

## *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, 2017**

## SECTION ONE

### Pension Operating Environment

#### 1.1 Macroeconomic Development

Nigeria's Gross Domestic Product grew by 1.40 percent (year-on-year) in real terms, the second positive growth in two consecutive quarters since the economy emerged from recession in the second quarter of 2017. The growth in the quarter represented almost 160 percent increase over that of the corresponding quarter of last year (-2.34 percent) as well as 94.44 percent jump from the growth of the second quarter, 2017 (0.76 percent revised from 0.55 percent by the National Bureau of Statistics (NBS)). The real growth (quarter-on-quarter) in the net domestic output (GDP) stood at 8.97 percent in the period under review. In addition, the economy recorded an aggregate output of N29.45 trillion, representing nominal growth of 10.98 percent (year-on-year) compared to N26.54 trillion of the corresponding period of last year. The growth in nominal terms is higher than the 9.15 percent of the third quarter of 2016. The positive growth reflect improved business environment of the pension fund both in term of return on investment and number prospective subscribers to the scheme.

The oil sector contribution increased from 9.04 percent (revised) of the total economic growth in previous quarter to 10.04 percent during the quarter. The non-oil sector contributed 89.96 percent.

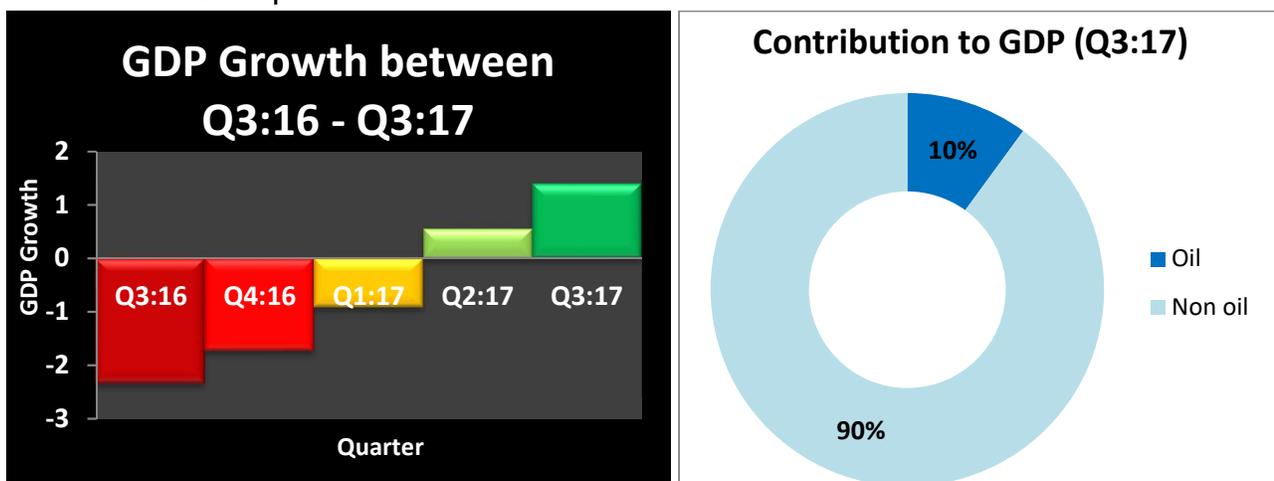


Figure 1: GDP Growth Trend between Q3:16 – Q3:17 and Sector Contribution

The inflation rate has sustained a downward trend over the quarters since the beginning of the current year. The inflation figure declined by 1.87 points, representing a 10.48 percent decrease over the corresponding quarter of 2016 (17.85 percent) to stand at 15.98 percent and down with 0.12 points (0.75 percent) compared to the second quarter of 2017 (16.10 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 its restrictive stance in the quarter under review. The Monetary Policy Rate (MPR) was retained at 14 percent as obtained since the last quarter of 2016. 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 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 effect of monetary environment is positive on the pension fund and the purchasing power of the retirees in the industry.

The developments on interest rate in the financial markets indicate upward movements of the interbank call rate from 13.469 percent in the previous quarter to 20.44 percent in the third quarter of 2017. Similarly, the rates on deposits of various maturities marginally increased from the range of 8.65 and 11.15 percent in the second quarter compared to 9.11 and 11.70 percent in the third quarter of 2017. In addition, the prime lending rate also recorded an increase to stand at 17.88 percent in the quarter from 17.59 percent in the previous quarter; likewise the maximum lending rates increased by 0.45 points to 31.39 percent. The ascending trend of the rates implied improved returns on pension fund money market investments.

