

## *Corporate Vision and Mission*

### ***Vision***

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

### ***Mission***

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

**September 2016**

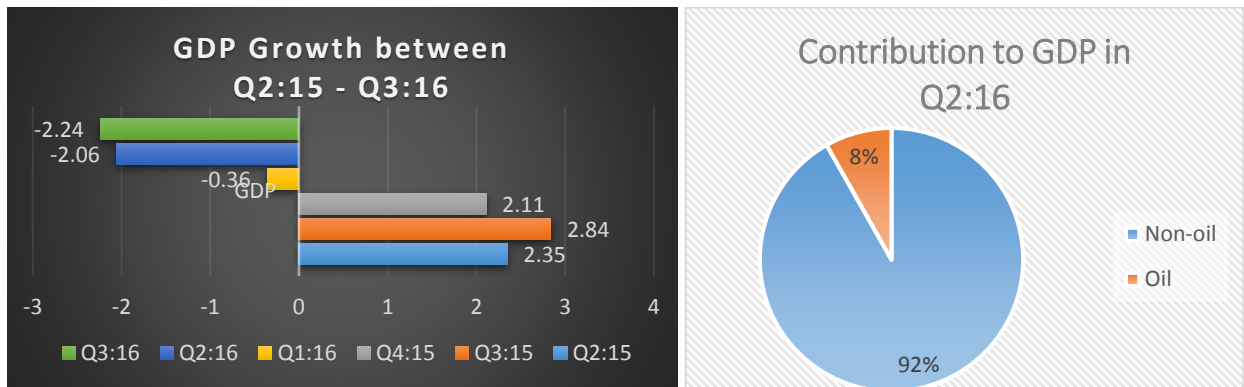
# SECTION ONE

## Pension Operating Environment

### 1.1 Macroeconomic Development

The pension industry operated in an economic recession with sustained decline in the macroeconomic environment indicating negative growth of 2.24 percent year-on-year, which was 0.18 percentage points lower than the growth in the previous quarter and 5.08 percentage points down than in the corresponding quarter of last year. However, real GDP grew by 8.74 percent in the quarter. In addition, the nominal GDP grew by 13.12 percent from ₦23.48 trillion recorded in the preceding quarter.

The non-oil sector contributed 91.81 percent of the total growth during the quarter, more than 91.74 percent recorded in the second quarter of 2016. The oil sector contributed only 8.19 percent.



**Figure 1: GDP Growth Trend between Q2:15 – Q3:16 and Sector Contribution**

Inflation rate increased sharply by 1.37 percentage points from 16.48 percent in the previous quarter to 17.85 percent in the third quarter of 2016. The continuous rise was largely a reflection of the greater pressure on exchange rate with a resulting high input cost, low commodity price and output, high fuel price and, increased electricity tariff. The consistent rise in the rate of inflation further impacted negatively on the real rate of return of the pension fund investment during the quarter under review.

## **1.2 Developments in the Money Market**

The monetary policy sustained the tightened stance of the Central Bank of Nigeria (CBN) with restrictive monetary environment in the quarter under review as the Monetary Policy Rate (MPR) was raised from 12 percent in the second quarter to 14 percent. The Cash Reserve Ratio (CRR) was moved to 22.5 percent from 20 percent in the second quarter of the year. The liquidity ratio was maintained at 30 per cent for the period under review as a check to the threat of rising prices. The symmetric corridor was retained at +200 and -500 basis points around the MPR.

Interest rate developments in the market revealed a decline in the interbank call rate from 35.26 percent in the second quarter of 2016 to 14.5 percent in the quarter under review, representing 20.76 percentage points rise. Similarly, the rates on deposits of various maturities was decreased in the range of 4.05 and 7.68 percent in the quarter compared to 5.17 and 6.92 percent in the second quarter of the year. However, the prime lending rate increased from 16.78 percent in the previous quarter to 17.09 percent in the third quarter, while the maximum lending rates stood at 27.49 percent.

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

The Bond Market capitalization further dipped 4.64 percent in the third quarter of 2016 to ~~₦~~6.78 trillion from ~~₦~~7.11 trillion of the previous quarter. The capitalization was, however, 7.52 percent more than the corresponding quarter of preceding year. The FGN and State Governments capitalized at ~~₦~~6.01 trillion and ~~₦~~516.58 billion in 17 and 22 listings respectively. Furthermore, Corporate Bonds capitalization stood at ~~₦~~222.76 billion, while supranational bonds was ~~₦~~24.95 billion. The total bond listing also decreased from 64 in the last quarter to 62 in quarter under review.

