

Corporate Vision and Mission

Vision

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

Mission

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

June, 2017

SECTION ONE

Pension Operating Environment

1.1 Macroeconomic Development

Nigerian macroeconomic indicators are demonstrating the emergence of the Nigerian economy from recession after a sustained decline of five successive quarters from the first quarter of 2016. The country's Gross Domestic Product (GDP) grew by 0.55 percent (year-on-year) in real terms, signifying a positive macroeconomic environment for the pension industry. This figure was 1.46 percent higher than the previous quarter (-0.91 percent was revised from -0.52 percent¹) and 2.04 percent higher than the growth recoded in the corresponding quarter of last year at -1.49 percent. The real growth (quarter-on-quarter) in the net domestic output (GDP) stood at 3.23 percent in the same period. Furthermore, the economy experienced a growth of 14.60 percent this quarter in nominal terms growing from N23.55 trillion in the first quarter, 2017 to N26.99 trillion in the quarter under review. This is positive for the business environment in which the pension funds operated, especially in terms of return on investment and potentials for expansion of coverage of the CPS.

The oil sector contribution increased from 8.53 percent of the total economic growth in previous quarter to 8.89 percent during the quarter. The non-oil sector contributed 91.11 percent.

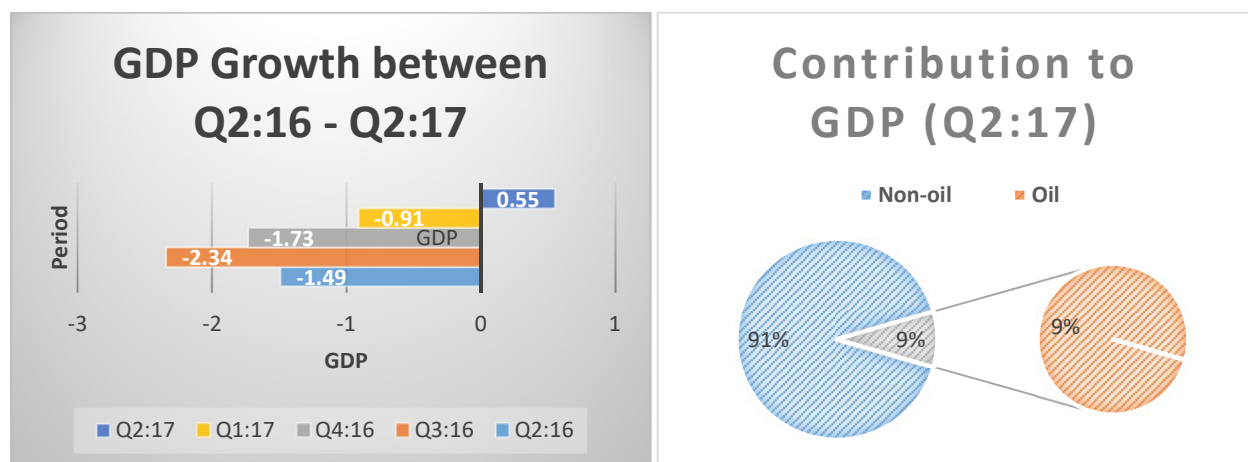


Figure 1: GDP Growth Trend between Q2:16 – Q2:17 and Sector Contribution

¹ GDP Data from National Bureau of statistics (NBS) Q2 Report

There was a further decline in the inflation rate from 17.26 percent in the previous quarter to 16.10 percent in the second quarter of 2017, representing a reduction of 6.18 percent. The downward trend of inflation could be attributed to the sustained monetary tightening measures by the Government and relative stability in the foreign exchange market, amongst other pointers to an economic recovery. The downward trend of the inflation rate is good for retirees' monthly pension as it will improve their spending capacity.

1.2 Developments in the Money Market

The monetary policy of the Central Bank of Nigeria (CBN) sustained a restrictive stance in the second quarter of 2017. The Monetary Policy Rate (MPR) was retained at 14 percent as obtained in the previous quarter. Similarly, the Cash Reserve Ratio (CRR) was sustained at 22.5 percent to further enforce fiscal stability and sustain the downward effect on the inflation trajectory. The liquidity ratio was maintained at 30 percent for the period under review. The symmetric corridor was retained at +200 and -500 basis points around the MPR. The developments in the monetary environment were positive on pension fund investments based on the market rates for investments.

