



**NATIONAL PENSION COMMISSION
(PenCom)**

**FOURTH QUARTER 2018
REPORT**

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

March, 2019

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SECTION ONE

Pension Operating Environment

1.1 Macroeconomic Development

The macroeconomic environment witnessed improvement of activities with expansion of the Gross Domestic Product (GDP) in the fourth quarter of 2018. The GDP grew by 2.38 percent (year-on-year), indicating 0.57 percentage points increase than the 1.81 percent recorded in the previous quarter and 0.27 percentage points higher than the 2.11 percent recorded in the corresponding period in 2017. In addition, the economy recorded an aggregate output of ₦35.23 trillion, representing a nominal growth of 12.65 percent over ₦31.28 trillion recorded in the corresponding period of 2017 and an increase of 5.58 percent in nominal terms compared to ₦33.37 trillion recorded in the third quarter of 2018.

The non-oil sector remained the major driver of the economy with a demonstration of strong growth of 2.70 percent in the quarter under review compared to 2.32 percent recorded in the previous quarter. In contrast, the oil sector of the economy recorded a negative growth of 1.62 percent. In addition, the contribution of the oil sector to the GDP stood at 7.06 percent, while the non-oil sector contributed 92.94 percent to the economic growth. The growth can be attributed to strong performance of the Services, Agriculture and Industries subsectors of the economy.

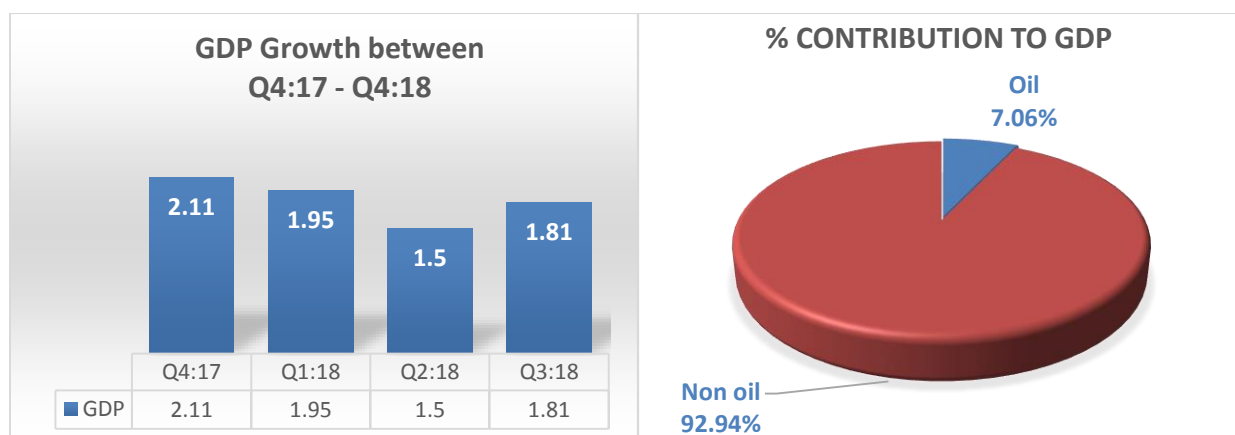


Figure 1: GDP Growth Trend between Q4:17 – Q4:18 and Sector Contribution to GDP

The inflation rate slightly rose in the quarter under review, consistent with the increase recorded in the third quarter, 2018. This rise followed an 18 months' steady decline. The inflation figure stood at 11.44 percent at the end of the fourth quarter of 2018, representing 1.42 percent increase over the previous quarter. A comparison of this with the corresponding quarter in 2017, which recorded 15.37 percent resulted in a

decline of 25.57 percent. The fourth quarter average inflation rate stood at 11.33 percent, which was an increase of 0.10 percent over 11.23 percent obtained in the third quarter of 2018.

The rise in headline inflation was largely from food items as the core inflation decreased in the review period. The slight bubble in the trend of inflation could be attributed to, flooding in parts of the country, spending on Christmas festivities and the 2019 General Elections expenditure. This is notwithstanding the Central Bank of Nigeria's efforts at implementing tightening measures and relative stability in the foreign exchange market as well as rising reserves. The hike in headline inflation is expected to impact negatively on the purchasing power of the retirees.

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 level of stability in 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 developments on interest rates witnessed a rise in the interbank call rate from 4.57 percent in the third quarter of 2018 to 22.68 percent recorded in the quarter under review. Furthermore, the rates on deposits of various maturities declined from the range of 8.79 and 10.08 percent in the quarter under review compared to 8.99 and 10.49 percent in the quarter under review. In addition, the prime lending rate also recorded a slight decline to stand at 16.17 percent in the quarter from 16.59 percent in the previous quarter. Similarly, the maximum lending rates decreased by 0.25 points to 30.52 percent.

1.3 Developments in the Capital Market

The Nigerian Capital Market continued its bearish run in the fourth quarter of 2018 from the preceding quarter with a negative return of 4.08 percent. The drop was lower compared to the 14.40 percent dip witnessed in the third quarter. The bearish nature of the market mirrored the sentiment of the global market. In addition, the market also reacted to decapitalization due to the strong foreign interest rates, oil price volatility and political risk due to the 2019 election. The NSE All Share Index closed at 31,430.50 down from 32,766.37 recorded in the previous quarter. Likewise, the market capitalization dropped by 1.99 percent during the quarter to close at ₦21.90 trillion from ₦22.35 trillion as at the third quarter of 2018.

The equity market capitalization closed at ₦11.73 trillion in the quarter under review. This represented a 2.01 percent decline from the ₦11.97 trillion recorded in the last

quarter. In addition, the total volume of stocks traded at the end of the year stood at 101.43 billion with the closing total trading value of ₦1.20 trillion.

