

## *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***

**May, 2018**

## Table of Contents

SECTION ONE.....	1
Pension Operating Environment .....	1
1.1 Macroeconomic Development.....	1
1.2 Developments in the Money Market.....	1
1.3 Developments in the Capital Market .....	2
1.4 Developments in the Bond Market .....	3
SECTION TWO .....	4
Regulatory and Supervisory Activities.....	4
2.1 Surveillance of the Pension Industry .....	4
2.1.1 Update on Returns Rendition System.....	4
2.1.2 Resolution Activities .....	4
2.2 Guidelines on Fund Accounting .....	4
2.3 Compliance and Enforcement Activities.....	5
2.3.1 Update on Compliance by the Private Sector. ....	5
2.3.2 Transfer of Nigeria Social Insurance Trust Fund (NSITF) Contributions to Members RSAs .....	6
2.3.3 Update on the Recovery of Outstanding Pension Contributions and Interest Penalty from Defaulting Employers .....	6
2.3.4 Update on Informal Sector Participation in the Contributory Pension Scheme. 7	
2.3.5 Update on Activities of the Pension Transitional Arrangement Department .....	8
2.3.6 Update on the Refund of Pension Contribution of the Military and Security Agencies.....	8
2.3 Other Compliance Efforts .....	8
SECTION THREE .....	10
Pension Industry Statistics .....	10
3.1 Scheme Memberships.....	10
3.1.1 Membership of RSA .....	10

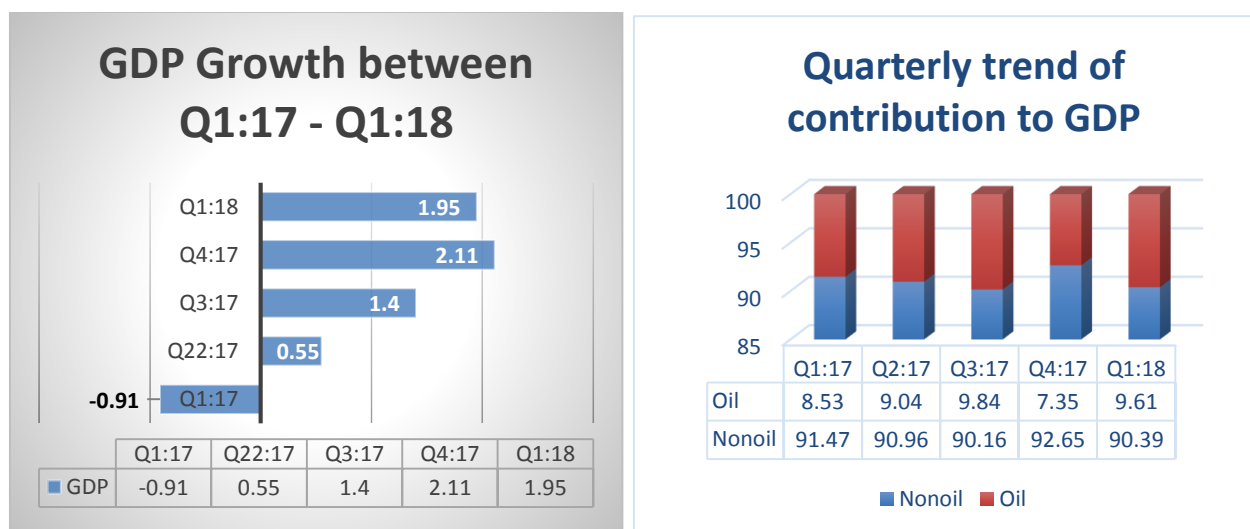
3.1.2 RSA Registrations by PFA Market Share .....	102
3.1.3 Memberships of CPFA and AES .....	12
3.2 Generation of Employer Codes .....	13
3.3 Pension Contributions .....	13
3.3.1 Contributions by Rank of PFA.....	14
3.4 Pension Fund Investment.....	15
3.4.1 Portfolio Performance.....	19
3.4.2 Financial Market Outlook for Second Quarter 2018.....	20
3.5 Retirement/Terminal Benefits.....	20
3.5.1 Retirees on Programmed Withdrawal .....	20
3.5.2 Retirement by Annuity .....	20
3.5.3 Withdrawal of 25 Percent of RSA Balances .....	21
3.5.4 Approval of Death Benefits.....	21
3.5.5 Enbloc and Foreigners' Benefits .....	213
3.5.6 Recent Developments in Benefit Administration .....	213

