

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

December, 2017

SECTION ONE

Pension Operating Environment

1.1 Macroeconomic Development

The Nigeria's real Gross Domestic Product (GDP) grew in the fourth quarter of 2017 by 1.92 percent (year-on-year), demonstrating a sustained positive growth since the emergence of economic recession in the second quarter of 2017. The growth represents 0.52 percentage points and 3.13 percentage points higher than the 1.40 percent and -1.73 percent recorded in the previous quarter and the corresponding quarter of 2016 respectively. The quarter on quarter GDP growth in real terms stood at 4.29 percent under the period under review, this is 4.68 points lower than 8.97 percent recorded in the previous quarter. In addition, the economy recorded an aggregate output of N31.21 trillion, representing nominal growth of 6.99 percent (year-on-year) compared to N29.17 trillion of the corresponding period of last year. The growth in nominal terms is less than the 10.98 percent and 12.45 percent of the third quarter, 2017 and the fourth quarter of 2016 respectively. The positive growth reflects 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 decreased from 10.04 percent of the total economic growth in previous quarter to 7.17 percent during the quarter. The non-oil sector contributed 92.83 percent.

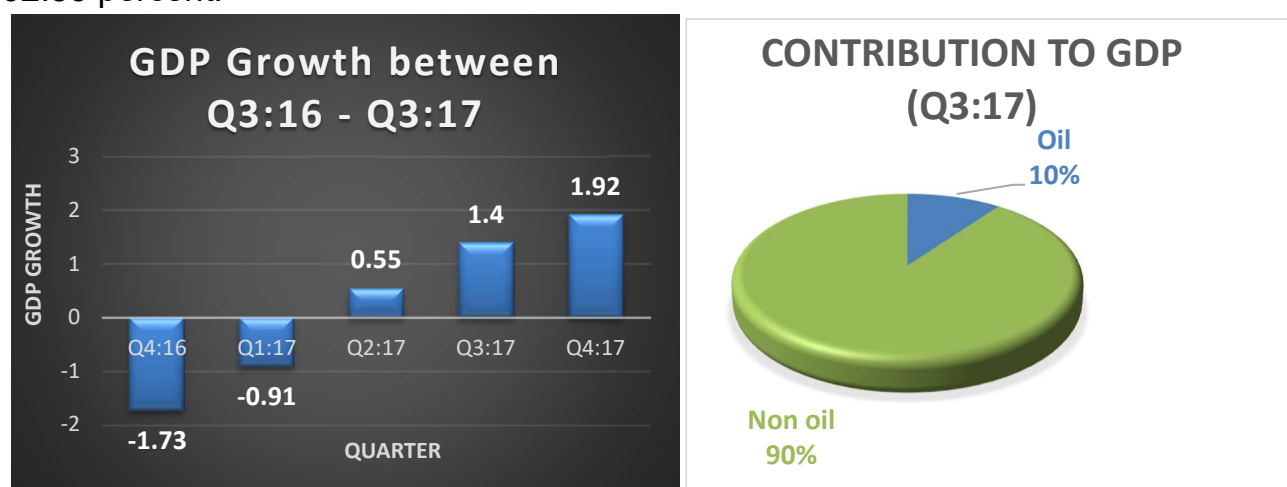


Figure 1: GDP Growth Trend between Q4:16 – Q4:17 and Sector Contribution

The inflation rate has continued its downward trend over the quarters since the beginning of 2017. The inflation figure stood at 15.37 percent in the fourth quarter, 2017, representing 3.82 percent and 17.14 decrease over the previous quarter (15.98 percent) and corresponding quarter of 2016 (18.55 percent) respectively. 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 the 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 sharp decline of the interbank call rate from 20.44 percent in the previous quarter to 9.49 percent in the fourth quarter of 2017. Similarly, the rates on deposits of various maturities marginally decreased from the range of 9.11 and 11.70 percent in the third quarter compared to 9.09 and 11.14 percent in the last quarter of 2017. In addition, the prime lending rate also recorded a decrease to stand at 17.71 percent in the quarter from 17.88 percent in the previous quarter; likewise, the maximum lending rates decreased by 0.40 points to 30.99 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 a historic return of 42.30 percent (year-on-year) during the quarter. The NSE All Share Index attained close at 38,243.19 compared to 35,439.98 during the previous quarter. Likewise, the market capitalization grew by 41.57 percent (year-on-year) to close at ₦22.92 trillion in the review period, representing 16.82 percent increase from ₦19.62 trillion in the preceding quarter.

The equity market capitalization closed at ₦13.62 trillion in the quarter under review. This represented a 10.21 percent growth from the ₦12.23 trillion recorded in last quarter. The total volume of traded stock rose from 20.35 billion in the previous quarter to 100.46 billion and the total value to close at ₦1.27 trillion.

