



NATIONAL PENSION COMMISSION (PenCom)

THIRD QUARTER 2019 REPORT

Corporate Vision and Mission

Vision

By 2020, 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

November, 2019

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SECTION ONE

Pension Operating Environment

1.1 Macroeconomic Development

As at the third quarter of 2019, Nigeria's Gross Domestic Product (GDP) grew by 2.28% (year-on-year) in real terms compared to 1.81% recorded in the corresponding period of 2018. This indicates a 0.47% growth rate of the real GDP. On a quarter on quarter basis however, real GDP grew by 9.23%.

Aggregate GDP as at Q3 2019 stood at **N37,806,924.41** million in nominal terms compared to the aggregate of **N33,368,049.14** million recorded in Q3 2018. This represented a year on year nominal growth rate of 13.30%. It is pertinent to note that the GDP is primarily driven by economic activities in the oil and non-oil sectors.

The oil sector recorded a real GDP growth of 6.49% (year-on-year) in Q3 2019, indicating an increase of 9.40% points relative to the rate recorded in the corresponding quarter of 2018. The sector contributed 9.77% to total real GDP in Q3 2019, up from 9.38% recorded in the corresponding period of 2018

On the other hand, the non-oil sector grew by 1.85% in real terms in Q3 2019. This is 0.48% lower compared to the rate recorded in the same quarter of 2018. The sector was driven mainly by the Information and Communication, Agriculture, Mining and Quarrying, Transportation and Storage, and Manufacturing. In real terms, the Non-Oil sector contributed 90.23% to the nation's GDP, slightly lower than the 90.62% recorded in Q3 2018.

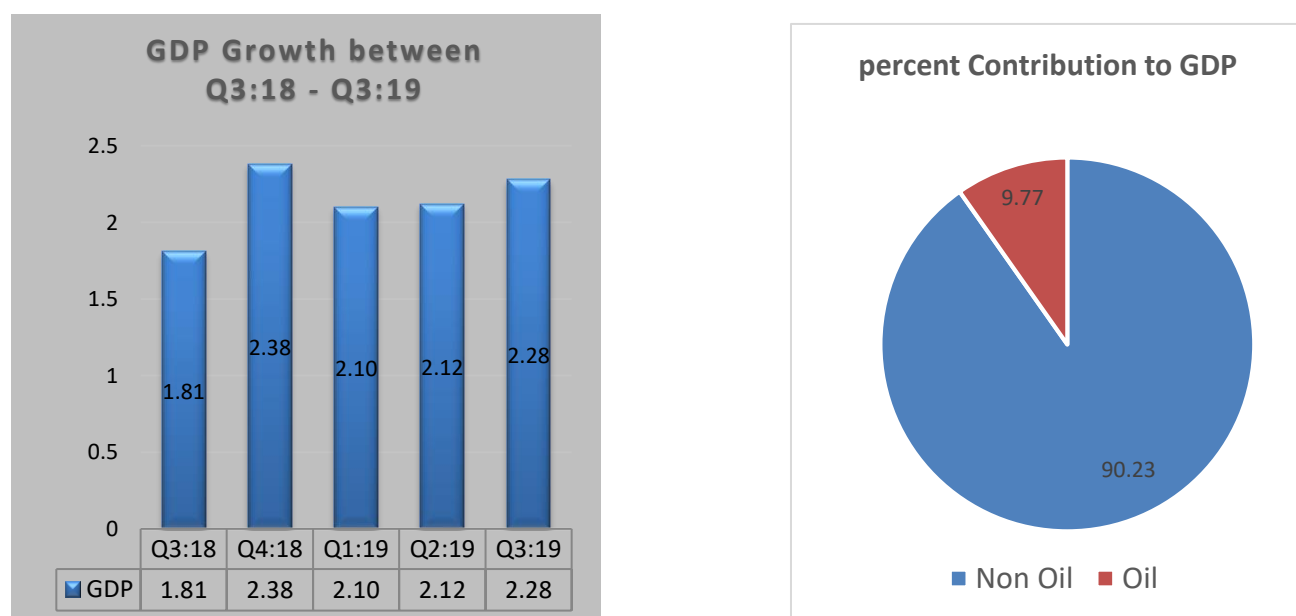


Figure 1: GDP Growth Trend between Q3:18 – Q3:19 and Sector Contribution to GDP

Source: Nigeria Gross Domestic Product Report (Q3 2019) Published by the National Bureau of Statistics

During the period under review, headline inflation rate declined by 0.79% to 11.24% compared to 11.33% recorded in Q2, 2019. The decrease was largely attributed to a slight fall in the prices of all other items except farm produce and energy. A comparison of Q3 2019 to the corresponding quarter in 2018, which recorded 11.28%, indicated a decrease of 0.4%.

1.2 Developments in the Money Market

For the third consecutive quarter running, the Central Bank of Nigeria (CBN) sustained its restrictive stance on the monetary policy indicators. The Monetary Policy Rate (MPR) was maintained at 13.50%, Cash Reserve Ratio (CRR) at 22.5% while the liquidity ratio was sustained at 30% for the period. All these were maintained to further enforce fiscal stability, curtail inflation trajectory and check the threat of rising prices of goods and services. The symmetric corridor was retained at +200/-500 basis points around the MPR.