The developments on interest rate in the financial markets indicated an upward movement of the interbank call rate from 13.14 percent in the first quarter to 13.46 percent in the second quarter of 2017. Similarly, the rates on deposits of various maturities slightly increased from the range of 8.58 and 10.57 percent in the quarter compared to 8.65 and 11.15 percent in the first quarter of the year. In addition, the prime lending rate increased from 17.43 percent in the previous quarter to 17.59 percent in the second quarter, 2017, while the maximum lending rates increased to 30.94 percent. The ascending trend of the rates implied improved returns on pension fund money market investments.

1.3 Developments in the Bond Market

The development in the Bond Market shows that there was drop of the market capitalization by 1.18 percent to stand at ₦7.56 trillion in the quarter under review from ₦7.65 trillion of the previous quarter. The FGN and State Governments capitalized at ₦6.67 trillion and ₦563.58 billion in 26 and 23 listings respectively. Furthermore, Corporate Bonds capitalization stood at ₦297.44 billion, while supranational bonds was ₦24.95 billion. The total bond listing moved from 68 in the last quarter to 76 in quarter under review.

During the period, only one new FGN bond was issued with an original tenure of 20 years, which was oversubscribed by 42 percent. The successful bids for the ₦50 billion Naira bond were allotted at the marginal rate of about 16.25 percent. Furthermore, eight (8) other existing bonds were re-opened with 5, 10 and 20 years tenures in the second quarter of 2017.

1.4 Developments in the Stock Market

The Nigerian Capital Market recorded 11.89 percent return (year-on-year) to continue its bullish trend during the quarter. The NSE All Share Index closed at 33,117.48 during the quarter as compared with 29,597.79 in the first quarter. Furthermore, the market grew by 29.79 percent from the previous quarter figure of 25,516.34. Likewise, the market capitalization grew by 15.33 percent higher than the growth in the last quarter (1.91 percent) to close at ₦19.03 trillion in the review period from ₦16.50 trillion in the preceding quarter.

The equity market capitalization closed at ₦11.46 trillion in the quarter under review. This represented a 29.64 percent growth from the ₦8.84 trillion recorded in last quarter. The total volume of traded stock grew by 26.83 percent (24.44 billion) with a total value of ₦240.66 billion.

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

Various surveillance related activities were carried out during the quarter. These included routine examinations of nine (9) Pension Fund Operators, as well as remedial actions aimed at ensuring regulatory sanity.

a) Compliance Reports

The major issues observed from the review of the compliance reports forwarded by the operators during the quarter under review were uncredited pension contributions; delay in the payment of retirement benefits to the retirees; delay in the transfer of approved NSITF contributors' balances to their RSAs and failure to fill vacant top management positions by Operators. Other issues included failure to transfer all mandates files of police contributors that were transferred to NPF Pensions Limited as well as failure to transfer contributions of some police personnel with detailed transaction history by some operators.

b) Corporate Governance

During the quarter under review, the Commission received twenty-one (21) Corporate Governance reports from Licensed Pension Fund Operators. There were no significant corporate governance issues observed.

The Commission has given approval for the appointment of Board and Top Managements of 14 Pension Operators after appropriate due diligence including the fit-and-proper persons test. Approval was also granted to three (3) Pension Fund Administrators (PFAs), namely, APT Pension Fund Manager Limited, Trustfund Pension Plc and NPF Pensions Limited to make some changes to their shareholding structure.

2.1.1 Update on Returns Rendition System

Returns of the Pension Funds under the management and custody of Pension Operators as well as Companies' accounts were rendered to the Commission via the Risk Management and Analysis System (RMAS) during the second quarter, 2017. These periodic returns are used for off-site examination and supervision of the level of compliance with the regulatory provisions of the pension industry. The RMAS is a regulatory platform that allows the Commission to aggregate operators' activities into an industry summary for its regulatory and supervisory activities.

2.1.2 Resolution Activities

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

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. This included the application of sanctions, collaboration with key stakeholders and public enlightenment campaigns as well as engagement of defaulting employers via pension recovery agents employed by the Commission to recover unremitted pension contributions. The following are details of some of the compliance activities.

2.2.1 Update on Compliance by the Private Sector

During the quarter under review, the Commission received a total of 4,440 applications for issuance of Compliance Certificate. Out of the 4,440 applications, Compliance Certificates were issued to 3,831 organizations while applications from 495 were turned down due to issues related to remittance of pension contributions and/or non-provision Group Life Insurance Policy for the employees. The sum of ₦26.41 billion was remitted into the RSAs of 45,505 employees from the applicant organizations.