## **1.3 Developments in the Capital Market**

The Nigerian Capital Market sustained its bullish trend and recorded 25.07 percent return (year-on-year) during the quarter. The NSE All Share Index attained a three-year high in the third quarter of 2017 to close at 35,439.98 compared to 33,117.48

during the previous quarter. Likewise, the market capitalization grew by 18.73 percent (year-on-year) to close at ₦19.62 trillion in the review period, representing 3.10 percent increase from ₦19.03 trillion in the preceding quarter.

The equity market capitalization closed at ₦12.23 trillion in the quarter under review. This represented a 6.72 percent growth from the ₦11.46 trillion recorded in last quarter. Although total volume of traded stock dropped from 24.44 billion in the previous quarter to 20.35 billion, the total value grew by 49.74 percent (₦119.71 billion) to close at ₦360.37 billion.

#### **1.4 Developments in the Bond Market**

The development in the Bond Market shows that there was drop of the market capitalization by 2.38 percent to stand at ₦7.38 trillion in the quarter under review from ₦7.56 trillion of the second quarter, 2017 previous quarter. This trend was experienced in the previous quarter, which was influence the by drop in the FGN capitalization. The FGN and State Governments capitalized at ₦6.50 trillion and ₦563.58 billion in 29 and 23 listings respectively. Furthermore, Corporate Bonds capitalization stood at ₦297.44 billion, while supranational bonds closed at ₦24.95 billion in the period. The total bond listing remained at 76 in quarter under review.

During the period, no new FGN bond was issued, however, nine (9) existing bonds were re-opened with 5, 10 and 20 years tenures in the third quarter of 2017.

## **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 conducted routine examinations of Licensed Pension Fund Operators during the period under review. The Reports of the 2016 Routine Examinations were presented to the Boards of the Pension Operators. The reports detail remedial actions to be taken on noted issues during the examination. In addition, reports on compliance and corporate governance were received from the operators as part of the off-site examination activities. Highlights of the reports are presented below.

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

The major issues observed from the review of the compliance reports forwarded by the operators during the quarter under review were un-credited pension contributions, delay in the payment of retirement benefits to the retirees and outstanding commitments from previous routine examination. These issues were promptly addressed by the affected operators as directed by the Commission.

##### **b) Corporate Governance**

During the quarter under review, twenty nine (29) Operators have forwarded the Corporate Governance Reports. The major issues observed from the review of Corporate Governance reports forwarded by Operators were inadequate Board composition, absence of Independent Directors on the Board, attendance and frequency of Board meetings and that of the Board Committees as well as annual performance of the Board, amongst others. The affected operators were directed to redress the issues identified.

### **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 21 PFAs, 4 PFCs and 7 CPFAs rendered the returns for the Funds under their management/custody as well as that of the Company to the Commission via the Risk Management & Analysis System (RMAS) for the quarter ended 30 September, 2017. The breakdown of the industry statistics is provided in section three of this report.

### **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 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. 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 4,202 application for issuance of Pension Clearance Certificate, out of which, Certificates were issued to 4,066 organizations. Applications from 136 were rejected due to incomplete documentation. The sum of ₦13.77 billion was remitted into the RSAs of 62,077 employees from the applicant organizations.

The Commission issued a General Notice to all employers advising against the use of touts and agents to process the Pension Clearance Certificate on their behalf. The Notice was necessitated by growing cases of touts posing to unsuspecting employers as 'consultants'. These touts solicit patronage from employers who are either not familiar with the easy and transparent process put in place to obtain Pension

Clearance Certificates or are desperate to procure the Certificates. Many employers that engage the service of these touts end up being victims as the touts present fake and or forged documents, particularly bank deposit slips, to the Commission in their bid to obtain the Pension Clearance Certificate.

## **2.2.2 Nigeria Social Insurance Trust Fund (NSITF)**

### **a) Transfer of the 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, Eight hundred and thirty eight (838) NSITF transfer applications amounting to ₦149.51 million were received. Over 98 percent (822) of the applications were processed and ₦53.92 million was remitted to the RSAs owners of the processed applications. To date ₦9.63 billion has been transferred to the RSAs of 133.893 NSITF Members.

### **b) Update on One-Off benefits payment to NSITF Members**

During the quarter, a one-off NSITF benefits payment applications of the sum of ₦2.93 million was received from eighty nine (89) NSITF members. The Commission processed the payment of eighty seven (87) applications totaling ₦2.91 million. A total of ₦2.90 billion has been processed and paid to 35,430 NSITF Members cumulatively from inception to date.