The developments on interest rates witnessed a decline in the weighted average interbank call rate from 8.38% recorded in Q2 2019 to 8% as at Q3 2019. In addition, the prime lending rate decreased by 0.20% from 15.80% in the previous quarter to 15.40% as at August, 2019. The maximum lending rate remained at 31.04% between Q2 2019 and August, 2019.

1.3 Developments in the Capital Market

According to the Nigerian Stock Exchange (NSE), global trade uncertainty, rising interest rates in advanced financial markets, as well as the aftermath of the Nigeria's 2019 elections resulted in a decrease in trading activity on the floor of the NSE in Q3 2019 compared to the corresponding period in 2018.

The Market continued its bearish run with All Share Index closing at 27,630.56 in Q3 2019 compared to 29,966.87 recorded in the previous quarter. The average daily value of securities traded on the NSE fell to ₦2.94 billion, declining 9.82% from the ₦3.26 billion in Q3 2018. The average daily volume of securities traded also decreased by 11.62% from 258.07 million units in Q3 2018 to 228.08 million units in Q3 2019,

The equity market capitalization closed at ₦13.43 trillion in the quarter under review. This represented a 1.78 % improvement from the ₦13.19 trillion recorded in the second quarter.

The Nigerian Bond market grew in size to ₦12.82 trillion from ₦12.51 trillion recorded in Q2 2019. The Federal Government of Nigeria offered ₦150billion 5, 10 and 30-year tenored bonds on 25 September, 2019 through the Debt Management Office (DMO). The total value of subscription received for September was ₦160 billion. In addition, there were also non-competitive bids of ₦46.60 billion, taking the total subscription received (competitive and non-competitive) to the sum of ₦207.50 billion.

Investors Sentiments remained strong for the longer-dated bonds. Subscriptions received from competitive bids for the 10-year and 30-year bonds were ~~N~~82.91 billion and ~~N~~63.66 billion, compared with the amount offered of ~~N~~50.00 billion and ~~N~~55.00 billion, for the two instruments, respectively.

The amount allotted to successful competitive bidders for the three (3) instruments was ~~N~~100 billion, while ~~N~~46.60 billion was allotted to non-competitive bidders. The overall amount allotted at the Auction was ~~N~~146.60 billion at a coupon rate of 14.40% for the 5-year, 14.43% for the 10-year and 14.64% for the 30-year bonds.

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

a) Update on the 2019 Examination of Licensed Operators

During the quarter under review, the Commission conducted the 2019 routine examination of the following Licensed Operators;

- i) AllCO Pension Managers Limited
- ii) First Guarantee Pensions Limited
- iii) FCMB Pensions Limited
- iv) Pension Alliance Limited
- v) Stanbic IBTC Pension Managers Limited
- vi) Radix Pension Managers
- vii) Premium Pension Limited
- viii) Investment One Pension Managers Limited
- ix) IEI- Anchor Pension Managers Limited
- x) Veritas Glanvils Pensions Limited
- xi) Sigma Pensions Limited
- xii) Chevron Nigeria CPFA Limited
- xiii) Total (E&P) Nig. Limited
- xiv) First Pension Custodian Limited

The Draft Reports for the 2019 routine examinations were concluded and presented to the Board of Directors of the fourteen (14) PFAs. All the major findings were also forwarded to the operators for their responses in line post-examination standard practice.

The Commission conducted an inspection of PFA branches in Rivers State during the quarter under review. A total of eleven (11) PFAs were inspected in Rivers State. The inspections were to determine the extent to which staff of the PFAs were conversant with the provisions of the Rivers 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 requirements for opening of branches and service centers, the quality of services rendered to stakeholders by the PFAs as well as benefits administration and payment arrangements. The major issues that were observed include Inadequate Staffing; Poor record keeping; Lack of staff training; Inadequate ICT facilities and Poor service delivery. The recommendations on corrective actions from the Inspection Report have been issued to the PFAs for implementation while the Commission continues to monitor accordingly.

b) Issuance of Guidelines and Regulations

During the quarter under review, the Commission issued the following subsidiary legislations;

- i. A directive to Licensed Pension Fund Operators on sharing and treatment of brokerage Commission on all bond transactions.
- ii. Addendum to the Circular on Revised Procedures on the processing of death benefits. This is in line with the Commission's efforts to simplify the procedures for processing of death benefits claims.

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 a review of the reports were un-credited pension contributions, delay in the payment of retirement benefits to the retirees and outstanding commitments from previous routine examinations. The above issues were outlined in the routine examination of the operators and implementation timelines on corrective action were obtained for follow up by the Commission.

b) Corporate Governance

As at the end of Q3 2019, all Operators had forwarded their Corporate Governance Reports for the year ended 31 December, 2018. The major issues observed from the review of the reports were 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 Subcommittee meetings. The Commission has written to all the Operators to take remedial actions in addressing the observations

c) Surveillance Issues Addressed During the Quarter

During the third quarter, 2019, the Commission issued a warning letter to a PFA for publishing the 2018 Audited Financial Statements of RSA Funds (I – IV) without due approval. This is in line with the Commission's approved regime of sanctions for such infractions

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 September, 2019.