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

The Nigerian Capital Market indicators witnessed a bearish trend during the quarter. The market capitalization dropped 4.40 percent from ~~₦~~17.28 trillion in the previous quarter to ~~₦~~16.52 trillion in the review period, it was also 2.88 percent down against the corresponding period of last year. Similarly, the NSE All Share Index fell by 4.27 percent from 29,597.79 in the second quarter of 2016 to 28,335.40 in the quarter under review. Furthermore, the equity market capped at ~~₦~~9.74 trillion, representing 4.23 percent decline from the preceding quarter.

The total volume of traded stock decreased from 27.04 billion in the previous period to 18.51 billion in the quarter. In addition, the total value traded contracted to ₦151.49 billion in the review period from ₦163.86 billion in the preceding period.

## **SECTION TWO**

### **Regulatory and Supervisory Activities**

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

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

The Commission had conducted Routine Examinations on Nine (9) operators during the third quarter of 2016.

During the quarter under review, Two (2) Target Examinations were conducted on two PFAs on the allegation of unjust termination of appointment of some staff and alleged wanton practices.

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

The major issues observed from the review of the compliance reports forwarded by the operators during the quarter were un-credited pension contributions, delay in the payment of retirement benefits to the retirees, and delay in the transfer of approved NSITF Contributors' Balances to their RSAs.

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

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

The Commission did not receive any Actuarial Valuation Reports during the quarter ended 30 September, 2016 in respect of Defined Benefit Schemes for the financial year ended 31 December, 2015.

##### **c) Corporate Governance**

During the quarter under review, the Commission approved the appointment of Mrs. Abiola A. Nnaobi as the new Chief Executive Officer and Mr. Scott Philip Gardner as a Non-Executive Director on the Board of Chevron Nigeria Closed PFA Limited, Messrs Uche Ike and Ayoku Liadi as Directors on the Board of the UBA Pension Custodian Limited, Alhaji Farouk Lawal Yola as the Chairman Board of

Directors of Future Unity Glanvills Pensions Limited and Mrs. Olayinka Ajayi as an Executive Director of Zenith Pensions Custodian Limited. The Commission also approved the request of Premium Pension Limited for the transfer of some units of shares belonging to an existing shareholder to a new shareholder.

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

As part of the their obligations to the Commission, 15 Licensed Pension Operators comprising of 8 PFAs, 3 PFCs and 4 CPFAs rendered returns on the Funds under their management/custody as well as their companies' accounts to the Commission via the Risk Management & Analysis System (RMAS) for the quarter ended 30 September, 2016. 13 PFAs, 1 PFC and 3 CPFAs were yet to render the returns for the review period. The review of returns rendered so far indicated an increase in the pension assets under management/custody of the operators.

## **2.2 Compliance and Enforcement Activities**

The Commission continued to apply various strategies to ensure compliance with the provisions of the Pension Reform Act (PRA) 2014, which included the application of sanctions and collaboration with key stakeholders on public enlightenment campaigns as well as engagement of defaulting employers via pension recovery agents employed by the Commission to recover unremitted pension contributions. Further details of some of the compliance activities are presented below.

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

During the quarter under review, the Commission received a total of 3,475 applications for issuance of Compliance Certificates. Out of this figure, Compliance Certificates were issued to 3,374 organizations while applications from 101 were turned down due to incomplete documentations. The sum of ₦12.19 billion was remitted by the 3,374 organizations that were issued certificates.

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

The Commission continued the supervision of the transfer of NSITF contributions into beneficiaries' RSAs during the quarter under review. In this regard, Eight Hundred and Nine (809) applications were received for the transfer of the total sum of ₦39.18 million into RSAs of NSITF beneficiaries. The Commission processed

788 applications worth about ₦37.69 million. Thirty seven (37) applications for the transfer of ₦921.06 thousand were rejected due to incomplete documentations.

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

As part of the efforts toward recovery of outstanding contributions and interest penalty from defaulting employers, demand notices were issued to defaulting employers by the Commission. Consequently, forty five (45) employers had remitted the outstanding pension contributions and penalty to the tune of ₦775.60 million during the quarter. This brought the total recoveries made to ₦10.97 billion since the commencement of the exercise.

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

The Commission participated in the 11<sup>th</sup> Abuja International Trade Fair organized by the Abuja Chambers of Commerce, Industry, Mines and Agriculture in an effort to encourage informal sector enrolment into the CPS. The Trade Fair provided a platform to create awareness on the CPS and Micro Pension Scheme as well as served as a forum for interaction with prospective participants in the Micro Pension Scheme. The event also provided an opportunity to gauge the preference of the Informal Sector regarding the Micro Pension initiative.

In line with the corporate strategy for expanding coverage to the Informal Sector, meetings were held with the Benue, Adamawa, Onitsha and Enugu Chambers of Commerce, Industries, Mines and Agriculture to further mobilize the Informal Sector in these states to participate in the CPS as well as leverage on the available database of registered members of the Chambers to reach the target groups.