## SECTION ONE

### Pension Operating Environment

#### 1.1 Macroeconomic Development

The macroeconomic activities contracted in the first quarter of 2018 as Nigeria’s real Gross Domestic Product (GDP) slowed in the quarter by 0.16 percentage points judging from the revised figure of 2.11 percent (year-on-year) in the previous quarter as released by the National Bureau of Statistics (NBS). The economy grew by 1.95 percent (year-on-year) in real terms, demonstrating a 2.86 percentage points higher than -0.19 percent recorded in the corresponding quarter of 2017. The quarter on quarter GDP growth in real terms stood at -13.40 percent under the period under review, this was 17.69 points lower than 4.29 percent recorded in the previous quarter. The oil sector contribution raised to 9.61percent of the total economic growth during the quarter from 7.35 percent recorded in previous quarter. The non-oil sector contributed 90.39 percent. In addition, the economy recorded an aggregate output of ₦28.46 trillion, representing nominal growth of 9.34 percent (year-on-year) compared to ₦26.03 trillion of the corresponding period of last year. In addition, the growth in nominal terms was 8.81 percent less than the ₦31.21 trillion recorded in the fourth quarter of 2017. The growth reflects improved business environment for the pension funds both in term of return on investment and number prospective subscribers to the scheme. However, the economic contraction calls for concern on the worth of the returns earned on the funds.



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

The inflation rate has continued its downward trend over the quarters since the beginning of 2017. The inflation figure stood at 13.34 percent in the first quarter of 2018, representing 13.21 percent and 22.71 percent decrease over the previous quarter (15.37 percent) and corresponding quarter of 2017 (17.26 percent) respectively. The downward trend of inflation could be attributed to the sustained monetary tightening measures by the Government, improvement in oil price, relative stability in the foreign exchange market and the raising profile of Nigeria's foreign reserve. The downward trend of inflation is good for retirees' monthly pension as it will impact their spending capacity positively.

## **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 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 rates recorded a raise in interbank call rate to 15.16 percent in the first quarter of 2018 from 9.49 percent in the last quarter of 2017. However, the rates on deposits of various maturities marginally decreased from the range of 9.09 and 11.14 percent in the quarter under review compared to 8.82 and 10.93 percent in the fourth quarter of 2017. In addition, the prime lending rate also recorded a decline to stand at 17.35 percent in the quarter from 17.71 percent in the previous quarter. Similarly, the maximum lending rates decreased by 0.56 points to 31.55 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 with 8.53 percent returns in the quarter under review. The NSE All Share Index closed at 41,504.51 as against 38,243.19 recorded in the previous quarter. Likewise, the market capitalization grew by 8.51 percent during the quarter to close at ₦24.87 trillion

The equity market capitalization closed at ₦15.00 trillion in the quarter under review. This represented a 10.13 percent growth from the ₦13.62 trillion recorded in the last quarter. In addition, the total volume of stock traded stood at 43.83 billion with the closing total trading value of ₦439.78 trillion.

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

The developments in the Bond Market indicated an increase in the market's capitalization by 6.14 percent to stand at ₦9.86 trillion in the quarter under review from ₦9.29 trillion of the fourth quarter, 2017. The FGN and State Governments capitalized at ₦9.00 trillion and ₦565.86 billion in 44 and 23 listings respectively. Furthermore, Corporate Bonds capitalization stood at ₦279.50 billion, while supranational bonds closed at ₦12.95 billion in the period. The total bond listing remained at 91 in the quarter under review.

## **SECTION TWO**

### **Regulatory and Supervisory Activities**

The Commission continued its consultative philosophy in the regulation and supervision of the industry. In this regard, the risk-based examination approach was 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**

##### **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, delays in the payment of retirement benefits to the retirees and remediation of deficiencies noted from previous routine examination of the operators.

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

During the quarter under review, twenty (20) Operators forwarded their Corporate Governance Reports for the year ended 31 December, 2017. The major issues observed from the review of Corporate Governance reports forwarded by Operators were issues of Board composition, non-submission of Annual Performance Evaluation of the individual Directors and Executive Directors included as members of the Board Audit Committee. Deficiencies in Corporate Governance have the effect of increasing the risk profile of the pension operators.

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

As part of the obligations to the Commission, thirty (31) Licensed Pension Operators comprising of 20 PFAs, 4 PFCs and 7 CPFAs rendered the returns for the Funds under their management/custody as well as their companies' accounts to the Commission via the Risk Management & Analysis System (RMAS) for the quarter ended 31 March, 2018.

##### **2.1.2 Resolution Activities**

The regulatory intervention of First Guarantee Pension Limited (FGPL) was ongoing and the Interim Management Committee of the PFA was reconstituted with effect from 3 April, 2018. Appointments were made for the positions of Chairman; Managing Director (CEO); Executive Director (ED), Business Development & Operations; and Executive Director (ED), Finance & Investment.

## **2.2. Guidelines on Fund Accounting**

The Commission issued a revised Guideline on Fund Accounting to incorporate the International Financial Reporting Standards (IFRS) requirements. The Guideline was to ensure that minimum accounting records are maintained as required by the IFRS and the Financial Reporting Council of Nigeria (FRC). It was also to ensure uniformity in record keeping across the pension industry.

