

Corporate Vision and Mission

Vision

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

Mission

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

March, 2017

SECTION ONE

Pension Operating Environment

1.1 Macroeconomic Development

The Nigerian microeconomic environment in which the pension industry operated remained in recession with sustained decline representing negative growth of 0.52 percent year-on-year with a GDP of ₦26.03trillion in nominal terms at the end of the first quarter of 2017. This growth indicated a 1.21 percent higher than the growth witnessed in the previous quarter and 0.15 percent increase from the corresponding quarter of last year. These indices point to a slow improvement of the operating environment, which is a positive development for the pension funds.

The oil sector contributed 8.90percent of the total economic growth during the quarter, which represented an increase from7.15 percent recorded in the fourth quarter, 2016. However, the non-oil sector maintained its dominance, by contributing91.10 percent to the economic growth.

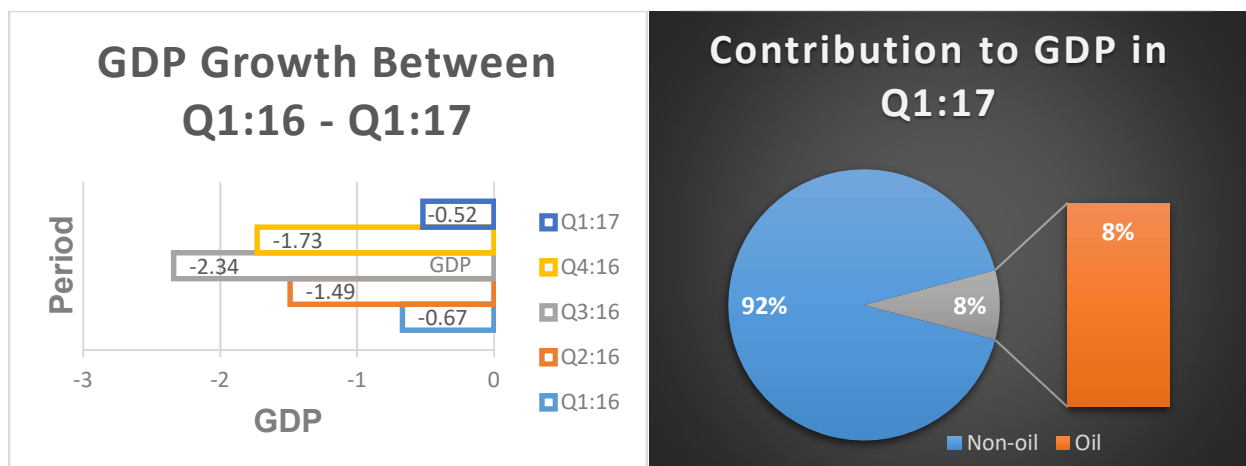


Figure 1: GDP Growth Trend between Q1:16 – Q1:17 and Sector Contribution

GDP Growth between Q1:16 - Q1:17

Inflation rate fell in the quarter under review by 1.30 percent from 18.56 percent in the previous quarter to 17.26 percent, representing 7.00 percent drop over the previous quarter. The downward trend of inflation rate could be related to the

monetary measures and foreign exchange intervention by the Central Bank of Nigeria. In addition, the other Federal Government intervention schemes aimed at exiting the country out of recession also contributed to the lowering inflation rate.

1.2 Developments in the Money Market

The monetary policy of the Central Bank of Nigeria (CBN) remained restrictive in the first quarter of 2017 due to the sustained pressure on prices of consumer goods and foreign exchange. The Monetary Policy Rate (MPR) was retained at 14 percent as in the last quarter of 2016. Similarly, the Cash Reserve Ratio (CRR) was sustained at 22.5 percent to further enforce fiscal stability and maintain the downward trend of inflation. 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.

The developments on interest rates in the financial market revealed an increase in the interbank call rate from 10.39 percent in the fourth quarter of 2016 to 13.14 percent in the quarter under review, representing about 3.00 percent rise. However, the rates on deposits of various maturities slightly decreased from the range of 8.58 and 10.57 percent during the quarter compared to 8.53 and 10.76 percent in Q4 of 2016. In addition, the prime lending rate increased from 17.09 percent in Q4 of 2016 to 17.43 percent in Q1 of 2017, while the maximum lending rates stood at 30.18 percent.