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

The Commission received a total of 5,600 applications for the issuance of Compliance Certificates. As at end of Q3 2019, 5,453 certificates were issued while 147 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 ₦14.56 billion was remitted to 70,982 employees' RSAs by the 5,453 organizations.

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

The Commission also received 24 batches of NSITF transfer applications totaling ₦19.80 million on behalf of 297 NSITF members. The applications were processed and members' contributions transferred to their RSAs. Since inception, the sum of ₦9.98 billion has been transferred to the RSAs of 138,893 NSITF contributors.

2.2.3 NSITF Scheme Monthly Pension Payments

The Commission processed monthly pension payments of ₦69.68 million in respect of 3,628 NSITF pensioners. Since inception, the total pension payments to NSITF pensioners amounts to ₦4.61 billion.

2.2.4 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 and recover outstanding pension contributions with penalty.

During the quarter, demand notices were issued to 18 defaulting employers whose pension liabilities had been established by the RAs. This resulted in the remittance of outstanding pension contributions of ₦364.68 million, representing principal contributions of ₦146.95 million and penalty of ₦217.73 million. Accordingly, total recoveries made from inception to date amounted to ₦16.37 billion, comprising principal contributions of ₦8.37 billion and penalty of ₦8.00 billion. These amounts have since been credited to the respective RSAs of the employees.

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

The Commission sustained its effort at collaborating with social partners to drive compliance with the provisions of the PRA 2014 by the Organized Private Sector (OPS). The Commission in collaboration with the Nigeria Employers' Consultative Association (NECA), organized interactive sessions with the OPS on the "Current Developments and Challenges" in the implementation of the CPS. The interactive sessions were held in September, 2019 at Lagos, Port Harcourt, Abuja and Kano.

The interactive sessions, provided a platform for the Commission to interact with the OPS on the implementation of the CPS. The sessions also provided an opportunity to update stakeholders on recent developments, address concerns, clarify issues and discuss the expectations of the contributors, with a view to improving compliance with the provisions of the PRA 2014. Furthermore, the Commission obtained valuable feedback from the OPS on the implementation of the CPS during the sessions.

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

During the Quarter under review, the Commission monitored the verification exercise conducted for pensioners of the Parastatal Pension Department (PaPD) in 11 states within 4 geo-political zones namely the North – East, North – West, South – East and South – West by PTAD between 15 July to 28 September, 2019. The exercise was to ensure that all pensioners were captured on PTAD's payroll towards payment of benefits as and when due.

The Commission continued its monitoring of the payment of pensions to Public Service Retirees under the Defined Benefit Scheme (DBS) through monthly statutory returns from PTAD.

2.2.7 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 721 applications for refund. In that regard, the sum of ~~N~~44.22 million was refunded to the contributors while ~~N~~1.16 billion, representing the contributions by the Federal Government, was returned to the Contributory Pension Account domiciled with Central Bank of Nigeria.

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 CPS. As at the third quarter of 2019, a total of 25 States of the Federation had enacted pension laws on the CPS, seven (7) States were at Bill stage and Five (5) States had 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	Law	Remittance of Contribution	Accrued Rights	Group Life Insurance
1	Abia	Enacted law on CPS in 2017	Not remitting Pension Contributions.	Not Funding Accrued Rights	No Group Life Insurance
2	Adamawa	Enacted a Pension law in 2013 that is neither CPS nor CDBS (Contributory Defined Benefits Scheme)	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
3	Akwa Ibom	Bill Stage	Not remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
4	Anambra	Enacted law on CPS in 2013 and amended some sections of the Law in 2014	Remitted the employer and employee pension contributions for LG employees up to June 2018. Some State employees had their employer portion of pension contribution remitted up to December 2017 and employee portion up to June 2019.	Funding accrued pension rights for only LG employees	No valid Group Life Insurance
5	Bauchi	Drafted a Bill on CDBS in 2015 which is undergoing legislative processes	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance

S/No	State	Law	Remittance of Contribution	Accrued Rights	Group Life Insurance
6	Bayelsa	Enacted law on CPS in 2009	Not remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
7	Benue	Enacted a law on CPS in May 2019	Not remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
8	Borno	Drafted Bill on CPS in 2008	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
9	Cross River	Bill Stage	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
10	Delta	Enacted law on CPS in 2008 and amended State Pension Law in 2011	Regular and complete remittance of Pension Contributions for State employees. However, 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	Enacted law on CPS in 2017 and is in the process of amending its Pension Law	Not remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
12	Edo	Enacted law on CPS in 2010 and the law was amended in 2017	Regular and up to date remittance of pension contributions	Not Funding Accrued Rights	No Group Life Insurance
13	Ekiti	Enacted law on CPS and	Remitted Pension Contributions for State and LG	Not Funding Accrued Rights	No Group Life Insurance