## **2.3 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. The continuation of the work of Pension Recovery Agents earlier engaged to recover unremitted pension contributions from defaulting employers was a significant compliance and enforcement activity carried out during the period. Details of some of the compliance activities carried out by the Commission are highlighted below:

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

During the quarter under review, the Commission received 5,828 applications for issuance of compliance certificates. Out of these applications, compliance certificates were issued to 4,634 organisations while applications from 1,194 were declined due to non-remittance of pension contributions for the appropriate period and/or non-provision of Group Life Insurance Policy for the employees. The sum of ~~N~~48.94 billion was remitted into the Retirement Savings Accounts (RSAs) of 10,020 employees by the 4,634 organisations that were issued the certificates.

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

The Commission continued the supervision of the transfer of NSITF contributions into beneficiaries' RSAs during the quarter under review. In this regard, fifty-six (56) batches comprising 785 applications for the transfer of NSITF contributions totaling ~~N~~53.47 million were received during the quarter ended 31 March 2018. All applications were processed and 781 members' contributions were transferred to their respective RSAs. From inception to date, the sum of ~~N~~9.75 billion has been transferred into the RSAs of 135,606 NSITF contributors.



#### **a) Payment of Monthly Pension to NSITF Contributors**

For the quarter ended March 2018, the Department processed monthly pension payments totaling ~~₦~~49.30 million in respect of 2,843 NSITF pensioners. Total pension payment to NSITF pensioners' amounts to ~~₦~~4.13 billion as at the end of the first quarter of 2018.

#### **b) Complaints and Enquiries**

The Commission received 346 complaints relating to non-remittance of pension contributions, NSITF pension payments and pension payments under the Pension Transitional Arrangements Directorate (PTAD). Out of the number received, 51 have been fully resolved while 295 complaints required further action by pension operators. The Commission monitors closely to ensure timely resolution of all complaints received.

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

During the quarter under review, Management approved the re-engagement of fourteen (14) Recovery Agents (RAs) to continue with the recovery of outstanding pension contributions and corresponding penalty from defaulting employers.

Following the issuance of demand notices to defaulting employers whose liabilities had been established by the RAs, some employers had remitted the outstanding pension contributions and penalty totaling ~~₦~~309.38 million. This represented principal contribution of ~~₦~~209.32 million and penalty of ~~₦~~99.56 million, which brought the total recoveries made to date to ~~₦~~14.01 billion, comprising principal contribution of ~~₦~~7.16 billion and penalty of ~~₦~~6.85 billion.

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

The Commission continued its strategy of expanding coverage of the Contributory Pension Scheme (CPS) to the informal sector employees through public awareness programmes. Accordingly, the Commission organized sensitization workshops on the Contributory Pension Scheme (CPS) and interacted with employers' associations/unions in order to encourage participation in the scheme. In addition, the Commission participated at the 29<sup>th</sup> Enugu International Trade Fair, Enugu State during the period under review.

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

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.

During the quarter under review, 11 complaints were received by the Commission and forwarded to the Pension Transitional Arrangement Directorate (PTAD) for resolution. A review of the statutory monthly returns rendered revealed that PTAD paid a total of ₦8.20 billion to 237,933 pensioners in the quarter ended 31 March, 2018.

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

The Commission processed 217 applications for the refund of contributions to Military personnel and other Security Agencies. The sum of ₦37.42 million was refunded to the contributors while the sum of ₦144.15 million being the employer portion of their pension contributions was refunded to the Contributory Pension Account at the Central Bank of Nigeria.

## 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 first quarter of 2018, the number of States that have enacted laws on the CPS stood at 27, while eight (8) States were at the Bill stage. One 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 by the State Governments is presented in Table 2.1

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

S/N	State	Remittance of Contribution	Accrued Rights	Group 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

S/N	State	Remittance of Contribution	Accrued Rights	Group Life Insurance
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
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 laws 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 2.1.

### **(b) Implementation Plan of the Contributory Pension Scheme**

A road map covering a period of 12-18 months for the engagement of Labour unions, State employees, State governments and other stakeholders, to positively influence State compliance was developed. As part of the plan and in order to ensure smooth implementation, the Commission conducted a training on the workings of the CPS for the Board and Management staff of the Jigawa (States & Local Governments) Contributory Pension Scheme Board. A Pension Management Retreat was organized

for Pension Desk Officers in the FCT Area Councils and the Local Education Authorities. Other capacity building workshops and training organiazed include the following:

1. Capacity building workshop for staff of the Edo State Pension Bureau at Benin City.
2. Training was conducted for the Board and Management staff of the Bayelsa State Pension Board at Yenagoa.
3. A technical meeting was held with the Management of Delta Bureau for State Pension to resolve some implementation issues.
4. A meeting was also held with the Adamawa State Pension Board to proffer solutions to identified challenges impeding the implementation of the CPS in the State.
5. Meeting was held with leaders of NLC, TUC and JNC Anambra State Chapters, to resolve some of the bottlenecks militating against the implementation of the CPS in the State.

