



**NATIONAL PENSION COMMISSION
(PenCom)**

**SECOND QUARTER 2019
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

August, 2019

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SECTION ONE

Pension Operating Environment

1.1 Macroeconomic Development

According to the National Bureau of Statistics (NBS), the Nigeria's Gross Domestic Product (GDP) grew by 2.01 percent (year-on-year), in real terms, in the first quarter of 2019. Compared to the first quarter of 2018, which recorded real GDP growth rate of 1.89 percent, the Q1 2019 growth rate represented an increase of 0.12 percent points. However, relative to the preceding quarter (fourth quarter of 2018), real GDP growth rate declined by -0.38 percent points (See figure 1).

It is worth noting that general elections were held across the country during the first quarter of 2019 and this may have reflected in the strongest first quarter performance observed since 2015. Aggregate GDP stood at N31.79 trillion in nominal terms. This aggregate was higher than in the first quarter of 2018 which recorded N28.44 trillion, representing a year on year nominal growth rate of 11.80 percent. The aggregate was, however, lower than in the preceding quarter of N35.23 trillion, by -9.75 percent. The nominal GDP growth rate in Q1 2019 was higher than the rate recorded in Q1 2018 by 2.54 percent points. For further analysis, the Nigerian economy can be classified broadly into the oil and non-oil sectors.

The non-oil sector grew by 2.47 percent in real terms during the reference quarter. This was 1.72 percent points higher compared to the rate recorded in the same quarter of 2018 but -0.23 percent points lower than the fourth quarter of 2018. During the quarter, the sector was driven mainly by Information and communication technology. Other drivers were Agriculture, Transportation and Storage, Trade and Construction. In real terms, the non-oil sector contributed 90.86 percent to the nation's GDP, higher than recorded in the first quarter of 2018 of 90.45 percent but lower than the 92.94 percent in the fourth quarter of 2018.

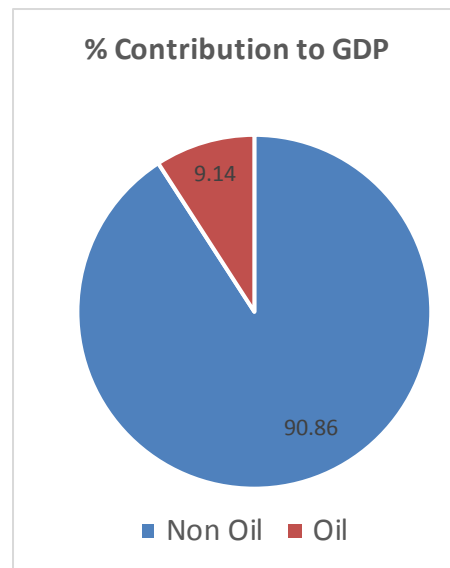


Figure 1: GDP Growth Trend between Q2:18 – Q2:19 and Sector Contribution to GDP

The inflation rate increased in the quarter under review, relative to the first quarter, 2019. The inflation figure stood at 11.33 percent at the end of the second quarter of 2019 having gone up from 11.31 percent, thus representing 0.18 percent increase over the previous quarter. The increase in headline inflation was largely attributed to food items as the core inflation increased slightly in the period under review. A comparison of second quarter, 2019 to the corresponding quarter in 2018, which recorded 11.77 percent resulted in a decrease of 3.74 percent.

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 maintained at 13.50 percent. 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 weighted average interbank call rate which stood at 8.38 percent as at the previous quarter and rose by 0.02 percentage points to 8.36 percent as at the quarter under review. In addition, the prime lending rate decreased by 1.56 percentage points from 16.05 percent in the

previous quarter to 15.80 percent in the quarter under review. The maximum lending rates increased to 31.04 percent from 30.52 percent in Q1 2019.

1.3 Developments in the Capital Market

The Nigerian Capital Market continued its bearish run in the quarter under review. The NSE All Share Index closed at 30,019.71 down from 31,041.42 recorded in the previous quarter. Likewise, the market capitalization dropped by 0.09 percent during the quarter to close at ₦22.33 trillion from ₦22.35 trillion as at the first quarter of 2019.

The equity market capitalization closed at ₦13.21 trillion in the quarter under review. This represented a 13.20 percent improvement from the ₦11.67 trillion recorded in the first quarter of 2019. In addition, the total volume of stocks traded at the end of the quarter stood at 248.36 million with the closing total trading value of ₦5.4 billion.

1.4 Developments in the Bond Market

During the quarter under review, ₦100 billion 5, 10 and 30-year tenor's bonds were re-issued by Federal Government of Nigeria in May and June, 2019 while 10 and 30-year tenors bond were newly issued in April, 2019. According to the Debt Management Office (DMO), the total value of subscription received for the May and June bonds were ₦271 billion and ₦160 billion respectively of the ₦100 billion offered each, representing a 271 percent and 160 percent oversubscription respectively. The April 2019 5-year tenor bond was under-subscribed with total subscription of about ₦17 billion of the ₦40 billion offered. The 10 and 30-years tenors bonds were oversubscribed with the subscription of ₦52 billion and ₦80 billion respectively of the ₦40 billion and ₦20 billion respectively. This indicates that the investors' appetite for longer tenored instruments remained strong, with the 30-year and 10-year bonds oversubscribed and the 5-year tenor undersubscribed.