1.3 Developments in the Bond Market

The Bond Market capitalization grew by 10.39 percent from ~~N~~6.93 trillion in the last quarter of 2016 to ~~N~~7.65 trillion in the quarter under review. Similarly, the capitalization was 6.84 percent more than the corresponding quarter of the preceding year. The bonds issued by FGN and State Governments were capitalized at ~~N~~6.82 trillion and ~~N~~516.58 billion in 20 and 22 listings respectively. Furthermore, Corporate Bonds capitalization stood at ~~N~~290.98 billion, while supranational bonds was ~~N~~29.95 billion. The total bond listing also increased from 64 in the last quarter to 88 in quarter under review.

During the period, only one new FGN bond was issued with an original tenor of 10 years and amount on offer in the range between ~~N~~45 and ~~N~~55 billion naira. However, eight (8) other existing bonds were re-opened in the first quarter of 2017 with 5, 10 and 20 years tenures.

1.4 Developments in the Stock Market

The Nigerian Capital Market indicators witnessed a bullish trend during the quarter. The market capitalization grew by 1.91 percent from ~~N~~16.19 trillion in the previous quarter to ~~N~~16.50 trillion in the review period, it was also 3.90 percent up from the corresponding period of last year. However, the NSE All Share Index fell by 5.05 percent from 26,874.62 in the fourth quarter of 2016 to 25,516.34 in the quarter under review. Furthermore, the equity market capped at ~~N~~8.84 trillion, representing 4.54 percent decline from the preceding quarter.

The total volume traded stock witnessed growth from 15.34 billion in the previous period to 19.77 billion in the quarter. In addition, the total value traded expanded to ~~N~~227.58 billion in the review period from ~~N~~112.36 billion in the preceding period.

SECTION TWO

Regulatory and Supervisory Activities

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

2.1 Surveillance of the Pension Industry

The Commission has completed arrangements to conduct the 2017 Routine Examinations of Licensed Pension Fund Operators during the quarter under review.

However, targeted examinations were carried out on the following operators:

- I. Premium Pension Limited
- II. Sigma Pension Limited

a) Compliance Reports

The major issues observed from the review of the compliance reports forwarded by the operators during the quarter under review were increase of level of un-credited pension contributions and delay in the payment of retirement benefits to those who retired from the employment of Treasury Funded Federal Government agencies. There were also vacant top management positions in Operators.

b) Corporate Governance

During the quarter under review, the Commission received twenty three (23) Corporate Governance reports from Licensed Pension Fund Operators while nine (9) were yet to submit as at quarter ended 31 March, 2017. Appropriate sanctions would be imposed on the defaulting Operators.

2.1.1 Update on Returns Rendition System

As part of the their obligations to the Commission, thirty two (32) Licensed Pension Operators comprising of twenty one (21) PFAs, four (4) PFCs and seven

(7)CPFAs rendered returns for the Funds under their management/custody as well as their companies' accounts to the Commission.

2.1.2 Resolution Activities

The regulatory intervention of First Guarantee Pension Limited (FGPL) was ongoing. The PFA remained under the superintendence of a three-man Interim Management Committee (IMC) constituted since 2011 by the Commission pending the resolution of the corporate governance issues the necessitated the regulatory intervention by the Commission.

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. These 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. Key compliance activities are highlighted below.

2.2.1 Update on Compliance by the Private Sector

During the quarter under review, the Commission received a total of 4,560 applications for issuance of compliance certificates. Out of these applications, compliance certificates were issued to 4,065 organisations, while 495 applications were not processed due to non-remittance of pension contributions for the appropriate period and/or non-provision Group Life Insurance Policy for employees. The sum of ₦25.85 billion was remitted to 88,943 employees RSAs by the 4,065 organisations that were issued compliance certificates.

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

The Commission continued the supervision of the transfer of NSITF contributions into beneficiaries' RSAs during the quarter under review. In this regard, one thousand, three hundred and ten (1,310) NSITF applications amounting to a total benefit of ₦96.95 million were received. The Commission processed one thousand, two hundred and ninety three (1,293) applications with total benefits of ₦89.58 million. However, Seventeen (17) applications for transfer of ₦7.36 million were rejected due to incomplete documentation. Cumulatively, ₦9.47 billion had been transferred to the RSAs of 131,602 NSITF contributors.

In addition, the Commission processed monthly pension payments totaling ₦53.52 million in respect of 3,090 NSITF pensioners during the period under review. The total pension payment to NSITF pensioners amounted to ₦3.81 billion as at the end of the review period. The Commission received forty five (45) complaints relating to payment of pensions and other benefits under the NSITF Scheme. Thirty eight (38) complaints were treated, while seven (7) complaints were being processed.