## SECTION THREE

### Pension Industry Statistics

#### 3.1 Scheme Memberships

The pension industry recorded a 1.93 percent growth in the scheme membership during the first quarter of 2018, moving from 7.89 million contributors at the end of the preceding quarter to 8.04 million. The growth in the industry membership was driven by the Retirement Savings Account (RSA) Scheme, which had an increase of 152,065 contributors representing 1.94 percent. However, membership of the Closed Pension Fund Administration Scheme (CPFA) declined by 41 members (23,656) while the Approved Existing Scheme (AES) membership remained unchanged at 40,951. See Table 3.1.

**Table 3.1 Scheme Memberships as at First Quarter, 2018**

<b>Scheme</b>	<b>Q3:2017</b>	<b>Q4:2017</b>	<b>Q1:2018</b>	<b>% change (Q4:2017 and Q1:2018)</b>
RSA	7,710,564	7,823,911	7,975,976	1.94
CPFA	23,799	23,697	23,656	(0.17)
AES	40,951	40,951	40,951	0
<b>Total</b>	<b>7,775,314</b>	<b>7,888,559</b>	<b>8,040,583</b>	<b>1.93</b>

##### 3.1.1 Membership of RSA

A breakdown of the RSA registrations indicates a 1.09 percent (38,006) increase in RSA membership from the public sector during the first quarter of 2018 to stand at 3,516,873. This figure represents 44.09 percent of the total RSA registration as at the first quarter of 2018, as shown in Table 3.2.

Membership from the private sector increased by 2.63 percent (114,059) in the quarter under review, which brought total registrations from this important sector to 55.91 percent (4,459,103) of the total RSA registration as at the reporting period, moving from 4,345,044 in the fourth quarter of 2018. This can be attributed to the increased 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 First Quarter, 2018**

Age Range	Public Sector		Private Sector		Total		Grand Total	
	Male	Female	Male	Female	Male	Female	Number	%
Less than 30 yrs	91,470	47,785	404,748	204,818	496,218	252,603	748,821	9.39
30- 39 yrs	720,662	360,673	1,369,891	535,526	2,090,553	896,199	2,986,752	37.45
40- 49 yrs	639,333	395,156	910,271	258,363	1,549,604	653,519	2,203,123	27.62
50- 59 yrs	554,635	316,244	468,247	91,054	1,022,882	407,298	1,430,180	17.93
60- 65 yrs	200,248	78,943	125,178	15,270	325,426	94,213	419,639	5.26
Above 65 yrs	88,129	23,595	68,964	6,773	157,093	30,368	187,461	2.35
<b>Total</b>	<b>2,294,477</b>	<b>1,222,396</b>	<b>3,347,299</b>	<b>1,111,804</b>	<b>5,641,776</b>	<b>2,334,200</b>	<b>7,975,976</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 first quarter of 2018. The shares of bottom five and ten PFAs increased from 4.79 and 16.80 percent in the fourth quarter of 2017 to 4.88 and 17.01 percent as at the end of the reporting period respectively. However, the market shares of top five and ten dropped from 54.97 and 79.92 percent in the previous quarter to 54.76 and 79.75 percent as at the end of the quarter under review as shown in Table 3.3.

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

PFA Ranking	Q4:17 (% of Total Registration)	Q1:18 (% of Total Registration)
Top 3	38.49	38.35
Top 5	54.97	54.76
Top 10	79.92	79.75
Bottom 3	1.87	1.93
Bottom 5	4.79	4.88
Bottom 10	16.80	17.01

Table 3.3 further indicates that the share of the top three PFAs had reduced from 38.49 percent as at fourth quarter, 2017 to 38.35 percent as at first quarter, 2018. The share of the bottom three PFAs increased from 1.87 percent to 1.93 percent during the same period.

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 six PFAs (28.57 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 CPFAs and AES

The total membership of licensed CPFAs and AESs were 23,653 and 40,951 respectively as at the end of the first quarter of 2018 as shown in Tables 3.5 and 3.6. A review of the Tables shows a slight decrease of 0.17 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 First Quarter, 2018**

Enrolment Type	Number			Percentage of Total	
	Q3:2017	Q4:2017	Q1:2018	Q4:2017	Q1:2018
Active Members	17,049	16,846	16,817	71.09	71.10
Existing Pensioners	6,104	6,224	6,142	26.26	25.97
Deferred Pensioners	646	627	694	2.65	2.93
<b>Total</b>	<b>23,799</b>	<b>23,697</b>	<b>23,653</b>	<b>100.00</b>	<b>100.00</b>

Note: Deferred pensioners are pensionable retirees who are not eligible to start drawing pension until they attain a certain age in accordance with rules and regulations of their respective schemes.

**Table 3.6: Membership of AES as at First Quarter, 2018**

Enrolment Type	Number			Percentage of Total	
	Q3:2017	Q4:2017	Q1:2018	Q4:2017	Q1:2018
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 of 2,908 Employer codes were generated and updated on the Contributory Registration System (CRS) based on requests from organizations through the Pension Fund Administrators (PFAs). An employer code is required to match contributors from every organization with their respective monthly pension contributions. It is usually issued prior to the commencement of remittance of pension contributions.