### **c) Monthly NSITF Scheme Pensions**

The monthly pensions of 3,360 NSITF Pensioners were processed and approved for payment of the sum of ₦19.32 million during the third quarter of 2017. Accordingly, the total sum of ₦4.02 billion was approved and paid as monthly pension to NSITF Pensioners from November 2006 to the period under review.

### **d) Complaints and Enquiries**

The Commission received Twenty one (21) complaints relating to pension payment and other benefits under the NSITF. Out of the number received, twenty (20) complaints were resolved.

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

During the quarter, the Commission maintained the services of 55 consultants to continue the recovery of outstanding pension contributions with penalty from

defaulting employers. Following the issuance of demand notices to defaulting employers whose liabilities had been established by the consultants, some employers have remitted the outstanding pension contributions and penalty. During the quarter, the sum of ₦1.34 billion was recovered. This brings the total recoveries made since inception of the Recovery Agents' activities in 2012 to ₦13.58 billion.

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

Further to the Commission's strategy of driving compliance with the provisions of the Pension Reform Act 2014 (PRA 2014) by employers through the conduct of public awareness programmes, the Commission has continued to organize sensitization workshops on the Contributory Pension Scheme (CPS) for employers' associations/unions to enlighten and encourage them to key into the Scheme.

During the period under review, the Commission in collaboration with the Federal Ministry of Labour and Employment (FMLE) organized a one-day sensitization workshop on the CPS for State Controllers of Labour in FMLE. The workshop took place on 13 July, 2017 at Quarter House Hotel, Kaduna. A representative of the Commission presented a paper titled "The Overview of the Contributory Pension Scheme under the Pension Reform Act 2014".

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

The Commission monitored the civil service pensioners' verification exercise conducted by PTAD in 4 South West States of Osun, Ondo, Ekiti and Lagos states. The exercise was carried out for 27,055 pensioners and next of kin across the States.

During the quarter under review, a total number of 27 complaints were received and subsequently forwarded to the Pension Transitional Arrangement Directorates (PTAD) for resolution. A total of 13 complaints were resolved while 14 were being processed. A review of the statutory monthly returns rendered by PTAD revealed that it has paid a total of ₦22.71 billion to 236,704 pensioners in the quarter ended 30 September, 2017.

## 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. During the quarter under review, the Department processed 254 applications for the refund. The sum of ₦39.83 million was refunded to the pension contributors while the sum of ₦127.13 million representing the contributions made by the Federal Government on their behalf was returned to the Contributory Pension Account.

## 2.3 Other Compliance Efforts

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

State Governments continued to make progress in the level of implementation of the Contributory Pension Scheme (CPS). As at the third quarter of 2017, the number of States that have enacted laws on the CPS stood at 27, while eight (8) States are currently at the bill stage of implementation. Yobe State was, however, 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

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

S/N	State	Remittance of Contribution	Accrued Rights	Group Life Insurance
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 a 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) as shown in Table 2.2.

### **(b) Implementation Plan of the CPS on State Compliance**

A road map covering a period of 12-18 months for the engagement of labour unions, State governments and their employees, amongst other stakeholders, to positively influence compliance by State Governments was developed. In order to ensure a smooth implementation of the Plan, the Commission conducted a sensitization workshop for members of the Bauchi State House of Assembly and employees of Oyo State. In each of the sessions, members were enlightened on the benefits of the CPS and how to resolve issues regarding the implementation of the Scheme. The Commission also conducted a training on the workings of the CPS for the management and staff of the Zamfara State Pension Commission, Zamfara State Local Governments Pension Board and Kaduna State Pension Bureau. Training was also conducted on returns rendition for Pension Desk Officers (PDOs) of the FCT Area Councils as well as those of the Ministries, Departments and Agencies of the FCT.

The Zonal Offices also conducted a total of 23 enlightenment campaigns on the CPS in all the six (6) geopolitical zones of the country. The Commission held several implementation meetings with the Committee on Implementation of the CPS in Abia, Anambra. In addition, representatives from Benue and Ekiti States also held meetings with the Commission in order to facilitate the implementation of the CPS.

## SECTION THREE

### Pension Industry Statistics

#### Pension Industry Statistics

##### 3.1 Scheme Memberships

The pension industry recorded a 1.57 percent growth in the scheme membership during the third quarter of 2017, moving from 7.65 million contributors at the end of the preceding quarter to 7.78 million. The growth in the industry membership was driven by the Retirement Savings Account (RSA) Scheme, which had an increase of 120,628 contributors representing 1.59 percent. Consequently, membership of the Closed Pension Fund Administration Scheme (CPFA) dropped by 84 members. However, the Approved Existing Scheme (AES) membership remained unchanged at 40,951. See Table 3.1.