A ₦15 billion 7 years' tenor Sovereign Green Bond was issued during the quarter under review by the Federal Government of Nigeria. The bond is the second sovereign green bond to be issued by the Federal Government of Nigeria. The total value of subscriptions received for the bond was ₦32.93 billion, representing 220 percent of the ₦15 billion offered. Similarly, the number of subscribers doubled when compared to the figure of the first Sovereign Green Bond issued in December 2017. The oversubscription indicated an increased knowledge and awareness of Green Bonds by subscribers, and perhaps also demonstrated a greater level of commitment from the general public towards protecting the environment.

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

During the quarter under review, the Commission issued the Final Report for the 2018 Routine Examinations to the following Operators;

- i. APT Pensions Limited
- ii. Chevron Nigeria Closed PFA Limited
- iii. Crusader Sterling Pensions Limited
- iv. Premium Pension Limited
- v. FCMB Pensions Limited
- vi. Shell Nig. Closed PFA Ltd

The Commission conducted inspection of PFA branches in Ondo and Ekiti States. A total of thirteen (13) PFAs were inspected in each of the States. The inspections were to determine the extent of compliance by the PFAs with the circular on minimum requirements for branches and service centers as well as the quality of services rendered to stakeholders in the States. It also sought to ensure that staff of the PFAs were conversant with the provisions of the States Contributory Pension Laws and relevant regulations and guidelines issued by the Commission. At the end of the branch inspections of the PFAs, the issues that were observed include Inadequate Staffing; Poor record keeping; Lack of staff training; Inadequate ICT facilities and Poor service delivery.

During the quarter under review, the Commission issued the following New Circulars and Guidelines to Licensed Pension Fund Operators;

- i. Circular on the Implementation of the Requirement for Provision of Fidelity Insurance Cover for Employees of PFAs/PFCs was issued on 18 June, 2019.
- ii. Circular on the Issues in the Transition from the Contributor Registration System to the Enhanced Contributor Registration System (ECSR) was issued on the 19 June, 2019.

- iii. Revised Guidelines for Retirement Savings Account Registration – Enhanced Contributor Registration System (ECSR). The ECSR is an upgrade on the Contributor Registration System (CRS) earlier deployed by the Commission for the registration of contributors into the Contributory Pension Scheme (CPS).

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 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 examinations.

b) Corporate Governance

During the quarter under review, a total of 29 Operators forwarded their Corporate Governance Reports for the year ended 31 December, 2018. The major issues observed from the review of the Corporate Governance reports were the inadequate composition of the Board, non-submission of Annual Performance Evaluation of individual Directors, inclusion of Executive Directors as members of the Board Audit Committee, some Directors being members of all Board Committees and holding Board meetings same day with the Board Sub-committee meetings.

2.1.2 Update on Returns Rendition System

Licensed Pension Operators continued to render the returns for the Funds under their management/custody as well as that of the Company to the Commission via the Risk Management & Analysis System (RMAS) for the quarter ended 30 June, 2019.

2.1.3 Resolution Activities

The Commission sustained its regulatory intervention on First Guarantee Pension Limited owing to non-resolution of the outstanding issues. However, the PFA continued to provide services to its clients with a satisfactory solvency and going concern status. The Commission sustained its efforts at ensuring an expeditious resolution of the shareholders' dispute in the PFA with a view to ending the regulatory intervention.

2.2 Compliance and Enforcement Activities

The Commission continued to apply various strategies to ensure compliance with the provisions of the Pension Reform Act (PRA) 2014. These 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 6,480 applications for the issuance of compliance certificate out of which 6,433 certificates were issued, while 47 applications were declined due to non-remittance of pension contributions for the appropriate period and/or non-provision of Group Life Insurance Policy for the employees. The sum of ₦28.96 billion was remitted to 96,308 employees' RSAs by the 6,433 organizations that were issued with compliance certificates.

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

During the quarter under review, the Commission received 39 batches of NSITF transfer applications totaling ₦37.62 million on behalf of 546 NSITF members. All the applications were processed and the 546 members' contributions transferred to their RSAs. From inception to date, the sum of ₦9.99 billion has been transferred into the RSAs of 138,624 NSITF contributors.

2.2.3 Payment of Lump sum benefits to NSITF Members

During the second quarter, 2019, the Commission processed and approved the payment of ₦5.16 million in favour of 142 NSITF contributors for NSITF Benefits payment. Since inception, the Commission has approved payments of the sum of ₦2.93 billion to 36,224 NSITF members.

2.2.4 NSITF Scheme Monthly Pension Payments

During the quarter under review, the Commission processed monthly pension payments of ₦65.91 million in respect of 3,606 NSITF pensioners. From inception to date the total pension payments to NSITF pensioners amount to ₦4.61 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, demand notices were issued to 37 defaulting employers whose pension liabilities had been established by the RAs, which resulted in the remittance of outstanding pension contributions of ₦260.62 million, representing principal contributions of ₦151.59 million and penalty of ₦109.64 million. Accordingly, total recoveries made from inception to date amounted to ₦16.01 billion, comprising principal contributions of ₦8.22 billion and penalty ₦7.79 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 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 in collaboration with the Nigeria Employers' Consultative Association (NECA) conducted an interactive session on the current developments and challenges in the implementation of the Pension Reform Act, 2014 for the organized private sector in Lagos, Port Harcourt, Abuja and Kano.