1.4 Developments in the Bond Market

The development in the Bond Market shows that there was drop of the market capitalization by 25.88 percent to stand at ₦9.29 trillion in the quarter under review from ₦7.38 trillion of the third quarter, 2017.

1.5 Major Developments in the Pension Industry

During the quarter under review, there were some significant developments in the Pension Industry. These developments mostly connote major decisions taken by the Commission for the overall benefit of the industry especially its primary stakeholders, retirees and pension contributors. These are outlined hereunder:

1.5.1 Review of Pensions of Retirees under the Programmed Withdrawal

Based on retirement benefits paid to date, there are many pensioners whose monthly pensions are low when compared with their terminal salaries. The reasons for low level of pension for certain category of pensioners include the recent generous salary increases especially for those retiring within the first 10 years of the Scheme whose accrued pension rights were calculated based on their salaries as at June 2004. In addition, the relatively low monthly pension contributions for most public service workers continues to hamper the accumulation of sufficient funds in respective employees' RSAs at retirement. Unlike the old DB Scheme where some categories of public servants were entitled to fixed sums as pensions by administrative fiat, the CPS equitably ensures that each employee earns pensions commensurate to their RSA balances at retirement. The issue of Low pensions remains the most potent bait which is being manipulated by various interest groups in attempting to undermine the lofty gains of the CPS in Nigeria.

The foregoing scenario prompted the Commission to examine the balances in the Retirement Savings Accounts of retirees receiving pensions through Pension Fund Administrators under the programmed withdrawal. It was discovered that the returns being generated by the PFAs on the balances of the RSAs of majority of the affected retirees could be used to enhance their monthly pensions. Consequently, the Commission sought for and obtained the approval of the Secretary to the Government of the Federation to implement the pension enhancement which resulted in increased monthly pensions for most retirees under the Programmed Withdrawal. Accordingly, the PFAs were directed to commence the enhancement of the pensions of all retirees under Programmed Withdrawal with effect from December 2017.

The implementation of the pension enhancement is one of the significant milestones attained since the commencement of the CPS. It confirms that the CPS has workable internal mechanisms to respond to legitimate demands of retirees as they seek a reasonable retirement income. The Commission intends to sustain this periodic review exercise in line with relevant legal provisions.

1.5.2 Circular on Voluntary Contributions

The Commission issued a Circular on Withdrawals from Voluntary Contributions (VC) in November, 2017. The Circular was necessitated by the observed incidences of high rates of withdrawals from VCs by pension contributors, which appeared to negate the main purpose of augmenting pensions at retirement. In addition, the Commission was also concerned about ensuring strict adherence to Anti-Money Laundering provisions and payment of relevant taxes. Due to this action, the Commission is providing further support to the current administration's main thrust of enhancing transparency in all facets of economic activities. The main thrust of the Circular is that VCs can only be withdrawn once in every two years, while subsequent withdrawals would be on incremental contributions from the last withdrawal. Furthermore, 50% of VC shall be domiciled as contingent, available for withdrawal within the stipulated timeframe.

1.5.3 Guidelines for the Administration of Retirement Benefits of Professors and a Category of Political Office Holders

By virtue of the provisions of Section 6(2) of the Pension Reform Act 2014, University Professors, Heads of Service of the Federation and Federal Permanent Secretaries are entitled to 100% pension replacement ratio, i.e. to receive their final monthly salary as pension. Since the enactment of the PRA 2014 the Commission has been working out modalities for implementation of this provision. Owing to renewed engagements by the Management, the Guidelines for the payment of pensions to this category of retirees was issued following approval by the Secretary to the Government of the Federation.

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 had conducted Routine Examinations of 32 Licensed Operators which comprised of 21 Pension Fund Administrators (PFAs), 7 Closed Pension Fund Administrators (CPFAs) and 4 Pension Fund Custodians (PFCs). The Commission also carried out Special Examination on Premium Pensions Limited and Trustfund Pensions Plc.

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.

b) Corporate Governance

During the quarter under review, twenty-nine (29) Operators have forwarded the Corporate Governance Report for the quarter. The major issues observed from the review of Corporate Governance reports forwarded by Operators were issues of 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 and the Individual Directors by some of the Operators.

2.1.1 Update on Returns Rendition System

As part of 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 31 December, 2017.

2.1.2 Resolution Activities

The Regulatory intervention in First Guarantee Pension Limited (FGPL) continued during the quarter due to several court cases between shareholders of the PFA. During the quarter, the Commission brought together key stakeholders in the PFA's crises to pursue an out of court settlement. The process is on-going and the Commission is hopeful that its regulatory intervention in the PFA will soon be concluded.