### 3.3 Pension Contributions

The total monthly pension contribution made by contributors from both the public and private sectors into their RSAs was ₦4.63 trillion as at the end of first quarter, 2018. This shows an increase of ₦ 139.70 billion representing 3.11 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 51.11 percent of the total contributions, while the Private sector contributed the remaining 48.89 percent. However, during the quarter under review, the Public sector contributed 48.24 percent of the total contributions received while the Private sector contributed 51.76 percent.



**Table 3.7: Pension Contributions as at First Quarter, 2018**

Year/Quarter	Public Sector		Private Sector		Total	
	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total
2004	15.6	0.66	0	0.00	15.60	0.34
2005	34.68	1.47	0	0.00	34.68	0.75
2006	37.38	1.58	23.03	1.02	60.41	1.31
2007	80.63	3.41	68.34	3.02	148.97	3.22
2008	99.28	4.20	80.81	3.57	180.09	3.89
2009	137.1	5.80	91.21	4.03	228.31	4.93
2010	162.46	6.87	103.03	4.55	265.49	5.74
2011	228.92	9.68	119.53	5.28	348.45	7.53
2012	302.24	12.78	159.52	7.05	461.76	9.98
2013	278.5	11.78	225.42	9.96	503.92	10.89
2014	237.76	10.05	343.97	15.21	581.73	12.57
2015	200.05	8.46	358.91	15.87	558.96	12.08
2016	225.86	9.55	262.33	11.60	488.20	10.55
2017	257.11	10.87	353.73	15.64	610.84	13.20
Q1:2018	67.40	2.85	72.30	3.20	139.70	3.02
<b>Total</b>	<b>2,364.97</b>	<b>100</b>	<b>2,262.13</b>	<b>100</b>	<b>4,627.10</b>	<b>100</b>

The aggregate total pension contributions of the Private sector increased from ₦2.19 trillion as at fourth quarter of 2017 to ₦2.26 trillion as at the end of the reporting period representing a growth of 3.30 percent. Whereas, the aggregate total pension contribution of the Public Sector grew by 2.93 percent from ₦2.30 trillion to ₦2.36 trillion over the same period.

### 3.3.1 Ranking PFAs by the Amount of Contributions Received

The ranking of PFAs by total pension contributions indicates that the top 5 ranking PFAs received 64.94 percent of the total contributions as at the end of the first quarter 2018. The top 10 ranking PFAs accounted for 87.90 percent of the total contributions. The bottom 5 and 10 PFAs received ₦81.91 billion and ₦433.16 billion contributions of their members, representing 1.74 percent and 9.18 percent of the total contributions received as at the end of the quarter under review respectively.

**Table 3.8: PFA Ranking by Size of Contributions as at First Quarter, 2018**

Rank	Amount (N' billion)	Percentage of Total
Top 5	3,064.90	64.94
Top 10	4,148.23	87.90
Bottom 5	81.91	1.74
Bottom 10	433.16	9.18

### 3.4 Pension Fund Investment

The total value of pension fund assets based on unaudited valuation reports grew from to N7.52 trillion as at 31 December, 2017 to N7.94 trillion as at 31 March, 2018 representing a growth of 5.70 percent (N428.14). The growth indicates a higher percentage growth rate compared to the 4.90 percent for the previous quarter. The increased asset growth recorded in first quarter, 2018 was mainly due to market valuation of quoted equities and the inflow of pension contributions into the funds. The breakdown of the pension assets by scheme type is shown in Table 3.9.

**Table 3.9: Pension Fund Portfolio by Fund Type as at First Quarter, 2018**

Fund/Period	Q3:2017		Q4:2017		Q1:2018		Change between Q1:2018 & Q4:2017	
	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total
RSA Active	4,840.00	67.55	5,114.22	68.05	5,406.42	68.06	292.20	68.25
RSA Retiree	556.42	7.77	564.12	7.51	594.43	7.48	30.31	7.08
CPFAs	972.16	13.57	1,008.86	13.42	1,060.93	13.36	52.07	12.16
AESs	796.01	11.11	828.15	11.02	881.71	11.10	53.56	12.51
<b>Total</b>	<b>7,164.59</b>	<b>100</b>	<b>7,515.35</b>	<b>100</b>	<b>7,943.49</b>	<b>100</b>	<b>428.14</b>	<b>100</b>

Table 3.9 shows that as at first quarter of 2018, RSA active fund constituted the largest proportion of the total pension fund, accounting for N5.41 trillion (68.06 percent) of the total assets under management. CPFAs and AESs assets stood at N1.06 trillion and N881.71 billion representing 13.36 percent and 11.10 percent of the total assets under management respectively. The RSA Retiree Funds stood at N594.43 billion representing 7.48 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 70.39 percent of total pension assets under management (FGN Bonds: 48.61 percent, Treasury Bills: 20.91 percent, Agency Bonds: 0.07 percent, Sukuk Bonds 0.70 percent and Green Bonds 0.1 percent). This was slightly lower than the 70.42 percent recorded in the fourth quarter of 2017.