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

Following the issuance of demand notices to defaulting employers whose liabilities had been established by recovery consultants, some employers had remitted the outstanding pension contributions and penalty due to their employees. During the quarter, the sum of ₦313.15 million was recovered from 17 employers. This brought the total recoveries made to ₦11.71 billion as at the end of the second quarter of 2017.

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

The Commission held various sensitization and interactive sessions with stakeholders from the pension operators; Lagos State and Local Governments; business owners, as well as Unions and Associations in the informal sector. The sessions were part of consultations toward finalizing the operational modalities of the Micro Pension Scheme.

Consequently, a User Requirement Specification (USR) was being developed to serve as a guide for the development of a software for registration, returns on pension contributions and withdrawal/Exit under the Micro Pension Scheme.

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

During the quarter under review, the Commission received a total of 50 complaints from retirees of the Defined Benefits Scheme concerning non-payment of their pensions and forwarded the complaints to PTAD for resolution. Responses on 8 complaints were still being awaited. A letter has been sent to PTAD reminding them about these outstanding complaints.

The PTAD conducted civil service pensioners' verification exercises in parts of the North East and the South-South zones from 16 January, 2017 to 9 March, 2017. The states covered were Borno, Yobe, Akwa Ibom, Cross River, Bayelsa, Rivers, Delta and Edo. These exercises were monitored by the Staff of the Commission.

Furthermore, the report of the 2016 Routine Examination conducted on PTAD was finalized and forwarded to PTAD and the Minister of Finance for consideration and further necessary action.

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

The Commission continued the refund of pension contributions to the personnel of the Military and other Security Service Agencies.

The Commission processed 253 applications during the quarter under review and the total sum of ₦27.50 million was refunded to the contributors while the sum of ₦55.01 million representing the contributions made by the Federal Government on their behalf was returned to the Contributory Pension Account at the CBN.

2.3 Other Compliance Efforts

(a) Implementation Update by the State Governments

State Governments continued to make progress in the level of implementation of Contributory Pension Scheme (CPS). As at the first quarter of 2017, twenty seven (27) States Governments had enacted their pension laws, Eight (8) States were at the Bill stages while Yobe State was yet to commence the process of enacting a law on the CPS. Furthermore, 1,242,535 employees of State Governments were registered with the various Pension Fund Administrators (PFA). A breakdown of the level of implementation of the CPS y State Governments is presented in Table 2.1

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

S/N	State	Remittance of Contribution	Accrued Rights	Group Insurance	Life
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	Commenced	Not funded	Not implemented	
13	Sokoto	Yet to commence	Not funded	Not implemented	
14	Ekiti	Yet to commence	Not funded	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	
22	Ondo	Commenced	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	

S/N	State	Remittance of Contribution	Accrued Rights	Group Insurance	Life
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	

Apart from enacting law on the CPS, Table 2.1 further shows that twelve (12) out of the 36 states had commenced remittance of contributions into the RSAs of their employees. Similarly, eight (8) States have commenced the funding of their Retirement Benefit Bond Redemption Fund Accounts (RBBRFAs).

(b) Update on the Activities of the PenCom Zonal Offices

The Zonal Offices attended to a total of 484 complaints/enquiries, most of which were in respect of multiple registrations, underpayment or non-payment of retirement benefits, retirement verifications and the issuance of compliance certificates. A total of 586 requests for compliance certificates were received and forwarded by the Zonal Offices for processing. The Commission also conducted a total of 11 enlightenment campaigns on the CPS in all the six (6) geopolitical zones of the country. The Commission also held several engagements, familiarization visits and implementation meetings with the Heads of Service and Labour Unions of Adamawa, Cross-River, Gombe, Bayelsa, Bauchi, Zamfara, Katsina, Anambara, Osun, Oyo, Plateau and Taraba States to facilitate the implementation of the Contributory Pension Scheme.

SECTION THREE

Pension Industry Statistics

3.1 Scheme Memberships

The pension industry witnessed growth of 1.97 percent in the scheme membership from 7,412,653 contributors at the end of 4th quarter of 2016 to 7,558,424 in the first quarter of 2017. The increase in industry membership is driven by the Retirement Savings Account (RSA) Scheme. RSA scheme had an increase of 145,562 contributors representing 1.98 percent whereas membership of the Closed Pension Fund Administration Scheme (CPFA) declined by 100 members representing a decline of 0.42 percent during the period. The Approved Existing Scheme (AES) membership increased by 309 members representing 0.76 percent. See Table 3.1.

