A Gerrard Road, Ikoyi Lagos Tel: 01-2694660-4, 01-4630290-3
12.	IEI-Anchor Pension Managers Limited	Sen. (Dr.) Jonathan Silas Zwingina Oyebanji Alaga AbdulAzeez Abubakar Ibrahim Rufa'i S. Hanga Ifie Sekibo M. P. Anthony Madojemu Okuredy Francis Okwedy Dr. Obadia Mailafiya	Chairman Managing Director/CEO Director Director Director Director Director Independent Director	1,000.00	PKF Pannel Kerr Forster, Chartered Accountants 2A, Herbert Macaulay Way Abuja

**Table 6.4: Profile of Pension Fund Administrators (Cont'd)**

<b>S/N</b>	<b>PFA Name</b>	<b>Board of Directors</b>	<b>Paid-up Share Capital (₦' million)</b>	<b>Number of Branches/ Service Centres</b>	<b>External Auditors</b>
13.	IGI Pension Fund Managers Limited	Apostle (Dr.) Hayford Alile, OFR Adeyinka Emmanuel Obalade Doyin Adebambo Remi Olowude, OON Gen. (Dr.) Yakubu Gowon(Rtd), GCFR Rotimi Fashola Chief Eugene Okwor	Chairman Managing Director/CEO Executive Director Director Director Director Independent Director	250.00	N/A
14.	Leadway Pensure PFA Limited	Lt. Gen. Garba Duba (Rtd) Mrs. Aderonke Adedeji Oye Hassan-Odukale Dr. Anandi Prakash Mittal Kofo Majekodunmi Tunde Hassan-Odukale Ike Osakwe Wole Oshin Olutayo Odunsi	Chairman Managing Director/CEO Director Director Director Director Director Director Director (Alternate)	1,422.71	Akintola Williams Deloitte & Touche 235, Ikorodu Road, Ilupeju, Lagos Tel: 01-4930720-4
15	Legacy Pension Managers Limited PFA	Mahey Rasheed Rafindadi Bello Mohammed Maccido Misbahu Umar Baba Mohammed Aliyu Hassan Agwai Mohammed Ahmed Lawan Kuru Segun Fawora Lamis Dikko Mrs. Bukola Smith	Chairman Managing Director/CEO Executive Director Director Director Director Director Director Director	463.60	KPMG Professional Services 22A Gerrard Road, Ikoyi Lagos Tel: 01-2694660-4, 01-4630290-3

**Table 6.4: Profile of Pension Fund Administrators (Cont'd)**

<b>S/N</b>	<b>PFA Name</b>	<b>Board of Directors</b>	<b>Paid-up Share Capital (N' million)</b>	<b>Number of Branches/ Service Centres</b>	<b>External Auditors</b>
16.	NLPC Pension Fund Administrators Ltd.	J. O. Emmanuel A. O. Kolawole Mrs. C. O. Oyeleye Samuel Adewole Balogun E. O. Eleramo Chief F. R. A. Marinho El- Yakubu Muhammed Rabiu Senator O. O. Omilani A. A. Adeyeye S. Ayo Twins	Chairman Managing Director/CEO Executive Director Executive Director Director Director Director Director Director Independent Director	880.0	Ajibade Durojaiye & Co (Chartered Accountants) 27 Ajayi – Aina Street Ifako-Gbagada Tel: 01-7747925, 08085526749
17.	Oak Pensions Limited	M. O. Olayinka Kwesi Sagoe Dr. Awa Ibraheem Samuel Inyang	Chairman Managing Director/CEO Director Director Director	500.0	KPMG Professional Services 22A Gerrard Road, Ikoyi Lagos Tel: 01-2694660-4, 01-4630290-3
18.	Penman Pensions Limited	(Dr.) Umaru A. Mutallab, CON Umaru Kilishi Amb. Ibrahim Y. Abdullahi, OON Dr. Suleyman Ndanusa, OON Umaru Kwairanga Abdulkadir Idris Adekunle O. Alonge Engr. Boni C. Madubunyi Barrister Wada Ibrahim Sulaiman Dauda Karofi Anthony E. Nzenwata	Chairman Ag. Managing Director/CEO Director Independent Director Director Director Independent Director Director Director Director Director Alternate Director	497.45	Pannel Kerr Forster 2A, Herbert Macaulay Way , Abuja Tel:

**Table 6.4: Profile of Pension Fund Administrators (Cont'd)**

<b>S/N</b>	<b>PFA Name</b>	<b>Board of Directors</b>	<b>Paid-up Share Capital (₦' million)</b>	<b>Number of Branches/ Service Centres</b>	<b>External Auditors</b>
19.	Pensions Alliance Limited	Rilwan Bello Osagie Emenike.D. Udanu Daniel Agbor Mrs. Hamda Ambah Junaid Dikko Alphonse O. Okpor Ms. Olufunsho Olusanya Folashade Laoye	Chairman Managing Director/CEO Director Director Director Director Director Independent Director	800.00	KPMG Professional Services 22A Gerrard Road, Ikoyi Lagos Tel: 01-2694660-4, 01-4630290-3
20.	Premium Pension Limited	Mohammed Sabi'u Baba Aliyu A. Dikko Arc. Sale M. Yunusa Abdullahi Yahaya Umar Usman Zarma Arc. Yunusa Yakubu Dr. (Mrs) Virgy Anohu A. Y. B. Adeshina Yahaya Ibrahim Paul Usoro (SAN)	Chairman Managing Director/CEO Director Director Director Director Director Director Director Independent Director	597.39	18 PriceWaterhouseCoopers (PWC) Plot 252E Muri Okunola Street Off Ajose Adeogun Street Victoria Island, Lagos Tel.01-2711700
21.	Royal Trust Pension Fund Administrator Limited	Owelle Prince C. N. Ukachukwu Okechukwu Okorie Okey J. Moka Hon. Ben Nwankwo Princess Millicent Ukachukwu Daniel Nwokedi Chief Fabian Nwaora	Chairman Ag.Managing Director/CEO Director Director Director Director Director	174.00	3 KL & Co. (Nigeria) Chartered Accountants Suite 26/27E, Sabon Dale Shopping Complex Plot 526, Obafemi Awolowo Way, Jabi District Abuja

**Table 6.4: Profile of Pension Fund Administrators (Cont'd)**

<b>S/N</b>	<b>PFA Name</b>	<b>Board of Directors</b>	<b>Paid-up Share Capital (N' million)</b>	<b>Number of Branches/ Service Centres</b>	<b>External Auditors</b>	
22.	Stanbic IBTC Pension Managers Limited	Atedo N. A. Peterside, OON Obinnia Abajue Eric Fajemisin Yinka Sani Ahmed Dasuki Mrs. Olusola A. David-Borha Okey Nwuke Christopher John Bland Newson Mrs. Aniola Durosinmi Etti Oladipo Ajose-Adeogun	Chairman Ag.Managing Director/CEO Executive Director Director Director Director Director Director Director Independent Director	1,000.00	160	PriceWaterhouseCoopers (PWC) Off Ajose Adeogun Street, Victoria Island, Lagos Tel: 01-27111700 01-2703101-15
23.	Sigma Vauhgn Sterling Pensions Limited	Alhaji Rasaki Oladejo Adamu M. Modibbo Rick Veringa Chief Cletus Imasuen Umaru H. Modibbo Mrs. Titilayo T. Adebisi Mohammed A. Jalingo Dunami Stanley Balami Ms. Yimebe Joi Nunieb	Chairman Managing Director/CEO Executive Director Director Director Director Director Director Independent Director	890.00	22	Muhtari Dangana & Co (Chartered Accountants) 12 Bompai Road Kano Tel:
24.	Trustfund Pensions PLC	Mrs. Ngozi Nonyelum Okeke Bernard N. Ekwe Peter Esele John Odah Justus Uranta Akinwumi Oladeji Comrade Abdulwaheed Omar Chief Richard U. Uche	Chairman Ag. Managing Director/CEO Director Director Director Director Director Director	800.00	105	Ernst & Young (Chartered Accountants) 2A, Bayo Kuku Street, Ikoyi, Lagos 01-4630479-80



**Table 6.5: Profile of Closed Pension Fund Administrators**

<b>S/N</b>	<b>CPFA Name</b>	<b>Name of Director</b>	<b>Appointment</b>	<b>External Auditors</b>
1.	Chevron Nigeria Pension Plan Limited	Andrew Fawthrop Olafunke Alade-Adeyefa J.E. Nwanosike J.U. Uwakwe Ike Oguine Ezekiel O. Shadiya Emmanuel O. Imafidon Olarenwaju Kalejaiye Kurt Reimer	Chairman Managing Director/CEO Director Director Director Director Director Independent Director	PriceWaterHouseCoopers 252E Muri Okunola Street, Off Ajose Adeogun, Victoria Island, Lagos Tel: 01-2711700 01-2703101 – 15
2.	Nestle Nigeria Trust (CPFA) Limited	Martins Woolnoogh M. O. Awotedu S. O. Solesi Martins Krugel David C. Ifezulike	Chairman General Manager/CEO Independent Director Director Independent Director	KPMG Professional Services 22A Gerrard Road, Ikoyi, Lagos Tel: 01-2694660 - 4 01-4630290 - 3
3.	Nigerian Agip CPFA Limited	Carlo V. Russo Chukwudi N. Illloh Engr. Naaman F. Dienye  Stefano Pujatti	Chairman Managing Director Director  Director	PriceWaterHouseCoopers 252E Muri Okunola Street, Off Ajose Adeogun, Victoria Island, Lagos Tel: 01-2711700, 01-2703101 – 15
4.	Progress Trust CPFA Limited	M. J. Herkemij Mrs. H. T. Lawani C.O. Oke V. N. Onwuadiamu Nicholas Adrianus Vervelde Anthony Anyansi Victor Famuyibo Rapheal Kunle Tukur Ogochukwu Agu Jasper Hamaker	Chairman Managing Director/CEO Director Director Director Director Director Independent Director Director Director	PriceWaterHouseCoopers 252E Muri Okunola Street, Off Ajose Adeogun, Victoria Island, Lagos Tel: 01-2711700 01-2703101 – 15