The engagement strategy for sensitizing and mobilizing stakeholder for the implementation of Micro Pension Scheme included meetings and consultations with trade unions and associations throughout the country as well as public and private organizations toward a successful launch of the initiative.

### **2.2.5 Update on the Refund of Pension Contributions to the Military and Security Agencies**

The Commission received a total number of two hundred and four (204) applications during the period under review for the refund of contributions to the personnel of the Military and Security Service Agencies as a result of their

exemption from the Contributory Pension Scheme (CPS). Out of these applications, RSAs of sixty-six (66) were found to be unfunded whereas seventy three (73) RSAs were funded and were processed as unfunded and unfunded RSAs respectively. The remaining sixty five (65) personnel are pending as a result of mismatched information in the database.

## 2.3 Other Compliance Efforts

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

State Governments continued to make progress in the implementation of the Contributory Pension Scheme (CPS). As at the third quarter of 2016, twenty-six (26) States Governments had enacted their pension Laws, eleven (11) States were at the Bill stages. A breakdown of the level of implementation of the CPS is presented in Table 2.1

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

S/N	State	Remittance of Contribution	Accrued Rights	Group Life Insurance
1	Jigawa	Assets transferred to 6 PFAs for management	N/A	N/A
2	Lagos	Commenced	Funded	Implemented
3	Ogun	Commenced	Funded	Not implemented
4	Kaduna	Commenced	Funded	Not implemented
5	Niger	Commenced	Funded	Implemented
6	Delta	Commenced	Funded	Not Implemented
7	Zamfara	Commenced	Not funded	Not implemented
8	Osun	Commenced	Funded	Implemented
9	Rivers	Commenced	Funded	Implemented
10	Kano	Assets yet to be transferred	N/A	N/A
11	Imo	Yet to commence remittance of pension contributions but the Imo State University is currently implementing the CPS under the auspices of the PRA 2014	Not funded	Not implemented
12	Kebbi	Yet to commence	Not funded	Not implemented
13	Sokoto	Yet to commence	Not funded	Not implemented
14	Ekiti	Yet to commence	Not funded	Not implemented
15	Kogi	Yet to commence	Not funded	Not implemented
16	Bayelsa	Yet to commence	Not funded	Not implemented
17	Nasarawa	Yet to commence	Not funded	Not implemented
18	Oyo	Yet to commence	Not funded	Not implemented
19	Katsina	Yet to commence	Not funded	Not implemented
20	Akwa Ibom	Yet to commence	Not funded	Not implemented
21	Edo	Yet to commence	Not funded	Not implemented



S/N	State	Remittance of Contribution	Accrued Rights	Group Life Insurance
22	Ondo	Yet to commence	Not funded	Not implemented
23	Benue	Yet to commence	Not funded	Not implemented
24	Kwara	Yet to commence	Not funded	Not implemented
25	Plateau	Yet to commence	Not funded	Not implemented
26	Cross River	Yet to commence	Not funded	Not implemented
27	Anambra	Commenced	Funded	Not implemented
28	Enugu	Yet to commence	Not funded	Not implemented
29	Abia	Yet to commence	Not funded	Not implemented
30	Ebonyi	Yet to commence	Not funded	Not implemented
31	Taraba	Yet to commence	Not funded	Not implemented
32	Bauchi	Yet to commence	Not funded	Not implemented
33	Borno	Yet to commence	Not funded	Not implemented
34	Gombe	Yet to commence	Not funded	Not implemented
35	Yobe	Yet to commence	Not funded	Not implemented
36	Adamawa	Yet to commence	Not funded	Not implemented

Table 2.1 further shows that ten (10) out of the 36 states had commenced remittance of contributions into the RSAs of their employees. Similarly, eight (8) States had commenced funding their Retirement Benefit Bond Redemption Fund Accounts (RBBRFAs).

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

A roadmap covering a period of 12-18 months for the engagement of labour unions, State employees, State Governments and other stakeholders, to positively stimulate compliance by State Governments was developed. As part of the plan and in order to ensure smooth implementation, the Commission held several engagement and implementation meetings with the Heads of Service and Labour Unions of Adamawa, Bauchi, Imo, Enugu, Kogi, Kwara, Niger, Rivers and Taraba States to facilitate the implementation of the Contributory Pension Scheme. The Commission also conducted routine examinations for the Bureau of Local Government Pensions, Ogun State, Bureau of State Pensions, Ogun State as well as the Jigawa State and Local Government Contributory Pension Board. Furthermore, a total of 16 sensitization and enlightenment programmes were held in States across the six geo political zones of the Federation.