Table 3.1 Scheme Memberships as at First Quarter, 2017

Scheme	Q3:2016	Q4:2016	Q1:2017	% change (Q4: 2016 and Q1:2017)
RSA	7,240,196	7,348,028	7,493,590	1.98
CPFA	24,043	23,983	23,883	(0.42)
AES	40,951	40,642	40,951	0.76
Total	7,305,190	7,412,653	7,558,424	1.97

Note: Figures in parenthesis represent decrease

3.1.1 Membership of RSA

A breakdown of the RSA registrations indicate a 1.98 percent (39,570) growth in membership of the public sector from 3,375,321 in the fourth quarter of the previous year to stand at 3,414,891. This figure represented 45.57 percent of the total RSA registration as at the first quarter of 2017, as shown in Table 3.2.

Table 3.2: RSA Registrations by Age and Sector in First Quarter, 2017

Age Range	Public Sector		Private Sector		Total		Grand Total	
	Male	Female	Male	Female	Male	Female	Number	%
Less than 30 yrs	109,200	49,876	390,176	183,973	499,376	233,849	733,225	9.78
30 - 39 yrs	740,449	368,209	1,301,265	489,825	2,041,714	858,034	2,899,748	38.70
40 - 49 yrs	618,816	384,901	823,671	221,066	1,442,487	605,967	2,048,454	27.34
50 - 59 yrs	528,820	293,617	417,645	75,357	946,465	368,974	1,315,439	17.55
60 - 65 yrs	173,843	64,983	104,664	12,052	278,507	77,035	355,542	4.74
above 65 yrs	65,619	16,558	53,867	5,138	119,486	21,696	141,182	1.88
Total	2,236,747	1,178,144	3,091,288	987,411	5,328,035	2,165,555	7,493,590	100.00

The private sector continued to dominate RSA membership with 54.43 percent (4,078,699) of the total RSA registration as at the reporting period, moving from 3,972,707 in the previous quarter. The sector also witnessed higher growth of 2.67 percent (105,992 new members) than the public sector. This can be attributed to the increased level of compliance by the private sector as a result of the various strategies implemented by the Commission to improve compliance and coverage, as well as the PFAs marketing strategies.

Analysis of the age distribution of RSA holders revealed that about 80 percent of the members were below 50 years and about 50 percent of the members were below the age of 40 years. Thus, the demography of the scheme favoured longer accumulation periods and long-term investible instruments like infrastructure products for economic development.

3.1.2 RSA Registrations by PFA Market Share

The ranking of PFAs by number of registered contributors showed a redistribution of the market share through the rankings. While the market shares of the bottom three, five and ten PFAs continued to grow, those of the top three, five and ten slightly dipped as at end of first quarter of 2017. The shares of bottom five and ten PFAs increased from 4.62percent and 15.41 percent in 4th quarter, 2016 to 4.68percent and 15.58 percent as at the reporting period respectively. However, the market shares of top five and ten dropped from 56.29 percent and 81.38 percent in 4th quarter, 2016 to 56.13 percent and 81.22 percent as at the quarter under review.

Table 3.3: RSA Registration by Market Share

PFA Ranking	Q4:16 (%)	Q1:17 (%)
Top 3	39.41	39.24
Top 5	56.29	56.13
Top 10	81.38	81.22
Bottom 3	1.75	1.76
Bottom 5	4.62	4.68
Bottom 10	15.41	15.58

Table 3.3 further indicates that the share of the top three PFAs had reduced from 39.41 percent as at the end of fourth quarter, 2016 to 39.24 percent as at the first quarter, 2017 while the share of the bottom three PFAs increased from 1.75 percent as at the end of fourth quarter, 2016 to 1.76 percent as at the quarter under review.

Table 3.4 revealed that the range of market share of RSA registrations by number of PFAs shows that 71 percent (15) of the PFAs had registered less than 500,000 contributors. The Table also shows that 29 percent (6) PFAs had registered above 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		5
100,000 – 499,999		12
Less than 100,000		3

3.1.3 Memberships of CPFA and AES

The total memberships of licensed CPFAs and AESs were 23,883 and 40,951 respectively as at the end of the first quarter of 2017 as shown in Tables 3.5 and 3.6. A review of the Tables shows a slight decrease of 0.42 percent in the membership of the CPFAs from the figures of the last quarter, while that of the AESs remained stable through the quarters.