**Table 6.5: Profile Closed Pension Fund Administrators (Cont'd)**

<b>S/N</b>	<b>CPFA Name</b>	<b>Name of Director</b>	<b>Appointment</b>	<b>External Auditors</b>
5.	Shell Nig. Closed Pension Fund Administrator Ltd	Muti Sunmonu Osagie Okunbor Mrs. Yemisi Ayeni Mrs Claire Ighodaro Bode Augusto Bernard Bos Chike Onyejekwe Olujinmi Lawal	Chairman Alternate Chairman Managing Director/CEO Independent Director Independent Director Director Director Director	PriceWaterHouseCoopers 252E Muri Okunola Street, Off Ajose Adeogun, Victoria Island, Lagos Tel: 01-2711700 01-2703101 – 15
6.	Total (E and P) Nigeria CPFA Limited	John Addeh Emmanuel Essien Mrs. Carol Hart Mrs. Chantil Belliard Olalera Babasola Mrs. Edith Ofili-Okonkwo Benjamin Okorie-Agidi Chijioke Udoba Michael Anwankuo	Chairman Managing Director/CEO Director Director Director Director Director Director	KPMG Professional Services 22A Gerrard Road, Ikoyi, Lagos
7.	Unico CPFA Limited	Larry Ephariam Ettah Mrs. Muhibat O. Idowu Abbas Julius O. Oshomoji Abdul Akhor Bello Olayiwola A. Adetomiwa Abimbola Olashore Brabindo Oruware Ogun	Chairman Managing Director/CEO Director Non Executive Director Director Independent Director Director	Akintola Williams Deloitte & Touche, 235, Ikorodu Road, Illupeju, Lagos Tel: 01-4930720-4

**Table 6.6: Profile of Pension Fund Custodians**

<b>S/N</b>	<b>PFC Name</b>	<b>Name of Director</b>	<b>Appointment</b>	<b>Paid-up Share Capital (N' million)</b>	<b>External Auditors</b>
1.	Diamond Bank Custodian Nigeria Limited	Vacant Emeka Osuji Oladele Akinyemi Obinna Uruakpa Joe Kyari Gadzama Adedoyin Salami	Chairman Managing Director/CEO Director Director Director Director	2,000.0	PriceWaterHouseCoopers 252E Muri Okunola Street, Off Ajose Adeogun, Victoria Island, Lagos Tel: 01-2711700 01-2703101 – 15
2.	First Pension Custodian Nigeria Limited	Chief (Dr) Joseph Sanusi,CON Akinwumi Fanimokun Kunle Jinadu Muhammadu Ibrahim,OFR Adebayo O. Odeniyi	Chairman Managing Director/CEO Executive Director Director Independent Director	2,000.0	KPMG Professional Services 22A Gerrard Road, Ikoyi, Lagos Tel: 01-2694660-4 01-4630290-3
3.	UBA Pensions Custodian Limited	Victor Odozi Mrs. Tomi Soyode Victor Osadolor Bismarck Rewane Emmanuel Nnorom Dennis Aliga Dr. (Mrs.) Vivien Elumelu	Chairman Managing Director/CEO Director Director Director Director Director	2,000.0	Messrs Akintola Williams Deloitte & Touche, 235, Ikorodu Road, Illupeju, Lagos Tel: 01-4930720-4
4.	Zenith Pensions Custodian Limited	Godwin Emefiele Nkem Oni-Egboma Peter Amangbo Adaora Umeoji Steve Omojafor Udom Emmanuel Prof. Grace Alele Williams	Chairman Managing Director/CEO Director Director Director Director Independent Director	2,000.0	PriceWaterHouseCoopers 252E Muri Okunola Street, Off Ajose Adeogun, Victoria Island, Lagos Tel: 01-2711700 01-2703101-15