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

During the Quarter under review, the Commission monitored the verification exercise conducted for pensioners by the Pension Department of Transitional Arrangements Directorate (PTAD), which covered 270 Federal Government Agencies under the Parastatals Pension Department (PaPD). The exercise was conducted at four Centres in Lagos between 23 April and 3 May, 2019 and 4 Centres in the South-South Geo-Political Zone between 20 May and 1 June, 2019. 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 speedy resolution.

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

In continuation of the refund of pension contributions to Military and Security Agencies personnel following their exemption from the CPS, the Commission had, during the quarter under review, processed 2,080 applications for refund. In that regard, the sum of ₦142.13 million was refunded to the contributors while ₦83.67 million representing the contributions by the Federal Government was returned to the Contributory Pension Account domiciled with Central Bank of Nigeria.

The extended timeline given to the Tripartite Committee for the Winding Down of the refund exercise ended 30 June, 2019 and the report is being finalized.

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 second quarter of 2019, a total of 25 States of the Federation have enacted pension laws on the Contributory Pension Scheme (CPS), seven (7) States are at the bill stage and Five (5) States have, however embarked on pension reform other than 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	Abia	Not remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
2	Adamawa	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
3	Akwa Ibom	Not remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
4	Anambra	Remitted the employer and employee pension contributions for LG employees up to June 2018. The State employees had their employer portion of pension contribution remitted up to December 2016 and employee portion up to May 2019	Funding accrued pension rights for only LG employees	No valid Group Life Insurance

S/No	State	Remittance of Contribution	Accrued Rights	Group Life Insurance
5	Bauchi	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
6	Bayelsa	Not remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
7	Benue	Not remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
8	Borno	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
9	Cross River	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
10	Delta	Regular and complete remittance of Pension Contributions for State employees. The employer Contributions for LG employees are outstanding between May 2016 and September 2018, while October 2018 to January 2019 were remitted. The employee portion of the pension contributions were remitted up to date for the LG employees.	Funded accrued pension rights of both LG and State but with huge arrears of accrued pension liabilities	No Group Life Insurance
11	Ebonyi	Not remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
12	Edo	Regular and up to date remittance of pension contributions	Not Funding Accrued Rights	No Group Life Insurance
13	Ekiti	Remitted Pension Contributions for State and LG employees up to January 2019	Not Funding Accrued Rights	No Group Life Insurance
14	Enugu	Not remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
15	FCT	Regular and up to date remittance of pension contributions for employees of	Funding accrued pension rights. Regular funding of accrued	Valid Group Life Insurance cover

S/No	State	Remittance of Contribution	Accrued Rights	Group Life Insurance
		the FCTA and Area Councils/LEAs	rights for FCTA and FCT Area Council	
16	Gombe	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
17	Imo	Not remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
18	Jigawa	Regular and up to date remittances of pension contributions to selected Pension Fund Administrators but implementing a Contributory Defined Benefits Scheme (CDBS)	Not Available	No Group Life Insurance
19	Kaduna	Regular and up to date remittance of pension contributions	Funding accrued pension rights consistently with 5% of total monthly wage bill	Valid Group Life Insurance cover
20	Kano	Deducting Pension Contributions but under the management of the Board of Trustees. Yet to transfer the pension assets to a Licensed Pension Operator.	Not Available	No Group Life Insurance
21	Katsina	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
22	Kebbi	Remitting only employees' portion of Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
23	Kogi	Not remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
24	Kwara	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
25	Lagos	Regular and up to date remittance of pension contributions	Funding the Accrued Rights of employees domiciled in an undisclosed commercial Bank	No valid Group Life Insurance policy in place

S/No	State	Remittance of Contribution	Accrued Rights	Group Life Insurance
26	Nasarawa	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
27	Niger	Suspended implementation of the CPS in April 2015 but amended its Law in 2017 to extend transition period/exempt some employees and recommence the CPS. Remittances of pension contributions were stopped yet to resume remittances for employees remaining under the CPS	Not Funding Accrued Rights	No Group Life Insurance
28	Ogun	Stopped remitting pension contributions with huge arrears of unremitted pension contributions	Not Funding Accrued Rights	No Group Life Insurance
29	Ondo	Remitting pension contributions for only core civil servants employed from September 2014	Not Funding Accrued Rights	No Group Life Insurance
30	Osun	Remitting Pension Contributions though inconsistent resulting in backlog of pension contributions.	Inadequate Funding of Accrued Rights, resulting in huge arrears of accrued rights.	No Group Life Insurance
31	Oyo	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
32	Plateau	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
33	Rivers	The State re-enacted its law on CPS in 2019 and extended the transition period. Remittances of pension contribution made under the repealed law are to be refunded to the employees. However, the state is yet to commence remittance under the new law.	The sum of N300 million was set aside with Premium Pensions in 2012 for the payment of accrued rights	No Group Life Insurance

S/No	State	Remittance of Contribution	Accrued Rights	Group Life Insurance
34	Sokoto	Not remitting of Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
35	Taraba	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
36	Yobe	Not Applicable	Not Applicable	Not Applicable
37	Zamfara	Not commenced deductions and remittance of contributions under the CDBS. However, Employees were exited from the CPS and RSAs opened under the CPS will be flagged off with remittances refunded to the employees.	Not Applicable	No Group Life Insurance

2.3.2 Inspection of Pension Boards/Bureaus/Commissions

The Commission conducted the maiden inspection of the pension arrangements in Edo State and its agencies. The Inspection was aimed at ascertaining the level of implementation of the CPS as well as the administration of the Defined Benefits Scheme (DBS) in the State. The Commission also conducted an inspection of the Pension Fund Administrator (PFA) branches operating in Edo State. The inspection was to determine the extent to which staff of the PFAs were conversant with the provisions of the Edo State Contributory Pension Law and extant regulations and guidelines issued by the Commission, the level of compliance of the PFAs with the Commission's circular on minimum requirement for opening of branches and service centers as well as the quality of services rendered to stakeholders.

