

Corporate Vision and Mission

Vision

To be a world-class Organization that ensures the prompt payment of retirement benefits and promotes a sustainable pension industry that positively impacts on the economic development of Nigeria

Mission

To be an effective Regulator and Supervisor that ensures the safety of Pension Assets and fair return on investment utilising appropriate technology, with highly skilled and motivated staff

SECTION ONE

Pension Operating Environment

1.1 Macroeconomic Development

The pension industry operated in an improved macroeconomic environment as real GDP growth increased marginally by 0.10 percent from 6.60 percent in the first quarter to 6.70 percent in the second quarter. The slight increase in real GDP growth could be explained by the real non-oil sector, which grew at 7.9 per cent in the quarter and accounted for 87.1 per cent of total GDP growth during the quarter. However, real oil GDP, comprising crude petroleum and natural gas, fell by 0.7 per cent and accounted for 12.9 percent of GDP growth over the same period. The improved macroeconomic environment in the second quarter represented a signal to a general drive towards increased compliance with the provisions of the Pension Reform Act (PRA) 2004.

The end-period inflation rate was further contained at 8.40 percent in the quarter as against the 8.60 percent recorded in the first quarter. The single digit rate of inflation could help increase workers and retirees welfare as a result of increased purchasing powers in the face of general reduction in prices.

1.2 Developments in the Money Market

Monetary policy was largely restrictive during the quarter as the Monetary Policy Rate (MPR) was maintained at 12.00 percent. In pursuit of the restrictive monetary policy, the Cash Reserve Ratio (CRR), the Liquidity Ratio and net open position were maintained at the first quarter levels of 12.00 and 30.00 and 1.00 percent respectively with a view to contain inflationary pressure on the economy.

The interest rate developments in the money market showed mixed results. While average savings deposit rate increased from 1.73 percent in the first quarter to 2.04 percent in the second quarter, all other rates on deposits of various maturities fell from a range of 5.05 – 8.39 to a range of 4.71 – 7.72 percent. Following the increase in the prime and maximum lending rates in the quarter, the spread between the weighted average term deposit and maximum lending rates increased by 1.34 percent to 17.98 per cent from 16.64 percent.

The inter-bank segment of the money market witnessed some increases in the rates of some instruments. For example, the weighted average interbank call rate, which was 11.35 percent as at the end of the first quarter increased by 0.34 percent to close at 11.69 percent in the second quarter. Similarly, the Nigeria Interbank Offer Rate (NIBOR) for the 7 and 30-day tenors increased from 11.83

and 12.39 percent in the first quarter to 12.19 and 12.46 percent respectively in the second quarter.

The primary market segment for the auctioning of government securities showed that Treasury Bills (NTBs) of 91,182 and 364-day tenors amounting to ₦1,000.50 billion, ₦1,752.99 billion and ₦1,000.50 billion, were offered, subscribed to and allotted respectively. The bid rates ranged from 8.50 to 15.02 percent, for the 91-, 182- and 364-day tenors respectively, while the stop rates ranged from 10.30 to 11.79 percent. However, the total amount of NTBs offered and the level of subscription for all the tenors showed an impressive patronage of government securities at the primary market as the volume of subscription outstripped total amount offered by 75.21 percent.

The foregoing indicated positive real returns on pension fund investment in treasury bills and deposits of various tenors during the quarter under review given the headline inflation rate of 8.40 percent.

1.3 Developments in the Bond Market

The bond market witnessed some improvements in the second quarter of 2013 as the total amount offered, subscribed to and allotted stood at ₦285.00 billion, ₦607.05 billion, and ₦285.00 billion respectively. Thus, the level of subscription was 113 percent in excess of the total amount offered as shown in Table 1.1. The increased investment in FGN Securities could be explained by investors' confidence in the bond market and the relatively high yield on these securities relative to money market instruments.