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, 1,046

NSITF applications were received to transfer a total of ₦59.31 billion into the Retirement Savings Accounts (RSAs) of the various employees. The applications of 674 employees were processed and the ₦43.60 million was paid into their RSAs. However, 372 applications were rejected due to incomplete documentations. Cumulatively, ₦9.59 billion had been transferred to the RSAs of 133,340 NSITF contributors as at the second quarter, 2017.

In addition, the Commission processed and approved the payment of monthly pensions totaling ₦53.46 million in respect of 3,087 NSITF pensioners during the period under review. The total pension payment to NSITF pensioners amounted to ₦3.97 billion as at the end of the review period. The Commission received 45 complaints relating to payment of pensions and other benefits under the NSITF Scheme.

The Commission received 45 complaints related to pension and other benefits payments under the NSITF, of which 38 complaints were resolved, while the remaining 7 are still been 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 the consultants, some employers have remitted the outstanding pension contributions and penalty. During the quarter, the sum of ₦522.22 million pension contributions was recovered and remitted into the RSAs of the employees. This brought the total recoveries ₦12.24 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)

During the quarter, the Commission continued with its Public Awareness activities by organizing workshops/seminars on the Contributory Pension Scheme (CPS). Similarly, there were continued interactions with Associations/Unions of the various sectors of the informal sector towards building a database for possible collaborations towards the deployment of the Micro-Pension Scheme.

The interactions with stakeholders was also to facilitate the process of issuing the regulatory policy for the enrolment of potential participants in the Micro-Pension scheme. Meetings were also held with telecommunications service providers,

Nigeria Inter-Bank Settlement System (NIBSS) and Paga towards finalizing the infrastructural layout for driving the scheme with flexibility and relatively low cost.

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

The Commission received a total of 20 complaints on the payment of pensions of the members of the Defined Benefits Scheme (DB) handled by Pension Transitional Arrangement Directorate (PTAD) in the second quarter of 2017. The complaints were subsequently forwarded for resolution. The complaints were being monitored by the Commission for early and satisfactory resolution.

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

The Commission continued the ongoing refund of employee portion of contributions to the personnel of the Military and other Security Service Agencies exempted from the CPS.

The Commission processed 267 applications for the refund of the employee portion of contributions and approved payments by the various PFAs. The total sum of ~~N~~44.73 million was refunded to the contributors while the sum of ~~N~~37.96 million representing the contributions made by the Federal Government on their behalf was refunded to the Contributory Pension Account with the Central Bank of Nigeria.

2.3 Other Compliance Activities

(a) Implementation Update by the State Governments

There were no significant changes in the level of implementation of the Contributory Pension Scheme (CPS) by State Governments compared to the previous quarter. As at the Second 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. 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	Commence	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

S/N	State	Remittance of Contribution	Accrued Rights	Group Life Insurance
21	Edo	Yet to commence	Not funded	Not implemented
22	Ondo	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

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 Activities of the Zonal Offices

During the period under review, The Zonal Offices received a total of 506 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 420 requests for compliance certificates were received and forwarded by the Zonal Offices for processing. The

Zonal Offices also conducted a total of 18 enlightenment campaigns on the CPS in all the six (6) geopolitical zones of the country. The Commission held several implementation meetings with the Heads of Service and Labour Unions of Katsina, Ekiti, Ebonyi, Ogun, Nasarawa and Imo States to facilitate the implementation of the Contributory Pension Scheme.

SECTION THREE

Pension Industry Statistics

3.1 Scheme Memberships

3.1 Scheme Memberships

The pension industry scheme membership grew by 1.27 percent during the second quarter of 2017, moving from 7,558,424 contributors at the end of the preceding quarter to 7,654,770 in the reporting period. The growth in the industry membership was driven by Retirement Savings Account (RSA) Scheme. RSA scheme had an increase of 96,346 contributors representing 1.29 percent, membership of the Closed Pension Fund Administration Scheme (CPFA) and the Approved Existing Scheme (AES) membership remained 23,883 and 40,951 respectively. See Table 3.1.

Table 3.1 Scheme Memberships as at Second Quarter, 2017

Scheme	Q4:2016	Q1:2017	Q2:2017	% change (Q1: 2017 and Q2:2017)
RSA	7,348,028	7,493,590	7,589,936	1.29
CPFA	23,983	23,883	23,883	-
AES	40,642	40,951	40,951	-
Total	7,305,190	7,558,424	7,654,770	1.27

The stable membership of the AES and CPFA resulted from the nature of the schemes, which restrict membership to the staff of the sponsoring organizations.