## SECTION THREE

### Pension Industry Statistics

#### Pension Industry Statistics

##### 3.1 Scheme Memberships

The pension industry witnessed a 1.57 percent growth in the scheme membership during the third quarter of 2016, from 7.19 million contributors at the end of the preceding quarter to 7.31 million. The growth in the industry membership was driven by the Retirement Savings Account (RSA) Scheme, which had an increase of 113,520 contributors representing 1.59 percent. However, membership of the Closed Pension Fund Administration Scheme (CPFA) dropped by 260 members. On the other hand, the Approved Existing Scheme (AES) membership remained unchanged at 40,951. See Table 3.1.

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

<b>Scheme</b>	<b>Q1:2016</b>	<b>Q2:2016</b>	<b>Q3:2016</b>	<b>% change (Q2: 2016 and Q3:2016)</b>
RSA	7,006,734	7,126,676	7,240,196	1.59
CPFA	24,106	24,303	24,043	(1.07)
AES	40,951	40,951	40,951	0.00
<b>Total</b>	<b>7,071,791</b>	<b>7,191,930</b>	<b>7,305,190</b>	<b>1.57</b>

The memberships of the CPFA and AES Schemes were restricted to staff of the sponsoring organizations.

##### 3.1.1 Membership of the RSA Scheme

A breakdown of the RSA registrations indicates a 0.51 percent (16,970) increase in membership of the public sector over the second quarter of the same year to stand at 3,356,875. This figure represent 46.36 percent of the total RSA registration as at the third quarter of 2016, as shown in Table 3.2.

The private sector continued to have higher number of registered RSA holders with 3,883,321 (53.64 percent ) of the total RSA registration as at the reporting period, moving from 3,786,771 in the previous quarter. The sector also witnessed a growth of 96,550 (2.55 percent ) during the quarter under review. This can be attributed to the increase in the level of compliance by the private sector as a result of the various steps taken by the Commission to improve compliance and coverage, as well as marketing strategies of the PFAs.

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

Age Range	Public Sector		Private Sector		Total		Grand Total	
	Male	Female	Male	Female	Male	Female	Number	%
Less than 30 yrs	113,509	51,681	376,559	177,207	490,068	228,888	718,956	9.93
30- 39 yrs	741,060	368,138	1,247,054	462,804	1,988,114	830,942	2,819,056	38.94
40- 49 yrs	608,215	378,281	785,890	206,167	1,394,105	584,448	1,978,553	27.33
50- 59 yrs	517,011	283,085	395,651	69,446	912,662	352,531	1,265,193	17.47
60- 65 yrs	161,103	59,283	95,291	10,810	256,394	70,093	326,487	4.51
Above 65 yrs	60,662	14,847	51,487	4,955	112,149	19,802	131,951	1.82
<b>Total</b>	<b>2,201,560</b>	<b>1,155,315</b>	<b>2,951,932</b>	<b>931,389</b>	<b>5,153,492</b>	<b>2,086,704</b>	<b>7,240,196</b>	<b>100.00</b>

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

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

The ranking of PFAs by number of registered contributors showed a redistribution of the market share across the various groupings. While the market shares of the bottom three, five and ten PFAs had continued to grow, those of the top three, five and ten slightly dipped as at end of third quarter of 2016. The shares of bottom five and ten PFAs increased from 4.46 and 15.26 percent in the second quarter, 2016 to 4.57 and 15.38 percent as at the end of the reporting period respectively. However, the market shares of top five and ten dropped from 56.49 and 81.52

percent in the previous quarter to 56.35 and 81.40 percent as at the end of the quarter under review (see Table 3.3).

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

PFA Ranking	Q2:16 (%)	Q3:16 (%)
Top 3	39.77	39.59
Top 5	56.49	56.35
Top 10	81.52	81.40
Bottom 3	1.64	1.73
Bottom 5	4.46	4.57
Bottom 10	15.26	15.38

Table 3.3 further indicates that the share of the top three PFAs had reduced from 39.77 percent as at the end of second quarter, 2016 to 39.59 percent as at third quarter, 2016. The share of the bottom three PFAs increased from 1.64 percent as at the end of second quarter, 2016 to 1.73 percent in third quarter, 2016.

Table 3.4 shows that 76.19 percent (16) of the PFAs had registered less than 500,000 RSA contributors while five PFAs (23.81 percent) had registered more than 500,000 RSA contributors.

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

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

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

The total memberships of licensed CPFAs and AESs were 24,043 and 40,951 respectively as at the end of the third quarter of 2016 as shown in Table 3.5. A review of the Tables shows a slight decrease of 1.07 percent in the membership of the CPFAs from the figures of the previous quarter, this position could be explained by the exit of members from the scheme. While membership of the AESs remained stable compared to the previous reporting period.