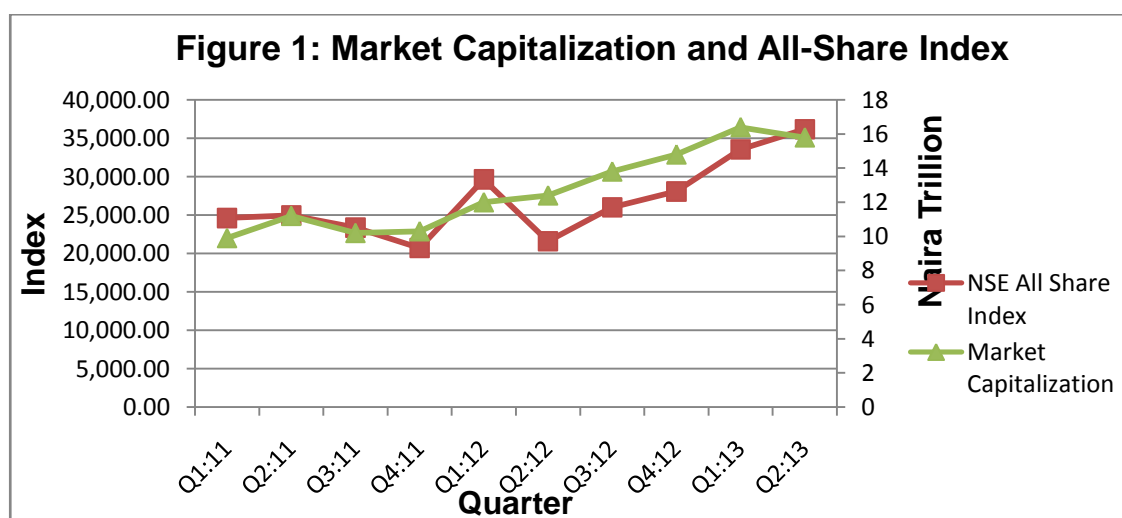
Table 1.1: FGN Bond Issues and Subscriptions as at Q1:2013

| Year | Issued Amount (₦ Million) | Subscription (₦ Million) | Subscription Level | | Remarks |
|---------|------------------------------|-----------------------------|-----------------------|--------|----------------|
| | | | Amount (₦ Million) | % | |
| 2008 | 515,000 | 845,951.53 | 330,951.53 | 64.24 | Oversubscribed |
| 2009 | 694,000 | 1,340,891.46 | 646,891.46 | 93.21 | Oversubscribed |
| 2010 | 932,810 | 1,877,044.08 | 944,234.08 | 101.22 | Oversubscribed |
| 2011 | 846,710 | 2,034,060.00 | 1,187,350.00 | 140.23 | Oversubscribed |
| 2012 | 865,160 | 1,712,480.00 | 847,320.00 | 97.94 | Oversubscribed |
| Q1:2013 | 285,000 | 607,140.00 | 322,140.00 | 113.03 | Oversubscribed |
| Q2:2013 | 285,000 | 607,050.00 | 322,050.00 | 113.00 | Oversubscribed |

During the quarter, the FGN Bonds of 5-, 7-,10- and 20-year tranches were re-opened and auctioned. The total amount offered, subscribed to and allotted for the tranches were ₦299.80 billion, ₦517.89 billion, and ₦235.61 billion respectively.

1.4 Developments in the Stock Market

Activities in the stock market showed mixed results as reflected in some stock market performance indicators. The volume of traded shares decreased from 31.80 billion shares in the first quarter to 26.5 billion shares in the second quarter, representing a decrease of 16.60 percent. Similarly, the number of deals decreased from 383,014 in the first quarter to 380,946 deals, representing a decrease of 0.54 percent. However, the value of traded shares increased from ₦254.98 billion in the first quarter to close at ₦336.59 billion in the second quarter, representing an increase of 32.01 percent. The banking sector stocks were the most actively traded with a volume of 12 billion shares valued at ₦110.50 billion in 87,743 deals.



Other stock market performance indicators revealed mixed results as market capitalization decreased from ₦15.22 trillion in the first quarter to ₦15.80 trillion, representing a decrease of 3.80 percent. However, the NSE All-Share Index increased from 33,536.25 in the first quarter to 36,164.31 as at the end of the second quarter, representing an increase of 7.84 percent.

SECTION TWO

Regulatory and Supervisory Activities

The consultative philosophy in the regulation and supervision of the industry was maintained in the quarter. The risk-based examination approach was intensified in order to promote transparency, provide early warning signals as well as encourage pension operators to regularly self-evaluate their positions.

2.1 Surveillance of the Pension Industry

The Commission carried out its on/off site examinations during the quarter on additional nine operators, which brought the total number of operators examined in 2013 to 11. The requirements for examination were extended in the quarter to include service delivery as part of the Commission's efforts to improve the quality services provided by the Licensed Pension Operators.