3.1.1 Membership of RSA

A breakdown of the RSA membership figures revealed that the private sector registrations represents 54.74 percent of the total RSA registrations. The dominance of the sector was further demonstrated by the 1.86 percent growth recorded in the second quarter of 2017. This growth represented an increase of 75,900 new contributors registered over the previous quarter to stand at 4,154,599. The private sector of the economy has shown increased compliance with the Contributory Pension Scheme due to the various strategies implemented by the

Commission and the pension operators to expand coverage of the scheme and engender greater acceptability. See Table 3.2.

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

Age Range	Public Sector		Private Sector		Total		Grand Total	
	Male	Female	Male	Female	Male	Female	Number	%
Less than 30 yrs	104,077	47,714	391,750	186,574	495,827	234,288	730,115	9.62%
30 - 39 yrs	739,969	366,354	1,320,911	500,238	2,060,880	866,592	2,927,472	38.57%
40 - 49 yrs	623,268	388,095	839,645	227,973	1,462,913	616,068	2,078,981	27.39%
50 - 59 yrs	533,971	299,708	427,342	78,149	961,313	377,857	1,339,170	17.64%
60 - 65 yrs	178,762	67,764	108,633	12,632	287,395	80,396	367,791	4.85%
above 65 yrs	68,137	17,518	55,422	5,330	123,559	22,848	146,407	1.93%
Total	2,248,184	1,187,153	3,143,703	1,010,896	5,391,887	2,198,049	7,589,936	100%

The public sector grew by 0.60 percent, representing an addition of 20,446 new contributors registered into the CPS during the quarter under review to record a total of 3,435,337 RSA registrations. This registration figure is 45.26 percent of the total RSA membership as at the second quarter, 2017.

A further analysis of the age distribution of RSA holders revealed that membership of the scheme remained relatively young, as over 75.00 percent of the members were still below 50 years and about 50.00 percent of the members are under 40 years. Thus, the demography of the scheme favoured longer accumulation periods and long-term investments. This scenario provides an opportunity for infrastructure and other long term developmental financing that impact positively on the economy.

3.1.2 RSA Registrations by PFA Market Share

The ranking of PFAs by number of registered contributors showed a redistribution of the market share across the various ranked groupings. While the market shares of the bottom three, five and ten PFAs continued to grow, those of the top three, five and ten slightly dipped as at end of second quarter of 2017. The market share of the bottom five and ten PFAs increased from 4.68 and 15.58 percent in the first quarter, 2017 to 4.72 and 15.63 percent as at the end of the second quarter respectively. However, the market shares of top five and ten dropped from 56.13

and 81.22 percent in the previous quarter to 56.00 and 81.15 percent as at the end of the quarter under review (see Table 3.3).

Table 3.3: RSA Registration by Market Share

PFA Ranking	Q1:17 (%)	Q2:17 (%)
Top 3	39.24	39.10
Top 5	56.13	56.00
Top 10	81.22	81.15
Bottom 3	1.76	1.78
Bottom 5	4.68	4.72
Bottom 10	15.58	15.63

Table 3.3 further indicates that, the share of the top three PFAs had reduced from 39.24 percent as at the end of first quarter, 2017 to 39.10 percent as at the second quarter, 2017. The share of the bottom three PFAs increased from 1.76 percent as at the end of first quarter, 2017 to 1.78 percent as at the reporting period.

Table 3.4 shows that 28.57 percent (6) of the PFAs had registered at least 500,000 RSA contributors. The Table also revealed that 15 PFAs (71.43 percent) registered less 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	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 remained 24,883 and 40,951 respectively as at the end of the second quarter of 2017 as shown in Tables 3.5 and 3.6. A review of the Tables shows both the CPFAs and AESs remained unchanged compared to the previous reporting period.

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

Enrolment Type	Number			Percentage of Total	
	Q4:2016	Q1:2017	Q2:2017	Q1:2017	Q2:2017
Active Members	17,325	17,073	17,073	71.64	71.64
Existing Pensioners	6,020	6,129	6,129	25.72	25.72
Deferred Pensioners	638	631	631	2.65	2.65
Total	23,983	23,833	23,833	100	100

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 Second Quarter, 2017

Enrolment Type	Number			Percentage of Total	
	Q4:2016	Q1:2017	Q2:2017	Q1:2017	Q2:2017
Active Members	23,836	24,255	24,255	59.23	59.23
Current Pensioners	15,423	15,313	15,313	37.39	37.39
Deferred Pensioners	149	149	149	0.36	0.36
Dependants	1,234	1,234	1,234	3.01	3.01
Total	40,642	40,951	40,951	100	100

Note: Dependants are protégés of deceased pensioners.