**Table 3.5: Membership of CPFAs as at Third Quarter, 2016**

Enrolment Type	Number			Percentage of Total	
	Q1:2016	Q2:2016	Q3:2016	Q2:2016	Q3:2016
Active Members	17,556	17,760	17,524	73.08	72.89
Existing Pensioners	5,955	5,948	5,869	24.47	24.41
Deferred Pensioners	595	595	650	2.45	2.70
<b>Total</b>	<b>24,106</b>	<b>24,303</b>	<b>24,043</b>	<b>100.00</b>	<b>100.00</b>

Note: Deferred pensioners are pensionable retirees who are not eligible to start drawing pension until they reach a certain age in accordance with rules and regulations of the scheme.

**Table 3.6: Membership of AES as at Third Quarter, 2016**

Enrolment Type	Number			Percentage of Total	
	Q1:2016	Q2:2016	Q3:2016	Q2:2016	Q3:2016
Active Members	24,255	24,255	24,255	59.23	59.23
Current Pensioners	15,313	15,313	15,313	37.39	37.39
Deferred Pensioners	149	149	149	0.36	0.36
Dependants	1234	1234	1,234	3.01	3.01
<b>Total</b>	<b>40,951</b>	<b>40,951</b>	<b>40,951</b>	<b>100.00</b>	<b>100.00</b>

Note: Dependants are protégés of deceased pensioners.

### 3.2 Generation of Employer Codes

During the quarter under review, the Commission had issued a total number of 3,759 employer codes to employers, this brings the total employer codes issued from inception to 30 September, 2016 to 217,001. A breakdown by sector showed that 945 codes were issued to employers of the Federal Government, 14,386 and 197,911 employer codes were issued to the State and Private Sector employers respectively.

### 3.3 Pension Contributions

The total monthly pension contribution made by contributors from both the public and private sectors into their RSAs was N3.80 trillion as at the end of third quarter, 2016. This shows an increase of N366.70 billion representing 10.68 percent over the total contributions as at the end of the previous quarter as shown in Table 3.7. A review of the aggregate total contribution shows that the Public sector contributed 52.98 percent of the total contributions, while the Private sector

contributed the remaining 47.02 percent. However, during the quarter under review, the Public sector contributed 46.15 percent of the total contributions received while the Private sector contributed 53.85 percent.

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

Year/Quarter	Public Sector		Private Sector		Total	
	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total
2004	15.6	0.78	-	-	15.6	0.41
2005	34.68	1.72	-	-	34.68	0.91
2006	37.38	1.86	23.03	1.29	60.41	1.59
2007	80.63	4.01	68.34	3.83	148.97	3.92
2008	99.28	4.93	80.81	4.52	180.09	4.74
2009	137.1	6.81	91.21	5.11	228.31	6.01
2010	162.46	8.07	103.03	5.77	265.49	6.99
2011	228.92	11.37	119.53	6.69	348.45	9.17
2012	331.14	16.45	174.43	9.77	505.57	13.31
2013	278.5	13.84	225.42	12.62	503.92	13.26
2014	237.76	11.81	343.97	19.26	581.73	15.31
2015	200.05	9.94	358.91	20.09	558.96	14.71
Q1:2016	55.38	2.75	65.13	3.65	120.51	3.17
Q2:2016	27.86	1.38	63.94	3.58	91.8	2.42
Q3:2016	86.01	4.27	68.38	3.83	154.39	4.06
<b>Total</b>	<b>2,012.75</b>	<b>100.00</b>	<b>1,786.13</b>	<b>100.00</b>	<b>3,798.88</b>	<b>100.00</b>

The aggregate total pension contribution of the Private sector increased from ₦1.72 trillion as at second quarter of 2016 to ₦1.79 trillion as at third quarter of 2016 representing a growth of 3.98 percent. Whereas, the aggregate total pension contribution of the Public Sector grew by 4.46 percent from ₦1.93 trillion to ₦2.01 trillion over the same periods.

### 3.3.1 Contributions by Rank of PFA

The ranking of PFAs by total pension contributions indicates that the top 5 ranking PFAs received 46.53 percent of the total contributions as at the end of the quarter under review. The top 10 ranking PFAs accounted for 82.92 percent of the total

contributions. The bottom 5 and 10 PFAs received ₦114.72 billion and ₦503.75 billion contributions of their members, representing 3.03 percent and 13.32 percent of the total contributions received as at the end of the third quarter of 2016 respectively.

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

<b>Rank</b>	<b>Amount (₦ billion)</b>	<b>Percentage of Total</b>
Top 5	2,254.19	46.53
Top 10	3,135.74	82.92
Bottom 5	114.72	3.03
Bottom 10	503.75	13.32

### **3.4 Pension Fund Investment**

The total value of pension fund assets grew from ₦5.73 trillion as at 30 June, 2016 to ₦5.96 trillion as at third quarter, 2016, representing a growth of 4.05 percent (₦232.23 billion). The growth indicates a lower percent growth compared to the 4.92 percent for the previous quarter. The decreased asset growth recorded in third quarter, 2016 was due to the decline in the performance of the NSE All Share Index (ASI), which shed 4.27 percent in third quarter 2016. The breakdown of the pension assets is shown in Table 3.9.

