

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

August, 2018

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SECTION ONE

Pension Operating Environment

1.1 Macroeconomic Development

The macroeconomic activities contracted in the second quarter of 2018 as Nigeria's real Gross Domestic Product (GDP) slowed by 0.45 percentage points from 1.95 percent (year-on-year) in the previous quarter¹. However, the economy grew by 1.50 percent (year-on-year) in real terms, which was 0.79 percentage points higher than 0.72 percent recorded in the corresponding quarter of 2017. The quarter on quarter real GDP growth stood at 2.94 percent under the period under review. The economic growth was driven by the non-oil sector as the oil sector recorded a negative growth of 3.95 percent compared to 2.05 percent growth in the non-oil sector of the economy.

The contribution of the oil sector to the GDP decreased from 9.61 percent in the first quarter of 2018 to 8.55 percent in the quarter under review. On the other hand, the non-oil sector contributed 91.45 percent. In addition, the economy recorded an aggregate output of ₦30.69 trillion, representing nominal growth of 13.57 percent over to ₦27.03 trillion of the corresponding period of last year and an increase of 7.85 percent in nominal terms compared to ₦28.46 trillion recorded in the first quarter of 2018. The growth was influenced by the slowdown in the oil sector and strong performance of the services subsector of the economy. The contraction in the economic output is a concern to pension fund investment outlook in the short term.

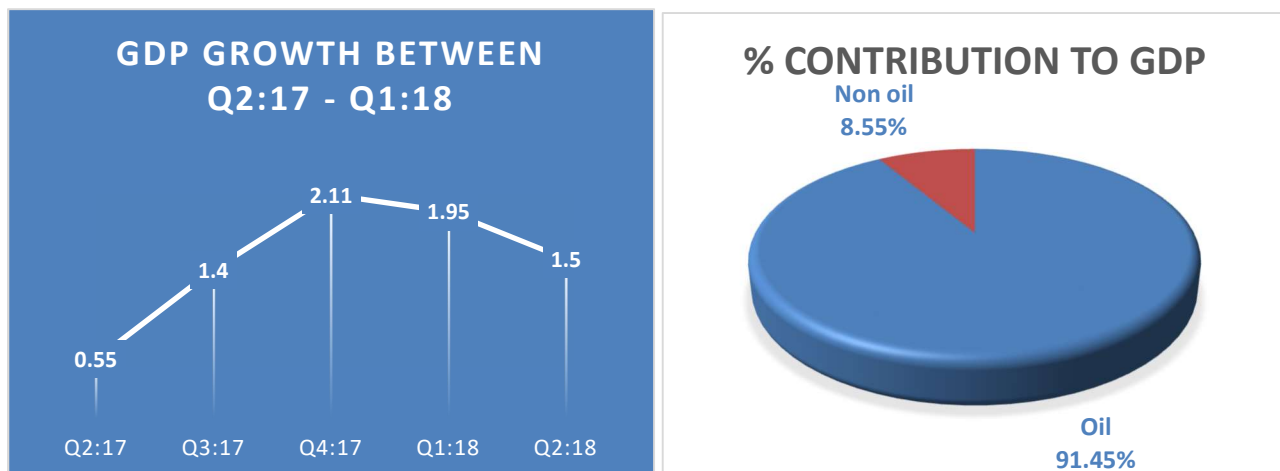


Figure 1: GDP Growth Trend between Q2:17 – Q2:18 and Sector Contribution to GDP

¹ National Bureau of Statistics (NBS)

Inflation rate has continued its downward trend from the beginning of 2017. The inflation figure eased to close at 11.23 percent in the second quarter of 2018, representing 15.82 percent and 30.25 percent decreases over the previous quarter (13.34 percent) and corresponding quarter of 2017 (16.10 percent) respectively. The downward trend of inflation could be attributed to the sustained monetary tightening measures by the Government, relative stability in the foreign exchange market and the raising profile of Nigeria's foreign reserve.

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 percent 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 demonstrate a drastic ease in interbank call rate at 5.00 percent in the second quarter of 2018 from 15.16 percent recorded in the previous quarter of the same year. Furthermore, the rates on deposits of various maturities marginally decreased from the range of 8.88 and 10.15 percent in the previous quarter to 8.82 and 10.93 percent in the quarter under review. In addition, the prime lending rate also recorded a decline to stand at 16.78 percent in the quarter from 17.35 percent in the previous quarter. Similarly, the maximum lending rates decreased by 0.38 points to 31.17 percent.