1.4 Developments in the Bond Market

There were no new issuances from the Federal Government of Nigeria during the quarter. However, several other 5 to 7 and 10 year tenured bonds worth about ₦300 billion were re-opened during the period.

The developments in the Bond Market indicated a decrease in the market capitalization by 2.41 percent to stand at ₦10.12 trillion in the quarter under review from ₦10.37 trillion recorded in the third quarter, 2018. The total number of listed debt securities stood at 108 at the end of the year.

SECTION TWO

Regulatory and Supervisory Activities

The Commission maintained its consultative philosophy in the regulation and supervision of the industry during the quarter under review. 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

The Commission conducted the Routine Examinations of 31 Licensed Operators comprising 21 Pension Fund Administrators (PFAs), 6 Closed Pension Fund Administrators (CPFAs) and 4 Pension Fund Custodians (PFCs) using the new Risk Based Supervision (RBS) model. The new approach is in line with the RBS methodology adopted by the Financial Services Regulation Coordinating Committee (FSRCC). The Commission also carried out Special/Target Examination on the following Operators:

- a) Veritas Glanvills Pension Limited; and
- b) Unico CPFA Limited (wounding down of operations)

The Commission also undertook several investigative activities during the period under review. The investigations were prompted by complaints from customers, whistleblowers and information from offsite surveillance. The investigations covered issues bordering on the following areas:

- a) Corporate Governance matters;
- b) Irregularities in payment of death benefits; and
- c) Service delivery issues

2.1.1 Off-Site Examination of Pension Fund Operators

a) Compliance Reports

The Commission reviewed monthly Compliance Reports submitted by Pension Operators. The major issues observed from the review of these reports were multiple PIN registration, un-credited pension contributions, exposure to FGN bonds and treasury bills relative to Net Asset Value (NAV) and delay in the payment of retirement benefits. Others were payment of accrued rights of treasury funded retirees and outstanding commitments from previous routine examination.

b) Corporate Governance

During the quarter under review, Pension Operators forwarded their Corporate Governance Reports. The major issues observed from the review of these reports were inadequate size of the Boards, non-submission of annual Performance Evaluation of the individual Directors and inclusion of Executive Directors as members of the Board Audit Committee. In addition, Board and Committee meetings were held same day and some Directors were members of all the Board Committees. The Operators concerned were required to ensure that they address the above issues.

2.1.2 Exit of Unico CPFA Limited from the Pension Industry

During the period under review, Unico CPFA Limited, one of the licensed Closed Pension Fund Administrators relinquished its operational license and exited the pension business. This was due to the decision of the Sponsor, UACN PLC to discontinue the Scheme. Consequently, the CPFA has wound-up its pension plans and transferred the funds into the RSAs of all its members with PFAs of their choice.

2.1.3 Update on Returns Rendition System

During the quarter under review, twenty-seven (27) Licensed Pension Operators comprising 17 PFAs, 4 PFCs and 6 CPFAs rendered returns for the Funds under their management/custody as well as their Company operations to the Commission via the Risk Management & Analysis System (RMAS) for the period under review. However, 4 operators could not render the returns within the stipulated timelines as a result of the challenges experienced by the Commission on the RMAS application.

2.1.4 Resolution Activities

The Commission continued its regulatory intervention on First Guarantee Pension Limited. However, a new four-man interim Management Committee was constituted by the Commission with Mr. Ivor M. Takor as the Chairman. The PFA continued to provide services to its clients with a satisfactory solvency and going concern status. The Commission continued its efforts to ensure expeditious resolution of the shareholders' dispute in the PFA with a view to ending the regulatory intervention.

2.1.5 Acquisition of Majority Shareholding and Change of Name of Licensed Operators

a) Legacy Pension Managers Limited

First City Monument Bank (FCMB), a shareholder of Legacy Pension Managers Limited, has acquired majority shares in the PFA via the Commission's approval of 26 July, 2018. Consequently, the name of the PFA has been changed to FCMB Pensions Limited.

b) Future Unity Glanvills Pensions Limited

The majority shareholder of FUG Pensions Limited, UnityKapital Assurance Plc has changed its name to Veritas Kapital Assurance Plc. Consequently, the Commission approved the request of the PFA to change its name to Veritas Pensions Limited.

2.2 Compliance and Enforcement Activities

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

2.2.1 Update on Compliance by the Private Sector

During the period under review, the Commission received 3,046 applications for the issuance of Pension Compliance Certificates out of which 2,044 were approved and issued while 1,002 applications were rejected for failing to meet appropriate requirements. Accordingly, the sum of ₦7.42 billion was remitted into the Retirement Savings Accounts (RSAs) of 966,155 employees of the 2,044 organizations. Therefore, the cumulative number of applications received during the year was 16,536 out of which, 16,100 were approved and issued certificates while 436 were rejected.

Furthermore, the Commission also issued a general notice to the public advising against the engagement of touts in their applications for Pension Clearance Certificate. The action was necessitated by the increase in the activities of touts, who parade as agents, with regards to the Pension Clearance Certificate. It was discovered that most of them present fake evidences of contributions remittances in their attempt to secure the Commission's approval for the certificate on behalf of employers. The Commission further re-emphasizes that all eligible employers may apply for the Pension Clearance Certificates directly and there is no provision whatsoever for such to be done through any intermediary.

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

During the quarter under review, 1,282 applications for transfer of NSITF applications totaling ₦56.78 million were received. All applications were processed and transferred to the RSAs of the NSITF members. From inception to 31 December, 2018, ₦19.64 billion had been transferred to the RSAs of 272,463 NSITF contributors.