The Commission conducted routine inspections of the Federal Capital Territory (FCT) Pension Board and the FCT Area Council Staff Pension Board. The purpose of the Inspections was to ascertain the level of implementation of the CPS as well as the administration of the DBS in the FCT and Area Councils.

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 held a meeting with the officials of Jigawa (State and Local Governments) Contributory Pension Scheme. The meeting was convened to

review the Commission's comments on the Trust Deed Governing the administration of the Contributory Defined Benefits Scheme in Jigawa State. At end of the meeting, the delegation expressed appreciation to the Commission for its input and promised to incorporate the comments into the Trust Deed and resubmit for the Commission's review.

- ii. A Delegation from Zamfara State, led by the Head of Service met with the Commission to notify the Commission of the re-enactment of the State Pension law and solicit the Commission's intervention to facilitate the refund of employees' pension contributions by the PFAs. The Commission cautioned the State on the implications of adopting a Contributory Defined Benefits Scheme and advised the State to forward to the Commission a comprehensive schedule of all beneficiaries with their individual bank account details on a PFA-by-PFA basis and subsequently request the PFAs to refund employees' contributions.
- iii. The Commission paid courtesy visits to the Governors-Elect of Lagos and Bauchi States. The meeting was to appraise them on the administration of the CPS in their States.
- iv. The South-West and South-South Zonal Offices of the Commission held meetings with Regional Heads of Pension Fund Administrators in their respective Zones during the quarter under review. The meeting was to discuss pertinent issues directed at strengthening service delivery strategies in the Pension Industry.
- v. The Commission conducted a sensitization program for Pension Desk Officers of Ministries, Departments and Agencies in Kaduna State. The team also conducted Capacity Building sessions for the Kaduna State Pension Bureau. The programme was aimed at engaging the officers on the recent developments in the industry and also address key challenges.
- vi. The Commission conducted a two-day sensitization program on the 24 and 25 April, 2019 for Administrative Officers and Pension Desk Officers of FCT Administration (FCTA), FCT Area councils and their Local Education Authorities (LEAs).

2.3.4 Consultative Forum for States and the FCT

The Commission conducted the Second Quarter 2019 Consultative Forum for States and the FCT at Lagos. The two-day event was attended by Heads of Service and Permanent Secretaries of States, CEOs/DGs/ES of Pension Bureaux/Boards/Commissions of States and FCT as well as Compliance Officers of PFAs/PFCs. The forum was aimed principally to monitor the status of implementation of the CPS in the States and Local Governments.

2.4 Update on Micro Pension Plan

The Pension Reform Act (PRA) 2014 expanded coverage of the Contributory Pension Scheme (CPS) to the self-employed and persons working in organizations with less than 3 employees. This category of workers constitute the larger segment of working population in the country. In order to achieve the Pension Industry's strategic objective of covering 30 percent of the working population in Nigeria under the CPS by the end of 2024, the Micro Pension Plan is being given impetus as an initiative that would ensure the coverage of this important segment of the Nigerian economy. Sequel to the formal launch of the Micro Pension plan by His Excellency, President Muhammadu Buhari in March, 2019, the registration of contributors has commenced the under the Plan. As the pension industry works towards commencing a robust enlightenment campaign to educate informal sector workers of the enormous advantages of the Micro Pension Plan, it is expected that the sector would embrace the opportunity.

2.5 Other Activities

2.5.1 Enhanced Contributor Registration System (ECRS)

During the quarter under review, the Commission transited from the existing Contributor Registration System (CRS) to the Enhanced Contributor Registration System (ECRS). The ECRS is an electronic platform for the submission of requests by Pension Fund Administrators (PFAs) for the registration of contributors and issuance of Personal Identification Numbers (PINs).

The ECRS provides a more dynamic and friendly user Interface and fully addresses the issues identified with the CRS. The ECRS has also been integrated with the National Identity Management Commission (NIMC) for authentication of the uniqueness of individuals seeking to register under the CPS.

The deployment of the ECRS will greatly enhance the integrity of contributors' data and also provide a platform for the following:

- i) Registration of Micro Pension Plan Participants and Cross Border individuals (i.e. participants living abroad and foreigners living in Nigeria wishing to participate in the CPS).
- ii) Electronic submission of employer code requests by Pension Fund Administrators (PFAs) or employers and the full automation of the process of issuing employer codes.
- iii) Updates and edits of contributors' information on the National Databank maintained by the Commission by the PFAs.

The deployment of the ECRS is a major step towards the introduction of the transfer window, which will enable contributors change to the PFAs of their choice, in line with Section 13 of the Pension Reform Act (PRA) 2014.