3.2 Pension Contributions

The total monthly pension contribution made by contributors from both the public and private sectors into their RSAs was ~~N~~4.25 trillion as at the end of second, quarter 2017. This shows an increase of ~~N~~182.93 billion representing 4.50 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 51.66 percent of the total contributions, while the Private sector contributed the remaining 48.34 percent. During the quarter under review, Public Sector contributed 42.54 percent of the total contributions while the Private sector contributed 57.46 percent.

Table 3.7: Pension Contributions as at Second Quarter, 2017

Year/Quarter	Public Sector		Private Sector		Total	
	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total
2004	15.6	0.71	-	-	15.6	0.37
2005	34.68	1.58	-	-	34.68	0.82
2006	37.38	1.70	23.03	1.12	60.41	1.42
2007	80.63	3.68	68.34	3.33	148.97	3.51
2008	99.28	4.53	80.81	3.94	180.09	4.24
2009	137.1	6.25	91.21	4.44	228.31	5.38
2010	162.46	7.41	103.03	5.02	265.49	6.25
2011	228.92	10.44	119.53	5.82	348.45	8.21
2012	331.14	15.10	174.43	8.50	505.57	11.91
2013	278.5	12.70	225.42	10.98	503.92	11.87
2014	237.76	10.84	343.97	16.76	581.73	13.70
2015	200.05	9.12	358.91	17.48	558.96	13.16
2016	225.86	10.30	262.33	12.78	488.20	11.50
Q1:2017	46.30	2.11	96.61	4.71	142.91	3.37
Q2:2017	77.82	3.55	105.11	5.12	182.93	4.31
Total	2,193.48	100	2,052.74	100	4,246.22	100

The aggregate total pension contribution of the Private sector increased from ₦2.12 trillion as at first quarter of 2017 to ₦2.19 trillion as at the second quarter of 2017 representing a growth of 3.68 percent. Whereas, the aggregate total pension contribution of the Public Sector grew by 5.40 percent from ₦1.95 trillion to ₦2.05 trillion over the same periods.

3.2.1 Contributions by Rank of PFA

The ranking of PFAs by total pension contributions indicates that the top 5 PFAs received 65.41 percent of the total contributions as at the end of the quarter under review. The top 10 ranking PFAs accounted for 88.04 percent of the total contributions. The bottom 5 and 10 PFAs received ₦69.42 billion and ₦383.60 billion contributions from their members, representing 1.62 percent and 8.93

percent of the total contributions received as at the end of the Second quarter of 2017 respectively.

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

Rank	Amount (N billion)	Percentage of Total
Top 5	2,808.53	65.41
Top 10	3,780.06	88.04
Bottom 5	69.42	1.62
Bottom 10	383.60	8.93

3.3 Pension Fund Investment

The total value of pension fund assets grew from ~~N~~6.42 trillion as at 31 March, 2017 to ~~N~~6.83 trillion as at 30 June, 2017, representing a growth of 6.51 percent (~~N~~417.35 billion). This indicated a higher growth rate compared to the 4.07 percent growth for the previous quarter. This can be attributed mainly to market valuation of quoted equities. The breakdown of the pension assets is shown in Table 3.9.

Table 3.9: Pension Fund Portfolio by Fund Type as at Second Quarter, 2017

Fund/Period	Q4:2016		Q1:2017		Q2:2017		Change between Q2:2017 & Q1:2017	
	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total
RSA Active	4,147.15	67.27%	4,337.44	67.61%	4,609.50	67.46%	272.06	65.18%
RSA Retiree	451.96	7.33%	484.02	7.54%	532.60	7.79%	48.58	11.64%
CPFAs	870.95	14.13%	897.16	13.98%	932.03	13.64%	34.87	8.35%
AESs	694.71	11.27%	696.89	10.86%	758.76	11.10%	61.87	14.82%
Total	6,164.77	100%	6,415.51	100%	6,832.88	100.00%	417.37	100%

Table 3.9 shows that as at second quarter 2017, RSA active fund constituted the largest proportion of the total pension fund, accounting for 67.46 percent (~~N~~4.61 trillion) of total fund. CPFAs and AESs assets stood at ~~N~~932.03 billion and ~~N~~758.76 billion, representing 13.64 percent and 11.10 percent of the total assets respectively. The RSA Retiree Funds (~~N~~532.60 billion) representing 7.79 percent of the total assets.