Table 3.10 also shows the comparative Pension Industry Portfolio for the period ended 31 March, 2018 and 31 December, 2017, as well as the variance between both periods.

**Table 3.10: Pension Industry Portfolio as at March, 2018**

ASSET CLASS	TOTAL PENSION FUND ASSETS 31-Mar-18		TOTAL PENSION FUND ASSETS 31-Dec-17		Variance Between December 2017 and March 2018	
	N Billion	Weight %	N Billion	Weight %	N Billion	Weight %
Domestic Ordinary Shares	734.51	9.25	672.23	8.94	62.28	14.55
Foreign Ordinary Shares	60.81	0.77	104.61	1.39	(43.8)	(10.23)
<b>FGN Securities:</b>	5,591.66	70.39	5,292.02	70.42	299.64	69.99
FGN Bonds	3,861.08	48.61	4,044.36	53.81	(183.28)	(42.81)
Treasury Bills	1,661.19	20.91	1,178.09	15.68	483.1	112.84
Agency Bonds (NMRC & FMBN)	5.8	0.07	5.82	0.08	(0.02)	0.00
Sukuk Bonds	55.57	0.70	56.56	0.75	(0.99)	(0.23)
Green Bonds	8.02	0.10	7.19	0.1	0.83	0.19
State Govt. Securities	161.43	2.03	152.21	2.03	9.22	2.15
Corporate Debt Securities	390.84	4.92	266.87	3.55	123.97	28.96
Supra-National Bonds	7.37	0.09	11.43	0.15	(4.06)	(0.95)
Local Money Market Securities	651.82	8.21	682.23	9.08	(30.41)	(7.10)
Foreign Money Market Securities	0	0.00	35.39	0.47	(35.39)	(8.27)
<b>Mutual Funds:</b>	19.22	0.24	24.84	0.33	(5.62)	(1.31)
Open/Close-End Funds	9.45	0.12	8.41	0.11	1.04	0.24
REITs	9.77	0.12	16.43	0.22	(6.66)	(1.56)
Real Estate Properties	230.5	2.90	203.36	2.71	27.14	6.34
Private Equity Fund	27.59	0.35	25.44	0.34	2.15	0.50
Infrastructure Fund	7.99	0.10	6.87	0.09	1.12	0.26
Cash & Other Assets	59.76	0.75	37.87	0.5	21.89	5.11
<b>Net Assets Value</b>	<b>7,943.50</b>	<b>100</b>	<b>7,515.37</b>	<b>100</b>	<b>428.13</b>	<b>100</b>

Table 3.10 further indicates that the value of investments in domestic quoted ordinary shares was ₦734.51 billion (9.25 percent of industry portfolio value) as at 31 March,

2018, indicating an increased placement of ~~N~~62.28 billion (14.55 percent) in this asset class compared to ~~N~~672.23 billion as at 31 December, 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. The Nigerian Stock Exchange All Share Index (NSE-ASI) and Market Capitalization appreciated by 8.53 percent and 10.14 percent from 38,243.19 bps and ~~N~~13.61 trillion, as at 31 December 2017, to 41,504.51bps points and ~~N~~14.99 trillion, as at 31 March 2018, respectively.

The value of investments in FGN Bonds and FGN Agency bonds decreased by ~~N~~183.45 billion (-4.47 percent) and ~~N~~0.02Billion (-0.34 percent); while investments in Treasury Bills increased by ~~N~~483.10 billion (41.01 percent). The reduction in the value of FGN Bonds was partly due to profit taking on bonds and greater allocation to other assets as a result of lower yields on FGN bonds in the first quarter of 2018.

**Table 3.11: Rank of PFAs by Asset Size as at March, 2018**

PFA Rank	Q3:2017		Q4:2017		Q1:2018	
	Amount (N Billion)	% of Total RSA Assets	Amount (N Billion)	% of Total RSA Assets	Amount (N Billion)	% of Total RSA Assets
Top 3	2,897.56	54.14	3,038.19	53.97	3,221.34	54.20
Top 5	3,573.10	66.77	3,751.26	66.64	3,971.95	66.83
Top 10	4,712.53	88.06	4,954.16	88.00	5,232.65	88.04
Bottom 3	22.41	0.42	26.30	0.47	27.92	0.47
Bottom 5	94.00	1.76	102.50	1.82	109.40	1.84
Bottom 10	476.068	8.90	504.36	8.96	530.54	8.93

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 54.20 and 66.83 percent respectively. The top ten PFAs had 88.04 percent of the total RSA assets under their management while the bottom ten PFAs accounted for 8.93 percent of the RSA assets under management at the end of the reporting period.