1.3 Developments in the Capital Market

The Nigerian Capital Market witnessed bearish run in the quarter under review with a negative return of 7.77 percent reflecting the trend of the national economic output. The NSE All Share Index closed at 38,278.55 down from 41,504.51 recorded in the previous quarter. Likewise, the market capitalization dipped by 3.54 percent during the quarter to close at ₦23.99 trillion from ₦24.87 trillion as at the first quarter of 2018.

The equity market capitalization closed at ₦13.88 trillion in the quarter under review. This represented a 7.47 percent drop from the ₦15.00 trillion recorded in the last

quarter. In addition, the total volume of stocks traded stood at 23.05 billion with the closing total trading value of ~~N~~359.33 billion.

1.4 Developments in the Bond Market

A new ~~N~~30 billion 5-year bond was issued by the Federal Government of Nigeria during the quarter. The bond was oversubscribed by 76 percent to the tune of ~~N~~52.89 billion. In addition, several other 5-, 7- and 10-year tenured bonds worth about ~~N~~190 billion were re-opened during the period.

The developments in the Bond Market indicated an increase in the market's capitalization by 2.54 percent to stand at ~~N~~10.11 trillion in the quarter under review from ~~N~~9.86 trillion of the first quarter of the year. The FGN and State Governments' offerings were capitalized at ~~N~~9.26 trillion and ~~N~~565.82 billion in 54 and 23 listings respectively. Furthermore, Corporate Bonds capitalization stood at ~~N~~267.73 billion, while supranational bonds closed at ~~N~~15.95 billion at the end period. The total bond listing remained at 100 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. 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. During the quarter under review, the Commission carried out a Target Examination on UNICO CPFA Limited to determine the final state of operations of the Company before winding up. The Commission has also issued Draft Reports for the 2017 Routine Examinations to Fifteen (15) Licensed Pension Fund Operators. Final Reports for the 2017 Routine Examinations were issued to Fidelity Pension Managers Limited and AllCO Pension Managers Limited.

The Commission commenced the 2018 Routine Examinations on 16 April, 2018 on the following Operators:

- i.) Apt Pensions Limited
- ii.) Fidelity Pension Managers Limited
- iii.) Sigma Pensions Limited
- iv.) NPF Pensions Limited
- v.) Premium Pensions Limited
- vi.) IEI Anchor Pension Managers Limited

a) Compliance Reports

The major issues observed from the review of the compliance reports forwarded by the operators during the quarter under review were un-credited pension contributions, delay in the payment of retirement benefits to the retirees and outstanding commitments from previous routine examination. These issues identified formed part of the target areas for the target examination of operators to ensure compliance.

b) Corporate Governance

During the quarter under review, Twenty-Seven (27) out of the 31 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 include inadequate size of Boards; non-submission of annual performance evaluation of Directors; Executive Directors included as members of the Board Audit Committees; and some Directors served as members of all Board Committees.

2.1.1 Update on Returns Rendition System

As part of the obligations to the Commission, thirty (30) Licensed Pension Operators comprising of 19 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 and Analysis System (RMAS) for June, 2018.

2.1.2 Resolution Activities

The regulatory intervention on First Guarantee Pension Limited (FGPL) was ongoing and the Interim Management Committee of the PFA was reconstituted with effect from 03 April, 2018. Appointments were made for the positions of Chairman, Managing Director (MD), Executive Director (ED), Business Development & Operations and Executive Director (ED), Finance & Investment.

2.2 Compliance and Enforcement Activities

The Commission continued to apply various strategies to ensure compliance with the provisions of the Pension Reform Act (PRA) 2014. This included the application of sanctions and collaboration with key stakeholders on public enlightenment campaigns as well as engagement of defaulting employers through Pension Recovery Agents engaged by the Commission to recover unremitted pension contributions. The following are details of some of the compliance activities.

2.2.1 Update on Compliance by the Private Sector

During the quarter under review, the Commission received a total of 5,634 applications for issuance of Pension Clearance Certificates. Out of these applications, Certificates were issued to 5,427 organisations while applications from 207 organizations were turned down 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~~49.31 billion was remitted to the RSAs of 71,386 employees by the 5,427 organisations to whom Certificates were issued.