2.2.3 Payment of Lump sum benefits to NSITF Members

During the period under review, 65 batches of applications were received from Trustfund Pensions on behalf of 378 NSITF members for payment of Lump-Sum (Retirement Grants, Deferred National Provident Fund (NPF) Grants etc.). The Commission granted approval to Trustfund for the payment of ₦14.34 million to 377 NSITF members. Thus, from November 2006 to 31 December, 2018, ₦2.90 billion had been paid as Lump Sum to 35,562 NSITF Members.

2.2.4 NSITF Scheme Monthly Pension Payments

During the quarter, the Commission granted concurrence to Trustfund Plc for monthly pension payments totaling ₦191 billion to 5,628 NSITF Pensioners. Thus, from November 2006 to 31 December, 2018, the total pension payment to NSITF Pensioners amounted to ₦4.07 billion.

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

The Commission maintained the services of Recovery Agents (RAs) for the recovery of outstanding pension contributions and penalty from defaulting employers. The RAs were mandated to review the pension records of the employers assigned by the Commission with a view to recover outstanding pension contributions with penalty.

During the quarter under review, the sum of ₦365.56 million was recovered by the RAs. This brings the total recoveries made by the Agents from inception of the exercise in 2012 to date to ₦15.36 billion, representing principal contribution of ₦7.87 billion and penalty of ₦7.49 billion. These amounts have since been credited to the respective RSAs of the employees.

2.2.6 Public Awareness for the Organised Private Sector and Collaboration with MDAs

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.

The Commission also collaborated with NIMASA to further improve compliance by private sector employers in the maritime industry. Following the engagement, NIMASA accepted to recognize Pension Clearance Certificate issued by the Commission as the only valid evidence of compliance with the provisions of the PRA 2014.

The Commission, in collaboration with the Nigeria Employers Consultative Association (NECA), conducted an interactive session for the Organized Private Sector (OPS) on the Challenges and Future Outlook of the PRA 2014 in Lagos and Abuja.

2.2.7 Update on Activities of the Pension Transitional Arrangements Directorate (PTAD)

During the fourth quarter, the Commission conducted a Routine Examination of the Pension Transitional Arrangements Directorate (PTAD), in line with the provisions of the Pension Reform Act (PRA), 2014. A review of the statutory monthly returns rendered revealed that PTAD paid a total of ₦9.92 billion to 228,898 pensioners for December, 2018.

The Commission continued to monitor the payment of pensions to Public Service retirees under the Defined Benefit Scheme (DBS) through a review of the monthly statutory returns by PTAD. Complaints from pensioners were also followed up with PTAD to ensure that they were resolved.

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

During the quarter under review, the Commission processed 240 applications for the refund of pension contributions of Military personnel and Other Security Agencies during the year. The sum of ₦157.86 million was refunded to the contributors.

A Tripartite Committee for the Winding Down of the Military Refund was set up in October, 2018. The Committee comprised representatives from the Commission, Military Pension Board (MPB) and Pension Fund Operators (PenOp). The main objective of the Committee was to review the entire refund process with a view to ensuring the immediate payment of all outstanding requests. This is to ensure that all personnel receive their refunds accordingly.

2.3 Compliance By State Governments

2.3.1 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 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 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/No	State	Remittance of Contribution	Accrued Rights	Group Life Insurance
1	Jigawa	<ul style="list-style-type: none"> ▪ Transferred pension assets to 10 PFAs for management and up to date remittance of employee and employer contributions. ▪ Implementing Contributory Defined Benefits Pension Scheme (CDBS) 	Not Available	Not Available
2	Lagos	Remitting both employer and employee pension contributions	Funding the Accrued Rights of employees	Has valid Group Life Insurance policy in place
3	Ogun	Largely stopped remitting pension contributions except for few State Corporations, albeit inconsistently	Yet to determine and commence funding of the accrued rights	Yet to put in place Group Life Insurance policy
4	Kaduna	Remitting both Employer and Employee pension contributions	Funding the Accrued Rights of the employees of the State	Has a valid Group Life Insurance policy in place
5	Niger	Suspended remittance of pension contributions	Suspended funding of Past Service Liabilities	Yet to renew Group Life Insurance Policy
6	Delta	Remitting both Employer and Employee portion of the employees of the State Public Service but only employee portion for the Local Government employees	Concluded determination of quantum of past service liabilities but funding has been intermittent with backlog of accrued rights yet to be paid to retirees	Yet to put in place a Group Life Insurance policy for the employees
7	Zamfara	Remitting only employee portion of pension contributions, albeit inconsistently	Yet to determine and commence funding of the accrued rights	Yet to put in place the Endowment Fund in lieu of Group Life Insurance
8	Osun	Contributions have been remitted up to June 2015 for employees and up to June 2016 for retirees.	Determined and commenced funding of Accrued Rights with the CBN albeit inconsistently, resulting to huge backlog of arrears.	Group Life Insurance policy for employees expired November 2018
9	Rivers	Remitting employee pension contributions	Commenced funding of its Accrued Rights with N300m in 2012 domiciled with Premium Pension but did not continue thereafter	Group Life Insurance policy is yet to be renewed
10	Kano	Yet to transfer the pension assets to a PFC for custody and PFA for management. Implementing CDBS	Not Available	Not Available