The detailed highlights of the offsite examination of the PFAs included the following:

(a) Compliance Reports

The issues observed from the compliance reports forwarded by some of the PFAs included cases of delays in the payment of retirement benefits; un-credited pension contributions due to non-submission of appropriate schedules by employers; unresolved customer complaints; failure to fill vacant management positions; and non implementation of disaster recovery plans.

Consequent upon these issues, the Commission forwarded letters to the concerned operators as well as monitored their efforts at resolve them.

(b) Risk Management Reports

A review of the risk management reports submitted by the Operators revealed that some operators faced operational risks associated with receipt of contributions without appropriate schedule; litigations; and non-funding of RSAs by employers. Accordingly, the Commission advised the concerned operators to strengthen their mitigating measures to avert the identified risk.

(c) Actuarial Valuation

The actuarial valuation reports on the Defined Benefit Schemes for the year ended 31 December, 2012 were received by the Commission during the quarter under review. The reports showed that some of the Schemes were under-funded.

Consequently, the affected Scheme sponsors were directed to come up with funding arrangements with a view to clear the funding gap.

(d) Corporate Governance

During the quarter, the Commission received and reviewed 27 governance reports from Licensed Pension Fund Operators. The reports indicated violations of the Code of Corporate Governance by some of the Operators. The review further showed that some Operators did not evaluate the performance of their Boards, Board Committees and individual Directors. Similarly, in some cases, the number of Board meetings held was inadequate as against the minimum stipulated by the Code. In addition, some Board members did not attend Board and Committee meetings regularly. Subsequently, the affected operators were advised through various letters to address the issues observed on non-compliance with the Code of Corporate Governance.

2.1.1 Update on Returns Rendition System

A review of quarterly reports rendered by Licensed Pension Fund Operators on the funds under their management showed that there was an increase in the pension assets under management. As part of measures to discourage late submission of reports by Operators, the Commission passed a monetary penalty of ₦100,000 (One Hundred Thousand Naira Only) on each of the 3 erring operators during the quarter.

2.1.2 Resolution Activities

The Commission held reconciliatory meetings with the stakeholders of GTB-AM Pension Managers Limited during the quarter. This cumulated into 100 percent acquisition of the shares of the PFA by Investment Financial Services Limited. Subsequently, all the Directors of the former Royal Trust Pension Fund Administrator resigned their appointments with the PFA.

The regulatory intervention in First Guarantee Pension Limited continued in the quarter as 5 cases on the issues of takeover were still pending in court during the quarter.

2.2 Compliance and Enforcement Activities

The Commission intensified its compliance and enforcement strategies to ensure compliance with the provisions of the Pension Reform Act (PRA) 2004. Thus, in accordance with the framework for compliance, the Commission applied sanctions on some erring employers, participated in public enlightenment programmes and collaborated with key stakeholders.

2.2.1 Update on Compliance by the Private Sector

During the quarter, the Commission received 539 applications for the issuance of compliance certificates, out of which 430 certificates were issued while 109 applications were turned down due to various inadequacies. The 109 applications were declined due to such issues as: incomplete documentation; non-remittance of pension contributions in the last three years; and non-provision of Group Life Insurance Policy for their employees.

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

During the quarter under review, 13,921 requests were received for the transfer of NPF/NSITF contributions into amounting to ₦820.42 million into contributors' RSAs. The Commission reviewed and approved the transfer of ₦723.54 million into the RSAs of 10,866 applicants. The remaining 2,425 applications were rejected due to incomplete documentation, zero balances and duplicated applications. As at the end of the second quarter, the sum of ₦8.01 billion has been transferred into the RSAs of 111,034 NPF/NSITF contributors.

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

During the quarter, 70 Recovery Agents (RAs) established outstanding pension contributions and interest penalties that amounted to ₦13.33 billion against 335 private sector employers. The Commission reviewed the claims submitted by the RAs and granted approval to serve demand notices on 103 out of the 335 private sector employers for outstanding pension contributions and interest penalty, which amounted to ₦7.28 billion. The cases on the remaining 232 employers were rejected due to errors in the computations submitted by the RAs. The RAs had since been advised to make corrections and resubmit the computations to the Commission.