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, Six Hundred and Thirty-Five (635) NSITF transfer applications totaling ~~N~~43.81 billion were received during the quarter. All applications were processed and computed amounts were transferred to the RSAs of the NSITF members. From inception to date, ~~N~~9.79 billion has been transferred to the RSAs of 135,226 NSITF contributors.

a) Monthly NSITF Scheme Pensions

During the quarter, the Commission processed pension payments totaling ~~N~~49.30 million in respect of 2,843 NSITF pensioners. This included the payment of pension arrears totaling ~~N~~59.97 million to 504 pensioners who were previously removed from the payroll due to their non-participation in previous verification exercises. To date, the total pension payments to NSITF pensioners amounted to ~~N~~4.24 billion.

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

The Commission maintained the services of 14 Recovery Agents for the recovery of outstanding pension contributions from defaulting employers. Following the issuance of demand notices to defaulting employers whose liabilities had been established by the Agents, some employers had remitted the outstanding pension contributions and the corresponding penalties.

During the quarter, the sum of ~~N~~465.02 million representing principal contribution of ~~N~~335.70 million and penalty totaling ~~N~~129.32 million was recovered. This brought the total recoveries made to date to ~~N~~14.38 billion comprising of principal contribution of ~~N~~7.48 billion and penalty of ~~N~~6.96 billion.

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

Further to the Commission's strategy of driving compliance with the provisions of the Pension Reform Act 2014 by employers through the conduct of public awareness programmes, the Commission organized 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 participated at the 29th Enugu International Trade Fair with the objective of obtaining the buy-in of the members of the Enugu Chamber of Commerce as well sensitize the general public about the CPS.

a) Draft Framework and Guidelines for the Micro Pension Scheme

The draft Micro Pension Framework & Guidelines was exposed to Operators and Stakeholders on 27 April, 2018. A total of Thirty-two (32) stakeholders, comprising of twenty-five (25) operators and seven (7) financial institutions, responded and sent their observations.

Subsequently, a stakeholder's forum was organized in June, 2018 to deliberate on the observations and comments received for further consideration by the Commission prior to finalizing the documents and sending them to the appropriate authorities for approval.

b) Enhanced Contributor Registration System (ECRS)

The Commission constituted a Committee to enhance the Contributor Registration System (CRS). The main objective of the enhanced CRS is to allow data recapture on the existing Retirement Savings Account holders. The aim of this exercise is to remove all multiple registrations, which inhibit the Commission to open transfer window that would allow the transfer of Retirement Savings Accounts between Pension Fund Administrators. It would also provide a platform for the registration of Micro Pension Contributors.

In addition, the Commission has also commenced work on designing the templates for rendering returns on the Micro Pension Plan by Pension Fund Administrators.

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

The Commission continued to monitor the payment of pensions to public service retirees under the Defined Benefit Scheme (DBS) by the Pension Transitional Arrangement Directorate (PTAD).

During the quarter under review, a total number of 11 complaints on the Defined Benefits Scheme were received and forwarded to PTAD for resolution. A follow-up of the complaints ensured that all the complaints have been resolved. A review of the statutory monthly returns rendered by PTAD revealed that a total of ₦6.81 billion had been paid to 221,309 pensioners in the quarter ended 30 June, 2018.

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

The Commission processed 398 applications for the refund of pension contributions to the personnel of the Military and Security Agencies in continuation of refunding employee contributions to staff of these agencies following their exemption from the Contributory Pension Scheme in 2011. The sum of ~~N~~63.66 million was refunded based on the processed applications while the sum of ~~N~~163.77 million representing the contributions made by the Federal Government on behalf of the personnel was returned to the Contributory Pension Account with 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 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 to reform its pension system. A breakdown of the level of implementation of the CPS by the States 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

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

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

(b) Implementation Plan of CPS

A road map covering a period of between 12 and 18 months has been developed for the engagement of Labour Unions, State employees, State governments and other stake holders, to positively influence State compliance. 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 of the Jigawa Contributory Pension Scheme Board. A Pension Management Retreat was also organized for Pension Desk Officers in the FCT Area Councils and the Local Education Authorities.