SECTION THREE

Pension Industry Statistics

3.1 Scheme Memberships

The pension industry recorded a 1.78 percent growth in the scheme membership during the second quarter of 2019, moving from 8.63 million contributors at the end of the preceding quarter to 8.79 million. The growth in the industry membership was driven by the Retirement Savings Account (RSA) Scheme, which had an increase of 153,572 contributors representing 1.79 percent. However, membership of the Closed Pension Fund Administration (CPFA) Scheme declined by 58 members (23,258) 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, 2019

Scheme Type	Q4:2018	Q1:2019	Q2:2019	Change between Q1:2019 and Q2:2019	% Change
RSA	8,410,184	8,569,037	8,722,609	153,572	1.79
CPFA	23,332	23,316	23,258	(58)	(0.25)
AES	40,951	40,951	40,951	0	0
TOTAL	8,474,467	8,633,304	8,786,818	153,514	1.78

3.1.1 Membership of RSA

The RSA registrations grew to 8,722,609 as at second quarter, 2019 moving from 8,569,037 as at first quarter, 2019, representing a growth of 1.79 percent (153,572). The 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.

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. During the second quarter, 2019, the market shares of the bottom three, five and ten PFAs slightly declined due to transfers to the newly licensed NUPEMCO PFA. The market shares of the top three, five and ten also slightly dipped as at end of the quarter under review. The shares of the bottom five and ten PFAs decreased from 5.34 and 18.07 percent in the first quarter of 2019 to 3.88 and 14.98 percent respectively as at the end of the reporting period. Similarly, the market shares of top five and ten PFAs dropped from 53.57 and 78.81 percent in the previous quarter to 53.41 and 78.59 percent respectively as at the end of second quarter, 2019 as shown in Table 3.2.

Table 3.2: RSA Registration by Market Share

PFA Ranking	Q1:19 (%)	Q2:19 (%)
Top 3	37.64	37.60
Top 5	53.57	53.41
Top 10	78.81	78.59
Bottom 3	2.33	1.46
Bottom 5	5.34	3.88
Bottom 10	18.07	14.98

Table 3.2 further indicates that the share of the top three PFAs had reduced from 37.64 percent as at first quarter, 2019 to 37.60 percent as at second quarter, 2019. The share of the bottom three PFAs decreased from 2.33 percent to 1.46 percent during the same period.

Table 3.3 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 3.3: 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	4

3.1.3 Memberships of CPFAs and AES

The total memberships of the CPFAs and AESs were 23,258 and 40,951 respectively as at the end of the second quarter of 2019 as shown in Tables 3.4 and 3.5 respectively. A review of the tables shows a slight decrease of 0.25 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 3.4: Membership of CPFAs as at Second Quarter, 2019

Enrolment Type	Number			Percentage of Total	
	Q4:2018	Q1:2019	Q2:2019	Q1:2019	Q2:2019
Active Members	16,356	16,321	16,282	70.00	70.01
Existing Pensioners	6,337	6,359	6,322	27.27	27.18
Deferred Pensioners	639	636	654	2.73	2.81
Total	23,332	23,316	23,258	100.00	100.00

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

Table 3.5: Membership of AES as at Second Quarter, 2019

Enrolment Type	Number			Percentage of Total	
	Q4:2018	Q1:2019	Q2:2019	Q1:2019	Q2:2019
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 received from contributors from both the public and private sectors was ₦5.45 trillion as at the end of the Second quarter, 2019. This shows an increase of ₦169.90 billion representing 3.22 percent growth over the total contributions as at the end of the previous quarter as shown in Table 3.6. During the second quarter of 2019, the total contributions received from the public sector amounted to ₦72.42 billion (42.63 percent) while the private sector contributed ₦97.48 billion (57.37 percent).

A review of the aggregate total contribution received shows that ₦2.73 trillion or 50.09 percent of the contributions came from the public sector, while the private sector contributed the remaining 49.91 percent (₦2.72 trillion).

Table 3.6: Pension Contributions as at Second Quarter, 2019

Year/Quarter	Public Sector		Private Sector		Total	
	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total
2004	15.6	0.57	0	0.00	15.60	0.29
2005	34.68	1.27	0	0.00	34.68	0.64
2006	37.38	1.37	23.03	0.85	60.41	1.11
2007	80.63	2.95	68.34	2.51	148.97	2.73
2008	99.28	3.64	80.81	2.97	180.09	3.30
2009	137.1	5.02	91.21	3.35	228.31	4.19
2010	162.46	5.95	103.03	3.79	265.49	4.87
2011	228.92	8.38	119.53	4.39	348.45	6.39
2012	302.24	11.07	159.52	5.86	461.76	8.47
2013	278.5	10.20	225.42	8.29	503.92	9.24
2014	237.76	8.71	343.97	12.64	581.73	10.67
2015	200.05	7.33	358.91	13.19	558.96	10.25
2016	225.86	8.27	262.33	9.64	488.20	8.96
2017	257.11	9.42	353.73	13.00	610.84	11.21
2018	266.84	9.77	340.72	12.52	607.55	11.15
Q1:2019	93.80	3.44	92.63	3.41	186.43	3.42
Q2:2019	72.42	2.64	97.48	3.58	169.90	3.12
Total	2,730.63	100.00	2,720.66	100.00	5,451.29	100.00

The aggregate total pension contributions of the private sector increased from ₦2.62 trillion as at first quarter of 2019 to ₦2.72 trillion as at the end of the reporting period representing a growth of 3.72 percent. Whereas, the aggregate total pension contribution of the public sector increased by 2.72 percent from ₦2.66 trillion to ₦2.73 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 65.97 percent of the total contributions as at the end of the second quarter of 2019. The top 10 ranked PFAs accounted for 88.08 percent of the total contributions. The bottom 5 and 10 PFAs received ₦105.11 billion and ₦518.33 billion pension contributions, representing 1.84 percent and 9.06 percent of the total contributions respectively as at the end of the quarter under review.