Consequent upon the issuance of demand notices to erring employers whose liabilities were established by the RAs, some of the employers have remitted their outstanding pension contributions and interest penalties. In addition, the RAs had recovered the sum of ₦140.89 million during the quarter under review, which cumulatively brought the total amount so far recovered to ₦335.84 million and an interest penalty of ₦31.04 million as at the end of June 2013. In furtherance of its compliance efforts, the Commission intends to commence the issuance of notices of intention to prosecute to the employers that fail to remit the outstanding pension contributions and interest penalty.

2.3 Other Compliance Efforts

(a) Implementation Update by the State Governments

The State Governments continued to make progress in implementing the Contributory Pension Scheme (CPS). Thus, in the first quarter of 2013, twenty one (21) State Governments have enacted their pension laws, fourteen (14) States were at the Bill stages, while one (1) State was yet to commence the process of implementing 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/N | State | Remittance of Contribution | Accrued Rights | Group Life Insurance |
|-----|-----------|------------------------------|-----------------------------------|--|
| 1 | Jigawa | Assets transferred to PFAs | N/A | N/A |
| 2 | Lagos | Commenced | Funded | Implemented |
| 3 | Ogun | Commenced | Funded | Not implemented |
| 4 | Kaduna | Commenced | Local Government component funded | Not implemented |
| 5 | Niger | Commenced | Funded | Implemented |
| 6 | Delta | Commenced | Not funded | Implemented for State Government Employees |
| 7 | Zamfara | Commenced | Not funded | Not implemented |
| 8 | Osun | Commenced | Funded | Implemented |
| 9 | Rivers | Commenced | Not funded | Implemented |
| 10 | Kano | Assets yet to be transferred | Not applicable | Not applicable |
| 11 | Imo | Yet to commence | Not funded | Not implemented |
| 12 | Kebbi | Yet to commence | Not funded | Not implemented |
| 13 | Sokoto | Yet to commence | Not funded | Not implemented |
| 14 | Ekiti | Yet to commence | Not funded | Not implemented |
| 15 | Kogi | Yet to commence | Not funded | Not implemented |
| 16 | Bayelsa | Yet to commence | Not funded | Not implemented |
| 17 | Nasarawa | Yet to commence | Not funded | Not implemented |
| 18 | Oyo | Yet to commence | Not funded | Not implemented |
| 19 | Taraba | Yet to commence | Not funded | Not implemented |
| 20 | Akwa Ibom | Yet to commence | Not funded | Not implemented |
| 21 | Edo | Yet to commence | Not funded | Not implemented |

Apart from enacting laws on the CPs, Table 2.1 further shows that six out of the 21 states had commenced remittance of contributions into RSAs of employees. In addition, six (6) states had commenced funding their Retirement Benefit Bond Redemption Fund Accounts (RBBRFAs) as shown in Table 2.2.

Table 2.2: Balance in RBBRF Account of state Governments as at December, 2012

| S/N | State | Balance (N billion) | Domiciliation |
|-----|--------|---------------------|-------------------------|
| 1 | Lagos | 13.00 | Commercial Banks |
| 2 | Ogun | 5.08 | Central Bank of Nigeria |
| 3 | Kaduna | 1.60 | First Bank Plc |
| 4 | Niger | 5.10 | CBN/GT Bank |
| 5 | Osun | 1.07 | Central Bank of Nigeria |
| 6 | Rivers | 0.32 | Premium Pension Limited |

Table 2.2 shows that Lagos State has remitted N13.00 billion, while Ogun, Niger and Kaduna States have remitted ~~N~~5.08, ~~N~~5.10 and ~~N~~1.6 billion respectively into their RBBRFAs as at the end of the quarter under review.

(b) Update on the Verification of Pensioners of FGN Parastatals

The first phase of the Parastatal Pensioners Verification Exercise (PPVE) was concluded and a final report forwarded to the Budget Office of the Federation. Following the CBN Policy on the use of NUBAN, the 144 organizations covered under the PPVE phase 1 were requested to forward the NUBAN numbers of their pensioners captured during the exercise. An updated report is expected to be forwarded to the Office of the Accountant General of the Federation after collecting the NUBAN numbers.