Furthermore, the Commission conducted a training on the workings of the CPS for the Board and Management of the Kaduna State Pension Bureau. The Commission also facilitated a one-day training session on the workings of the Contributory Pension Scheme for staff of Afrinvest Nigeria Limited. Similarly, the Commission attended a Stakeholders' Forum on the implementation of the Contributory Pension Scheme in Ekiti State, organized by the Ekiti State Pension Commission.

SECTION THREE

Pension Industry Statistics

3.1 Scheme Memberships

The pension industry recorded a 1.99 percent growth in the scheme membership during the second quarter of 2018, moving from 8.04 million contributors at the end of the preceding quarter to 8.20 million. The growth in the industry membership was driven by the Retirement Savings Account (RSA) Scheme, which had an increase of 160,226 contributors representing 2.01 percent. However, membership of the Closed Pension Fund Administration (CPFA) Scheme declined by 77 members (23,579) while the Approved Existing Scheme (AES) membership remained unchanged at 40,951 as shown in Table 3.1.

Table 3.1 Scheme Memberships as at Second Quarter, 2018

Scheme	Q4:2017	Q1:2018	Q2:2018	% change (Q1: 2018 and Q2:2018)
RSA	7,823,911	7,975,976	8,136,202	2.01
CPFA	23,697	23,656	23,579	(0.33)
AES	40,951	40,951	40,951	-
Total	7,888,559	8,040,583	8,200,732	1.99

3.1.1 Membership of RSA

A breakdown of the RSA registrations indicates a 1.04 percent (36,553) increase in RSA membership from the Public sector during the second quarter of 2018 to stand at 3,553,426. This figure represents 43.67 percent of the total RSA registration as at the second quarter of 2018.

Membership from the Private sector increased by 2.77 percent (123,673) in the quarter under review, which brought total registrations from this sector to 4,582,776 (55.91 percent) of the total RSA registration, moving from 4,459,103 in the first quarter of 2018. This growth 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 As at Second Quarter, 2018

Age Range	Public Sector		Private Sector		Total		Grand Total	
	Male	Female	Male	Female	Male	Female	Number	%
Less than 30 yrs	93,204	48,679	417,798	213,298	511,002	261,977	772,979	9.50
30 - 39 yrs	717,634	358,983	1,395,235	548,534	2,112,869	907,517	3,020,386	37.12
40 - 49 yrs	646,414	397,127	935,732	268,352	1,582,146	665,479	2,247,625	27.62
50 - 59 yrs	560,772	321,365	481,383	95,408	1,042,155	416,773	1,458,928	17.93
60 - 65 yrs	206,97	83,123	130,750	16,251	337,047	99,374	436,421	5.36
above 65 yrs	93,897	25,931	72,786	7,249	166,683	33,180	199,863	2.46
Total	2,318,218	1,235,208	3,433,684	1,149,092	5,751,902	2,384,300	8,136,202	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 groups. 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 second quarter of 2018. The shares of bottom five and ten PFAs increased from 4.88 and 17.01 percent in the first quarter of 2018 to 4.95 and 17.18 percent as at the end of the reporting period respectively. However, the market shares of top five and ten dropped from 54.76 and 79.75 percent in the previous quarter to 54.51 and 79.59 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	Q1:18 (%)	Q2:18 (%)
Top 3	38.35	38.19
Top 5	54.76	54.51
Top 10	79.75	79.59
Bottom 3	1.93	1.99
Bottom 5	4.88	4.95
Bottom 10	17.01	17.18

Table 3.3 further indicates that the share of the top three PFAs had reduced from 38.35 percent as at first quarter, 2018 to 38.19 percent as at second quarter, 2018. The share of the bottom three PFAs increased from 1.93 percent to 1.99 percent during the same period.

Table 3.4 shows that 66.67 percent (14) of the PFAs had each registered less than 500,000 RSA contributors while the remaining seven PFAs (33.33 percent) had registered more than 500,000 RSA contributors each.

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	6
100,000 – 499,999	11
Less than 100,000	3

3.1.3 Memberships of CPFA and AES

The total membership of the CPFAs and AESs were 23,579 and 40,951 respectively as at the end of the second quarter of 2018 as shown in Tables 3.5 and 3.6.