A breakdown of the pension industry portfolio as illustrated in Table 3.10 shows that the pension fund assets were mainly invested in Federal Government Securities, with actual assets allocation of 73% of total pension assets (FGN Bonds: 56%, Treasury Bills: 16% and Agency Bonds: 1%), slightly lower than the 74% recorded in the first quarter of 2017.

Table 3.10: Pension Industry Portfolio as at June, 2017

ASSET CLASS	TOTAL PENSION FUND ASSETS 30-Jun-17		TOTAL PENSION FUND ASSETS 31-Mar-17		Variance (Mar'17 & June'17)	
	N Billion	Weight %	N Billion	Weight %	N Billion	Weight %
Domestic Ordinary Shares	583.53	8.54	476.14	7.42	107.39	25.73
Foreign Ordinary Shares	94.03	1.38	90.29	1.41	3.74	0.90
Total FGN Securities:						
FGN Bonds	3,832.29	56.09	3,738.19	58.27	94.10	22.55
Treasury Bills	1,114.15	16.31	931.15	14.51	183.00	43.85
Agency Bonds (NMRC & FMBN)	38.04	0.56	83.36	1.30	-45.32	-10.86
State Govt. Securities	112.10	1.64	146.73	2.29	-34.63	-8.30
Corporate Debt Securities	253.13	3.70	255.02	3.98	-1.89	-0.45
Supra-National Bonds	11.76	0.17	12.47	0.19	-0.71	-0.17
Local Money Market Securities	481.97	7.05	386.85	6.03	95.12	22.79
Foreign Money Market Securities	23.49	0.34	21.76	0.34	1.73	0.41
Mutual Funds:						
Open/Close-End Funds	17.16	0.25	9.53	0.15	7.63	1.83
Reits	13.38	0.20	9.45	0.15	3.93	0.94
Real Estate Properties	216.36	3.17	221.44	3.45	-5.08	-1.22
Private Equity Fund	17.65	0.26	19.00	0.30	-1.35	-0.32
Infrastructure Fund	4.83	0.07	2.07	0.03	2.76	0.66
Cash & Other Assets	19.01	0.28	12.08	0.19	6.93	1.66
Total	6,832.88	100	6,415.53	100	417.35	100

Table 3.10 further indicates that the value of investments in quoted ordinary shares was ₦583.53 billion. This is 8 percent of the total investment as at 30 June 2017, indicating an increase of ₦107.39 billion (2 percent) compared to the value of ₦476.14 billion as at 31 March, 2017. As noted earlier, the increase in the value of investments in quoted equities was primarily due to the appreciation in stock market prices during the period, as the Nigerian Stock Exchange All Share Index

(NSE-ASI) and Market Capitalization appreciated by 12.27 percent and 12.37 percent from 25,516.34 basis points and ₦8.83trillion, as at 31 March 2017, to 33,117.48 basis points and ₦11.45 trillion, as at 30 June 2017, respectively.

The value of investments in FGN Bonds and Treasury Bills increased by ₦94.11billion (1.47 percent) and ₦183Billion (2.85 percent); while investments in FGN Agency bonds reduced by ₦45.32Billion (0.71 percent) due to maturity of the bonds issued by the Federal Mortgage Bank of Nigeria (FMBN) and the FGN Local Contractors' Bond.

Table 3.11: Rank of PFA by Asset Size as at June, 2017

PFA Rank	Q4:2016		Q1:2017		Q2:2017	
	Amount (N' Billion)	% of Total RSA Assets	Amount (N' Billion)	% of Total RSA Assets	Amount (N' Billion)	% of Total RSA Assets
Top 3	2,071.31	54.32	2,134.78	54.19	2,767.32	54.32
Top 5	2,548.09	66.82	2,622.71	66.58	3,397.43	66.68
Top 10	3,366.25	88.28	3,474.57	88.20	4,486.05	88.05
Bottom 3	15.26	0.4	16.46	0.42	22.73	0.45
Bottom 5	60.17	1.58	63.88	1.62	90.30	1.77
Bottom 10	330.6	8.67	344.11	8.74	453.62	8.90

A review of PFAs' ranking by size of assets under their management showed that the top three and five PFAs accounted for more than half of the total RSA assets at 54.32 and 66.68 percent respectively at the end of the second quarter, 2017. The top ten ranking PFAs managed 88.05 percent of the total RSA assets while the bottom ten PFAs accounted for 8.90 percent of the RSA assets under management at the end of the reporting period.