Table 3.7: PFA Ranking by Size of Contributions as at Second Quarter, 2019

Rank	Amount (₦ billion)	Percentage of Total (%)
Top 5	3,772.48	65.97
Top 10	5,036.65	88.08
Bottom 5	105.11	1.84
Bottom 10	518.33	9.06

3.3 Pension Fund Investment

The total value of pension fund assets based on unaudited valuation reports grew from to ₦9.03 trillion as at the end of March, 2019, to ₦9.33 trillion as at June, 2019, representing a growth of 3.27 percent (₦ 294.91billion). The growth indicates a decrease in the quarterly growth rate compared to the 4.55 percent for the previous quarter, this was mainly due to market valuation of quoted equities. The breakdown of the pension assets by fund type is shown in Table 3.8.

Table 3.8: Pension Fund Portfolio by Fund Type as at Second Quarter, 2019

Fund/Period	Q2:2019		Q1:2019		Change between Q2:2019 & Q1:2019	
	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total
RSA Fund I	15.98	0.17	12.73	0.14	3.24	25.50
RSA Fund II	4,102.32	43.99	3,988.76	44.17	113.55	2.85
RSA Fund III	2,256.88	24.20	2,149.43	23.80	107.45	5.00
RSA Fund IV (Retiree)	751.73	8.06	732.13	8.11	19.60	2.68
CPFAs	1,159.85	12.44	1,135.42	12.57	24.43	2.15
AESs	1,038.96	11.14	1,012.33	11.21	26.63	2.63
Total	9,325.71	100.00	9,030.80	100.00	294.91	3.27

Table 3.8 shows that as at second quarter of 2019, the RSA funds (Funds I – IV) had the largest portfolio, accounting for ₦7.13 trillion (76.42 percent) of the total assets under management. CPFAs and AESs assets stood at ₦1.16 trillion and ₦1.04 trillion representing 12.44 percent and 11.14 percent of the total assets under management respectively. In addition, the Table also revealed that the RSA Fund (I) constituted 0.22 percent of the total RSA Fund, RSA Fund (II) constituted 57.56 percent; Fund (III) 31.67 percent while Fund (IV) i.e. the 'Retiree' Fund accounted for 10.55 percent of the Fund.

A breakdown of the pension industry portfolio as shown in Table 3.9 indicates that the pension fund assets were mainly invested in Federal Government Securities, with an allocation of about 70 percent of the total pension assets (FGN Bonds: 48 percent,

Treasury Bills: 21 percent, Sukuk Bonds: 1 percent while Agency Bonds and Green Bonds: less than 1 percent).

Table 3.9: Pension Industry Portfolio as at Second Quarter, 2019

S/N	ASSET CLASS	Total Pension Fund Assets 30-Jun-19		Total Pension Fund Assets 31-Mar-19		Variance Between June 2019 and March 2019	
		₦ Billion	Weight (%)	₦ Billion	Weight (%)	₦ Billion	Weight (%)
1	Domestic Ordinary Shares	536.97	5.76	590.61	6.54	(53.64)	(9.08)
2	Foreign Ordinary Shares	64.87	0.70	62.60	0.69	2.27	3.63
3	Total FGN Securities	6,486.25	69.55	6,509.64	72.08	(23.39)	(0.36)
	(i) FGN Bonds	4,438.88	47.60	4,458.81	49.37	(19.93)	(0.45)
	(ii) Treasury Bills	1,937.32	20.77	1,936.26	21.44	1.06	0.05
	(iii) Agency Bonds (NMRC & FMBN)	11.82	0.13	11.96	0.13	(0.14)	(1.17)
	(iv) Sukuk Bonds	86.10	0.92	94.11	1.04	(8.01)	(8.51)
	(v) Green Bonds	12.13	0.13	8.51	0.09	3.62	42.54
4	State Govt. Securities	129.60	1.39	144.31	1.60	(14.71)	(10.19)
5	Corporate Debt Securities	505.82	5.42	478.10	5.29	27.72	5.80
6	Supra-National Bonds	6.03	0.06	5.37	0.06	0.66	12.29
7	Local Money Market Securities	1,045.73	11.21	874.40	9.68	171.33	19.59
8	Foreign Money Market Securities	1.82	0.02	22.54	0.25	(20.72)	(91.93)
9	Mutual Funds	23.67	0.25	24.96	0.28	(1.29)	(5.17)
	(i) Open/Close-End Funds	9.30	0.10	10.69	0.12	(1.39)	(13.00)
	(ii) REITs	14.37	0.15	14.27	0.16	0.10	0.70
10	Real Estate Properties	250.02	2.68	231.37	2.56	18.65	8.06
11	Private Equity Fund	31.54	0.34	32.34	0.36	(0.80)	(2.47)
12	Infrastructure Fund	29.17	0.31	29.40	0.33	(0.23)	(0.78)
13	Cash & Other Assets	214.21	2.30	25.17	0.28	189.04	751.05
	Net Assets Value	9,325.70	100.00	9,030.81	100.00	294.89	3.27

Table 3.9 above, shows the comparative Pension Industry Portfolio for the period ended 30 June, 2019 and 31 March, 2019, as well as the variance between both periods.