(c) Update on the Refund of Pension Contributions of the Military and Security Agencies

The refund to the second batch of Officers and Men of the Military and Security Service Agencies continued in the second quarter. The sum of ~~N~~968.92 million has been paid to 5,666 contributors under this batch. In addition, PFAs had forwarded reports to the Commission affirming the disbursement of ~~N~~4.58 billion to the bank accounts of 32,206 contributors under the first batch. .

In continuation of the refund exercise, the Military Pension Board, Department of State Services (DSS) and Defense Intelligence Agency (DIA) have made additional submissions in respect of 18,924 Army personnel, 7,222 Navy personnel and 8,976 Airforce personnel, which had been reviewed and being processed for payment.

2.4 Settlement of Benefits of Staff of Power Holding Company of Nigeria (PHCN)

The implementation committee for the PHCN staff benefits had resolved all areas of contention in the computation of accrued pension rights of PHCN staff. The payment is expected to commence after all the affected staff have confirmed their employment, RSA and banking details.

2.5 Establishment of Pension Transitional Arrangement Department (PTAD)

The Inter-Ministerial Committee (IMC) is about to commence the second phase of the ongoing reforms of the public service pension administration and system. To this end, the sum of ~~N~~500 million was released by the FGN to the IMC on behalf of PTAD to carry out the exercise.

SECTION THREE

Pension Industry Statistics

3.1 Scheme Memberships

The total membership of pension schemes increased from 5,585,694 at the end of first quarter to 5,693,963 at the end of the second quarter, representing an increase of 1.94 percent. However, membership of both Closed Pension Fund Administrators (CPFA) Approved Existing Scheme (AES) decreased by 3.84 percent 0.93 percent respectively as shown in Table 3.1.

Table 3.1 Scheme Memberships as at Second Quarter, 2013

| Scheme | Q3:2012 | Q4:2012 | Q1:2013 | Q2:2013 | % Change (Q2 & Q1) |
|---------------|------------------|------------------|------------------|------------------|-----------------------------------|
| RSA | 5,280,928 | 5,393,001 | 5,516,478 | 5,610,310 | 1.70 |
| CPFA | 24,622 | 24,665 | 25,594 | 24,610 | (3.84) |
| AES | 44,351 | 43,633 | 43,622 | 43,213 | (0.93) |
| Total | 5,349,772 | 5,461,299 | 5,585,694 | 5,693,963 | 1.94 |

Note: Figures in parenthesis represent decrease

The reduction in the membership of CPFA and AES could be ascribed to the retirement of some members of the scheme.

3.1.1 Membership of RSA

A review of the total RSA registrations for both public and private sectors shows that total RSA registrations increased by 1.70 percent as revealed in Tables 3.1 and 3.2. The public sector dominated total RSA registrations with a total figure of 2,957,684, accounting for 52.72 percent of total registrations. This could be seen as the product of the intensive compliance efforts of the Commission as well as the activities of the Recovery Agents.

Table 3.2: RSA Registrations by Age and Sector in Second Quarter, 2013

| Age Range | Public Sector | | Private Sector | | Total | | Grand Total | |
|------------------|------------------|----------------|------------------|----------------|------------------|------------------|------------------|---------------|
| | Male | Female | Male | Female | Male | Female | Number | % |
| Less than 30 yrs | 584,561 | 233,792 | 733,182 | 308,480 | 1,317,743 | 542,272 | 1,860,015 | 33.15 |
| 30 - 40 yrs | 611,979 | 369,756 | 764,812 | 218,091 | 1,376,791 | 587,847 | 1,964,638 | 35.02 |
| 41 - 50 yrs | 513,219 | 284,068 | 372,014 | 70,195 | 885,233 | 354,263 | 1,239,496 | 22.09 |
| 51 - 60 yrs | 245,920 | 94,203 | 138,921 | 15,592 | 384,841 | 109,795 | 449,636 | 8.82 |
| Above 61 yrs | 17,206 | 2,980 | 28,665 | 2,674 | 45,871 | 5,654 | 51,525 | 0.92 |
| Total | 1,972,885 | 984,799 | 2,037,594 | 615,032 | 4,010,410 | 1,599,831 | 5,610,310 | 100.00 |

The private sector also witnessed improved registration in RSA membership as total registrations increased from 2,579,222 in the first quarter to 2,652,626 in the second quarter, representing an increase of 2.85 percent. In all, the private sector accounted for 47.28 percent of total RSA registrations at the end of the quarter.