Table 3.5: Membership of CPFAs as at First Quarter, 2017

Enrolment Type	Number			Percentage of Total	
	Q3:2016	Q4:2016	Q1:2017	Q4:2016	Q1:2017
Active Members	17,524	17,325	17,259	72.24	72.26
Existing Pensioners	5,869	6,020	5,941	25.10	24.88
Deferred Pensioners	650	638	683	2.66	2.86
Total	24,043	23,983	23,883	100.00	100.00

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

Table 3.6: Membership of AES as at First Quarter, 2017

Enrolment Type	Number			Percentage of Total	
	Q3:2016	Q4:2016	Q1:2017	Q4:2016	Q1:2017
Active Members	24,255	23,836	24,255	58.65	59.23
Current Pensioners	15,313	15,423	15,313	37.95	37.39
Deferred Pensioners	149	149	149	0.37	0.36
Dependants	1,234	1,234	1,234	3.04	3.01
Total	40,951	40,642	40,951	100.00	100.00

Note: Dependants are protégés of deceased pensioners.

3.2 Pension Contributions

The total pension contribution made by the public and private sectors into the RSA Scheme was ~~N~~4.06 trillion as at the end of Q1, 2017. This shows an increase of N142.91billion from the amount contributed as at the end of the 4th quarter of 2016 and represented 3.65 percent increase as shown in Table 3.7. Further review of the aggregate total contribution shows that the Public Sector contributed 52.07 percent of the total contributions, while the Private sector contributed the remaining balance of 47.93. During the quarter under review, Public Sector contributed 32.40 percent of the total quarterly contributions while the Private sector contributed 67.60 percent.

Table 3.7: Pension Contributions as at First Quarter, 2017

Year/Quarter	Public Sector		Private Sector		Total	
	Amount (N billion)	% of Total	Amount (N billion)	% of Total	Amount (N billion)	% of Total
2004	15.6	0.74	-	-	15.6	0.38
2005	34.68	1.64	-	-	34.68	0.85
2006	37.38	1.77	23.03	1.18	60.41	1.49
2007	80.63	3.81	68.34	3.51	148.97	3.67
2008	99.28	4.69	80.81	4.15	180.09	4.43
2009	137.1	6.48	91.21	4.68	228.31	5.62
2010	162.46	7.68	103.03	5.29	265.49	6.53
2011	228.92	10.82	119.53	6.14	348.45	8.58
2012	331.14	15.65	174.43	8.96	505.57	12.44
2013	278.5	13.16	225.42	11.57	503.92	12.40
2014	237.76	11.24	343.97	17.66	581.73	14.32
2015	200.05	9.46	358.91	18.43	558.96	13.76
2016	225.86	10.68	262.33	13.47	488.20	12.01
Q1:2017	46.30	2.19	96.61	4.96	142.91	3.52
Total	2,115.66	100.00	1,947.63	100.00	4,063.29	100.00

3.2.1 Contributions by Rank of PFA

The ranking of PFAs by total pension contributions indicates that the top 5 ranking PFAs received 69.17 percent of the total contributions into the RSAs of their members in the quarter under review while the top 10 ranking PFAs accounted for 90.52 percent of the total contributions. On the other hand, the bottom 5 and 10 ranking PFAs received 1.46percent and 6.53 percent of the pension contributions respectively. Breakdown of the contributions received by PFAs during the first quarter of 2017 is provided in Table 3.8 below.

Table 3.8: PFA Ranking by Size of Contributions as at First Quarter, 2017

Rank	Amount (N' billion)	Percentage of Total
Top 5	2,663.60	65.23
Top 10	3,584.54	87.79

Bottom 5	67.70	1.66
Bottom 10	373.12	9.14

3.3 Pension Fund Investment

The total value of pension fund assets grew to ~~N~~6.42 trillion as at 31 March, 2017 from ~~N~~6.12 trillion as at the end of the preceding quarter, representing 4.07 percent (~~N~~250.74) growth. This indicates a higher quarterly growth compared to 3.41 percent growth recorded in the fourth quarter of 2016.

Table 3.9: Pension Fund Asset by Fund Type as at 31 March, 2017

Fund/Period	Q3:2016		Q4:2016		Q1:2017		Change between Q1:2017 & Q4:2016	
	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total
RSA Active	3,983.95	66.83%	4,147.15	67.27%	4,337.44	67.61%	190.29	75.89%
RSA Retiree	441.5	7.41%	451.96	7.33%	484.02	7.54%	32.06	12.78%
CPFAs	852.48	14.30%	870.95	14.13%	897.16	13.98%	26.21	10.45%
AESs	683.63	11.47%	694.71	11.27%	696.89	10.86%	2.18	0.87%
Total	5,961.56	100%	6,164.77	100.00%	6,415.51	100.00%	250.74	100.00%

Table 3.9 shows that the RSA active fund contributed the highest portion of the total pension fund assets, accounting for 67.61 percent (~~N~~4,337.44) of total fund as at 31 March, 2017. RSA active fund also accounted for 75.89 percent (~~N~~190.29) growth of assets during the period. CPFAs and AESs assets stood at ~~N~~897.16 billion and ~~N~~696.89 billion representing 13.98and 10.86percentof total pension fund assets respectively. The RSA Retiree Fund was valued at~~N~~484.02 billion, representing 7.54 percent of the total pension fund assets.