### 3.4.2 Portfolio Performance

#### a) RSA 'Active' Fund:

The Net Assets Value of RSA 'Active' Fund increased by ~~N~~282.64 billion in the first quarter, 2018 increasing from ~~N~~5.07 trillion on 31 December, 2017 to ~~N~~5.35 trillion as at 31 March, 2018. These figures were exclusive of ~~N~~58.22 billion as at 31 March, 2018 and ~~N~~48.89 billion as at 31 December, 2017, which represented balances being managed by the CBN in respect of contribution of FGN workers awaiting transfers to PFAs.

The Weighted Average Rate of Return (WARR) on the RSA 'Active' Funds in the first quarter, 2018 was 17.84 percent (annualized), which was an increase when compared with the annualized return of 16.84 percent recorded in the fourth quarter, 2017. The performance in the first quarter, 2018 was largely influenced by pension fund investments in quoted equities, as reflected by the performance of the NSE ASI, which recorded a return of 8.53 percent (38.74 percent annualized) in first quarter, 2018, compared to the return of 7.91 percent (35.60 percent Annualized) recorded in fourth quarter, 2017.

The yields/interest rates on FGN Bonds, Treasury Bills and Money Market placements remained relatively stable at the beginning of the quarter, but marginally declined towards the end of the first quarter. The yields on FGN Bonds ranged between 12.58 percent p.a. and 15.20 percent p.a. for maturities between 5 and 20 years. This indicates a drop in yields on FGN bonds from a range of 13.88 percent to 16.20 percent in the fourth quarter, 2017. Similarly, yields on Treasury Bills ranged between 13 percent p.a. and 17 percent p.a. across the 91 – 364 days tenor while bank placement rates ranged between 14 percent p.a. and 18 percent p.a. depending on the maturity profile.

#### b) RSA Retiree Funds:

The Net Assets Value of RSA 'Retiree' Funds increased by ~~N~~30.31 billion in the first quarter, 2018, increasing from ~~N~~564.12 billion on 31 December, 2017 to ~~N~~594.43 billion as at 31 march, 2018.

The Weighted Average Rate of Return (WARR) on the RSA 'Retiree' Funds in the first quarter, 2018 was 18.19 percent (annualized), which indicates an increase in performance when compared with the annualized WARR of 16.24 percent recorded in the previous quarter. Yields on fixed income securities, which constituted approximately 99% of total portfolio declined marginally in first quarter 2018., Thus, the marginal increase in the WARR between fourth quarter, 2017 and first quarter

2018 was due to the performance of the equity market and profit taking opportunity presented by the decline in FGN Bonds yield.

**a) Review of CPFA/AES Funds:**

The value of pension fund assets held by the CPFA Funds recorded a net increase in value of ~~₦~~51.13 billion (5.07 percent), as it increased from ~~₦~~1.01 trillion 31 December, 2017 to ~~₦~~1.06 trillion as at 31 March, 2018.

The annualized rates of return recorded on the CPFA Funds ranged between 14.62 percent and 17.71 percent, which was reflective of the actual assets allocation of the individual Funds. The Funds with relatively high exposure to equity/equity funds recorded higher performances when compared to other Funds with more fixed income investments.

The Net Assets Value of the Approved Existing Schemes (AES) increased by ~~₦~~53.57 billion (6.47 percent), from ~~₦~~828.15 billion as at 31 December, 2017 to ~~₦~~881.71 billion as at 31 March, 2018. The 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 11.86 percent and 25.58 percent in the first quarter, 2018 which was also reflective of the actual assets allocation of the individual Funds.

**3.4.3 Financial Market Outlook for Second Quarter 2018**

It is expected that equity market will appreciate in the second quarter of 2018. This is premised on the expected drop in yields on Government Securities, as a result of the improving macroeconomic environment and a gradual increase in oil price, which will reduce the expected deficit of the proposed 2018 budget. However, this might be tampered by cautionary approach by foreign investors due to the approaching election cycle in 2019.

It is also envisaged that the inflation rate would continue its downward trend, from 14.27 percent recorded in fourth quarter of 2017. Overall, pension fund portfolios are expected to show continued growth in the second quarter, 2018 on the back of monthly receipts of pension contributions, which continues 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 by 3.79 percent from 174,186 in the previous quarter to 180,783 in the first quarter of 2018.

A sectorial breakdown shows that 51.60 percent of those that retired under the PW during the quarter were from the public sector while retirees from the private sector accounted for the remaining 48.40 percent.

The sum of ₦19.25 billion was paid to 6,597 as lump sum and ₦0.25 billion as monthly programmed withdrawals during the quarter. Details of these payments are provided in Table 3.12 below:

**Table 3.12: Number of Retirees on PW as at First Quarter, 2018**

Period	Public		Private	Total	Lump sum (₦ Million)	Monthly PW (₦ Million)
	FGN	State				
Inception to Q4: 2017	104,395	14,447	55,344	174,186	448,727.09	5,887.11
Q1: 2018	2,571	833	3,193	6,597	19,251.30	252.41
<b>Total</b>	<b>106,966</b>	<b>15,280</b>	<b>58,537</b>	<b>180,783</b>	<b>467,978.39</b>	<b>6,139.52</b>

The Table further shows that from inception to date, a total of 180,783 retirees have been paid the sum of ₦467.98 billion as lump sum and ₦6.14 billion as average monthly programmed withdrawals.