**Table 3.1 Scheme Memberships as at Third Quarter, 2017**

<b>Scheme</b>	<b>Q1:2017</b>	<b>Q2:2017</b>	<b>Q3:2017</b>	<b>% change (Q2: 2017 and Q3:2017)</b>
RSA	7,493,590	7,589,936	7,710,564	1.59
CPFA	23,883	23,883	23,799	(0.35)
AES	40,951	40,951	40,951	-
<b>Total</b>	<b>7,558,424</b>	<b>7,654,770</b>	<b>7,775,314</b>	<b>1.57</b>

The membership of the CPFA and AES Schemes is restricted to staff of the sponsoring organizations.

##### 3.1.1 Membership of RSA

A breakdown of the RSA registrations indicates a 0.65 percent (22,224) increase in membership of the public sector over the second quarter of the same year to stand at 3,435,337. This figure represent 44.84 percent of the total RSA registration as at the third quarter of 2017, as shown in Table 3.2.

The private sector show a continuous dominance in RSA membership with 55.16 percent (4,253,003) of the total RSA registration as at the reporting period, moving from 4,154,599 in the previous quarter. The sector also witnessed a growth of 2.37 percent (98,404) in 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, 2017**

Age Range	Public Sector		Private Sector		Total		Grand Total	
	Male	Female	Male	Female	Male	Female	Number	%
Less than 30 yrs	674,096	288,251	1,169,631	522,514	1,843,727	810,765	2,654,492	34.43
30- 39 yrs	737,346	459,488	1,236,665	372,775	1,974,011	832,263	2,806,274	36.40
40- 49 yrs	558,250	329,664	547,135	115,958	1,105,385	445,622	1,551,007	20.12
50- 59 yrs	271,242	115,682	211,110	28,727	482,352	144,409	626,761	8.13
60- 65 yrs	14,158	2,244	31,486	3,043	45,644	5,287	50,931	0.66
Above 65 yrs	5,942	1,198	12,535	1,424	18,477	2,622	21,099	0.27
<b>Total</b>	<b>2,261,034</b>	<b>1,196,527</b>	<b>3,208,562</b>	<b>1,044,441</b>	<b>5,469,596</b>	<b>2,240,968</b>	<b>7,710,564</b>	<b>100</b>

### 3.1.2 RSA Registrations by PFA Market Share

The ranking of PFAs by number of registered contributors showed a redistribution of the market share across the various ranked groupings. While the market shares of the bottom three, five and ten PFAs had continued to grow, those of the top three, five and ten slightly dipped as at end of third quarter of 2017. The shares of bottom five and ten PFAs increased from 4.72 and 15.63 percent in the second quarter, 2017 to 4.74 and 16.69 percent as at the end of the reporting period respectively. However, the market shares of top five and ten dropped from 56.00 and 81.15 percent in the previous quarter to 55.12 and 80.00 percent as at the end of the quarter under review (see Table 3.3).

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

<b>PFA Ranking</b>	<b>Q2:17 (%)</b>	<b>Q3:17 (%)</b>
Top 3	39.10	38.58
Top 5	56.00	55.12
Top 10	81.15	80.00
Bottom 3	1.78	1.82
Bottom 5	4.72	4.74
Bottom 10	15.63	16.69

Table 3.3 further indicates that the share of the top three PFAs had reduced from 39.10 percent as at the end of second quarter, 2017 to 38.58 percent as at third quarter, 2017. The share of the bottom three PFAs increased from 1.78 percent as at the end of second quarter, 2017 to 1.82 percent in third quarter, 2017.

Table 3.4 shows that 71.43 percent (15) of the PFAs had registered less than 500,000 RSA contributors. The Table also shows that five PFAs (23.81 percent) had registered more than 500,000 RSA contributors.

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

<b>Range of RSA Registrations</b>	<b>Number of PFAs</b>
Above 1,000,000	1
500,000 – 1,000,000	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 23,799 and 40,951 respectively as at the end of the third quarter of 2017 as shown in Tables 3.5 and 3.6. A review of the Tables shows a slight decrease of 0.14 percent in the membership of the CPFAs from the figures of the previous quarter, while that of the AESs remained stable compared to the previous reporting period. Table 3.5: Membership of CPFAs as at Third Quarter, 2017

Enrolment Type	Number			Percentage of Total	
	Q1:2017	Q2:2017	Q3:2017	Q2:2017	Q3:2017
Active Members	17,073	17,073	17,049	71.64	71.64
Existing Pensioners	6,129	6,129	6,104	25.72	25.65
Deferred Pensioners	631	631	646	2.65	2.71
<b>Total</b>	<b>23,833</b>	<b>23,833</b>	<b>23,799</b>	<b>100</b>	<b>100</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, 2017**