S/No	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	Yet to determine and commence funding of the accrued rights	No valid Group Life Insurance policy in place
12	Kebbi	Commenced refund of the remitted employee portion of the pension contributions due to non-remittance of the employer portion, hence reversion of employees to the DBS	Yet to determine and commence funding of the accrued rights	No valid Group Life Insurance policy in place
13	Sokoto	Yet to commence deduction and remittance of pension contributions	Yet to determine and commence funding of the accrued rights	No valid Group Life Insurance policy in place
14	Ekiti	Remitting both employer and employee pension contributions	Yet to determine and commence funding of the accrued rights	No valid Group Life Insurance policy in place
15	Kogi	Yet to commence deduction and remittance of pension contributions	Yet to determine and commence funding of the accrued rights	No valid Group Life Insurance policy in place
16	Bayelsa	Yet to commence deduction and remittance of pension contributions	Yet to determine and commence funding of the accrued rights	No valid Group Life Insurance policy in place
17	Nasarawa	Yet to commence deduction and remittance of pension contributions	Yet to determine and commence funding of the accrued rights	No valid Group Life Insurance policy in place
18	Oyo	Yet to commence deduction and remittance of pension contributions	Yet to determine and commence funding of the accrued rights *The State has set aside ₦2.2 billion towards the commencement of the CPS.	No valid Group Life Insurance policy in place
19	Katsina	At the Bill Stage	Not Applicable	Not Applicable
20	Akwa Ibom	At the Bill Stage	Not Applicable	Not Applicable
21	Edo	Remitting both employer and employee pension contributions	Yet to determine and commence funding of the accrued rights	Has valid Group Life Insurance policy in place
22	Ondo	Remitting both employer and employee pension contributions for the core civil servants employed from September 2014 and few self-funded agencies, albeit inconsistently.	Yet to determine and commence funding of the accrued rights	No valid Group Life Insurance policy in place
23	Benue	At the Bill Stage	Not Applicable	Not Applicable
24	Kwara	At the Bill Stage	Not Applicable	Not Applicable
25	Plateau	At the Bill Stage	Not Applicable	Not Applicable
26	Cross River	At the Bill Stage	Not Applicable	Not Applicable

S/No	State	Remittance of Contribution	Accrued Rights	Group Life Insurance
27	Anambra	Has commenced deduction and remittance of pension contributions. While LGAs remit both the employer and employee portions, the State Government is yet to remit the employer portion for State Employees from January 2016 to date	Has determined the quantum of the accrued rights and yet to commence funding of the accrued rights. However, has set aside some funds for the accrued rights of its Local Government employees	No valid Group Life Insurance policy in place
28	Enugu	Yet to commence deduction and remittance of pension contributions	Yet to determine and commence funding of the accrued rights	No valid Group Life Insurance policy in place
29	Abia	Yet to commence deduction and remittance of pension contributions	Yet to determine and commence funding of the accrued rights	No valid Group Life Insurance policy in place
30	Ebonyi	Yet to commence deduction and remittance of pension contributions	Yet to determine and commence funding of the accrued rights	No valid Group Life Insurance policy in place
31	Taraba	Yet to commence deduction and remittance of pension contributions	Yet to determine and commence funding of the accrued rights	No valid Group Life Insurance policy in place
32	Bauchi	At the Bill Stage	Not Applicable	Not Applicable
33	Borno	At the Bill Stage	Not Applicable	Not Applicable
34	Gombe	Yet to commence deduction and remittance of pension contributions	Yet to determine and commence funding of the accrued rights	No valid Group Life Insurance policy in place
35	Yobe	No Bill	Not Applicable	Not Applicable
36	Adamawa	Yet to commence deduction and remittance of pension contributions	Yet to determine and commence funding of the accrued rights	No valid Group Life Insurance policy in place
37	FCT	Regular and up to date in remittance of pension contributions for FCTA employees, but there exist backlogs of remittances for the Area Councils Staff	Funding accrued rights of its employees albeit inadequate for the FCTA, and has arrears especially for employees of the Area Councils.	Has valid Group Life Insurance policy in place

Apart from enacting law on the CPS, Table 2.1 further shows that 12 out of the 36 states had commenced remittance of contributions into the RSAs of their employees. Furthermore, the table shows that 8 States commenced the funding of their Retirement Benefit Bond Redemption Fund Accounts (RBBRFAs).

2.3.2 Inspection of Pension Boards/Bureaus

The Commission conducted routine inspections of the pension arrangements in Osun State and its Local Governments. The purpose of the Inspections was to ascertain the

level of implementation of the CPS as well as the administration of the Defined Benefits Scheme (DBS) in the State and Local Governments.

2.3.3 Update on Engagements with the State Governments on the Implementation of the CPS

The Commission continued its engagement with State Governments on the implementation of the CPS. These interactive sessions, trainings and workshops include the following:

- i. The Commission conducted a training workshop for the Board and top Management Staff of the Delta State and Local Governments Pension Bureaux. The Workshop was geared towards closing the knowledge gap and operational inefficiencies in the two Pension Bureaux and also to foster synergy in the administration of the CPS for both the State and Local Government Public Service.
- ii. A workshop on returns rendition was also organized for Compliance Officers of Pension Fund Administrators and desk officers in charge of rendering returns on remittances from States and Local Governments. In line with the Commission's consultative approach, proposed templates for returns rendition were exposed to the participants, who made necessary inputs before they were finally adopted.
- iii. The Commission facilitated a one-day Sensitization Workshop on the Contributory Pension Scheme organized by the Federal Polytechnic Offa, Kwara State. The Workshop was aimed at enlightening staff on the workings of the CPS and new developments in the pension industry, especially the RSA Multi-Fund Structure. Clarifications were provided on the perceived delays in the processing of retirement benefits and the discrepancies in the RSA balances of contributors occasioned by the non-provision of nominal rolls to the Commission by some Treasury funded MDAs.
- iv. The Commission held a meeting with the Committee on the implementation of the CPS in Anambra State chaired by the State Deputy Governor at Awka. The meeting identified challenges in the implementation of the CPS in Anambra State and also agreed on a roadmap towards full implementation of the Scheme. An interactive session was also held with the representatives of organized Labour in the State to address their concerns with respect to the implementation of the CPS in the State.
- v. The Commission also held an interactive session with Labour officials in Abia State and a sensitization meeting with the Committee on the implementation of the CPS in the State chaired by the State Head of Service. While there was notable enthusiasm by both the State Government and Labour towards implementing the Scheme, the engagements brought out the need for the Commission to embark on an aggressive sensitization drive as it was observed

that there was remarkable dearth of knowledge on the workings of the CPS and the State Pension Law.