Analysis of the age distribution of RSA holders shows that the scheme has greater prospects, given the fact that the age category “30-40” accounted for the highest proportion of contributors in the second quarter at 35.02 percent. This shows brighter prospects of investing pension funds in long-term investible instruments.

The expectation is that the number of RSA holders would increase in the future with the continuous review of the Commission’s compliance strategies as well as the initiation of incentives that would facilitate participation in the Scheme by the informal sector.

3.1.2 RSA Registrations by PFA Market Share

The ranking of PFAs by number of registered contributors shows increases in the shares of the top three, five and ten PFAs in the second quarter. For example, the shares of the top three, five and ten PFAs increased from 43.91, 59.49 and 83.17 percent in the first quarter to 45.44, 62.39 and 87.30 percent respectively as shown in Table 3.3.

Table 3.3: RSA Registration by Market Share

| PFA Ranking | Q1:13 (%) | Q2:13 (%) |
|--------------------|------------------|------------------|
| Top 3 | 43.91 | 45.44 |
| Top 5 | 59.49 | 62.39 |
| Top 10 | 83.17 | 87.30 |
| Bottom 3 | 0.11 | 0.67 |
| Bottom 5 | 0.55 | 1.90 |
| Bottom 10 | 4.20 | 12.70 |

A review of the range of market share of RSA registrations by number of PFAs shows that 50 percent of the PFAs have less than 500,000 RSA contributors as shown in Table 3.4. Another remarkable picture of the Table is the fact that 3 PFA has RSA contributors between 500,000 and 1,000,000.

Table 3.4: Range of RSA Registration per PFA

| Range of RSA Registrations | Number of PFAs |
|-----------------------------------|-----------------------|
| 500,000 – 1,000,000 | 3 |
| 100,000 – 499,999 | 10 |
| Less than 100,000 | 7 |

3.1.3 Memberships of CPFA and AES

The total memberships of Closed Pension Fund Administrators and Approved Existing Schemes were 24,610 and 43,213 respectively as at the end of the second quarter as shown in Tables 3.5 and 3.6. These Tables further show that memberships of CPFAs and AESs decreased marginally by 0.26 and 2.10 percent respectively.

Table 3.5: Membership of CPFAs as at First Quarter of 2013

| Enrolment Type | Number | | | Percentage of Total | |
|-----------------------|----------------|----------------|----------------|----------------------------|----------------|
| | Q4:2012 | Q1:2013 | Q2:2013 | Q1:2013 | Q2:2013 |
| Active Members | 18,699 | 18,699 | 18,574 | 75.81 | 75.47 |
| Existing Pensioners | 5,371 | 5,381 | 5,441 | 21.78 | 22.11 |
| Deferred Pensioners | 595 | 595 | 595 | 2.41 | 2.42 |
| Total | 24,665 | 24,675 | 24,610 | 100.00 | 100.00 |

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

Table 3.6: Membership of AES as at First Quarter of 2013

| Enrolment Type | Number | | | Percentage of Total | |
|---------------------|---------------|---------------|---------------|---------------------|---------------|
| | Q4:2012 | Q1:2013 | Q2:2013 | Q1:2013 | Q2:2013 |
| Active Members | 27,443 | 27,444 | 26,250 | 62.17 | 60.75 |
| Current Pensioners | 14,807 | 15,313 | 15,580 | 34.69 | 36.05 |
| Deferred Pensioners | 149 | 149 | 149 | 0.34 | 0.30 |
| Dependants | 1,234 | 1,234 | 1,234 | 2.84 | 2.86 |
| Total | 43,633 | 44,140 | 43,213 | 100.00 | 100.00 |

Note: Dependants are protégés of deceased pensioners.

3.2 Pension Contributions

The total pension contribution by both the public and private sectors into the RSA Scheme was ₦2,010.97 billion as at the end of second quarter, 2013. This was an increase of ₦124.17 billion representing 6.58 percent over the total contributions as at the end of first quarter as shown in Table 3.7. Public sector contributions were higher than that of the private sector in the quarter. In addition, the cumulative contribution of the public sector was also higher than that of the private sector by ₦475.01 billion as at the end of the quarter under review.