A review of the Tables shows a slight decrease of 0.33 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 Second Quarter, 2018

Enrolment Type	Number			Percentage of Total	
	Q4:2017	Q1:2018	Q2:2018	Q1:2018	Q2:2018
Active Members	16,846	16,817	16,751	71.10	71.04
Existing Pensioners	6,224	6,142	6,196	25.97	26.28
Deferred Pensioners	627	694	632	2.93	2.68
Total	23,697	23,653	23,579	100	100

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

Table 3.6: Membership of AES as at Second Quarter, 2018

Enrolment Type	Number			Percentage of Total	
	Q4:2018	Q1:2018	Q2:2018	Q1:2018	Q2:2018
Active Members	23,836	24,255	24,255	59.23	59.23
Current Pensioners	15,423	15,313	15,313	37.39	37.39
Deferred Pensioners	149	149	149	0.36	0.36
Dependants	1,234	1,234	1,234	3.01	3.01
Total	40,642	40,951	40,951	100	100

Note: Dependants are protégés of deceased pensioners.

3.2 Generation of Employer Codes

During the quarter under review, a total of 2,673 Employer codes were generated and updated on the Contributor Registration System (CRS) based on requests submitted by organizations PFAs. An employer code is required to match contributors from every employer with the respective monthly pension contributions of the employees. 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 ~~N~~**₦**4.77 trillion as at the end of second quarter, 2018. This shows an increase of ~~N~~**₦**139.32 billion representing 3.01 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 51.04 percent of the contributions came from the public sector, while the private sector contributed the remaining 48.96 percent. However, during the quarter under review, contributions from the public sector amounted to 48.11 percent of the total contributions received while the private sector contributed 51.89 percent.

Table 3.7: Pension Contributions as at Second Quarter, 2018

Year/Quarter	Public Sector		Private Sector		Total	
	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total
2004	15.6	0.64	-	-	15.60	0.33
2005	34.68	1.43	-	-	34.68	0.73
2006	37.38	1.54	23.03	0.99	60.41	1.27
2007	80.63	3.31	68.34	2.93	148.97	3.13
2008	99.28	4.08	80.81	3.46	180.09	3.78
2009	137.10	5.63	91.21	3.91	228.31	4.79
2010	162.46	6.68	103.03	4.42	265.49	5.57
2011	228.92	9.41	119.53	5.12	348.45	7.31
2012	302.24	12.42	159.52	6.84	461.76	9.69
2013	278.50	11.45	225.42	9.66	503.92	10.57
2014	237.76	9.77	343.97	14.74	581.73	12.20
2015	200.05	8.22	358.91	15.38	558.96	11.73
2016	225.86	9.28	262.33	11.24	488.20	10.24
2017	257.11	10.57	353.73	15.16	610.84	12.81
Q1:2018	67.40	2.7%	72.69	3.12	140.09	2.94
Q2:2018	68.22	2.80	71.10	3.05	139.32	2.92
Total	2,433.19	100	2,333.62	100	4,766.81	100

The aggregate total pension contributions of the private sector increased from ₦2.26 trillion as at first quarter of 2018 to ₦2.33 trillion as at the end of the reporting period representing a growth of 3.21 percent. Whereas, the aggregate total pension contribution of the public sector increased by 2.85 percent from ₦2.36 trillion to ₦2.43 trillion over the same period.

3.2.1 Ranking of PFAs by the Amount of Contributions Received

The ranking of PFAs by total pension contributions received indicates that the top 5 ranked PFAs received 64.98 percent of the total contributions as at the end of the second quarter 2018. The top 10 ranked PFAs accounted for 87.90 percent of the total contributions. The bottom 5 and 10 PFAs received ₦85.54 billion and ₦448.92 billion contributions, representing 1.75 percent and 9.18 percent of the total contributions as at the end of the quarter under review respectively.