Under the management of the Interim Management Committee (IMC), the PFA has become profitable, operations have stabilized, efficiency has been restored and the Funds under Management (FuM) have grown from N42.17 billion as at the regulatory intervention in 2011 to over ₦162.52 billion as at the fourth quarter 2017.

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 period under review, the Commission received 1,288 applications for issuance of Pension Clearance Certificate (PCC). Out of that number, 1630 certificates were issued. The sum of ₦73,965,054,762.47 billion was remitted into the Retirement Savings Accounts (RSAs) of 232,150 employees RSAs of 4,953 organizations as at the fourth quarter 2017.

During the quarter, the Commission also issued a general notice to the public advising against the engagement of touts to procure Pension Compliance Certificate. This action was in response to the observed increased activities of touts. It was discovered that majority of the touts presented fake evidences of contribution remittances in their attempt to procure Pension Compliance Certificate on behalf of employers. All organizations that seek to obtain the Compliance Certificate are encouraged to comply with the duly issued requirements and apply directly to the Commission.

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

During the quarter under review, 2665 batches of NSITF transfer applications were received from Trustfund on behalf of 17,520 NSITF members. The Commission reviewed and conveyed concurrence to Trustfund for the transfer of N1,029,512,824.99 into Retirement Savings Accounts (RSAs) of 16,629 members. Thus, from 2009 (when the transfers begun) to December, 2017, the sum of N9,675,888,036.64 was transferred to the RSAs of 134,572 NSITF members as at fourth quarter 2017.

Update on One-Off benefits payment to NSITF Members

During the period, Eighty (80) batches of applications were received from Trustfund on behalf of 16,126 NSITF members for payment of Lump-Sum (Retirement Grants, Differed NPF Grants etc.). The Commission granted approval to Trustfund for the payment of N1,554,103,930.88 to 16,113 NSITF members. Since inception, the sum of N2,902,338,225.81 has been paid as LumpSum to 35,552 NSITF Members.

Monthly NSITF Scheme Pensions

The Commission during the quarter granted concurrence to Trustfund for monthly pension payments totaling N222,628,413.73 to 3,364 NSITF Pensioners. Thus, from November 2006 to date, the total pension payment to NSITF Pensioners amounts to N4,082,018,579.34 during the quarter under review.

NSITF Pensioners Verification Exercise

During the quarter, the annual pensioners' verification exercise was conducted. During the exercise, 3,553 pensioners were revalidated while 520 did not appear for the exercise. The pensioners that did not part have been suspended from the pension payroll.

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

During the quarter under review, the Commission re-engaged 14 Agents to recover outstanding pension contributions and penalties for late remittances. The Agents were required to review the pension records of the employers and recover outstanding pension contributions with penalty. Following the re-engagement, 262 employers were assigned to the Agents.

As at the end of the Fourth quarter, the sum of ~~N~~2,293,620,725.71 has been recovered by the Agents. This brings the total recoveries made by the Agents since inception of the recoveries in 2012 to ~~N~~13,695,155,214.88 representing principal contribution of ~~N~~6,947,552,487.43 and penalty of ~~N~~6,747,602,727.45. These amounts have since been credited to the respective RSAs of the employees as at fourth quarter 2017.

During the year, the Commission filed cases against 61 employers that failed to remit the outstanding pension contributions and penalty as established by the Agents. Meanwhile, the Commission have continued to record success with respect to matters at the tribunal. Most of the employers have requested to settle out of court while others have remitted their outstanding pension contributions with penalty to the respective RSAs of their employees.

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 organized sensitization workshops on the CPS for the Association of Proprietors of Private Schools (NAPPS) Adamawa and Borno State Chapters. Also, awareness on the workings of the CPS was organized for the Akanu Ibiam Federal Polytechnic in Ebonyi State and the University of Ibadan. During the period under review similar sessions were organized for the Senior Staff Association of Universities, Teaching Hospitals, Research institutes and Associated Institutions of National Veterinary Research Institutes, VOM, Plateau State.

The Commission organized sensitization workshop on the CPS for the Guild of Medical Directors/Proprietors of Private Clinics in Taraba State. Following the success of the Taraba session, the Commission sponsored and presented a paper at the Annual General Meeting (AGM) and Scientific Conference of the Guild of National Directors in Abuja. In the Hospitality Sector, the Commission engaged and sensitized the members of the Hotel Owners Association (HOA) Anambra State Chapter.

In addition to the public awareness efforts in the three sectors, the Commission also organized sensitization workshops on the CPS for the Controllers of Labour in the 36 States of the Federation and Led a discussion in Hausa Language on the CPS at the

Hausa Pension Seminar (HAPSE) organized by Gifted Business Solutions and Tutorial Services for Small and Medium Enterprises and Labour Union in Kano State.