Table 3.9 further indicates that the value of investments in domestic ordinary shares was ₦536.97 billion (5.76 percent of industry portfolio value) as at 30 June, 2019, indicating a decrease of ₦53.64 billion compared to the value of ₦590.61 billion as at 31 March, 2019. The decrease in the value of investments in domestic ordinary shares was primarily due to the market price depreciation of some stocks during the period. The Nigerian Stock Exchange All Share Index (NSE-ASI), depreciated by 2.89 percent, from 30,833.56 basis points as at 31 March, 2019 to 29,966.87 basis points as at 30 June 2019. The Market Capitalization appreciated by 13.98 percent, from ₦11.59 trillion, as at 31 March 2019, to ₦13.21 trillion, as at 30 June 2019. The

increase in market capitalization was due to listing of MTN Nigeria on the Nigerian Stock Exchange.

The value of investments in Treasury bills and FGN Green Bond increased by ₦1.06 billion (0.36 percent) and ₦3.62 billion (1.23 percent) respectively while investments in FGN Bonds, FGN SUKUK and Agency Bonds decreased by ₦19.93 billion (6.76 percent); ₦8.01 billion (2.72 percent) and ₦140 million (0.05 percent) respectively. The reduction in the value of the bond was due to coupon payments and reallocation to other asset classes.

Table 3.10: Ranking of PFAs by Asset Size as at June, 2019

PFA Rank	Q4:2018		Q1:2019		Q2:2019	
	Amount (₦' Billion)	% of Total RSA Assets	Amount (₦' Billion)	% of Total RSA Assets	Amount (₦' Billion)	% of Total RSA Assets
Top 3	3,545.88	54.07	3,709.06	54.09	3,843.68	54.07
Top 5	4,381.97	66.83	4,578.25	66.76	4,746.03	66.77
Top 10	5,757.09	87.80	6,020.29	87.79	6,237.94	87.76
Bottom 3	32.66	0.50	34.77	0.51	36.56	0.51
Bottom 5	124.59	1.90	131.40	1.92	137.16	1.93
Bottom 10	601.04	9.17	629.16	9.17	655.08	9.22

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 54.07 and 66.77 percent respectively. The top ten PFAs had 87.76 percent of the total RSA assets under their management while the bottom ten PFAs accounted for 9.22 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 ₦224.25 billion (3.65 percent), from ₦6.15 trillion as 31 March, 2019 to ₦6.38 trillion as at 30 June, 2019. The breakdown of the Net Asset Value of the various RSA 'Active' Funds were: RSA Fund I was ₦15.98 billion (0.25 percent); RSA Fund II was ₦4.10 trillion (64.35 percent) and RSA Fund III was ₦2.26 trillion (35.40 percent).

The Weighted Average Rate of Return (WARR) of the RSA 'Active' funds net of asset based fees and taxes were: RSA Fund I recorded 10.02 percent; RSA Fund II recorded 8.51 percent and RSA Fund III recorded 11.52 percent. This shows a decrease in performance when compared to the performance of 14.10 percent; 15.67 percent and 13.45 percent for RSA Funds I, II and III recorded in the first quarter,

2019. The performance of the RSA Funds were positively impacted by the decrease in yields/interest rates on FGN Bonds, Treasury Bills and Money Market placements at the beginning of the second quarter, 2019, which marginally decreased towards the end of the quarter. The yields on FGN Bonds ranged between 12.35 percent p.a and 13.10 percent p.a, for maturities between 5 years and 20 years, a marginal decrease from levels in first quarter, 2019 (14.88 percent to 13.20 percent). Similarly, yields on Treasury Bills ranged between 11 percent p.a and 13 percent p.a across all tenors. In addition, the continued depreciation in the market prices of quoted stocks as reflected by the negative return of 3.46 percent recorded by the NSE-ASI also affected the Fund performance.

(ii) RSA Retiree Fund

The Net Asset Value of the RSA Retiree Fund increased by ₦19.60 billion (2.68 percent), from ₦ 732.13 billion as at 31 March, 2019 to ₦ 751.73 billion as at 30 June, 2019. The fund recorded a WARR of 13.75 percent (annualized), which was a slight decrease in performance when compared with the annualized WARR of 14.55 percent recorded in the first quarter, 2019. The decrease in the WARR was as a result of the marginal decline of the yields on fixed income securities in second quarter, 2019, which constituted approximately 99 percent of the total RSA Retiree Fund portfolio.

(iii) CPFA Funds

The value of pension fund assets held by the CPFA Funds recorded an increase in value of ₦24.43 billion (2.15 percent), from ₦1.14 trillion as at 31 March, 2019 to ₦1.16 trillion as at 30 June, 2019. The growth recorded was largely due to investment income and fund injection by the various scheme sponsors to bridge funding deficits and members' contributions.

The annualized rates of return recorded on the CPFA Funds ranged between 10.50 percent and 17.50 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.

(iii) Approved Existing Schemes

The NAV of the AESs increased by ₦26.63 billion (2.63 percent), from ₦1.01 trillion as at 31 March, 2019, to ₦1.04 trillion as at 30 June, 2019. The net increase in the total portfolio value was primarily attributed to funds injected by scheme sponsors, interest/coupon from fixed income investments and realized gains from bond investments.