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

Rank	Amount (N' billion)	Percentage of Total
Top 5	3,179.02	64.98
Top 10	4,299.91	87.90
Bottom 5	85.54	1.75
Bottom 10	448.92	9.18

3.3 Pension Fund Investment

The total value of pension fund assets based on unaudited valuation reports grew from to N7.94 trillion as at 31 March, 2018 to N8.23 trillion as at 30 June, 2018 representing a growth of 3.64 percent (N288.88). The growth indicates a decreased growth rate compared to the 5.70 percent for the previous quarter. 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 Second Quarter, 2018

Fund/Period	Q4:2017		Q1:2018		Q2:2018		Change between Q2:2018 & Q1:2018	
	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total
RSA Active	5,114.22	67.55	5,406.42	68.05	5,572.33	67.69	165.91	57.45
RSA Retiree	564.12	7.77	594.434	7.51	625.27	7.60	30.84	10.68
CPFAs	1008.86	13.57	1,060.93	13.42	1,086.76	13.20	25.83	8.94
AESs	828.15	11.11	881.711	11.02	947.92	11.51	66.21	22.93
Total	7,515.35	100	7,943.49	100	8,232.29	100	288.80	100

Table 3.9 shows that as at second quarter of 2018, the RSA active fund had the largest portfolio, accounting for N5.57 trillion (67.69 percent) of the total assets under management. CPFAs and AESs assets stood at N1.09 trillion and N947.92 billion representing 13.20 percent and 11.51 percent of the total assets under management respectively. The RSA Retiree Fund stood at N625.27 billion representing 7.60 percent of the total assets.

A breakdown of pension industry portfolio as shown in Table 3.10 indicates that the pension fund assets were mainly invested in Federal Government Securities, with allocation of 70.75 percent of total pension assets under management (FGN Bonds: 49.08 percent, Treasury Bills: 20.76 percent, Agency Bonds: 0.10 percent, Sukuk Bonds 0.71 percent and Green Bonds 0.09 percent). This was slightly higher than the

70.39 percent recorded in the second quarter of 2018. The increase in the value of Bonds was partly due to new investments and accrued coupons.

Table 3.10 also shows the comparative Pension Industry Portfolio for the period ended 30 June, 2018 and 31 March, 2018, as well as the variance between both periods.

Table 3.10: Pension Industry Portfolio as at June, 2018

ASSET CLASS	TOTAL PENSION FUND ASSETS 30-Jun-18		TOTAL PENSION FUND ASSETS 31-Mar-18		Variance Between March 2018 and June 2018	
	₦ Billion	Weight (%)	₦ Billion	Weight (%)	₦ Billion	Weight (%)
Domestic Ordinary Shares	709.511	8.62	734.51	9.25	(25.00)	(8.66)
Foreign Ordinary Shares	61.36	0.75	60.81	0.77	0.55	0.19
FGN Securities:	5,823.97	70.75	5,591.66	70.39	232.31	80.45
FGN Bonds	4,040.31	49.08	3,861.08	48.61	179.23	62.07
Treasury Bills	1,709.20	20.76	1,661.19	20.91	48.01	16.63
Agency Bonds (NMRC & FMBN)	8.35	0.10	5.8	0.07	2.55	0.88
Sukuk Bonds	58.36	0.71	55.57	0.70	2.79	0.97
Green Bonds	7.75	0.09	8.02	0.10	(0.27)	(0.09)
State Govt. Securities	151.95	1.85	161.43	2.03	(9.48)	(3.28)
Corporate Debt Securities	408.69	4.96	390.84	4.92	17.85	6.18
Supra-National Bonds	8.28	0.10	7.37	0.09	0.91	0.32
Local Money Market Securities	736.55	8.95	651.82	8.21	84.73	29.34
Foreign Money Market Securities	0.22	0.00	0	0	0.22	0.08
Mutual Funds:	19.91	0.24	19.22	0.24	0.69	0.24
Open/Close-End Funds	10.39	0.13	9.45	0.12	0.94	0.33
REITs	9.52	0.12	9.77	0.12	(0.25)	(0.09)
Real Estate Properties	233.07	2.83	230.5	2.90	2.57	0.89
Private Equity Fund	38.39	0.47	27.59	0.35	10.8	3.74
Infrastructure Fund	11.37	0.14	7.99	0.10	3.38	1.17
Cash & Other Assets	29.00	0.35	59.76	0.75	(30.76)	(10.65)
Net Assets Value	8,232.27	100	7,943.50	100	288.771	100

Table 3.10 further indicates that the value of investments in quoted ordinary shares was ₦709.51 billion (8.62 percent of industry portfolio value) as at 30 June 2018, indicating a decrease of ₦25.00 billion (3.40 percent) compared to the value of ₦734.51 billion as at 31 March, 2018. As noted earlier, the decrease in the value of investments in quoted equities was primarily due to the depreciation in stock market prices during the period. This resulted in the depreciation of the Nigerian Stock

Exchange All Share Index (NSE-ASI) and Market Capitalization by 8.43 percent and 8.07 percent respectively.