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

Fund/Period	Q1:2016		Q2:2016		Q3:2016		Change between Q3:2016 & Q2:2016	
	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total
RSA Active	3,588.55	65.71	3,825.14	66.76	3,983.95	66.83	158.81	68.38
RSA Retiree	438.25	8.03	428.69	7.48	441.50	7.41	12.81	5.52
CPFAs	749.63	13.73	812.92	14.19	852.48	14.30	39.56	14.30
AESs	684.36	12.53	662.58	11.56	683.63	11.47	21.05	9.06
<b>Total</b>	<b>5,460.80</b>	<b>100</b>	<b>5,729.33</b>	<b>100</b>	<b>5,961.56</b>	<b>100</b>	<b>232.23</b>	<b>100</b>

Table 3.9 shows that RSA active fund constituted the largest proportion of the total pension fund, accounting for 66.83 percent (N3,983.95 billion) of the total fund. RSA active fund grew by 4.15 percent as at the end of the reporting period. CPFAs and AESs assets stood at N852.48 billion and N683.63 billion representing 14.30 and 11.47 percent of the total assets respectively and growth of 4.87 and 3.18 percent respectively from the previous quarter. The RSA Retiree Fund accounted for 7.41 percent (N438.25 billion) of the total assets and had a 2.99 percent growth from the previous quarter.

A breakdown of pension industry portfolio as illustrated in Table 3.10 shows that investments in Federal Government Securities had the highest assets allocation of 70 percent of total pension assets (FGN Bonds: 59 percent and Treasury Bills: 11 percent), while pension fund investments in ordinary shares accounted for 9 percent of the total portfolio.



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

Asset Class	Q2:2016		Q3:2016		Variance (June'16 & Sep. '16)	
	N Billion	%	N Billion	%	N Billion	%
Quoted Ordinary Shares	561.45	9.8	524.73	8.80	(36.72)	(15.81)
<b>FGN Securities:</b>						
FGN Bonds	3,379.23	58.98	3,499.98	58.71	120.75	51.99
Treasury Bills	487.08	8.5	683.92	11.47	196.84	84.75
State Govt. Bonds	139.59	2.44	137.79	2.31	(1.8)	(0.78)
Corporate Debt Securities	269.81	4.71	294.34	4.94	24.53	10.56
Supranational Bonds	12.82	0.22	12.48	0.21	(0.34)	(0.15)
Money Market Instruments	494.51	8.63	413.18	6.93	(81.33)	(35.02)
Open/Close-End Funds	18.65	0.33	18.78	0.32	0.13	0.06
Real Estate Property	212.84	3.71	214.86	3.60	2.02	0.87
Private Equity Funds	18.66	0.33	23.97	0.40	5.31	2.29
Infrastructure Funds	1.62	0.03	1.83	0.03	0.21	0.09
<b>Foreign Investments:</b>						
Equities	99.5	1.74	85.49	1.43	(14.01)	(6.03)
Money Market Instruments	1.84	0.03	4.36	0.07	2.52	1.09
Cash & Other Assets	31.73	0.55	45.87	0.77	14.14	6.09
<b>Total</b>	<b>5,729.32</b>	<b>100</b>	<b>5,961.58</b>	<b>100</b>	<b>232.25</b>	<b>100.00</b>

Table 3.10 further indicates that the value of investments in quoted ordinary shares was ₦524.735 Billion (9 percent of industry portfolio value) as at 30 September, 2016 indicating a decrease of ₦36.72Billion (7 percent) compared to the value of ₦561.456 Billion as at 30 June 2016. The reduction was primarily due to the depreciation in the market prices of quoted equities during the period, as indicated earlier.

The value of investments in FGN Bonds increased by ₦120.74 billion (4 percent), due to new investments and assets reallocation arising from matured money market investments, while investments in Treasury Bills increased by ₦196.84 billion (40 percent), following the increased yields on these instruments.

A review of PFAs' ranking by size of assets under their management shows that the top three and five PFAs accounted for more than half of the total RSA assets at 54.35 and 66.84 percent respectively at the end of the third quarter, 2016. The top ten ranking PFAs managed 88.28 percent of the total RSA assets while the bottom ten PFAs accounted for 8.69 percent of the RSA assets under management at the end of the reporting period. .