- vi. An implementation meeting was also held with the Rivers State Pension Board. The meeting was aimed at discussing the challenges in the implementation of the CPS. Notable amongst these challenges are the non-funding of accrued rights and non-remittance of the employer portion of pension contributions since February 2016. In the course of the meeting, the Commission was informed that a 14-man Committee had been constituted by the State Government to review the implementation of the CPS in the State. Part of the Committee's recommendations was that the Rivers State Contributory Pension Law 2012 should be repealed and a new Law enacted in its place. The Committee had also recommended January 2019 as the new commencement date for the CPS in Rivers State. It was also recommended that all outstanding employer portion of pension contributions should be remitted by the State Government. The Commission was informed that the State Government had accepted the Committee's recommendations.
- vii. The Commission also held a meeting with the Kwara State House of Assembly Committee on Pension to obtain necessary update on the status of the Contributory Pension Scheme Bill, which is currently before the State House of Assembly and proffer necessary technical advice on the CPS. The Commission was informed that the House Committee had been unable to secure passage of the CPS Bill due to paucity of funds and other exigencies which had hampered its work. On its own part, the delegation from the Commission emphasized the need for the House of Assembly to incorporate the Commission's observations on the Pension Bill, which had earlier been conveyed to the Speaker. Consequently, it was agreed that the House would incorporate the Commission's observations on the Pension Bill and expedite passage. To facilitate the process, it was agreed that a five-man committee comprising representatives of the Office of the State Head of Service and the organized labour unions should be constituted by the Head of Service to work with the House Committee.

2.3.4 Consultative Forum for States and the FCT

The Commission conducted the Fourth Quarter 2018 Consultative Forum for States and the FCT. The forum provided an avenue for the participants to deliberate on issues regarding pension matters as well as addressing challenges encountered by the Pension Bureaux/Boards. Some of the issues discussed at the Forum included the delay in payment of administrative fees, uncredited pension contributions with PFAs and the apportionment of pension benefits/gratuity for employees that transfer their services from the States implementing Defined Benefits Scheme to other States implementing the CPS.

SECTION THREE

Pension Industry Statistics

3.1 Scheme Memberships

The pension industry recorded a 1.63 percent growth in the scheme membership during the fourth quarter of 2018, moving from 8.34 million contributors at the end of the preceding quarter to 8.47 million. The growth in the industry membership was driven by the Retirement Savings Account (RSA) Scheme, which had an increase of 138,236 contributors representing 1.64 percent. However, membership of the Closed Pension Fund Administration (CPFA) Scheme declined by 71 members (23,332) 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 Fourth Quarter, 2018

Scheme Type	Q2	Q3	Q4	Change between Q3 and Q4	% Change
RSA	8,136,202	8,271,948	8,410,184	138,236	1.64%
CPFA	23,579	23,403	23,332	-71	-0.30%
AES	40,951	40,951	40,951	-	0.00%
TOTAL	8,200,732	8,336,302	8,474,467	138,165	1.63%

3.1.1 Membership of RSA

A breakdown of the RSA registrations indicated a 0.82 percent (29,455) increase in RSA membership from the public sector during the fourth quarter of 2018 to stand at 3,609,350, which represented 42.92 percent of the total RSA registrations as shown in Table 3.2 below. In addition, private sector membership increased by 2.32 percent (108,781) in the quarter under review, which brought total registrations from this sector to 4,800,834 representing 57.08 percent of total RSA membership. 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 Fourth Quarter, 2018

Age Range	Public Sector		Private Sector		Total		Grand Total	
	Male	Female	Male	Female	Male	Female	Number	%
Less than 30 yrs	92,146	50,744	434,536	226,469	526,682	277,213	803,895	9.56
30 - 39 yrs	699,052	353,531	1,428,686	569,073	2,127,738	922,604	3,050,342	36.27
40 - 49 yrs	661,128	403,449	994,954	289,474	1,656,082	692,923	2,349,005	27.93
50 - 59 yrs	571,858	330,075	507,172	102,914	1,079,030	432,989	1,512,019	17.98
60 - 65 yrs	221,090	90,917	140,744	17,914	361,834	108,831	470,665	5.60
Above 65 yrs	105,917	29,443	80,793	8,105	186,710	37,548	224,258	2.67
Total	2,351,191	1,258,159	3,586,885	1,213,949	5,938,076	2,472,108	8,410,184	100.00

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 fourth quarter of 2018. The shares of bottom five and ten PFAs increased from 5.03 and 17.38 percent in the third quarter of 2018 to 5.17 and 17.66 percent respectively as at the end of the reporting period. However, the market shares of top five and ten PFAs dropped from 54.26 and 79.42 percent in the previous quarter to 53.93 and 79.18 percent respectively 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	Q3:18 (%)	Q4:18 (%)
Top 3	38.02	37.81
Top 5	54.26	53.93
Top 10	79.42	79.18
Bottom 3	2.05	2.17
Bottom 5	5.03	5.17
Bottom 10	17.38	17.66

Table 3.3 further indicates that the share of the top three PFAs had reduced from 38.02 percent as at third quarter, 2018 to 37.81 percent as at fourth quarter, 2018. The share of the bottom three PFAs increased from 2.05 percent to 2.17 percent during the same period.