The bottom three, five and ten PFAs showed significant improvement in the proportion of the RSA assets under their management over the previous quarter with 0.45 percent, 1.77 percent and 8.90 percent respectively.

3.3.3 Portfolio Performance

The Net Assets Value (NAV) of the RSA 'Active' Fund recorded a net growth of ~~N~~295.50 billion (6.93 percent), from ~~N~~4.26 trillion on 31 March, 2017 to ~~N~~4.56trillion as at 30 June, 2017. The RSA 'Active' fund recorded a Weighted Average Rate of Return (WARR) of 22.40 percent (annualized) as at second quarter, 2017. This was significantly better than the 10.21 percent (annualized) recorded in the previous quarter. The improved performance was largely attributable to pension fund investments in quoted equities, as reflected by the performance of the NSE ASI, which recorded a return of 29.79 percent in second quarter, 2017 compared to -5.05 percent in first quarter, 2017.

The Net Asset Value of the RSA Retiree Fund increased by ~~N~~48.58 billion, from ~~N~~484.02 billion in 31 March, 2017 to ~~N~~532.60 billion as at 30 June, 2017. The fund recorded a WARR of 15.51 percent (annualized). The Funds' performance was an improvement over the annualized WARR of 13.68 percent recorded in the previous quarter. Investments in quoted ordinary shares constituted an average of 0.5 percent of total portfolio value and contributed to the improved performance of the Retiree Funds in second quarter, 2017 relative to first quarter, 2017.

The value of pension fund assets held by the CPFA Funds recorded a net increase of ~~N~~34.87 billion (3.89 percent), from ~~N~~897.16 billion in 31 March, 2017 to ~~N~~932.03Billion as at 30 June, 2017. The annualized rates of return recorded on the CPFA Funds ranged between 8.58 percent and 38.23 percent in the second quarter, 2017 and were reflective of the actual assets allocation of the individual Funds. The funds with relatively high exposure to equity/equity funds, recorded significantly better performances when compared to other funds with more investments in fixed income assets.

Similarly, the NAV of the Approved Existing Schemes increased by ~~N~~61.87 billion (8.87 percent), from ~~N~~696.89 billion in 31 March, 2017 to ~~N~~758.76 billion as at 30 June, 2017. The net increase in the total portfolio value was mainly attributed to funds injected by scheme sponsors, interest/coupons from fixed income investments and unrealized gains from equity investments. The annualized rates of return recorded on the Fund ranged between 11.52 percent and 47.16 percent in second quarter, 2017 and were reflective of the actual assets allocation of the individual Funds.

3.3.4 Outlook for 3rd Quarter 2017

The 2nd Quarter of 2017 (April to June 2017) witnessed a sustained lowering of the headline inflation rate, a moderation in crude oil price, increased crude oil production and relative stability in the foreign exchange market following the creation of the Nigerian Investors' & Exporters' FX Window known as NAFEX.

Market analysts opine that the economy is on a path to moderate recovery with a positive short-to-medium-term outlook, premised largely on fiscal stimulus, stable naira exchange rate and inflation rate. It is expected that the implementation of the 2017 Budget in the third and fourth quarters of 2017 would further strengthen growth and stimulate economic activities.

Furthermore, it is also envisaged that the equity market would continue on its path of recovery, although some concerns have been expressed about the emerging price bubbles in the market, as a result of the return of foreign portfolio investors and potential upswing in demand from pension funds following the planned introduction of the Multi-Fund Structure by the Commission.

However, the pension fund portfolios are expected to show strong growth in third quarter, 2017 on the back of average monthly receipts of ₦50 billion in respect of monthly pension contributions, resurgence of the stock market and relatively stable/high yields on fixed income securities.

3.4 Retirement/Terminal Benefits

3.4.1 Retirees on Programmed Withdrawal

The total number of retirees currently receiving their pensions under the Programmed Withdrawal (PW) increased from 148,945 in the previous quarter to 158,409 in the Second quarter, 2017. This represented a 6.35 percent (9,464) increase from the total retirement recorded via the PW.

A sectorial breakdown of retirees under the PW during the quarter shows that, the public sector had 68.34 percent (6,468) of total retirees while the private sector was 31.66 percent (2,996).