S/No	State	Law	Remittance of Contribution	Accrued Rights	Group Life Insurance
		amended the law in 2017	employees up to July 2019		
14	Enugu	Enacted law on CPS in 2014	Not remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
15	FCT	Covered by PRA 2014	Regular and up to date remittance of pension contributions for employees of the FCTA and Area Councils/LEAs	Funding accrued pension rights. Regular funding of accrued rights for FCTA and FCT Area Council	Valid Group Life Insurance cover
16	Gombe	Amended its 2008 Law on CPS and adopted the CDBS in January 2019	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
17	Imo	Enacted law on CPS in 2008	Not remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
18	Jigawa	Enacted a law on CDBS in 2005 and further amended the law in 2015	Regular and up to date remittances of pension contributions to selected Pension Fund Administrators however, it is implementing CDBS	Not Available	No Group Life Insurance
19	Kaduna	Amended law on CPS in 2016	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	Enacted law on CDBS in 2006	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

S/No	State	Law	Remittance of Contribution	Accrued Rights	Group Life Insurance
21	Katsina	Drafted Bill on CDBS in 2017 which is undergoing legislative processes	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
22	Kebbi	Enacted law on CPS in 2009 and amended the law in 2014	Remitting only employees' portion of Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
23	Kogi	Enacted a law on CPS in 2018	Not remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
24	Kwara	Drafted Bill on CPS in 2016 which is undergoing legislative processes	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
25	Lagos	Enacted law on CPS in 2007 and amended the law in 2019	Regular and up to date remittance of pension contributions	Funding the Accrued Rights of employees. However, the funds for this purpose were still domiciled in a commercial Bank	No valid Group Life Insurance policy in place
26	Nasarawa	Enacted law on CPS in 2009	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
27	Niger	Enacted law on CPS in 2006 and amended its Law in 2017.	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.	Not Funding Accrued Rights	No Group Life Insurance

S/No	State	Law	Remittance of Contribution	Accrued Rights	Group Life Insurance
28	Ogun	Enacted law on CPS in 2008	Stopped remitting pension contributions with huge arrears of unremitted pension contributions	Not Funding Accrued Rights	No Group Life Insurance
29	Ondo	Enacted a law on CPS in 2014	Remitting pension contributions for only core civil servants employed from September 2014	Not Funding Accrued Rights	No Group Life Insurance
30	Osun	Enacted law on CPS in 2008	Remitting Pension Contributions though inconsistent resulting in backlog of pension contributions.	Not Funding of Accrued Rights, resulting in huge arrears of accrued rights.	No Group Life Insurance
31	Oyo	Enacted law on CPS in 2010 and in the process of amending its Law on CPS	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
32	Plateau	Drafted Bill on CPS in 2016 and undergoing legislative processes	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
33	Rivers	Re-enacted law on CPS in 2019	The State extended the transition period after the law was re-enacted in 2019. 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 a PFA in 2012 for the payment of accrued rights	No Group Life Insurance

S/No	State	Law	Remittance of Contribution	Accrued Rights	Group Life Insurance
34	Sokoto	Enacted law on CPS in 2007	Not remitting of Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
35	Taraba	Enacted law on CPS in 2009	Not Remitting Pension Contributions	Not Funding Accrued Rights	No Group Life Insurance
36	Yobe	No Law on CPS, operating the old Defined Benefit Scheme and no action towards adopting CPS	Not Applicable	Not Applicable	Not Applicable
37	Zamfara	Amended its law on CPS and adopted law on CDBS in 2019	Not commenced deductions and remittance of contributions under the CDBS. However contributions made under the CPS are currently being refunded to employees	Not Applicable	No Group Life Insurance

2.3.2 Inspection of Pension Boards/Bureaus/Commissions

The Commission conducted a routine inspection of the pension arrangement in Rivers State and its agencies during the quarter under review. The inspection was to ascertain the level of implementation of the CPS as well as the administration of the Defined Benefits Scheme (DBS) in the State.

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. A capacity building workshop for staff of the Osun State and Local Government Pension Bureaux. The workshop was designed to develop and enhance the capacity of staff of the State's Pension Bureaux to effectively supervise the implementation of the CPS in Osun State.

- ii. Sensitization workshops for staff and management of some selected Government organizations. The workshops were geared at educating the employees on the workings and implementation of the CPS. The organisations are Federal Medical Center Lokoja; Nigeria Security & Civil Defence Corps Bauchi; Nigerian Prisons Service Bauchi; Nigeria Police Force Bauchi; Imo State University Owerri; and University of Jos.
- iii. A meeting was held with a visiting delegation from the Kaduna State Pension Board. The meeting was convened to resolve several issues surrounding the processing of retirement benefits for retirees. The meeting was also attended by representatives of four PFAs in Kaduna State as well as some staff of the Commission.

2.3.4 Consultative Forum for States and the FCT

The Commission conducted the Third Quarter 2019 Consultative Forum for States and the FCT on the 25 and 26 September 2019. The Forum, which was declared open by the Deputy Governor of Imo State, 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 at monitoring the status of implementation of CPS in the States and Local Governments.