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

The Commission conducted the 2017 Routine Examination of Pension Transitional Arrangement Directorate (PTAD), in line with the provisions of the Pension Reform Act (PRA), 2014.

It would be recalled that PTAD has concluded the verification exercise for the pensioners and Next of Kin (NOK) of the Police Pension Department (PPD), Customs, Immigration and Prisons Pension Department (CIPPD) and Civil Service Pension Department (CSPD) in all the six (6) geo-political zones. A total of 16,043, 12,015 and 111,563 pensioners and NOK, respectively were verified by PTAD. The Commission served as observers during the last phase of the verification exercise of the Civil Service Pensioners conducted by PTAD in the South-West and North-Central geo-political zones of the country. In addition, the verification exercise for the pensioners and Next of Kin of the Parastatal Pensions Department has commenced and is still ongoing.

The Commission continued to monitor the payment of pensions to Public Service Retirees under the Defined Benefit Scheme (DBS) through monthly statutory returns from PTAD. The Commission followed up with PTAD on complaints from Pensioners and ensured that they were resolved.

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

During the quarter under review, the Commission processed 527 applications for the refund of pension contribution of Military Personnel and other Security Agencies during the quarter. The sum of ₦145,687,237.65 was refunded to the contributors while ₦420,411,400.41 representing the contributors made by the Federal Government was refunded 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 fourth quarter 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 is, 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
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	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

S/N	State	Remittance of Contribution	Accrued Rights	Group Life Insurance
20	Akwa Ibom	Yet to commence	Not funded	Not implemented
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 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) Inspections of Pension Boards/Bureaux

The Commission carried out the maiden inspection of the Kaduna State Pension Bureau, the Ondo State Pension Commission and the Zamfara Local Governments Pension Board to ascertain the States' and Local Governments' compliance with the State Pension Laws and the PRA 2014.

Also, routine examinations were conducted for the Jigawa State Contributory Pension Scheme Board, the FCT Pension Department and the FCT Area Councils Staff Pension Board to ascertain the level of compliance with the CDBS by Jigawa State and CPS by the FCT as well as the level of implementation of the recommendations contained in their maiden inspection reports.

(c) Implementation Plan of CPS

During the period, the Commission conducted a training on the workings of the CPS for the management and staff of the Niger State Pension Board, the Jigawa State and Local Governments Contributory Pension Scheme Board, the Kaduna State Pension Board, the Kebbi State Contributory Pension Board, the Zamfara State Pension Commission and the Zamfara Local Governments Pension Board.

Training workshops were also conducted for the Katsina State Board of Internal Revenue and the Pension Desk Officers of the Federal Capital Territory Administration (FCTA) and the Area Councils was also conducted on returns rendition for PDOs of the FCT Area Councils as well as PDOs of MDA's of the FCT.

Update on the Activities of the Zonal Offices

The Zonal Offices attended to a total of 2,163 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 1,735 requests for compliance certificates were received and forwarded by the Zonal Offices for processing.

The Zonal Offices also conducted a total of 18 awareness campaigns on the CPS in the six (6) geopolitical zones of the country.

SECTION THREE

Pension Industry Statistics

Pension Industry Statistics

3.1 Scheme Memberships

The pension industry recorded a 1.46 percent growth in the scheme membership during the fourth quarter of 2017, moving from 7.78 million contributors at the end of the preceding quarter to 7.89 million. The growth in the industry membership was driven by the Retirement Savings Account (RSA) Scheme, which had an increase of 113,347 contributors representing 1.47 percent. Consequently, membership of the Closed Pension Fund Administration Scheme (CPFA) dropped by 102 members. However, the Approved Existing Scheme (AES) membership remained unchanged at 40,951. See Table 3.1.

Table 3.1 Scheme Memberships as at Fourth Quarter, 2017

Scheme	Q3:2017	Q3:2017	Q4:2017	% change (Q3: 2017 and Q4:2017)
RSA	7,589,936	7,710,564	7,823,911	1.47
CPFA	23,883	23,799	23,697	(0.43)
AES	40,951	40,951	40,951	-
Total	7,654,770	7,775,314	7,888,559	1.57

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 0.62 percent (21,306) increase in membership of the public sector over the third quarter of the same year to stand at 3,478,867. This figure represents 44.46 percent of the total RSA registration as at the fourth quarter of 2017, as shown in Table 3.2.