Enrolment Type	Number			Percentage of Total	
	Q1:2017	Q2:2017	Q3:2017	Q2:2017	Q3:2017
Active Members	24,255	24,255	24,255	59.23	59.23
Current Pensioners	15,313	15,313	15,313	37.39	37.39
Deferred Pensioners	149	149	149	0.36	0.36
Dependants	1,234	1,234	1,234	3.01	3.01
<b>Total</b>	<b>40,951</b>	<b>40,951</b>	<b>40,951</b>	<b>100</b>	<b>100</b>

Note: Dependants are protégés of deceased pensioners.

### 3.2 Generation of Employer Codes

During the quarter under review, a total number of 3,195 Employer codes were generated and updated on the Contributory Registration System (CRS) based on requests from the Pension Fund Administrators (PFAs) and other individuals.

### 3.3 Pension Contributions

The total monthly pension contribution made by contributors from both the public and private sectors into their RSAs was ₦4.38 trillion as at the end of third quarter, 2017. This shows an increase of ₦135.22 billion representing 3.18 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 51.34 percent of the total contributions, while the Private sector contributed the remaining 48.64 percent. However, during the quarter under review, the Public sector contributed

40.87 percent of the total contributions received while the Private sector contributed 59.13 percent.

**Table 3.7: Pension Contributions as at Third Quarter, 2017**

Year/Quarter	Public Sector		Private Sector		Total	
	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total
2004	15.60	0.69	-	-	15.60	0.36
2005	34.68	1.54	-	-	34.68	0.79
2006	37.38	1.66	23.03	1.08	60.41	1.38
2007	80.63	3.58	68.34	3.20	148.97	3.40
2008	99.28	4.41	80.81	3.79	180.09	4.11
2009	137.10	6.09	91.21	4.28	228.31	5.21
2010	162.46	7.22	103.03	4.83	265.49	6.06
2011	228.92	10.17	119.53	5.60	348.45	7.95
2012	331.14	14.71	174.43	8.18	505.57	11.53
2013	278.50	12.38	225.42	10.57	503.92	11.50
2014	237.76	10.56	343.97	16.13	581.73	13.27
2015	200.05	8.89	358.91	16.83	558.96	12.75
2016	225.86	10.04	262.33	12.30	488.20	11.14
Q1:2017	46.30	2.06	96.61	4.53	142.91	3.26
Q2:2017	79.52	3.53	105.26	4.94	184.78	4.22
Q3:2017	55.27	2.46	79.95	3.75	135.22	3.08
<b>Total</b>	<b>2,250.45</b>	<b>100</b>	<b>2,132.84</b>	<b>100</b>	<b>4,383.29</b>	<b>100</b>

The aggregate total pension contribution of the Private sector increased from ₦2.05 trillion as at second quarter of 2017 to ₦2.13 trillion as at third quarter of 2017 representing a growth of 3.89 percent. Whereas, the aggregate total pension contribution of the Public Sector grew by 2.52 percent from ₦2.20 trillion to ₦2.25 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 64.74 percent of the total contributions as at the end of the quarter under review. The top 10 ranking PFAs accounted for 87.91 percent of the total contributions. The bottom 5 and 10 PFAs received ₦74.67 billion and ₦403.18 billion

contributions of their members, representing 1.68 percent and 9.09 percent of the total contributions received as at the end of the third quarter of 2017 respectively.

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

Rank	Amount (N billion)	Percentage of Total
Top 5	2,871.11	64.74
Top 10	3,898.50	87.91
Bottom 5	74.67	1.68
Bottom 10	403.18	9.09

### 3.4 Pension Fund Investment

The total value of pension fund assets based on unaudited valuation reports of the pension funds grew from N6.83 trillion as at 30 June, 2017 to N7.16 trillion as at 30 September, 2017, representing a growth of 4.85 percent (N331.72 billion). The growth indicates a lower percent growth rate compared to the 6.51 percent for the previous quarter. The decreased asset growth recorded in third quarter, 2017 was mainly due to market valuation of quoted equities and the slightly lower pension contributions in the period relative to previous quarter. 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, 2017