2.4 Update on Micro Pension Plan

As at Q3 2019, a total of 4,257 contributors had registered under the Micro Pension Plan (MPP). This brought the total participants under the MPP to 25,691. In the same vein, the registered contributors remitted a total of **N978,492.50** to their RSAs during the period under review

2.4.1 Update on Sensitization on the Micro Pension Plan

The Commission maintained its effort to enlighten and educate informal sector workers of the enormous advantages of the Micro Pension Plan.

During the quarter under review, the Commission produced the translated Frequently Asked Questions (FAQs) on the MPP into three major Nigerian languages and Pidgin English for easy understanding for the MPP participants.

2.5 Other Activities

2.5.1 Update on the Implementation of the 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 0.65% growth (57,399) in the scheme membership in Q3 2019, moving from 8.78 million contributors at the end of the preceding quarter to 8.84 million. The growth in the industry membership was driven by the Retirement Savings Account (RSA) Scheme, which had an increase of 57,727 contributors representing 0.66%. However, membership of the Closed Pension Fund Administration(CPFA) Scheme declined by 328 members (17,548) 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 Third Quarter, 2019

Scheme Type	Q1:2019	Q2:2019	Q3:2019	Change between Q2:2019 and Q3:2019	% Change
RSA	8,569,037	8,722,609	8,780,336	57,727	0.66
CPFA	18,012	17,876	17,548	(328)	(1.83)
AES	40,951	40,951	40,951	0	0
TOTAL	8,628,000	8,781,436	8,838,835	57,399	0.65

3.1.1 Membership of RSA

The RSA registrations grew to 8,780,336 as at third quarter, 2019 moving from 8,722,609 as at second quarter, 2019, representing a growth of 0.66 % (57,727). 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 third quarter, 2019, the market shares of the bottom three, five and ten PFAs had continued to grow, while those of the top three, five and ten slightly dipped. The shares of the bottom five and ten PFAs increased from 3.88 and 14.98%, in the second quarter of 2019 to 3.90 and 14.99 % respectively as at the end of the reporting period. Similarly, the market shares of top five and ten PFAs dropped from 53.41 and 78.59 % in the previous quarter to 53.40 and 78.58 % respectively as at the end of third quarter, 2019 as shown in Table 3.2.

Table 3.2: RSA Registration by Market Share

PFA Ranking	Q2:19 (%)	Q3:19 (%)	% Change
Top 3	37.60	37.58	-0.02%
Top 5	53.41	53.40	-0.01%
Top 10	78.59	78.58	-0.01%
Bottom 3	1.46	1.47	0.01%
Bottom 5	3.88	3.90	0.02%
Bottom 10	14.98	14.99	0.01%

Table 3.2 further indicates that the share of the top three PFAs had reduced from 37.60% as at second quarter, 2019 to 37.58% as at third quarter, 2019. The share of the bottom three PFAs slightly increased from 1.46% in previous quarter to 1.47% as at Third quarter, 2019.

Table 3.3 shows that 66.67 % (14) of the PFAs had each registered less than 500,000 RSAs while the remaining seven PFAs (33.33 %) 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
	22

3.1.3 Memberships of CPFAs and AES

The total memberships of the CPFAs and AESs were 17,548 and 40,951 respectively as at the end of the third quarter of 2019 as shown in Tables 3.4 and 3.5 respectively. A review of the tables shows a slight decrease of 1.83 % 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 Third Quarter, 2019

Enrolment Type	Number			%age of Total	
	Q1:2019	Q2:2019	Q3:2019	Q2:2019	Q3:2019
Active Members	12,244	12,121	11,797	67.81	67.23
Existing Pensioners	5,628	5,715	5,663	31.97	32.27
Deferred Pensioners	140	40	88	0.22	0.50
Total	18,012	17,876	17,548	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 Third Quarter, 2019

Enrolment Type	Number			%age 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 pension contributions received from contributors from both the public and private sectors to date was ₦5.60 trillion as at the end of the end of third quarter, 2019. This shows an increase of ₦153.16 billion representing 2.81% growth over the total contributions as at the end of the previous quarter as shown in Table 3.6. During the third quarter of 2019, the total contributions received from the public sector amounted to ₦60.56 billion or 39.54% while the private sector contributed ₦92.60 billion or 60.46%.

A review of the aggregate total contribution received shows that ₦2.79 trillion or 49.80 % of the contributions came from the public sector, while the private sector contributed the remaining 50.20 % (₦2.81 trillion).