A breakdown of pension industry portfolio as illustrated in Table 3.10 shows that Federal Government Securities accounted for 74.08 percent of total pension assets during the review period. This was made up of FGN Bonds (58.2 percent), Treasury Bills (4.5 percent) and Agency Bonds (1.3 percent).

Table 3.10: Pension Industry Portfolio as at 31 March, 2017

	TOTAL PENSION FUND ASSETS		TOTAL PENSION FUND ASSETS		VARIANCE	
	31-Mar-17		31-Dec-16		Dec-16/Mar-17	
ASSET CLASS	N' Billion	Weight %	N' Billion	Weight %	N' Billion	Weight %
Domestic Ordinary Shares	476.14	7.42	501.45	8.13	(25.31)	(10.10)
Foreign Ordinary Shares	90.29	1.41	84.19	1.37	6.10	2.45
FGN Securities:	0.00		0.00			
FGN Bonds	3,738.19	58.27	3,669.20	59.52	68.99	27.52
Treasury Bills	931.15	14.51	779.13	12.64	152.02	60.65
**Agency Bonds (NMRC & FMBN)	83.36	1.30	8.98	0.15	74.38	29.67
State Govt. Securities	146.73	2.29	147.62	2.39	(0.89)	(0.36)
Corporate Debt Securities	255.02	3.98	249.00	4.04	6.02	2.40
Supra-National Bonds	12.47	0.19	12.82	0.21	(0.36)	(0.14)
Local Money Market Securities	386.85	6.03	396.21	6.43	(9.36)	(3.73)
Foreign Money Market Securities	21.76	0.34	4.65	0.08	17.10	6.82
Mutual Funds:	0.00		0.00			
Open/Close-End Funds	9.53	0.14	9.53	0.15	0.00	0.00
Reits	9.45	0.16	9.44	0.15	0.00	0.00
Real Estate Properties	221.44	3.45	219.47	3.56	1.97	0.79
Private Equity Fund	19.00	0.27	19.00	0.31	0.00	0.00
Infrastructure Fund	2.07	0.06	2.06	0.03	0.00	0.00
Cash & Other Assets	12.08	0.19	52.07	0.84	(40.00)	(15.96)
Total	6,415.51	100.00	6,164.84	100.00	250.67	100.00

**Increase in the value of Agency Bonds is as a result of the reclassification of Local Contractor Bonds as an Agency Bond

Table 3.10 further indicates that the value of investments in quoted ordinary shares was ~~N~~476.14 billion (7.42 percent) as at 31 March 2017, indicating a decrease of ~~N~~25.31 billion (5.05 percent) compared to the value of ~~N~~501.45Billion as at 31 December 2016. The reduction was primarily due to the depreciation in the market prices during the period, as the NSE-All Share Index and Market Capitalization depreciated by 5.05 percent and 4.54 percent from 26,874.62 basis points and ~~N~~9.26 trillion, in Q4:2016, to 25,516.34 basis points and ~~N~~8.84 trillion, as at 31 March 2017, respectively.

The value of investments in FGN Bonds increased by ~~N~~68.99 billion (1.85 percent), due to new investments and assets reallocation arising from matured money market investments, while investments in Treasury Bills increased

significantly, following the increased yields on these instruments. Investments in foreign money market instruments increased considerably, as a result of increased investments by the Closed Pension Funds.

An analysis of PFAs' rank by size of RSA assets shows that the top three and five PFAS accounted for more than half of the total RSA asset at 54.19 and 66.58 percent respectively at the end of the first quarter, 2017. The top ten ranking PFAs managed 88.20 percent of the total RSA asset in the quarter.