Fund/Period	Q1:2017		Q2:2017		Q3:2017		Change between Q3:2017 & Q2:2017	
	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total
RSA Active	4,337.44	67.61	4,609.50	67.46	4,840.00	67.55	230.50	69.49
RSA Retiree	484.02	7.54	532.6	7.79	556.42	7.77	23.82	7.18
CPFAs	897.16	13.98	932.03	13.64	972.16	13.57	40.13	12.10
AESs	696.89	10.86	758.76	11.10	796.01	11.11	37.25	11.23
<b>Total</b>	<b>6,415.51</b>	<b>100</b>	<b>6,832.89</b>	<b>100</b>	<b>7,164.60</b>	<b>100</b>	<b>331.71</b>	<b>100</b>

Table 3.9 shows that as at third quarter 2017, RSA active fund constituted the largest proportion of the total pension fund, accounting for 67.55 percent (N4.84 trillion) of total fund. CPFAs and AESs assets stood at N972.16 billion and N796.01 billion

representing 13.57 percent and 11.11 percent of the total assets respectively. The RSA Retiree Funds (N556.42 billion) representing 7.77 percent of the total assets.

A breakdown of 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 72 percent of total pension assets (FGN Bonds: 54 percent, Treasury Bills: 18 percent and Agency Bonds: less than 1 percent), slightly lower than the 73 percent recorded in the second quarter of 2017.

Table 3.10 below, shows the comparative Pension Industry Portfolio for the period ended 30 September, 2017 and 30 June, 2017, as well as the variance between both periods.

**Table 3.10: Pension Industry Portfolio as at September, 2017**

ASSET CLASS	TOTAL PENSION FUND ASSETS 30-Sep-17		TOTAL PENSION FUND ASSETS 30-Jun-17		Variance (Jun-17/Sep-17)	
	N Billion	Weight %	N Billion	Weight %	N Billion	Weight %
Domestic Ordinary Shares	620.60	8.66	583.53	8.54	37.07	6.35
Foreign Ordinary Shares	98.81	1.38	94.03	1.38	4.78	5.09
<b>FGN Securities:</b>						
FGN Bonds	3,874.99	54.09	3,832.30	56.09	42.69	1.11
Treasury Bills	1,270.40	17.73	1,114.15	16.31	156.25	14.02
Agency Bonds (NMRC & FMBN)	5.85	0.08	38.04	0.56	(32.19)	(84.62)
State Govt. Securities	155.70	2.17	112.1	1.64	43.60	38.90
Corporate Debt Securities	264.71	3.69	253.13	3.70	11.58	4.57
Supra-National Bonds	11.74	0.16	11.76	0.17	(0.02)	(0.18)
Local Money Market Securities	545.00	7.61	481.97	7.05	63.03	13.08
Foreign Money Market Securities	26.69	0.37	23.49	0.34	3.20	13.61
<b>Mutual Funds:</b>						
Open/Close-End Funds	11.98	0.17	17.16	0.25	(5.18)	(30.18)
REITs	12.79	0.18	13.38	0.20	(0.59)	(4.44)
Real Estate Properties	208.71	2.91	216.36	3.17	(7.65)	(3.53)
Private Equity Fund	24.06	0.34	17.65	0.26	6.41	36.29
Infrastructure Fund	5.24	0.07	4.83	0.07	0.41	8.39
Cash & Other Assets	27.34	0.38	19.01	0.28	8.33	43.81
<b>Net Assets Value</b>	<b>7,164.60</b>	<b>100</b>	<b>6,832.88</b>	<b>100</b>	<b>331.72</b>	<b>4.85</b>

Table 3.10 further indicates that the value of investments in domestic quoted ordinary shares was N620.60 billion (9 percent of industry portfolio value) as at 30 September 2017, indicating an increase of N37.07 billion (6.35 percent) compared to the value of

₦583.53 billion as at 30 June, 2017. The increase in the value of investments in domestic 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 7.01 percent and 6.72 percent from 33,117.48 basis points and ₦11.45 trillion, as at 30 June 2017, to 35,439.98 basis points and ₦12.22 trillion, as at 30 September 2017, respectively.

The value of investments in FGN Bonds and Treasury Bills increased by ₦42.69 billion (1.11 percent) and ₦156.25 billion (14.02 percent); while investments in FGN Agency bonds further reduced by ₦32.19 billion (84.62 percent) due to the maturity of the FGN Local Contractors' Bond.

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

PFA Rank	Q1:2017		Q2:2017		Q3:2017	
	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	2,767.32	54.32	2,897.56	54.14
Top 5	2,622.71	66.58	3,397.43	66.68	3,573.10	66.77
Top 10	3,474.57	88.2	4,486.05	88.05	4,712.53	88.06
Bottom 3	16.46	0.42	22.73	0.45	22.41	0.42
Bottom 5	63.88	1.62	90.3	1.77	94.00	1.76
Bottom 10	344.11	8.74	453.62	8.9	476.068	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 54.14 and 66.77 percent respectively at the end of the third quarter, 2017. The top ten ranking PFAs managed 88.06 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.