Table 3.6: Pension Contributions as at Third Quarter, 2019

Year/Quarter	Public Sector		Private Sector		Total	
	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total	Amount (₦ billion)	% of Total
2004	15.60	0.56	0	0.00	15.60	0.28
2005	34.68	1.24	0	0.00	34.68	0.62
2006	37.38	1.34	23.03	0.82	60.41	1.08
2007	80.63	2.89	68.34	2.43	148.97	2.66
2008	99.28	3.56	80.81	2.87	180.09	3.21
2009	137.10	4.91	91.21	3.24	228.31	4.07
2010	162.46	5.82	103.03	3.66	265.49	4.74
2011	228.92	8.20	119.53	4.25	348.45	6.22
2012	302.24	10.83	159.52	5.67	461.76	8.24
2013	278.50	9.98	225.42	8.01	503.92	8.99
2014	237.76	8.52	343.97	12.23	581.73	10.38
2015	200.05	7.17	358.91	12.76	558.96	9.97
2016	225.86	8.09	262.33	9.32	488.20	8.71
2017	257.11	9.21	353.73	12.57	610.84	10.90
2018	266.84	9.56	340.72	12.11	607.55	10.84
Q1:2019	93.80	3.36	92.63	3.29	186.43	3.33
Q2:2019	72.42	2.59	97.48	3.47	169.90	3.03
Q3:2019	60.56	2.17	92.60	3.29	153.16	2.73
Total	2,791.19	100.00	2,813.26	100.00	5,604.45	100.00

The aggregate total pension contributions of the private sector grew from ₦2.72 trillion as at second quarter of 2019 to ₦2.81 trillion as at the end of the reporting period representing a growth of 3.40% whereas, the aggregate total pension contribution of the public sector increased by 2.22% from ₦2.73 trillion to ₦2.79 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 66.16 % of the total contributions as at the end of the third quarter of 2019. The top 10 ranked PFAs accounted for 88.09 % of the total contributions. The bottom 5 and 10 PFAs received ₦109.68 billion and ₦535.92 billion pension contributions, representing 1.86 % and 9.08 % 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 Third Quarter, 2019

Rank	Amount (₦ billion)	%age of Total (%)
Top 5	3,906.01	66.16
Top 10	5,200.84	88.09
Bottom 5	109.68	1.86
Bottom 10	535.92	9.08

3.3 Pension Fund Investment

The total value of pension fund assets based on unaudited valuation reports grew from to ₦9.33 trillion as at the end of June, 2019, to ₦9.58 trillion as at September, 2019, representing a growth of 2.76 % (₦ 257.32 billion). The growth indicates a decrease in the quarterly growth rate compared to the 3.27 % recorded 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 Third Quarter, 2019

Fund/Period	Q3:2019		Q2:2019		Change between Q3:2019 & Q2:2019	
	N' Billion	% of Total	N' Billion	% of Total	N' Billion	% of Total
RSA Fund I	19.31	0.20	15.98	0.17	3.33	20.86
RSA Fund II	4,228.28	44.12	4,102.32	43.99	125.97	3.07
RSA Fund III	2,376.41	24.80	2,256.88	24.20	119.53	5.30
RSA Fund IV (Retiree)	768.38	8.02	751.73	8.06	16.65	2.21
CPFAs	1,180.75	12.32	1,159.85	12.44	20.90	1.80
AESs	1,009.90	10.54	1,038.96	11.14	(29.06)	(2.80)
Total	9,583.03	100.00	9,325.71	100.00	257.32	2.76

Table 3.8 shows that as at third quarter of 2019, the RSA funds (Funds I – IV) had the largest portfolio, accounting for ₦7.39 trillion (77.14 %) of the total assets under management. CPFAs and AESs assets stood at ₦1.18 trillion and ₦1.01 trillion representing 12.32% and 10.54% of the total assets under management respectively. In addition, the Table also revealed that the RSA Fund (I) constituted 0.26 % of the total RSA Funds, RSA Fund (II) constituted 57.20 %; Fund (III) 32.15 % while Fund (IV) i.e. the ‘Retiree’ Fund accounted for 10.39 % 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 72 % of the total pension assets (FGN Bonds: 47 %, Treasury Bills: 24 %, Sukuk Bonds: 1 % while Agency Bonds and Green Bonds: less than 1 %).

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

S/N	ASSET CLASS	Total Pension Fund Assets 30-Sept-19		Total Pension Fund Assets 30-Jun-19		Variance Between September 2019 and June 2019	
		₦ Billion	Weight (%)	₦ Billion	Weight (%)	₦ Billion	Weight (%)
1	Domestic Ordinary Shares	492.08	5.13	536.97	5.76	(44.89)	(8.36)
2	Foreign Ordinary Shares	65.14	0.68	64.87	0.70	0.27	0.42
3	Total FGN Securities	6,844.88	71.43	6,486.25	69.55	358.63	5.53
	(i) FGN Bonds	4,476.59	46.71	4,438.88	47.60	37.71	0.85
	(ii) Treasury Bills	2,263.69	23.62	1,937.32	20.77	326.37	16.85
	(iii) Agency Bonds (NMRC & FMBN)	10.69	0.11	11.82	0.13	(1.13)	(9.56)
	(iv) Sukuk Bonds	80.53	0.84	86.10	0.92	(5.57)	(6.47)
	(v) Green Bonds	13.38	0.14	12.13	0.13	1.25	10.28
4	State Govt. Securities	125.24	1.31	129.60	1.39	(4.36)	(3.36)
5	Corporate Debt Securities	621.96	6.49	505.82	5.42	116.14	22.96
6	Supra-National Bonds	4.03	0.04	6.03	0.06	(2.00)	(33.15)
7	Local Money Market Securities	1,074.56	11.21	1,045.73	11.21	28.83	2.76
8	Foreign Money Market Securities	8.42	0.09	1.82	0.02	6.60	362.52
9	Mutual Funds	21.81	0.23	23.67	0.25	(1.86)	(7.84)
	(i) Open/Close-End Funds	9.90	0.10	9.30	0.10	0.60	6.48
	(ii) REITs	11.91	0.12	14.37	0.15	(2.46)	(17.12)
10	Real Estate Properties	231.48	2.42	250.02	2.68	(18.54)	(7.41)
11	Private Equity Fund	32.05	0.33	31.54	0.34	0.51	1.63
12	Infrastructure Fund	34.90	0.36	29.17	0.31	5.73	19.63
13	Cash & Other Assets	26.47	0.28	214.21	2.30	(187.74)	(87.64)
	Net Assets Value	9,583.03	100.00	9,325.70	100.00	257.33	2.76