Table 3.4 shows that 66.67 percent (14) of the PFAs had each registered less than 500,000 RSAs while the remaining seven PFAs (33.33 percent) had registered more than 500,000 RSAs 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 memberships of the CPFAs and AESs were 23,332 and 40,951 respectively as at the end of the fourth quarter of 2018 as shown in Tables 3.5 and 3.6 respectively. A review of the tables shows a slight decrease of 0.30 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, 2018

Enrolment Type	Number			Percentage of Total	
	Q2:2018	Q3:2018	Q4:2018	Q3:2018	Q4:2018
Active Members	16,751	16,434	16,356	70.22	70.10
Existing Pensioners	6,196	6,260	6,337	26.75	27.16
Deferred Pensioners	632	709	639	3.03	2.74
Total	23,579	23,403	23,332	100.00	100.00

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

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

Enrolment Type	Number			Percentage of Total	
	Q1:2018	Q2:2018	Q3:2018	Q2:2018	Q3:2018
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	100.00	100.00

Note: Dependants are protégés of deceased pensioners.

3.2 Pension Contributions

The total monthly pension contributions made by contributors from both the public and private sectors was ₦5.09 trillion as at the end of the fourth quarter, 2018. This shows an increase of ₦145.41 billion representing 2.94 percent growth over the total contributions as at the end of the previous quarter as shown in Table 3.7. During the fourth quarter of 2018, the total contributions received from the public sector amounted to ₦50.03 billion (34.41 percent) while the private sector contributed ₦5.38 billion (65.59 percent).

A review of the aggregate total contribution shows that ₦2.56 trillion or 50.35 percent of the contributions came from the public sector, while the private sector contributed the remaining 49.65 percent (₦2.53 trillion).

Table 3.7: Pension Contributions as at Fourth Quarter, 2018

Year/Quarter	Public Sector		Private Sector		Total	
	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total
2004	15.6	0.61	0	0.00	15.60	0.31
2005	34.68	1.35	0	0.00	34.68	0.68
2006	37.38	1.46	23.03	0.91	60.41	1.19
2007	80.63	3.14	68.34	2.70	148.97	2.92
2008	99.28	3.87	80.81	3.20	180.09	3.54
2009	137.1	5.35	91.21	3.61	228.31	4.48
2010	162.46	6.34	103.03	4.07	265.49	5.21
2011	228.92	8.93	119.53	4.73	348.45	6.84
2012	302.24	11.79	159.52	6.31	461.76	9.07
2013	278.5	10.86	225.42	8.91	503.92	9.89
2014	237.76	9.27	343.97	13.60	581.73	11.42
2015	200.05	7.80	358.91	14.19	558.96	10.97
2016	225.86	8.81	262.33	10.37	488.20	9.58
2017	257.11	10.03	353.73	13.99	610.84	11.99
Q1:2018	67.40	2.63	72.69	2.87	140.09	2.75
Q2:2018	68.72	2.68	73.09	2.89	141.80	2.78
Q3:2018	80.69	3.15	98.23	3.88	178.92	3.51
Q4:2018	50.03	1.95	95.38	3.77	145.41	2.85
Total	2,564.41	100	2,529.22	100	5,093.63	100.00

The aggregate total pension contributions of the private sector increased from ₦2.43 trillion as at third quarter of 2018 to ₦2.53 trillion as at the end of the reporting period representing a growth of 4.04 percent. Whereas, the aggregate total pension

contribution of the public sector increased by 3.21 percent from ~~N~~2.51 trillion to ~~N~~2.56 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 into the pension fund indicates that the top 5 ranked PFAs received 65.54 percent of the total contributions as at the end of the fourth quarter of 2018. The top 10 ranked PFAs accounted for 87.93 percent of the total contributions. The bottom 5 and 10 PFAs received ~~N~~96.31 billion and ~~N~~485.17 billion pension contributions, representing 1.82 percent and 9.17 percent of the total contributions respectively as at the end of the quarter under review.

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

Rank	Amount (N billion)	Percentage of Total (%)
Top 5	3,467.46	65.54
Top 10	4,652.42	87.93
Bottom 5	96.31	1.82
Bottom 10	485.17	9.17

3.3 Pension Fund Investment

The total value of pension fund assets based on unaudited valuation reports grew from to ~~N~~8.35 trillion as at the end of September, 2018 to ~~N~~8.64 trillion as at December, 2018 representing a growth of 3.49 percent (~~N~~291.22 billion). The growth indicates an increase in the quarterly growth rate compared to the 1.39 percent for the previous quarter. The breakdown of the pension assets by fund type is shown in Table 3.9.

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

Fund/Period	Q3:2018		Q4:2018		Change between Q4:2018 & Q3:2018	
	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total
RSA Fund I	6.53	0.08	7.90	0.09	1.37	0.47
RSA Fund II	3,695.91	44.28	3,826.34	44.30	130.43	44.79
RSA Fund III	1,975.41	23.67	2,064.22	23.90	88.81	30.50
RSA Fund IV (Retiree)	638.03	7.64	683.86	7.92	45.83	15.74
CPFAs	1,075.58	12.89	1,077.57	12.48	1.99	0.68
AESs	955.05	11.44	977.84	11.32	22.79	7.82
Total	8,346.51	100.00	8,637.74	100.00	291.22	100.00

Table 3.9 shows that as at fourth quarter of 2018, the RSA funds (Funds I – IV) had the largest portfolio, accounting for ~~N~~6.58 trillion (76.20 percent) of the total assets

under management. CPFAs and AESs assets stood at ₦1.08 trillion and ₦977.84 billion representing 12.48 percent and 11.32 percent of the total assets under management respectively. In addition, the Table also revealed that the RSA Fund I constituted 0.12 percent of the total RSA Fund, RSA Fund II constituted 58.13 percent; Fund III 31.36 percent while Fund IV i.e. the 'Retiree' Fund accounted for 7.92 percent of the Fund.