#### 3.5.2 Retirement by Annuity

The Commission approved a total of 3,280 applications for retirement under life annuity during the quarter, bringing the total number of retirees receiving their retirement benefits through the annuity plan to 51,819. The 3,280 retirees received ₦3.61 billion as lump sum payment and paid annuity premium of ₦17.96 billion to Insurance Companies cumulating to a total of ₦63.91 billion and ₦259.58 billion as lump sum and annuity payments respectively. The retirees were receiving average monthly annuity of ₦2.70 billion as at the end of March, 2018.

**Table 3.13: Retirement by Annuity as at First Quarter, 2018**

Period	Public		Private	Total	Lump sum (₦ Million)	Premium (₦ Million)	Annuity (₦ Million)
	FGN	State					
Inception to Q4: 2017	31,717	4,500	12,322	48,539	60,292.70	241,622.41	2,527.14
Q1: 2018	1,956	333	991	3,280	3,614.67	17,958.37	174.58
<b>Total</b>	<b>33,673</b>	<b>4,833</b>	<b>13,313</b>	<b>51,819</b>	<b>63,907.37</b>	<b>259,580.78</b>	<b>2,701.72</b>

**3.5.3 Withdrawal of 25 Percent of RSA Balances**

During the quarter under review, approval was granted for payment of ₦4.97 billion to 12,772 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 263,093 and were paid ₦87.54 billion from inception to date. A further analysis showed that the private sector accounted for 95.60 percent while the public sector accounted for 4.40 percent.

**Table 3.14: Withdrawal of 25% of RSA Balance as at First Quarter, 2018**

Period	Public		Private	Total	Total RSA Balance (₦ Million)	Total 25% Request (₦ Million)
	FGN	State				
Inception to Q4: 2017	7,087	3,867	239,367	250,321	330,264.40	82,566.10
Q1: 2018	146	483	12,143	12,772	19,894.00	4,973.50
<b>Total</b>	<b>7,233</b>	<b>4,350</b>	<b>251,510</b>	<b>263,093</b>	<b>350,158.40</b>	<b>87,539.60</b>

**3.5.4 Approval of Death Benefits**

The Commission approved payment of ₦8.00 billion as death benefits to the beneficiaries of the 2,173 deceased employees during the quarter under review, which brought the total number of deceased employees from both public and private sectors to 47,682. The amount paid during the quarter moved the total payments of death benefits to ₦146.90 billion (including life insurance



**Table 3.15: Approval of Death Benefits as at First Quarter, 2018**

Sector	Public		Private	Total	Total Amount Paid (₦ Million)
	FGN	State			
Inception to Q4: 2017	32,568	3,387	9,554	45,509	138,902.15
Q1: 2018	1,182	287	704	2,173	8,001.77
<b>Total</b>	<b>33,750</b>	<b>3,674</b>	<b>10,258</b>	<b>47,682</b>	<b>146,903.92</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. Approval was also granted for payment of RSA balances to foreign nationals who decided to return to their home countries after making voluntary contributions under the CPS.

Accordingly, the sum of ₦0.92 billion was paid to 3,081 RSA holders comprising 154 public (FGN + State) and 2,927 private sectors retirees. Consequently, 92,925 retirees received enbloc payments totaling ₦22.99 billion from inception to the end of the first quarter of 2018.

**Table 3.16: Approval of Enbloc/Foreigners' Benefits as at First Quarter, 2018**

Sector	Public		Private	Total	Total Amount Paid (₦ Million)
	FGN	State			
Inception to Q4: 2017	6,179	2,303	81,362	89,844	22,073.45
Q1: 2018	49	105	2,927	3,081	917.51
<b>Total</b>	<b>6,228</b>	<b>2,408</b>	<b>84,289</b>	<b>92,925</b>	<b>22,990.96</b>

### 3.5.6 Recent Developments in Benefit Administration

#### a) Implementation of Pension Protection Fund (PPF) and Minimum Pension Guarantee

The Commission is in the process of engaging an Actuary to determine the financial implication of Minimum Pension Guarantee (MPG) and propose funding levels for the Pension Protection Fund based on the projected liability of the MPG. Already, relevant stakeholders had commenced funding the PPF in 2017 preparatory to its full implementation.

**b) Guideline on Voluntary Contribution:**

The Commission is finalizing the guidelines for Voluntary Contribution (VC). The guidelines cover the eligibility criteria, rules of general application, procedures for VCs and the procedure for withdrawals from VCs.

A circular had earlier been released in November, 2017 on the withdrawals from VCs. 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 Federal Government's main thrust of enhancing transparency in all facets of economic activities.