The private sector shows a continuous dominance in RSA membership with 55.54 percent (4,345,044) of the total RSA registration as at the reporting period, moving from 4,253,003 in the previous quarter. The sector also witnessed a growth of 2.16 percent (92,041) 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 Fourth Quarter, 2017

Age Range	Public Sector		Private Sector		Total		Grand Total	
	Male	Female	Male	Female	Male	Female	Number	%
Less than 30 yrs	92,016	45,294	395,702	197,227	487,718	242,521	730,239	9.33
30- 39 yrs	722,992	359,819	1,349,074	521,860	2,072,066	881,679	2,953,745	37.75
40- 49 yrs	633,753	392,344	886,726	247,727	1,520,479	640,071	2,160,550	27.61
50- 59 yrs	548,899	311,274	455,105	86,206	1,004,004	397,480	1,401,484	17.91
60- 65 yrs	192,953	74,985	119,425	14,271	312,378	89,256	401,634	5.13
Above 65 yrs	83,014	21,524	65,431	6,290	148,445	27,814	176,259	2.25
Total	2,273,627	1,205,240	3,271,463	1,073,581	5,545,090	2,278,821	7,823,911	100

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 fourth quarter of 2017. The shares of bottom five and ten PFAs increased from 4.74 and 16.69 percent in the third quarter, 2017 to 4.79 and 16.80 percent as at the end of the reporting period respectively. However, the market shares of top five and ten dropped from 55.12 and 80.00 percent in the previous quarter to 54.97 and 79.92 percent as at the end of the quarter under review (see Table 3.3).

Table 3.3: RSA Registration by Market Share

PFA Ranking	Q3:17 (%)	Q4:17 (%)
Top 3	38.58	38.49
Top 5	55.12	54.97
Top 10	80.00	79.92
Bottom 3	1.82	1.87
Bottom 5	4.74	4.79
Bottom 10	16.69	16.80

Table 3.3 further indicates that the share of the top three PFAs had reduced from 38.58 percent as at the end of second quarter, 2017 to 38.49 percent as at fourth quarter, 2017. The share of the bottom three PFAs increased from 1.82 percent as at the end of third quarter, 2017 to 1.87 percent in fourth 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

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 23,697 and 40,951 respectively as at the end of the fourth quarter of 2017 as shown in Tables 3.5 and 3.6. A review of the Tables shows a slight decrease of 0.43 percent in the membership of the CPFAs from the figures of the previous quarter, while that of the AES remained stable compared to the previous reporting period.

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

Enrolment Type	Number			Percentage of Total	
	Q2:2017	Q3:2017	Q4:2017	Q3:2017	Q4:2017
Active Members	17,073	17,049	16,846	71.64	71.09
Existing Pensioners	6,129	6,104	6,224	25.65	26.26
Deferred Pensioners	631	646	627	2.71	2.65
Total	23,833	23,799	23,697	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 Fourth Quarter, 2017

Enrolment Type	Number			Percentage of Total	
	Q2:2017	Q3:2017	Q4:2017	Q3:2017	Q4:2017
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
Total	40,951	40,951	40,951	100	100

Note: Dependants are protégés of deceased pensioners.

3.2 Generation of Employer Codes

During the quarter under review, a total number of 11,306 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 ~~N~~4.49 trillion as at the end of fourth quarter, 2017. This shows an increase of ~~N~~147.92 billion representing 3.41 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 51.20 percent of the total contributions, while the Private sector contributed the remaining 48.80 percent. However, during the quarter under review, the Public sector contributed 51.39 percent of the total contributions received while the Private sector contributed 48.61 percent.

Table 3.7: Pension Contributions as at Fourth 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	0.68	-	0	15.6	0.35
2005	34.68	1.51	-	0	34.68	0.77
2006	37.38	1.63	23.03	1.05	60.41	1.35
2007	80.63	3.51	68.34	3.12	148.97	3.32
2008	99.28	4.32	80.81	3.69	180.09	4.01
2009	137.1	5.97	91.21	4.17	228.31	5.09

2010	162.46	7.07	103.03	4.70	265.49	5.92
2011	228.92	9.96	119.53	5.46	348.45	7.77
2012	302.24	13.15	159.52	7.28	461.76	10.29
2013	278.5	12.12	225.42	10.29	503.92	11.23
2014	237.76	10.35	343.97	15.71	581.73	12.96
2015	200.05	8.71	358.91	16.39	558.96	12.46
2016	225.86	9.83	262.33	11.98	488.20	10.88
Q1:2017	46.30	2.02	96.6138	4.41	142.91	3.18
Q2:2017	79.52	3.46	105.261	4.81	184.78	4.12
Q3:2017	55.27	2.41	79.9476	3.65	135.22	3.01
Q4:2017	76.02	3.31	71.91	3.28	147.92	3.30
Total	2,297.57	100	2,189.83	100	4,487.40	100

The aggregate total pension contribution of the Private sector increased from ₦2.12 trillion as at third quarter of 2017 to ₦2.19 trillion as at fourth quarter of 2017 representing a growth of 3.40 percent. Whereas, the aggregate total pension contribution of the Public Sector grew by 3.42 percent from ₦2.22 trillion to ₦2.30 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 64.84 percent of the total contributions as at the end of the quarter under review. The top 10 ranking PFAs accounted for 87.90 percent of the total contributions. The bottom 5 and 10 PFAs received ₦77.98 billion and ₦418.46 billion contributions of their members, representing 1.70 percent and 9.14 percent of the total contributions received as at the end of the fourth quarter of 2017 respectively.