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 an allocation of 73 percent of the total pension assets (FGN Bonds: 52 percent, Treasury Bills: 19 percent, Sukuk Bonds: 1 percent while Agency Bonds and Green Bonds: less than 1 percent). This was due to a number of factors, such as subdued investor sentiment that characterized the financial markets leading up to the general elections in 2019. This prompted pension operators to adopt a 'flight to safety' strategy by investing in FGN Securities pending the outcome of elections and a clearer view of the direction of macro/micro economic policy.

Table 3.10: Pension Industry Portfolio as at December, 2018

S/N	ASSET CLASS	Total Pension Fund Assets 31-Dec-18		Total Pension Fund Assets 30-Sep-18		Variance Between December 2018 and September 2018	
		₦ Billion	Weight (%)	₦ Billion	Weight (%)	₦ Billion	Weight (%)
1	Domestic Ordinary Shares	606.20	7.02	602.06	7.21	4.14	1.42
2	Foreign Ordinary Shares	55.86	0.65	64.46	0.77	(8.59)	(2.94)
3	Total FGN Securities	6,313.12	73.09	5,900.82	70.70	412.30	141.19
	(i) FGN Bonds	4,534.37	52.49	4,326.15	51.84	208.22	71.30
	(ii) Treasury Bills	1,673.42	19.37	1,501.89	18.00	171.53	58.74
	(iii) Agency Bonds (NMRC & FMBN)	11.57	0.13	10.80	0.13	0.77	0.26
	(iv) Sukuk Bonds	86.54	1.00	54.27	0.65	32.28	11.05
	(v) Green Bonds	7.23	0.08	7.72	0.09	(0.49)	(0.17)
4	State Govt. Securities	138.71	1.61	152.48	1.83	(13.77)	(4.72)
5	Corporate Debt Securities	468.68	5.43	427.73	5.13	40.95	14.02
6	Supra-National Bonds	6.91	0.08	6.08	0.07	0.83	0.28
7	Local Money Market Securities	709.14	8.21	845.15	10.13	(136.01)	(46.58)
8	Foreign Money Market Securities	3.21	0.04	3.24	0.04	(0.03)	(0.01)
9	Mutual Funds	24.01	0.28	17.80	0.21	6.21	2.12
	(i) Open/Close-End Funds	8.47	0.10	9.01	0.11	(0.54)	(0.19)
	(ii) REITs	15.54	0.18	8.79	0.11	6.75	2.31
10	Real Estate Properties	229.71	2.66	225.04	2.70	4.67	1.60
11	Private Equity Fund	31.35	0.36	40.07	0.48	(8.72)	(2.99)
12	Infrastructure Fund	18.51	0.21	17.12	0.21	1.39	0.48
13	Cash & Other Assets	32.32	0.37	43.64	0.52	(11.33)	(3.88)
	Net Assets Value	8,637.74	100.00	8,345.71	100.00	292.02	100.00

Table 3.10 further indicates that the value of investments in quoted ordinary shares was ₦606.20 billion (7.02 percent of industry portfolio value) as at 31 December, 2018, indicating an increase of ₦4.14 billion compared to the value of ₦602.06 billion as at 30 September, 2018. The increase in the value of investments in quoted equities was primarily due to new investment in ordinary shares. However, there was market price depreciation of some stocks during the period, as the All Share Index (NSE-ASI) and Market Capitalization depreciated by 4 percent and 1.92 percent respectively, from 32,740.64 bps and ₦11.95 trillion, as at 30 September 2018, to 31,430.50 bps and ₦11.72 trillion, as at 31 December 2018.

The value of investments in FGN Bonds and FGN Agency bonds increased by ₦208.22 billion and ₦768.74 million; while investments in Treasury Bills decreased by ₦171.53 billion.

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

PFA Rank	Q2:2018		Q3:2018		Q4:2018	
	Amount (N' Billion)	% of Total RSA Assets	Amount (N' Billion)	% of Total RSA Assets	Amount (N' Billion)	% of Total RSA Assets
Top 3	3,336.24	54.20	3,414.95	54.23	3,545.88	54.07
Top 5	4,116.80	66.89	4,212.96	66.90	4,381.97	66.83
Top 10	5,414.57	87.97	5,531.54	87.84	5,757.09	87.80
Bottom 3	29.57	0.48	31.15	0.49	32.66	0.50
Bottom 5	113.98	1.85	118.79	1.89	124.59	1.90
Bottom 10	553.69	9.00	573.17	9.10	601.04	9.17

A review of PFAs' ranking by size of assets under their management showed that each of the top three and five PFAs accounted for more than half of the total RSA assets at 54.07 and 66.83 percent respectively. The top ten PFAs had 87.80 percent of the total RSA assets under their management while the bottom ten PFAs accounted for 9.17 percent of the RSA assets under management at the end of the reporting period.

3.3.1 Portfolio Performance

(i) RSA 'Active' Funds

The Net Asset Value (NAV) of the RSA 'Active' Funds (i.e. RSA Funds I, II and III) recorded a net growth of ₦220.61 billion (3.89 percent), from ₦5.68 trillion as at 30 September, 2018 to ₦5.90 trillion as at 31 December, 2018. The breakdown of the Net Asset Value of the various RSA 'Active' Funds were: RSA Fund I was ₦7.90 billion (0.13 percent); RSA Fund II was ₦3.83 trillion (64.87 percent) and RSA Fund III was ₦2.06 trillion (35.00 percent).

The Weighted Average Rate of Return (WARR) of the RSA 'Active' funds were: RSA Fund I recorded 10.84 percent; RSA Fund II recorded 4.22 percent and RSA Fund III recorded 10.47 percent). The performance of Fund II was negatively impacted by the resultant losses in marking to market the value of fixed income securities in the portfolio at the point of assets transfers to Fund I and Fund III in July 2018.