### **3.4.2 Portfolio Performance**

#### **RSA 'Active' Fund:**

The Net Assets Value of RSA 'Retiree' Funds increased by ~~N~~23.82 billion in third quarter, 2017 increasing from ~~N~~532.60 billion on 30 June, 2017, to ~~N~~556.42 billion as at 30 September, 2017.

The Weighted Average Rate of Return (WARR) on the RSA 'Active' Funds in third quarter, 2017 was 16.11 percent (annualized), which was a decline in performance when compared with the annualized return of 22.40 percent recorded in second quarter, 2017. The performance in third quarter, 2017 was largely driven by pension fund investments in quoted equities, as reflected by the performance of the NSE ASI, which recorded a return of 7.01 percent in the quarter, compared to the return of 29.79 percent recorded in second quarter of the year.

The yields/interest rates on FGN Bonds, Treasury Bills and Money Market placements remained relatively stable but marginally declined towards the end of the third quarter. The yields on FGN Bonds ranged between 16.20 percent and 16.58 percent, for maturities between 5 years and 20 years. Similarly, yields on Treasury Bills ranged between 13.80 percent and 22.18 percent across the 91 – 364 days tenor; while bank placement rates ranged between 17 percent and 20 percent, depending on the maturity profile.

#### **RSA Retiree Funds:**

The Net Assets Value of RSA 'Retiree' Funds increased by ~~N~~23.82 billion in third quarter, 2017, increasing from ~~N~~532.60 billion on 30 June, 2017, to ~~N~~556.42 billion as at 30 September, 2017.

The Weighted Average Rate of Return (WARR) on the RSA 'Retiree' Funds in third quarter, 2017 was 15.57 percent (annualized), a marginal improvement in performance when compared with the annualized WARR of 15.51 percent recorded in previous quarter. The marginal increase in the WARR between the 2nd and 3rd quarters, 2017 was based on the yields on fixed income securities, which constituted approximately 99 percent of the total portfolio, remained relatively stable.

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

The value of pension fund assets held by the CPFA Funds recorded a net increase in value of ₦40.13 billion (4.31percent), as it increased from ₦932.03 billion on 30 June, 2017, to ₦972.16 billion as at 30 September, 2017.

The annualized rates of return recorded on the CPFA Funds ranged between 14.10 percent and 22.17 percent, which was reflective of the actual assets allocation of the individual Funds. The Funds with relatively high exposure to equity/equity funds recorded better performances, when compared to other Funds with more investments in fixed income assets.

The Net Assets Value of the Approved Existing Schemes (AES) increased by ₦37.25Billion (4.91 percent), from ₦758.76 billion on 30 June, 2017, to ₦796.01 billion as at 30 September, of the same year. 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 AES Funds ranged between 8.50 percent and 24.62 percent in third quarter, 2017 which was also reflective of the actual assets allocation of the individual Funds.

### **3.4.3 Financial Market Outlook for Fourth Quarter 2017**

It is expected that the equity market will appreciate in the last quarter of 2017. This is premised on the expected drop in yields on Government Securities, as a result of the improving macroeconomic environment and the plan of the FGN to restructure its debt portfolio. Other factors expected to impact on the performance of the equity market include:

- Stable or increased global crude oil prices;
- Increased liquidity in the foreign exchange market; and
- Improved foreign investors' confidence and interest in the Nigerian equity market.

It is also envisaged that the inflation rate would trend downwards, from the average inflation rate recorded in third quarter, 2017 (16.01 percent). Overall, pension fund portfolios are expected to show continued growth in fourth quarter, the year. However, on the back of monthly receipts of pension contributions continued to average ₦50 billion and the resurgence of the stock market.

### 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 158,409 in the previous quarter to 165,740 in the Third quarter, 2017. This represent 4.63 percent (7,331) increase from the total retirement recorded via the PW.

A sectorial breakdown of those that retired under the PW during the quarter shows that, the public sector had 50.81 percent (3,725) of total retirees while the private sector was 49.19 percent (3,606).

During the quarter under review, 7,331 retirees were paid the sum of ₦17.91 billion as lump sum and ₦0.27 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 Third Quarter, 2017**

Period	Public		Private	Total	Lump sum (₦ Million)	Monthly PW (₦ Million)
	FGN	State				
Inception to Q2: 2017	98,010	12,484	47,915	158,409	409,246.96	5,351.54
Q3: 2017	2,904	821	3,606	7,331	17,913.08	273.77
<b>Total</b>	<b>100,914</b>	<b>13,305</b>	<b>51,521</b>	<b>165,740</b>	<b>427,160.04</b>	<b>5,625.31</b>

Consequently, the Table further shows that from inception to date, a total of 165,740 retirees have been paid the sum of ₦427.16 billion as lumpsum and ₦5.63 billion as monthly programmed withdrawals.