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

PFA Rank	Q1:2016		Q2:2016		Q3:2016	
	Amount (₦ Billion)	% of Total RSA Assets	Amount (₦ Billion)	% of Total RSA Assets	Amount (₦ Billion)	% of Total RSA Assets
Top 3	2,134.78	54.19	2,078.58	50.27	2,362.18	54.35
Top 5	2,622.71	66.58	2,514.27	60.8	2,905.04	66.84
Top 10	3,474.57	88.2	3,524.95	85.25	3,837.12	88.28
Bottom 3	16.46	0.42	240.3	5.81	17.93	0.41
Bottom 5	63.88	1.62	301.26	7.29	72.12	1.66
Bottom 10	344.11	8.74	478.31	11.57	377.77	8.69

The bottom three and five PFAs accounted for 0.41 and 1.66 percent of the RSA assets under their management respectively.

### 3.4.2 Portfolio Performance

#### 3.4.2.1 RSA 'Active' Fund

The Weighted Average Rate of Return (WARR) on the RSA 'Active' Funds in third quarter, 2016 was 8.77 percent (annualized). This shows a decline in performance compared to the WARR of 13.98 percent recorded in the previous quarter. However, there was a noted increase in the FGN Bonds/Treasury bills yield and Money market placement rates from 13.21 percent and 8.41 percent to 13.36 percent and 13 percent, respectively.

The relative lower performance of the fund in the quarter under review, compared to the previous quarter was largely due to the stock market, (despite relatively higher yields on Fixed Income Securities), which depreciated by 4.27 percent during the quarter resulting in unrealized losses of ₦15.87 billion to the RSA 'Active' Funds.

#### **3.4.2.2 RSA Retiree Funds**

The Net Assets Value of RSA 'Retiree' Funds increased by ₦12.81 billion during quarter three of 2016, increasing from ₦428.69 billion to ₦441.50 billion.

The fund recorded a WARR of 12.14 percent (annualized) in the period under review, showing an improved performance compared with the 9.52 percent return in the preceding quarter. The fund performance can be credited to the increased yields on Treasury bill investments, as well as increase in the deposit rates on money market investments.

#### **3.4.2.3 Review of CPFA/AES Funds**

The annualized rates of return recorded on the CPFA Funds ranged between 4.90 percent and 15.91 percent in third quarter, 2016 and were reflective of the actual assets allocation of the individual Funds. The Funds with relatively high exposure to fixed income and USD denominated investments recorded improved performances, when compared to other Funds with higher exposure to variable income assets.

The Net Assets Value of the AES increased by ₦21.04 billion (3.18 percent), from ₦662.58 billion in second quarter, 2016, to ₦683.62 billion as at the end of third quarter, 2016. The net increase in the total portfolio value was mainly attributed to fund injections by Scheme sponsors, increased yields on Treasury Bills and increased interest/coupon on fixed income investments.

Therefore, ordinary share investments of the AES Schemes were affected by the performance of the stock market during the period, which recorded a negative performance of -4.27 percent in the quarter under review, resulting in the depreciation in the market value of equity investments.

#### **3.4.3 Outlook for Fourth Quarter 2016**

The outlook for the fourth Quarter of 2016 is cautiously optimistic, given the expected rally in oil prices, following OPEC's decision to cut oil production, for the first time in eight years. Market performance in the quarter is also largely dependent on third quarter, 2016 listed company results, which are expected to be relatively good, compared to second quarter results.

The yields on fixed income securities are expected to trend higher as the Central Bank maintains its tightening stance, by mopping up excess liquidity. The average yields across benchmark bonds in third quarter, 2016 were 15.0 percent, against 13.52 percent obtained in second quarter, 2016, as investors continued to seek higher yields to minimize the negative real return on fixed income securities, with the rise of inflation rate from 16.50 percent in June 2016 to 17.90 percent as at September 2016.

The continuing rise in the inflation rate, combined with the devaluation of the naira, are pertinent threats to the intrinsic value of pension funds and returns on pension fund investments. It is, therefore, necessary to reiterate the need to encourage the investment of pension funds in alternative assets, in line with the Regulation on Investment of Pension Fund Assets.

There is also the urgent need for the development and issuance of Inflation-Indexed Bonds by the Debt Management Office, which would ensure that pension funds earn real returns on fixed income investments. It is also imperative that the Commission expedites action on the development of guidelines on foreign currency denominated securities and offshore investments. The Commission had commenced engagements with Stakeholders to address these highlighted risks to pension funds.

### **3.5 Retirement/Terminal Benefits**

#### **3.5.1 Retirees on Programmed Withdrawal**

The total number of retirees currently receiving their pensions under the Programmed Withdrawal (PW) increased from 137,196 in the previous quarter to 140,532 in the third quarter, 2016. This represents 2.43 percent (3,336) increase from the total retirement recorded via the PW as at the second quarter of 2016 as shown in Table 3.12. Furthermore, a sectorial breakdown shows that the public sector had recorded 71.40 percent (99,836) of the total retirees on PW from inception while the private sector had 28.60 percent (39,984) of the total retirees under the PW.