The annualized rates of return recorded on the AES Funds ranged between 9.86 percent and 15.58 percent in the second quarter 2019, which was also reflective of the actual assets allocation of the individual Funds.

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 3.81 percent from 214,538 as at the end of the first quarter of 2019 to 222,712 as at the end of the second quarter of 2019. A sectorial breakdown shows that 65.75 percent of those that received pension under the PW were from the public sector while retirees from the private sector accounted for the remaining 34.25 percent.

During the quarter under review, the sum of ₦ 20.57 billion was paid to 8,174 retirees as lump sum and ₦ 355.09 million as monthly programmed withdrawals. Details of these payments are provided in Table 3.11 below:

Table 3.11: Number of Retirees on PW as at Second Quarter, 2019

Period	Public		Private	Total	Lump sum	Monthly PW
	FGN	State			(₦Million)	(₦ Million)
Inception to Q1: 2019	123,706	17,360	73,472	214,538	559,479.45	9,141.63
Q2: 2019	4,481	891	2,802	8,174	20,566.92	355.09
Total	128,187	18,251	76,274	222,712	580,046.37	9,496.72

Note: Public Sector refers to both Federal and State Governments

The Table further shows that from inception to date, the sum of ₦580.05 billion has been paid as lump sum and the monthly Programmed Withdrawals amounted to ₦9.50 billion.

3.4.2 Retirement by Annuity

The Commission approved a total of 2,941 applications for retirement under life annuity during the quarter, bringing the total number of retirees receiving their retirement benefits through the annuity plan to 68,857 from inception. The 2,941 retirees received ₦4.68 billion as lump sum payment and paid premium of ₦17.53 billion to insurance companies and monthly annuity of ₦184.50 million. This resulted in total lumps sum payment of ₦91.28 billion, premium of ₦371.21 billion and monthly annuity payments of ₦3.70 billion as at the end of Second quarter, 2019 as shown in Table 3.12 below.

Table 3.12: Retirement by Annuity as at Second Quarter, 2019

Period	Public		Private	Total	Lump sum	Premium	Annuity
	FGN	State			(₦ Million)	(₦ Million)	(₦ Million)
Inception to Q1: 2019	41,171	7,521	17,224	65,916	86,604.25	353,685.64	3,517.02
Q2: 2019	1,848	266	827	2,941	4,678.24	17,528.63	184.50
Total	43,019	7,787	18,051	68,857	91,282.49	371,214.27	3,701.52

3.4.3 Withdrawal of 25 Percent of RSA Balances

Approval was granted for payment of ₦5.28 billion to 10,673 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 3.13, the cumulative total number of RSA holders who were paid benefits for temporary loss of job was 324,141 and were paid a total of ₦113,21 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 95.33 percent of those who benefitted from these payments while the public sector accounted for 4.67 percent.

Table 3.13: Withdrawal of 25% of RSA Balance During the Second Quarter, 2019

Period	Public		Private	Total	Total 25% Paid
	FGN	State			(₦ Million)
Inception to Q1: 2019	8,169	6,312	298,987	313,468	107,932.61
Q2: 2019	192	475	10,006	10,673	5,275.83
Total	8,361	6,787	308,993	324,141	113,208.44

3.4.4 Approval of Death Benefits

The Commission approved the payment of ₦4.69 billion as death benefits to the beneficiaries of the 1,223 deceased employees during the quarter under review, which brought the total number of deceased employees from both public and private sectors to 57,043. The amount paid during the quarter moved the total payments of death benefits to ₦178.56 billion.

Table 3.14: Approval of Death Benefits as at Second Quarter, 2019

Sector	Public		Private	Total	Total Amount Paid (₦ Million)
	FGN	State			
Inception to Q1: 2019	38,723	4,540	12,557	55,820	173,864.00
Q2: 2019	562	279	382	1,223	4,692.98
Total	39,285	4,819	12,939	57,043	178,556.98

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 ₦665.38 million was paid to 2,801 retirees, which comprised 173 from the public sector retirees (FGN and State) and 2,628 from the private sector retirees. Consequently, 109,284 retirees received en-bloc payments totaling ₦27.09 billion from inception to the end of the second quarter of 2019.

Table 3.15: Enbloc Payment to Retirees/Foreigners as at Second Quarter, 2019

Sector	Public		Private	Total	Total Amount Paid (₦ Million)
	FGN	State			
Inception to Q1: 2019	6,428	3,337	96,718	106,483	26,426.35
Q2: 2019	38	135	2,628	2,801	665.38
Total	6,466	3,472	99,346	109,284	27,091.73

3.5 Outlook for the Third Quarter 2019

In line with the Investment of Pension Fund, it is expected that the equity market would rebound in the third quarter of 2019. This is premised on the expected increase in Crude price and expected decrease in yields on Government Securities, which would attract investors to the equity market.

It is also envisaged that the inflation rate would continue its downward trend, from the average inflation rate recorded in second quarter, 2019 (11.30 percent). Overall, pension fund portfolios are expected to show continued growth in second half of 2019, on the back of monthly receipts of pension contributions, which continue to average ₦50billion. Furthermore, it is also expected that there will be an upsurge in the number

of registered contributors with the implementation of the ECRS which will enable seamless registration of the Micro Pension Plan participants.