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

Table 3.9 further indicates that the value of investments in domestic ordinary shares was ~~₦~~492.08 billion (5.13% of industry portfolio value) as at 30 September, 2019, indicating a decrease of ~~₦~~44.89 billion compared to the value of ~~₦~~ 536.97 billion as at 30 June, 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 7.80 %, from 29,966.87 basis points as at 30 June 2019 to 27,630.56 basis points as at 30 September, 2019. However, the Market Capitalization appreciated by 1.82 %, from ~~₦~~13.21 trillion, as at 30 June, 2019, to ~~₦~~13.45 trillion, as at 30 June 2019 due to the listing of Airtel Africa PLC on the Nigerian Stock Exchange.

The value of investments in FGN Bonds, Treasury bills and FGN Green Bond increased by ~~₦~~37.71 billion (0.85 %); ~~₦~~326.37 billion (16.85 %) and ~~₦~~1.25 billion (10.28 %) respectively while investments in FGN SUKUK and Agency Bonds decreased by ~~₦~~5.57billion (6.47%) and ~~₦~~1.13 (9.56%) 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	Q1:2019		Q2:2019		Q3:2019	
	Amount (N' Billion)	% of Total RSA Assets	Amount (N' Billion)	% of Total RSA Assets	Amount (N' Billion)	% of Total RSA Assets
Top 3	3,709.06	54.09	3,843.68	54.07	3,976.31	54.01
Top 5	4,578.25	66.76	4,746.03	66.77	4,909.80	66.69
Top 10	6,020.29	87.79	6,237.94	87.76	6,449.94	87.62
Bottom 3	34.77	0.51	36.56	0.51	43.42	0.59
Bottom 5	131.40	1.92	137.16	1.93	149.51	2.03
Bottom 10	629.16	9.17	655.08	9.22	687.28	9.34

A review of PFAs' ranking by size of assets under their management showed that the top three PFAs accounted for more than half of the total RSA assets at 54.1%. The top ten PFAs had 87.62 % of the total RSA assets under their management while the bottom ten PFAs accounted for 9.34 % 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 ₦248.83 billion (3.90%), from ₦6.38 trillion as at 30 June, 2019 to ₦6.62 trillion as at 30 September, 2019. The growth resulted primarily from monthly inflows of pension contributions into the Funds and the investment incomes. The breakdown of the Net Asset Value of the various RSA 'Active' Funds were: RSA Fund I was ₦19.31 billion (0.29%); RSA Fund II was ₦4.23 trillion (63.83%) and RSA Fund III was ₦2.38 trillion (35.88%).

The Weighted Average Rate of Return (WARR) of the RSA 'Active' funds net of asset based fees and taxes were: RSA Fund I recorded 9.71%; RSA Fund II recorded 9.15% and RSA Fund III recorded 11.18%. This shows a decrease in performance of Fund I and III when compared to the performance of 10.02% and 11.52% respectively recorded in the previous quarter. However, Fund II performance improved when compared to 8.51% recorded in the previous quarter.

The performance of the RSA Funds were negatively impacted by the decrease in yields/interest rates on FGN Bonds, Treasury Bills and Money Market placements towards the end of Q3, 2019. The yields on FGN Bonds ranged between 10.75% p.a and 13.10% p.a, for maturities between 5 years and 20 years, which was a marginal decrease from levels in Q2 2019 (11.88% to 13.10%). Similarly, yields on Treasury Bills ranged between 11% p.a and 13% p.a across all tenors. In addition, the continued depreciation in the market prices of quoted stocks as reflected by the negative return of 7.80% recorded by the NSE-ASI also affected the Funds' performance.