#### 3.5.2 Retirement by Annuity

The Commission approved a total of 5,243 applications for annuity retirement plan during the quarter, bringing the total number of retirees receiving their retirement benefits through the annuity plan to 41,688. The 5,243 retirees received ₦4.30 billion as lump sum payment and paid annuity premium of ₦27.74 billion to Insurance Companies cumulating to a total of ₦53.98 billion and ₦205.85 billion as lump sum payments and annuity premium respectively. The retirees were receiving average monthly annuity of ₦1.85 billion as at the end of September, 2017.

**Table 3.13: Retirement by Annuity as at Third Quarter, 2017**

Period	Public		Private	Total	Lump sum (₦ Million)	Premium (₦ Million)	Annuity (₦ Million)
	FGN	State					
Inception to Q2: 2017	23,900	3,443	9,102	36,445	49,678.79	178,112.78	1,821.61
Q3: 2017	3,557	400	1,286	5,243	4,297.73	27,737.35	28.29
<b>Total</b>	<b>27,457</b>	<b>3,843</b>	<b>10,388</b>	<b>41,688</b>	<b>53,976.52</b>	<b>205,850.13</b>	<b>1,849.90</b>

### 3.5.3 Withdrawal of 25 Percent of RSA Balances

During the quarter under review, approval was granted for payment of ₦5.00 billion to 16,165 RSA holders who were under the age of 50 years and were disengaged from work and unable to secure another job within 4 months of disengagement.

As indicated in Table 3.14, the cumulative total number of disengaged RSA holders who were paid 25 percent was 221,777 and were paid ₦76.03 billion from inception to date. A further analysis showed that the private sector accounted for 95.40 percent (221,777) while the public sector accounted for 4.60 percent (10,687).

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

Period	Public		Private	Total	Total RSA Balance (₦ Million)	Total 25% Request (₦ Million)
	FGN	State				
Inception to Q2: 2017	7,246	2,923	206,130	216,300	284,106.24	71,026.56
Q3: 2017	286	232	15,647	16,165	19,997.87	4,999.47
<b>Total</b>	<b>7,532</b>	<b>3,155</b>	<b>221,777</b>	<b>232,465</b>	<b>304,104.11</b>	<b>76,026.03</b>

### 3.5.4 Approval of Death Benefits

The Commission approved payments of ₦8.26 billion as death benefits to the beneficiaries of the 2,391 deceased employees during the quarter under review. This figure moved the cumulatively payments to a total of ₦129.70 billion as death benefits (including life insurance) of 42,851 deceased employees from both the private and public sector (FGN and States) of the economy as at the end of third quarter, 2017.

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

Sector	Public		Private	Total	Total Amount Paid (₦ Million)
	FGN	State			
Inception to Q2: 2017	29,647	2,699	8,114	40,460	121,443.38
Q3: 2017	1,489	281	621	2,391	8,260.72
<b>Total</b>	<b>31,136</b>	<b>2,980</b>	<b>8,735</b>	<b>42,851</b>	<b>129,704.10</b>

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

### 3.5.5 Enbloc and Foreigners' Benefits

The Commission granted approval for the payment of the entire RSA balances of the categories of retirees whose RSA balances were ₦550,000 or below and considered insufficient to procure Programmed Withdrawal or an Annuity of a reasonable amount over an expected life span. This also included foreign nationals who decided to return to their home countries after making voluntary contributions under the CPS.

During the quarter under review, the Commission granted approval for the payment ₦0.11 billion to 3,928 RSA holders comprising 203 public (FGN + State) and 3,725 private sectors retirees. Cumulatively, 86,441 retirees under these categories received a total sum of ₦20.26 billion from inception to the end of the third quarter of 2017

**Table 3.17: Approval of Enbloc/Foreigners' Benefits as at Third Quarter, 2017**

Sector	Public		Private	Total	Total Amount Paid (₦ Million)
	FGN	State			
Inception to Q2: 2017	6,083	1,871	74,559	82,513	20,150.03
Q3: 2017	29	174	3,725	3,928	109.73
<b>Total</b>	<b>6,112</b>	<b>2,045</b>	<b>78,284</b>	<b>86,441</b>	<b>20,259.76</b>