Table 3.11: Rank of PFA by Asset Size as at June, 2018

	Q4:2017		Q1:2018		Q2:2018	
PFA Rank	Amount (N' Billion)	% of Total RSA Assets	Amount (N' Billion)	% of Total RSA Assets	Amount (N' Billion)	% of Total RSA Assets
Top 3	3,038.19	53.97	3,221.34	54.20	3,336.24	54.20
Top 5	3,751.26	66.64	3,971.95	66.83	4,116.80	66.89
Top 10	4,954.16	88	5,232.65	88.04	5,414.57	87.97
Bottom 3	26.3	0.47	27.92	0.47	29.57	0.48
Bottom 5	102.5	1.82	109.40	1.84	113.98	1.85
Bottom 10	504.36	8.96	530.54	8.93	553.69	9.00

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 66.89 percent respectively. The top ten PFAs had 87.97 percent of the total RSA assets under their management while the bottom ten PFAs accounted for 9.00 percent of the RSA assets under management at the end of the reporting period.

3.3.3 Portfolio Performance

The Net Assets Value (NAV) of the RSA 'Active' Fund recorded a net growth of ₦181.43 billion (3.39 percent), from ₦5.35 trillion on 31 March, 2018 to ₦5.53 trillion as at 30 June, 2018. The RSA 'Active' fund recorded a Weighted Average Rate of Return (WARR) of 8.17 percent (annualized) as at second quarter, 2018. This was significantly lower than the 17.84 percent (annualized) recorded in the previous quarter.

The Net Asset Value of the RSA Retiree Fund increased by ₦30.84 billion, from ₦594.43 billion on 31 March, 2018 to ₦625.27 billion as at 30 June, 2018. The fund recorded a WARR of 12.79 percent (annualized), which was a reduction in performance when compared with the annualized WARR of 18.19 percent recorded in the first quarter, 2018. The yields on fixed income securities, which constituted approximately 99 percent of the total Retiree Funds portfolio, declined in the second quarter, 2018..

The value of pension fund assets held by the CPFA Funds recorded a net increase of ₦26.76 billion (2.52 percent), as it increased from ₦1.06 trillion as at 31 March, 2018 to ₦1.08 trillion as at 30 June, 2018. The annualized rates of return recorded on the CPFA Funds ranged between 7.03 percent and 15.96 percent, which was reflective of the actual assets allocation of the individual Funds.

Similarly, the NAV of the Approved Existing Schemes increased by ₦125.18 billion (15.22 percent), from ₦822.74 billion as at 31 March 2018, to ₦947.92 billion as at 30 June, 2018. The net increase in the total portfolio value was mainly attributed to funds injected by the Scheme sponsors and interest/coupons from fixed income investments. The annualized rates of return recorded on the AES Funds ranged between 7.86 percent and 16.58 percent in second quarter 2018.

Generally, the low performance of the pension fund investment in second quarter 2018 compared to the previous quarter was reflective of the operating environment and the Nigerian economic activity during the period under review.

3.4 Retirement/Terminal Benefits

3.4.1 Retirees on Programmed Withdrawal

The total number of retirees currently receiving their pensions under the Programmed Withdrawal (PW) increased by 2.38 percent from 180,783 in the previous quarter to 185,092 in the second quarter of 2018. A sectorial breakdown shows that 67.38 percent of those that retired under the PW were from the public sector while retirees from the private sector accounted for the remaining 32.62 percent.

During the quarter under review, the sum of ₦9.99 billion was paid to 4,309 as lump sum and ₦152.18 million as monthly programmed withdrawals. Details of these payments are provided in Table 3.12 below:

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

Period	Public		Private	Total	Lump sum (₦ Million)	Monthly PW (₦ Million)
	FGN	State				
Inception to Q1: 2018	106,966	15,280	58,537	180,783	467,978.39	6,139.52
Q2: 2018	2,039	437	1,833	4,309	9,991.49	152.18
Total	109,005	15,717	60,370	185,092	477,969.88	6,291.70

Note: Public Sector refers to both Federal and State Governments

The Table further shows that from inception to date, the sum of ~~N~~477.97 billion has been paid as lumpsum and the monthly Programmed Withdrawals amounted to ~~N~~6.29 billion.