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

Period	Public		Private	Total	Lump sum (₦ Million)	Monthly PW (₦ Million)
	FGN	State				
Inception to Q2: 2016	88,290	10,562	37,632	136,484	339,927.81	4,512.19
Q3: 2016	422	562	2,352	3,336	8,532.20	155.46
<b>Total</b>	<b>88,712</b>	<b>11,124</b>	<b>39,984</b>	<b>139,820</b>	<b>348,460.01</b>	<b>4,667.65</b>

The Table further shows that the lump sum withdrawals within the quarter stood at ₦8.53 billion, which cumulatively amounted to ₦348.46 billion from inception. In addition, an average of ₦4.67 billion was paid monthly to the retirees of the scheme as monthly Programmed Withdrawal (pension) as at the end of the reporting period.

### 3.5.2 Retirement by Annuity

The Commission approved a total of 2,181 applications for annuity retirement plan during the quarter, bringing the total number of retirees receiving their retirement benefits through the annuity plan to 34,312. The 2,181 retirees received ₦2.51 billion as lump sum payment and paid annuity premium of ₦10.75 billion to Insurance Companies cumulating to a total of ₦46.72 billion and ₦167.84 billion as lump sum payments and annuity premium respectively. The retirees were receiving average monthly annuity of ₦1.72 billion as at the end of September, 2016.

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

Period	Public		Private	Total	Lump sum (₦ Million)	Premium (₦ Million)	Annuity (₦ Million)
	FGN	State					
Inception to Q2: 2016	21,248	21,248	21,248	21,248	21,248	21,248	21,248
Q3: 2016	1,053	182	946	2,181	2,507.11	10,750.21	99.92
<b>Total</b>	<b>22,301</b>	<b>3,330</b>	<b>8,681</b>	<b>34,312</b>	<b>46,715.26</b>	<b>167,837.95</b>	<b>1,722.00</b>

### 3.5.3 Withdrawal of 25 Percent of RSA Balances

During the quarter under review, approval was granted for payment of about ₦4.00 billion to 12,464 RSA holders under the age of 50 years who were disengaged from work and were unable to secure another job within 4 months of disengagement. Table 3.14 showed that the private sector accounted for 95.43 percent (173,578) of the disengaged RSA holders, while the public sector accounted for 4.57 (8,305) as at the reporting period.

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

Period	Public		Private	Total	Total RSA Balance (₦ Million)	Total 25% Request (₦ Million)
	FGN	State				
Inception to Q2: 2016	5,824	2,193	161,402	169,419	211,627.17	52,906.8
Q3: 2016	145	143	12,176	12,464	15,984.72	3,996.18
<b>Total</b>	<b>5,969</b>	<b>2,336</b>	<b>173,578</b>	<b>181,883</b>	<b>227,611.89</b>	<b>56,902.98</b>

### 3.5.4 Approval of Death Benefits

The Commission approved payments of ₦1.84 billion as death benefits to the beneficiaries of the 532 deceased employees during the quarter under review. This figure moved the cumulative death benefits payments to a total of ₦106.92 billion (including life insurance) to 36,087 deceased employees from both the private and public sector (FGN and States) as at the end of third quarter, 2016.

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

Sector	Public		Private	Total	Total Amount Paid (₦ Million)
	FGN	State			
Inception to Q2: 2016	27,137	1,981	6,436	35,555	105,085.45
Q3: 2016	258	80	194	532	1,837.92
<b>Total</b>	<b>27,395</b>	<b>2,061</b>	<b>6,636</b>	<b>36,087</b>	<b>106,923.37</b>

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

### 3.5.5 Enbloc and Foreigners' Benefits

During the third quarter, 2016, approval was granted for enbloc payment of the sum of ₦0.74 billion to 2,665 RSA holders comprising of 152 public (FGN and State) and 2,513 private sectors retirees. These were retirees whose RSA balances were ₦550,000 or below and considered insufficient to procure Programmed Withdrawal or Life Annuity of a reasonable amount, over an expected life span. This also included foreign nationals that have voluntarily contributed, but were returning to their countries.

**Table 3.17: Approval of Enbloc/Foreigners' Benefits as at Third Quarter, 2016**

Sector	Public		Private	Total	Total Amount Paid (₦ Million)
	FGN	State			
Inception to Q2: 2016	5,876	1,313	62,259	69,448	16,572.64
Q3: 2016	42	110	2,513	2,665	2,665
<b>Total</b>	<b>5,918</b>	<b>1,423</b>	<b>64,772</b>	<b>72,113</b>	<b>17,308.71</b>