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

Rank	Amount (₦ billion)	Percentage of Total
Top 5	2,969.43	64.84
Top 10	4,025.74	87.90
Bottom 5	77.98	1.70
Bottom 10	418.46	9.14

3.4 Pension Fund Investment

The total value of pension fund assets based on unaudited valuation reports of the pension funds grew from ₦7.16 trillion as at 30 September, 2017 to ₦7.52 trillion as at 31 December, 2017, representing a growth of 4.90 percent (₦350.74 billion). The growth indicates a higher percent growth rate compared to the 4.85 percent for the

previous quarter. The increased asset growth recorded in fourth quarter, 2017 was mainly due to market valuation of quoted equities and the slightly higher pension contributions in the period relative to the 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 Fourth Quarter, 2017

Fund/Period	Q2:2017		Q3:2017		Q4:2017		Change between Q4:2017 & Q3:2017	
	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total
RSA Active	4,609.50	67.46	4,840.00	67.55	5,114.22	68.05	274.22	78.18
RSA Retiree	532.6	7.79	556.42	7.77	564.12	7.51	7.70	2.19
CPFAs	932.03	13.64	972.16	13.57	1,008.86	13.42	36.70	10.46
AESs	758.76	11.10	796.01	11.11	828.15	11.02	32.14	9.16
Total	6,832.89	100	7,164.60	100	7,515.35	100	350.75	100

Table 3.9 shows that as at fourth quarter 2017, RSA active fund constituted the largest proportion of the total pension fund, accounting for 68.05 percent (N5.11 trillion) of total fund. CPFAs and AESs assets stood at N1.01 trillion and N828.15 billion representing 13.42 percent and 11.02 percent of the total assets respectively. The RSA Retiree Funds (N564.12 billion) representing 7.51 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 70.4 percent of total pension assets (FGN Bonds: 53.8 percent, Treasury Bills: 15.7 percent, Agency Bonds: 0.1 percent, Sukuk Bonds 0.8 percent and Green Bonds 0.1 percent), slightly lower than the 71.9 percent recorded in the third quarter of 2017.

Table 3.10 below, shows the comparative Pension Industry Portfolio for the period ended 31 December, 2017 and 30 September, 2017, as well as the variance between both periods.

Table 3.10: Pension Industry Portfolio as at December, 2017

ASSET CLASS	TOTAL PENSION FUND ASSETS 31-Dec-17		TOTAL PENSION FUND ASSETS 30-Sep-17		Variance (Sep-17/Dec-17)	
	N Billion	Weight %	N Billion	Weight %	N Billion	Weight %
Domestic Ordinary Shares	672.23	8.94	620.6	8.66	51.63	14.72
Foreign Ordinary Shares	104.61	1.39	98.81	1.38%	5.80	1.65
FGN Securities:	5,292.02	70.42	5,151.24	71.90	140.78	40.14
FGN Bonds	4,044.36	53.81	3,874.99	54.09	169.37	48.29
Treasury Bills	1,178.09	15.68	1,270.40	17.73	(92.31)	(26.32)
Agency Bonds (NMRC & FMBN)	5.82	0.08	5.85	0.08	(0.03)	(0.01%)
Sukuk Bonds	56.56	0.75	-	0	56.56	16.12
Green Bonds	7.19	0.10	-	0	7.19	2.05
State Govt. Securities	152.21	2.03	155.7	2.17	(3.49)	(1.00)
Corporate Debt Securities	266.87	3.55	264.71	3.69	2.16	0.62
Supra-National Bonds	11.43	0.15	11.74	0.16	(0.31)	(0.09)
Local Money Market Securities	682.23	9.08	545	7.61	137.23	39.12
Foreign Money Market Securities	35.39	0.47	26.69	0.37	8.70	2.48
Mutual Funds:	24.84	0.33	24.77	0.35	0.07	0.02
Open/Close-End Funds	8.41	0.11	11.98	0.17	(3.57)	(1.02)
REITs	16.43	0.22	12.79	0.18	3.64	1.04
Real Estate Properties	203.36	2.71	208.71	2.91	(5.35)	(1.53)
Private Equity Fund	25.44	0.34	24.06	0.34	1.38	0.39
Infrastructure Fund	6.87	0.09	5.24	0.07	1.63	0.46
Cash & Other Assets	37.87	0.50	27.34	0.38	10.53	3.00
Net Assets Value	7,515.35	100	7,164.61	100	350.74	100