Table 3.7: Pension Contributions as at Second Quarter, 2013

| Year/Quarter | Public Sector | | Private Sector | | Total | |
|--------------|--------------------|---------------|--------------------|---------------|--------------------|---------------|
| | Amount (N billion) | % of Total | Amount (N billion) | % of Total | Amount (N billion) | % of Total |
| 2004 | 15.60 | 1.26 | - | - | 15.60 | 0.78 |
| 2005 | 34.68 | 2.79 | - | - | 34.68 | 1.72 |
| 2006 | 37.38 | 3.01 | 23.03 | 3.00 | 60.41 | 3.00 |
| 2007 | 80.63 | 6.49 | 68.34 | 8.90 | 148.97 | 7.41 |
| 2008 | 99.28 | 7.99 | 80.81 | 10.52 | 180.09 | 8.96 |
| 2009 | 137.10 | 11.03 | 91.21 | 11.88 | 228.31 | 11.35 |
| 2010 | 162.46 | 13.07 | 103.03 | 13.42 | 265.49 | 13.20 |
| 2011 | 228.92 | 18.42 | 119.53 | 15.56 | 348.45 | 17.33 |
| 2012 | 331.14 | 26.64 | 174.43 | 22.71 | 505.57 | 25.14 |
| Q1:2013 | 55.88 | 4.50 | 43.35 | 5.64 | 99.23 | 4.93 |
| Q2:2013 | 59.92 | 4.81 | 64.25 | 8.37 | 124.17 | 6.17 |
| Total | 1,242.99 | 100.00 | 767.98 | 100.00 | 2,010.97 | 100.00 |

The private sector contributions increased from ₦703.73 billion at the end of first quarter to ₦767.98 as at the end of the second quarter, representing an increase

of 9.13 percent. The average monthly contributions for the private and public sectors were ₦21.42 billion and ₦19.97 billion respectively during the quarter.

3.2.1 Contributions by Rank of PFA

The ranking of PFAs by total contributions shows that the top 3 PFAs accounted for 72.13 percent of total contributions during the second quarter. Similarly, the top 5 PFAs accounted for 82.28 percent of total contributions received in the quarter as revealed in Table 3.8. The Table further shows that while the bottom 3 PFAs accounted for 0.26 percent of total contributions, the bottom 5 PFAs accounted for 0.70 percent of total contributions in the second quarter. It is important to note that the bottom 10 PFAs were those within the range of registration figures lower than 100,000 RSAs as shown in Table 3.4 above, which establishes a direct relationship between the number of RSAs registered by PFAs and the size of pension assets under their management.

Table 3.8: PFA Ranking by Size of Contributions

| Rank | Amount (N' billion) | Percentage of Total |
|-------------|----------------------------|----------------------------|
| Top 3 | 46.34 | 72.13 |
| Top 5 | 52.87 | 82.28 |
| Bottom 3 | 0.16 | 0.26 |
| Bottom 5 | 0.45 | 0.70 |

The distribution of RSA contributions is not surprising as the top 3 and 5 PFAs accounted for more than half of total RSA registrations at 45.44 and 62.39 percent respectively.

3.3 Pension Fund Investment

The total value of pension assets stood at ₦3,521.91 billion as at the end of the second quarter, 2013 representing an increase of 4.13 percent from ₦3,382.41 billion at the end of the first quarter, 2013. The breakdown of the pension assets for the four fund types are shown in Table 3.9.

Table 3.9: Pension Fund Portfolio by Fund Type as at Second Quarter, 2013

| Fund/Period | Q3:2012 | | Q1:2013 | | Q2:2013 | | Change between Q1 & Q2:2013 | |
|--------------|---------------------|---------------|-----------------|---------------|-----------------|---------------|-----------------------------|-------------|
| | N' Billion | % of Total | N' Billion | % of Total | N' Billion | % of Total | N' Billion | % of Total |
| RSA Active | 1,636.30 | 55.51 | 1,975.44 | 58.40 | 2,067.69 | 58.71 | 92.25 | 4.67 |
| RSA Retiree | 227.69 | 7.72 | 267.09 | 7.90 | 282.39 | 8.02 | 15.30 | 5.73 |
| CPFAs | 506.10 | 17.17 | 563.17 | 16.65 | 578.68 | 16.43 | 15.51 | 2.75 |
| AESs | 566.75 ¹ | 19.59 | 576.71 | 17.05 | 593.15 | 16.84 | 16.44 | 2.85 |
| Total | 2,947.56 | 100.00 | 3,382.41 | 100.00 | 3,521.91 | 100.00 | 139.50 | 4.12 |