Table 3.11: Rank of PFA by Asset Size

PFA Rank	Q3:2016		Q4:2016		Q1:2017	
	Amount (N' Billion)	% of Total RSA Assets	Amount (N' Billion)	% of Total RSA Assets	Amount (N' Billion)	% of Total RSA Assets
Top 3	2,005.71	54.57	2,071.31	54.32	2,134.78	54.19
Top 5	2,479.13	67.45	2,548.09	66.82	2,622.71	66.58
Top 10	3,240.68	88.17	3,366.25	88.28	3,474.57	88.20
Bottom 3	14.99	0.41	15.26	0.40	16.46	0.42
Bottom 5	59.32	1.61	60.17	1.58	63.88	1.62
Bottom 10	319.82	8.70	330.60	8.67	344.11	8.74

The bottom three, five and ten ranking PFAs had improvements in the proportion of RSA asset under their management over the previous quarter with 0.42, 1.62 and 8.74 percent respectively.

3.3.3 Portfolio Performance of the Funds

i. RSA 'Active' Fund:

The RSA 'Active' Funds recorded a net growth of ₦192.20 billion (4.63 percent), as it increased from ₦4.15 trillion in 31 December, 2016, to ₦4.34 trillion as at 31 March, 2017. The Weighted Average Rate of Return (WARR) on the RSA 'Active' Funds was 10.21 percent (annualized) in the same period. The Funds' performance was impacted by the NSE ASI (which shed 5.05 percent in the quarter), resulting in unrealized losses of ₦18.42 billion. However, the increased yields/interest rates on FGN Bonds, Treasury Bills and Money Market placements cushioned the negative performance in the equities market.

The yields on FGN Securities, slightly declined in March 2017, and ranged between 15.80 percent and 16.20 percent, while bank placement rates ranged between 16 percent and 20 percent per annum.

ii. RSA Retiree Funds:

The value of the RSA 'Retiree' Funds increased by ~~N~~32.05 billion, increasing from ~~N~~451.96 billion on 31 December, 2016, to ~~N~~484.02 billion as at 31 March, 2017. The Weighted Average Rate of Return (WARR) on the RSA 'Retiree' Funds was 13.68 percent (annualized). The Funds' performance slightly improved when compared to the annualized WARR of 12.99 performance recorded in the last quarter of 2016. The performance could be attributed to increased yields on Treasury Bills, as well as increased deposit rates on money market investments.

iii. CPFA Funds:

The value of pension fund assets held by the CPFA Funds recorded a net increase of ~~N~~26.16 billion (3.00 percent), as it increased from ~~N~~871.00 billion in the previous quarter to ~~N~~897.16 billion as at 31 March 2017. The annualized rates of return recorded on the CPFA Funds ranged between 6.32 percent and 14.51 percent and were reflective of the actual assets allocation of the individual Funds. The Funds with relatively high exposure to fixed income assets recorded better performances, when compared to other Funds with higher exposure to variable income assets.

iv. Approved Existing Schemes:

The Net Assets Value of the Approved Existing Schemes increased by ~~N~~2.19billion (0.31 percent) from ~~N~~694.70 billion on 31 December, 2016, to ~~N~~696.89 billion as at 31 March, 2017. The annualized rates of return recorded on the AES Funds ranged between 6.52 percent and 13.49 percent and were reflective of the actual assets allocation of the individual Funds.

3.3.4 Outlook for the Second Quarter, 2017

The outlook for the second quarter of 2017 is optimistic based on the expectation of lower inflation rate, increase in crude oil price and production, and relative stability in the foreign exchange market. However, the expected economic

recovery may likely result in lower yields on fixed income securities, thus lowering income expectations by Pension Funds given that over 70 percent of industry pension assets are in fixed income securities.

It is also expected that the equities market would experience continuous improvements following the month-on-month gain of the NSE ASI (0.74 percent) in March, 2017. The expected decline in the yields on fixed income investments, stability in the foreign exchange market as well as the improved outlook of the economy would also attract foreign portfolio investors and drive increased activities in the equities market.

Notwithstanding the economic recovery, it is still necessary to reiterate the need to encourage the investment of pension funds in alternative assets in line with the revised 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. In addition, it is 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 issues for the benefit of the pension industry.

3.4 Retirement/Terminal Benefits

3.4.1 Retirees on Programmed Withdrawal

The total number of retirees on Programmed Withdrawal (PW) increased from 142,742 in the fourth quarter, 2016 to 148,945 in the first quarter, 2017. The increase of 6,203 retirees represents 4.35 percent from the figure recorded in the previous quarter as shown in Table 3.12. A sectorial breakdown of the retirees under Programmed Withdrawal (PW) shows that while the public sector accounted for 69.84 percent (104,026) of total retirees under this retirement benefits plan during the quarter and the private sector recorded 30.16 percent (44,919 retirees).