During the quarter under review, 9,464 retirees were paid the sum of ₦28.22 billion as lump sum and ₦0.35 billion as monthly programmed withdrawals. The breakdown of the above position is reflected in table 3.12 below:

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

Period	Public		Private	Total	Lump sum (₦' Million)	Average Monthly PW (₦' Million)
	FGN	State				
Inception to Q1: 2017	92,620	11,406	44,919	148,945	381,012.54	5,013.09
Q2: 2017	5,390	1,078	2,996	9,464	28,217.09	348.03
Total	98,010	12,484	47,915	158,409	409,229.63	5,361.12

Note: Public Sector refers to both Federal and State Governments

The Table further shows that from inception to date, a total of 158,409 retirees have been paid the sum of ₦409.07 billion as lumpsum and ₦5.35 billion as average monthly programmed withdrawals.

3.4.2 Retirement by Annuity

The Commission approved a total of 1,569 applications for annuity retirement plan during the quarter, bringing the total number of retirees receiving their retirement benefits through the annuity plan to 36,445. The 1,569 retirees received ₦2.59 billion as lump sum payment. The retirees also receive ₦74.10 million as monthly annuity after the payment of an annuity premium of ₦7.54 billion to Insurance Companies. The cumulative annuity premium paid to the insurance companies as at the end of second quarter of 2017 stood at ₦178.11 billion. Similarly, the categories of retirees that exited the scheme through the annuity received ₦49.68 billion and ₦1.82 billion as lump sum payments and average monthly annuity as at the end of June, 2017 as reflected in Table 3.13 below.

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

Period	Public		Private	Total	Lump sum (₦ Million)	Premium (₦ Million)	Annuity (₦ Million)
	FGN	State					
Inception to Q1: 2017	22,646	3,367	8,863	34,876	47,090.36	170,570.48	1,747.51
Q2: 2017	1,254	76	239	1,569	2,588.43	7,542.30	74.10
Total	23,900	3,443	9,102	36,445	49,678.79	178,112.78	1,821.61

3.4.3 Withdrawal of 25 Percent of RSA Balances

During the quarter under review, approval was granted for payment of ₦5.17 billion to 13,337 RSA holders who were under the age of 50 years and were disengaged from work but unable to secure another employment within 4 months of the disengagement.

As indicated in Table 3.14, the cumulative total number of disengaged RSA holders who were paid 25 percent was 216,300 and were paid ₦71.03 billion from inception to date. A further analysis showed that the private sector accounted for 95.30 percent (206,130) while the public sector accounted for 4.70 percent (10,169) as illustrated in table 3.14

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

Period	Public		Private	Total	Total RSA Balance (₦ Million)	Total 25% Paid (₦ Million)
	FGN	State				
Inception to Q1: 2017	7,068	2,627	193,268	202,963	263,419.08	65,854.77
Q2: 2017	178	296	12,862	13,337	20,687.16	5,171.79
Total	7,246	2,923	206,130	216,300	284,106.24	71,026.56

3.6 Approval of Death Benefits

The Commission approved payments of ₦5.81 billion as death benefits to the beneficiaries of the 1,785 deceased employees during the quarter under review. This figure moved the cumulatively payments to a total of ₦121.44 billion as death benefits (including life insurance) of 40,460 deceased employees from both the private and public sector (FGN and States) of the economy as at the end of second quarter, 2017.

Table 3.15: Approval of Death Benefits as at Second Quarter, 2017

Sector	Public		Private	Total	Total Amount Paid (₦ Million)
	FGN	State			
Inception to Q1: 2017	28,626	2,434	7,615	38,675	115,637.97
Q2: 2017	1,021	265	499	1,785	5,805.41
Total	29,647	2,699	8,114	40,460	121,443.38

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

3.7 Retirees/Foreigners' Benefits paid Enbloc

The Commission granted approval for the payment of the entire RSA balances of the categories of retirees whose RSA balances were ₦550,000.00 and below, which were considered insufficient to procure a Programmed Withdrawal or an Annuity of a reasonable amount over an expected life span. This also included foreign nationals who returned to their home countries after making voluntary contributions under the CPS.

During the quarter under review, the Commission granted approval for the payment ₦0.98 billion to 3,514 RSA holders comprising 239 public (FGN + State) and 3,278 private sectors retirees. Cumulatively, 82,513 retirees under these categories received a total sum of ₦20.15 billion from inception to the end of the second quarter of 2017

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

Sector	Public		Private	Total	Total Amount Paid (₦ Million)
	FGN	State			
Inception to Q1: 2017	6,023	1,692	71,281	78,996	19,165.68
Q2: 2017	60	179	3,278	3,517	984.35
Total	6,083	1,871	74,559	82,513	20,150.03