(ii) RSA Retiree Fund

The Net Asset Value of the RSA Retiree Fund increased by ₦16.65 billion (2.21 %), from ₦ 751.73 billion as at 30 June, 2019 to ₦ 768.38 billion as at 30 September, 2019. The growth resulted primarily from transfers from RSA Active Funds into the RSA Retiree Funds including accrued rights of Federal Government retirees and income from investment. The fund recorded a WARR of 12.50% (annualized), which was a slight decrease in performance when compared with the annualized WARR of 13.75% recorded in the second quarter, 2019. The decrease in the WARR was as a result of the marginal decline of the yields on fixed income securities in Q3 2019, which constituted approximately 99% 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 ₦20.90 billion (1.80%), from ₦1.16 trillion as at 30 June, 2019 to ₦1.18 trillion as at 30 September, 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 (for contributory schemes).

The annualized rates of return recorded on the CPFA Funds ranged between 10.50% and 17.50%, 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 decreased by ₦29.06 billion (2.80%), from ₦1.04 trillion as at 30 June, 2019, to ₦1.01 trillion as at 30 September, 2019. The net decrease in the total portfolio value was primarily attributed to benefit payments and other transfers/remittances.

The annualized rates of return recorded on the AES Funds ranged between 9.86 % and 14.38% in the third 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 (PW)

The total number of retirees currently receiving their pensions under the Programmed Withdrawal (PW) contracts increased by 2.10 % from 222,712 as at the end of the second quarter of 2019 to 227,400 as at the end of the third quarter of 2019. A sectorial breakdown shows that 65.53% of those that received pension under the PW were from the public sector while retirees from the private sector accounted for the remaining 34.47%.

During the quarter under review, the sum of ₦ 9.29 billion was paid to 4,688 retirees as lump sum and ₦ 190.00 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 Third Quarter, 2019

Period	Public		Private	Total	Lump sum (₦Million)	Monthly PW (₦ Million)
	FGN	State				
Inception to Q2: 2019	128,187	18,251	76,274	222,712	580,046.37	9,496.72
Q3: 2019	2,336	247	2,105	4,688	9,289.41	190.00
Total	130,523	18,498	78,379	227,400	589,335.78	9,686.72

Note: Public Sector refers to both Federal and State Governments

The Table further shows that from inception to date, the sum of ~~N~~589.34 billion has been paid as lump sum while the monthly Programmed Withdrawals amounted to ~~N~~9.69 billion.

3.4.2 Retirement by Annuity

The Commission approved a total of 2,357 applications for retirement under life annuity during the quarter, bringing the total number of retirees receiving their retirement benefits through the annuity plan to 71,214 from inception. The 2,357 retirees received ~~N~~3.71 billion as lump sum payment and paid premium of ~~N~~15.09 billion to insurance companies in exchange for monthly annuity of ~~N~~159.22 million. This resulted in total lumps sum payment of ~~N~~94.99 billion, premium of ~~N~~386.30 billion and monthly annuity receipts of ~~N~~3.86 billion as at the end of third quarter, 2019 as shown in Table 3.12 below.

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

Period	Public		Private	Total	Lump sum	Premium	Annuity
	FGN	State			(N Million)	(N Million)	(N Million)
Inception to Q2: 2019	43,019	7,787	18,051	68,857	91,282.49	371,214.27	3,701.52
Q3: 2019	1,155	435	767	2,357	3,711.70	15,089.66	159.22
Total	44,174	8,222	18,818	71,214	94,994.19	386,303.93	3,860.74

3.4.3 Withdrawal of 25 % of RSA Balances

Approval was granted for payment of ~~N~~3.67 billion to 6,862 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 331,003 and were paid a total of ~~N~~116.88 billion being 25% of the balances of their RSAs as prescribed by the Pension Reform Act 2014. A further analysis showed that the private sector accounted for 95.17% of those who benefitted from these payments while the public sector accounted for 4.83%.

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

Period	Public		Private	Total	Total 25% Paid
	FGN	State			(N Million)
Inception to Q2: 2019	8,361	6,787	308,993	324,141	113,208.44
Q3: 2019	127	701	6,034	6,862	3,667.49
Total	8,488	7,488	315,027	331,003	116,875.93

3.4.4 Approval of Death Benefits

The Commission approved the payment of ₦7.66 billion as death benefits to the beneficiaries of the 1,936 deceased employees during the quarter under review, which brought the total number of deceased employees from both public and private sectors to 59,057. The amount paid during the quarter moved the total payments of death benefits to ₦186.21 billion.

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

Sector	Public		Private	Total	Total Amount Paid
	FGN	State			(₦ Million)
Inception to Q2: 2019	39,285	4,897	12,939	57,121	178,556.98
Q3: 2019	1,103	229	604	1,936	7,656.85
Total	40,388	5,126	13,543	59,057	186,213.83

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 (FGN and State) and 2,628 from the private sector. Consequently, a total of 109,284 retirees received en-bloc payments totaling ₦27.09 billion from inception to the end of the third quarter of 2019.

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

Sector	Public		Private	Total	Total Amount Paid
	FGN	State			(₦ Million)
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
Q3	-	-	-	-	-
Total	6,466	3,472	99,346	109,284	27,091.73

3.5 Outlook for the Fourth Quarter 2019

In line with the Investment of Pension Fund, it is expected that the equity market would rebound in the fourth 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 third quarter, 2019 (11.27%). Overall, pension fund portfolios are expected to show continued growth in last part 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.