Table 3.12: Number of Retirees on PW as at First Quarter, 2017

Period	Public		Private	Total	Lump sum (Million)	Monthly PW (N' Million)
	FGN	State				
Inception to Q4: 2016	89,944	10,587	42,211	142,742	367,012.74	4,816.16
Q1: 2017	2,676	819	2,708	6,203	13,999.80	196.93
Total	92,620	11,406	44,919	148,945	381,012.54	5,013.09

Note: Public Sector refers to both Federal and State Governments

The Table further shows that the lump sum withdrawals within the quarter stood at ~~N~~196.93 billion, which amounted to a cumulative figure of ~~N~~367.01 billion from inception to the reporting quarter. In addition, an average of ~~N~~5.01 billion was paid monthly to retirees as monthly Programmed Withdrawal as at the end of the reporting period.

3.4.2 Retirement by Annuity

No new annuity request was approved during the quarter as Life Insurance Companies were still in the process of opening operational accounts with Pension Fund Custodians (PFC). However, approval was granted for additional lumpsum payment of ~~N~~55,637 to existing retirees under the annuity retirement plan. This brought the total lumpsum paid to these categories of retirees to ~~N~~47.09 billion. To date, 34,876 retirees paid annuity premium of ~~N~~170.57 billion to receive an average monthly annuity of ~~N~~1.75 billion as at the end of the first quarter of 2017.

Table 3.13: Retirement by Annuity as at First Quarter, 2017

Period	Public		Private	Total	Lump sum (N'Million)	Premium (N'Million)	Annuity (N'Million)
	FGN	State					
Inception to Q4: 2016	22,646	3,367	8,863	34,876	47,090.30	170,570.48	1,747.51
Q1: 2017	0	0	0	0	0.06	0	0
Total	22,646	3,367	8,863	34,876	47,090.36	170,570.48	1,747.51

3.4.3 Withdrawal of 25 Percent of RSA Balances

During the quarter under review, approval was granted for payment of ~~N~~3.97billion to 15,863.24RSA holders under the age of 50 years who were disengaged from work and were unable to secure another job within 4 months of disengagement.

Furthermore, an analysis of Table 3.14 shows that the private sector accounted for 95.22percent of the disengaged RSA holders. In general, 202,963 RSA holders were paid 25 percent of their RSA balances amounting to ~~N~~65.85 billion as at the end of first quarter of 2017.

Table 3.14: Withdrawal of 25% of RSA Balance in the First Quarter, 2017

Period	Public		Private	Total	Total RSA Balance (<u>N</u> Million)	Total 25% Request (<u>N</u> Million)
	FGN	State				
Inception to Q4: 2016	6,284	2,493	184,128	192,905	247,555.84	61,888.96
Q1: 2017	784	134	9,140	10,058	15,863.24	3,965.81
Total	7,068	2,627	193,268	202,963	263,419.08	65,854.77

3.6 Approval of Death Benefits

Payment of death benefits beneficiaries/administrators of 1,398 deceased employees with total value of ~~N~~4.42 billion was approved during the quarter under review. Cumulatively, 38,133 beneficiaries were paid ~~N~~115.54 billion as death benefits (including Group life Insurance benefits) of deceased employees of both the private and public sector as at the end of first quarter, 2017.

Table 3.16: Approval of Death Benefits as at First Quarter, 2017

Sector	Public		Private	Total	Total Amount Paid (<u>N</u> Million)
	FGN	State			
Inception to Q4: 2016	27,949	2,230	7,099	36,735	111,217.65
Q1: 2017	677	204	516	1,398	4,420.32
Total	28,626	2,434	7,615	38,133	115,637.97

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

3.7 Enbloc Payment to Retirees/Foreigners

The Commission granted approval for the payment of the entire RSA balances of the categories of retirees whose RSA balances were N550,000.00 or below and considered insufficient to procure Programmed Withdrawal or an Annuity of reasonable amount for an expected life span. This also included foreign nationals who decided to return to their home countries after making voluntary contributions under the CPS. In the quarter under review, 3,403 retirees were paid N923.31 million. Cumulatively, 78,997 retirees under these categories received a total sum of N19.17 billion from inception to the end of the first quarter of 2017.

Table 3.16: Enbloc Payment to Retirees/Foreigners as at First Quarter, 2017

Sector	Public		Private	Total	Total Amount Paid (N Million)
	FGN	State			
Inception to Q4: 2016	5,978	1,584	68,031	75,594	18,242.37
Q1: 2017	45	108	3,250	3,403	923.31
Total	6,023	1,692	71,281	78,997	19,165.68

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