3.4.2 Retirement by Annuity

The Commission approved a total of 2,652 applications for retirement under life annuity during the quarter, bringing the total number of retirees receiving their retirement benefits through the annuity plan to 54,471. The 2,652 retirees received ~~N~~2.56 billion as lump sum payment and paid premium of ~~N~~14.34 billion to insurance companies. This resulted in total lumps sum payment of ~~N~~66.46 billion and monthly annuity payments of ~~N~~2.84 billion.

Table 3.13: Retirement by Annuity as at Second Quarter, 2018

Period	Public		Private	Total	Lump sum (N Million)	Premium (N Million)	Annuity (N Million)
	FGN	State					
Inception to Q1: 2018	33,673	4,833	13,313	51,819	63,907.37	259,580.78	2,701.72
Q2: 2018	1,631	259	762	2,652	2,557.57	14,340.18	142.03
Total	35,304	5,092	14,075	54,471	66,464.94	273,920.96	2,843.75

3.4.3 Withdrawal of 25 Percent of RSA Balances

Approval was granted for payment of ~~N~~5.65 billion to 12,857 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 shown in Table 3.14, the cumulative total number of RSA holders who were paid 25 percent for temporary loss of job was 275,950 who received ~~N~~93.19 billion being the 25 percent of the balances of their Retirement Savings Account as prescribed by the Pension Reform Act 2014. A further analysis showed that the private sector accounted for 95.60 percent of those who benefitted from these payments while the public sector accounted for 4.40 percent.

Table 3.14: Withdrawal of 25% of RSA Balance in the Second Quarter, 2018

Period	Public		Private	Total	Total RSA Balance (N Million)	Total 25% Paid (N Million)
	FGN	State				

Inception to Q1: 2018	7,233	4,350	251,510	263,093	350,158.40	87,539.60
Q2: 2018	279	279	12,299	12,857	22,615.88	5,653.97
Total	7,512	4,629	263,809	275,950	372,774.28	93,193.57

3.4.4 Approval of Death Benefits

The Commission approved the payment of ₦9.22 billion as death benefits to the beneficiaries of the 3,129 deceased employees during the quarter under review, which brought the total number of deceased employees from both public and private sectors to 50,811. The amount paid during the quarter moved the total payments of death benefits to ₦156.12 billion.

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

Sector	Public		Private	Total	Total Amount Paid (₦ Million)
	FGN	State			
Inception to Q1: 2018	33,750	3,674	10,258	47,682	146,903.92
Q2: 2018	2,173	281	675	3,129	9,218.04
Total	35,923	3,955	10,933	50,811	156,121.95

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

3.4.5 En-Bloc Payments

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 a Programmed Withdrawal or 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 contributions under the CPS.

Accordingly, the sum of ₦967.88 million was paid to 2,905 these categories of RSA holders comprising 169 public (FGN and State) and 2,736 private sector retirees. Consequently, 95,830 retirees received en-bloc payments totaling ₦23.96 billion from inception to the end of the second quarter of 2018.

Table 3.16: Enbloc Payment to Retirees/Foreigners as at Second Quarter, 2018

Sector	Public		Private	Total	Total Amount Paid (₦ Million)
	FGN	State			
Inception to Q1: 2018	6,228	2,408	84,289	92,925	22,990.96
Q2: 2018	40	129	2,736	2,905	967.88
Total	6,268	2,537	87,025	95,830	23,958.84

3.5 Outlook for the 3rd Quarter 2018

It is expected that the equities market indices would further depreciate in the third quarter, 2018 while yields on Government securities are expected to rise, due to exit of some foreign portfolio investors and a general cautionary approach by investors as a result of the approaching election cycle in 2019.

It is also envisaged that the inflation rate would continue its downward trend, from the average rate of 11.77 percent recorded in second quarter, 2018. Overall, pension fund portfolios are expected to show continued growth, but at a much slower phase during the third quarter of 2018. The growth is expected to be driven by monthly receipts of pension contributions, which continue to average ~~N~~50 billion.