(ii) RSA Retiree Fund

The Net Asset Value of the RSA Retiree Fund increased by ~~N~~45.83 billion, from ~~N~~638.03 billion on 30 September, 2018 to ~~N~~683.86 billion as at 31 December, 2018. The fund recorded a WARR of 12.66 percent (annualized), a slight increase in performance when compared with the annualized WARR of 11.57 percent recorded in the third quarter, 2018.

(iii) CPFA Funds

The value of pension fund assets held by the CPFA Funds recorded an increase in value of ~~N~~1.99 billion (0.19 percent), from ~~N~~1.076 trillion as at 30 September, 2018 to ~~N~~1.078 trillion as at 31 December, 2018. The annualized rates of return recorded on the CPFA Funds ranged between 4.01 percent and 14.34 percent, which was reflective of the actual assets allocation of the individual Funds. The Funds with relatively high exposure to equity/equity funds recorded a lower performance, when compared to other Funds with more investments in fixed income assets.

(iv) Approved Existing Schemes

The NAV of the AESs increased by ~~N~~22.79 billion (2.39 percent), from ~~N~~955.05 billion as at 30 September, 2018, to ~~N~~977.84 billion as at 31 December, 2018. The net increase in the total portfolio value was primarily attributed to new contributions; funds injected by scheme sponsors and interest/coupon incomes. The annualized rates of return recorded on the AES Funds ranged between 5.87 percent and 15.14 percent in third quarter 2018.

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) contracts increased by 4.80 percent from 191,556 in the previous quarter to 200,747 as at the end of the fourth quarter of 2018. A sectorial breakdown shows that 65.19 percent of those that received pension under the PW were from the public sector while retirees from the private sector accounted for the remaining 34.81 percent.

During the quarter under review, the sum of ₦ 26.88 billion was paid to 9,191 retirees as lump sum and ₦1.96 billion 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 Fourth Quarter, 2018

Period	Public		Private	Total	Lump sum (₦Million)	Monthly PW (₦ Million)
	FGN	State				
Inception to Q3: 2018	110,722	15,717	65,117	191,556	493,197.15	6,658.70
Q4: 2018	4,200	225	4,766	9,191	26,879.98	1,960.45
Total	114,922	15,942	69,883	200,747	520,077.13	8,619.15

Note: Public Sector refers to both Federal and State Governments

The Table further shows that from inception to date, the sum of ₦520.08 billion has been paid as lump sum and the monthly Programmed Withdrawals amounted to ₦8.62 billion.

3.4.2 Retirement by Annuity

The Commission approved a total of 4,350 applications for retirement under life annuity during the quarter, bringing the total number of retirees receiving their retirement benefits through the annuity plan to 61,652. The 4,350 retirees received ₦8.61 billion as lump sum payment and paid premium of ₦38.91 billion to insurance companies and monthly annuity of ₦260.14 million. This resulted in total lumps sum payment of ₦76.78 billion, premium of ₦328.88 billion and monthly annuity payments of ₦3.26 billion as at the end of Fourth quarter, 2018..

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

Period	Public		Private	Total	Lump sum (₦ Million)	Premium (₦ Million)	Annuity (₦ Million)
	FGN	State					
Inception to Q3: 2018	37,096	5,113	15,093	57,302	68,165.80	289,965.50	2,999.52
Q4: 2018	2,297	930	1,123	4,350	8,609.87	38,910.33	260.14
Total	39,393	6,043	16,216	61,652	76,775.67	328,875.83	3,259.66

3.4.3 Withdrawal of 25 Percent of RSA Balances

Approval was granted for payment of ₦5.14 billion to 13,609 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 benefits for temporary loss of job was 302,735 and were paid a total of ₦103.42 billion being 25 percent of the balances of their RSAs as prescribed by the Pension Reform Act 2014. A further analysis showed that the private sector accounted for 95.70 percent of those who benefitted from these payments while the public sector accounted for 4.30 percent.

Table 3.14: Withdrawal of 25% of RSA Balance During the Fourth Quarter, 2018

Period	Public		Private	Total	Total RSA Balance (₦ Million)	Total 25% Paid (₦ Million)
	FGN	State				
Inception to Q3: 2018	7,749	4,920	276,457	289,126	393,121.79	98,280.45
Q4: 2018	210	126	13,273	13,609	20,572.47	5,143.12
Total	7,959	5,046	289,730	302,735	413,694.26	103,423.56

3.4.4 Approval of Death Benefits

The Commission approved the payment of ₦3.46 billion as death benefits to the beneficiaries of the 1,075 deceased employees during the quarter under review, which brought the total number of deceased employees from both public and private sectors to 54,312. The amount paid during the quarter moved the total payments of death benefits to ₦167.58 billion.

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

Sector	Public		Private	Total	Total Amount Paid (₦ Million)
	FGN	State			
Inception to Q3: 2018	37,388	4,231	11,618	53,237	164,122.85
Q4: 2018	524	109	442	1,075	3,461.44
Total	37,912	4,340	12,060	54,312	167,584.29

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 ₦845.36 million was paid to 3,572 retirees, which comprised of 188 public (FGN and State) and 3,384 private sector retirees. Consequently, 103,016 retirees received en-bloc payments totaling ₦25.80 billion from inception to the end of the fourth quarter of 2018.

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

Sector	Public		Private	Total	Total Amount Paid (₦ Million)
	FGN	State			
Inception to Q3: 2018	6,328	2,697	90,419	99,444	24,955.56
Q4: 2018	45	143	3,384	3,572	845.36
Total	6,373	2,840	93,803	103,016	25,800.92