Table 3.10 further indicates that the value of investments in domestic quoted ordinary shares was ₦672.23 billion (8.94 percent of industry portfolio value) as at 31 December, 2017, indicating an increase of ₦51.63 billion (14.72 percent) compared to the value of ₦620.6 billion as at 30 September, 2017. The increase in the value of investments in domestic quoted equities was largely driven by pension fund investments in quoted equities, as reflected by the performance of the Nigerian Stock Exchange All Share Index (NSE-ASI), which recorded a return of 7.91 percent in the quarter, compared to the return of 7.01 percent recorded in third quarter of the year.

The value of investments in FGN Bonds increased by ₦169.37 billion; Treasury Bills decreased by ₦92.31 billion; while investments in FGN Agency bonds reduced by ₦0.03 billion due to the maturity of the FGN Local Contractors' Bond. The investment

of ₦56.56 billion) of the pension fund was invested in the Federal Government Sovereign Sukuk Bonds while ₦7.19 was invested in the Nigeria Sovereign Green Bond.

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

PFA Rank	Q2:2017		Q3:2017		Q4:2017	
	Amount (₦ Billion)	% of Total RSA Assets	Amount (₦ Billion)	% of Total RSA Assets	Amount (₦ Billion)	% of Total RSA Assets
Top 3	2,767.32	54.32	2,897.56	54.14	3,038.19	53.97
Top 5	3,397.43	66.68	3,573.10	66.77	3,751.26	66.64
Top 10	4,486.05	88.05	4,712.53	88.06	4,954.16	88.00
Bottom 3	22.73	0.45	22.41	0.42	26.30	0.47
Bottom 5	90.3	1.77	94.00	1.76	102.50	1.82
Bottom 10	453.62	8.9	476.068	8.90	504.36	8.96

A review of PFAs' ranking by size of assets under their management as at the period under review, showed that the top three and five PFAs accounted for more than half of the total RSA assets at 53.97 and 66.64 percent respectively at the end of the fourth quarter, 2017. The top ten ranking PFAs managed 88.00 percent of the total RSA assets while the bottom ten PFAs accounted for 8.96 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 'Active' Funds increased by ₦316.97 billion in the fourth quarter, 2017 increasing from ₦4,797.25 billion on 30 September, 2017, to ₦5,114.22 billion as at 31 December, 2017.

The Weighted Average Rate of Return (WARR) on the RSA 'Active' Funds in the fourth quarter, 2017 was 16.84 percent (annualized), which was an increase when compared with the annualized return of 16.11 percent recorded in the third quarter, 2017. The performance in the fourth quarter, 2017 was largely driven by pension fund

investments in quoted equities, as reflected by the performance of the Nigerian Stock Exchange All Share Index (NSE-ASI), which recorded a return of 7.91 percent in the quarter, compared to the return of 7.01 percent recorded in third quarter of the year.

The yields/interest rates on FGN Bonds, Treasury Bills and Money Market placements declined towards the end of the fourth quarter. The average yields on FGN Bonds was 14.33 percent for maturities between 5 years and 20 years. Similarly, yields on Treasury Bills averaged 15.61 percent across the 91 to 364-day tenor; while bank placement rates averaged 19.54 percent in the various portfolios of the PFAs.

RSA Retiree Funds:

The Net Assets Value of RSA 'Retiree' Funds increased by ~~N~~6.61 billion in the fourth quarter, 2017, increasing from ~~N~~556.42 billion on 30 September, 2017, to ~~N~~563.03 billion as at 31 December, 2017.

The Weighted Average Rate of Return (WARR) on the RSA 'Retiree' Funds in the fourth quarter, 2017 was 16.24 percent (annualized), an increase in performance when compared with the annualized WARR of 15.57 percent recorded in the previous quarter. The marginal increase in the WARR between the third and fourth quarters, 2017 was a combination of the yields on fixed income securities, which constituted approximately 99 percent of the total portfolio and the increase in value of quoted stocks in the portfolios.

Review of CPFA/AES Funds:

The value of pension fund assets held by the CPFA Funds recorded a net increase in value of ~~N~~36 billion (3.70percent), as it increased from ~~N~~972.16 billion on 30 September, 2017, to ~~N~~1008.86 billion as at 31 December, 2017.

The annualized rates of return recorded on the CPFA Funds ranged between 18.38 percent and 27.96 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 fixed income investments.

The Net Assets Value of the Approved Existing Schemes (AES) increased by ~~N~~54.22 Billion (6.81 percent), from ~~N~~796.01 billion on 30 September, 2017, to ~~N~~850.23 billion as at 31 December, 2017. The increase in the total portfolio value was mainly attributed to interest/coupons from fixed income investments and unrealized gains from equity investments.

The annualized rates of return recorded on the AES Funds ranged between 15.05 percent and 20.30 percent in the fourth quarter, 2017 which was also reflective of the actual assets allocation of the individual Funds.

3.4.3 Financial Market Outlook for First Quarter 2018

It is expected that the equity market will continue on its upward trajectory in the first quarter of 2018. This is premised on the expected drop in yields/interest rates on fixed income Securities, as a result of the improving macroeconomic environment and the restructuring of the FGN 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 the fourth quarter, 2017 (15.72.01 percent). Overall, pension fund portfolios are expected to show continued growth in first quarter of 2018.

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 165,740 in the previous quarter to 174,512 in the fourth quarter, 2017. This represent 5.29 percent (8,772) 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 68.91 percent (6,045) of total retirees while the private sector was 31.09 percent (2,727).

During the quarter under review, 8,772 retirees were paid the sum of ₦21.74 billion as lump sum and ₦0.28 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 Fourth Quarter, 2017

Period	Public		Private	Total	Lump sum (₦ Million)	Monthly PW (₦ Million)
	FGN	State				
Inception to Q3: 2017	100,914	13,305	51,521	165,740	427,160.04	5,625.31
Q4: 2017	5,341	704	2,727	8,772	21,741.06	280.65
Total	106,255	14,009	54,248	174,512	448,901.10	5,905.96

Consequently, the Table further shows that from inception to date, a total of 174,512 retirees have been paid the sum of ₦448.90 billion as lumpsum and ₦5.91 billion as monthly programmed withdrawals.

3.5.2 Retirement by Annuity

The Commission approved a total of 6,851 applications for annuity retirement plan during the quarter, bringing the total number of retirees receiving their retirement benefits through the annuity plan to 48,539. The 6,851 retirees received ₦6.32 billion as lump sum payment and paid annuity premium of ₦35.77 billion to Insurance Companies cumulating to a total of ₦60.29 billion and ₦241.62 billion as lump sum payments and annuity premium respectively. The retirees were receiving average monthly annuity of ₦2.53 billion as at the end of December, 2017.

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

Period	Public		Private	Total	Lump sum (₦ Million)	Premium (₦ Million)	Annuity (₦ Million)
	FGN	State					
Inception to Q2: 2017	27,457	3,843	10,388	41,688	53,976.52	205,850.13	1,849.90
Q3: 2017	4,512	632	1,707	6,851	6,316.18	35,772.28	677.24
Total	31,969	4,475	12,095	48,539	60,292.70	241,622.41	2,527.14

3.5.3 Withdrawal of 25 Percent of RSA Balances

During the quarter under review, approval was granted for payment of ₦6.54 billion to 17,828 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 250,293 and were paid ₦82.57 billion from inception to date. A further analysis showed that the private sector accounted for 95.40 percent (238,786) while the public sector accounted for 4.60 percent (11,507).

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

Period	Public		Private	Total	Total RSA Balance (₦ Million)	Total 25% Request (₦ Million)
	FGN	State				
Inception to Q3: 2017	7,532	3,155	221,777	232,464	304,104.11	76,026.03
Q4: 2017	578	242	17,008	17,828	26,160.28	6,540.07
Total	8,110	3,397	238,785	250,293	330,264.39	82,566.10

3.5.4 Approval of Death Benefits

The Commission approved payments of ₦9.20 billion as death benefits to the beneficiaries of the 2,028 deceased employees during the quarter under review. This figure moved the cumulatively payments to a total of ₦138.90 billion as death benefits (including life insurance) of 44,879 deceased employees from both the private and public sector (FGN and States) of the economy as at the end of fourth quarter, 2017.

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

Sector	Public		Private	Total	Total Amount Paid (₦ Million)
	FGN	State			
Inception to Q3: 2017	31,136	2,980	8,735	42,851	129,704.10
Q4: 2017	1,474	141	413	2,028	9,198.05
Total	32,610	3,121	9,148	44,879	138,902.15

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 ₦1.81 billion to 3,403 RSA holders comprising 321 public (FGN + State) and 3,082 private sectors retirees. Cumulatively, 89,844 retirees under these categories received a total sum of ₦22.07 billion from inception to the end of the fourth quarter of 2017

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

Sector	Public		Private	Total	Total Amount Paid (₦ Million)
	FGN	State			
Inception to Q3: 2017	6,112	2,045	78,284	86,441	20,259.76
Q4: 2017	241	81	3,082	3,403	1,813.69
Total	6,353	2,126	81,366	89,844	22,073.45