1: Revised

Table 3.9 shows that RSA active fund dominated total pension assets as it accounted for 58.71 percent of total pension assets at the end of the quarter. This was partly accounted for by growth in pension contributions that averaged ₦20.70 billion in the quarter. The growth could also be partly explained by the relatively larger membership of the RSA Active Fund. This was followed by Approved Existing Scheme (AES) and Closed Pension Fund Administrators (CPFAs) with proportional contributions of 16.84 and 16.43 percent of total pension assets respectively, while the RSA Retiree Fund had 8.02 percent.

A review of the pension industry investment portfolio as shown in Table 3.10 reveals that FGN securities accounted for 58.68 percent of pension fund investment portfolio in the quarter. This was made up of FGN Bonds 41.83 percent and Treasury Bills 16.85 percent of total portfolio. FGN securities witnessed an increase of ₦214.90 billion in the second quarter, representing an increase of 11.60 percent over the figure recorded in the first quarter.

Another remarkable picture of Table 3.10 is the proportional reduction of local money market investment, which moved from ₦521.71 billion in the first quarter to ₦408.58 in the second quarter, representing a decline of 21.71 percent. Similarly, corporate debt securities and private equity funds witnessed declines of 4.45 and 1.70 percent respectively.

Table 3.10: Pension Industry Portfolio as at Second Quarter of 2013

| Asset Class | Q1:2013 | | Q2:2012 | | Variance | |
|-------------------------------|-----------------|---------------|-----------------|---------------|---------------|---------------|
| | ₦ Billion | % of Total | ₦ Billion | % of Total | ₦ Billion | % of Total |
| Ordinary Shares | 455.24 | 13.46 | 480.26 | 13.64 | 25.02 | 17.94 |
| FGN Securities: | | | | | | |
| Bonds | 1,395.80 | 41.27 | 1,473.15 | 41.83 | 77.35 | 55.46 |
| Bills | 456.01 | 13.48 | 593.56 | 16.85 | 137.55 | 98.62 |
| State Government Bonds | 168.71 | 4.99 | 169.73 | 4.82 | 1.02 | 0.73 |
| Corporate Debt Securities | 80.65 | 2.38 | 77.06 | 2.19 | (3.59) | (2.57) |
| Supranational Bonds | 1.72 | 0.05 | 1.75 | 0.05 | 0.03 | 0.02 |
| Local Money Market Instrument | 521.71 | 15.42 | 408.58 | 11.60 | (113.13) | (81.11) |
| Open/Close End Funds | 16.09 | 0.48 | 17.03 | 0.48 | 0.94 | 0.67 |
| Real Estate Property | 188.93 | 5.59 | 193.19 | 5.49 | 4.26 | 3.05 |
| Private Equity Fund | 7.06 | 0.21 | 6.94 | 0.20 | (0.12) | (0.09) |
| Foreign Investment: | | | | | | |
| Equities | 43.25 | 1.28 | 45.40 | 1.29 | 2.15 | 1.54 |
| Money Market Securities | 0.58 | 0.02 | 3.57 | 0.10 | 2.99 | 2.14 |
| Cash & other Assets | 46.67 | 1.38 | 51.68 | 1.47 | 5.01 | 3.59 |
| Total | 3,382.42 | 100.00 | 3,521.91 | 100.00 | 139.48 | 100.00 |

Note: * refers to CPFAs and AES Schemes

The increase in pension fund investment in FGN securities could be explained by portfolio reallocation resulting from the relatively high yields on investments in FGN Securities.

Investment in State Government Bonds also witnessed marginal increase of 0.61 percent from ₦168.71 billion in the first quarter to ₦169.73 billion in the second quarter.

3.3.2 PFA Ranking by Size of RSA Assets

A review of PFAs' rank by size of RSA assets shows that the top three, five, and ten PFAs accounted for more than half of the RSA assets at 56.19 and 70.45 and 91.24 percent respectively at the end of the second quarter. This picture is not surprising given that these PFAs accounted for more than 60 percent of RSA registrations.

Table 3.11: Rank of PFA by Asset Size

| PFA Rank | Q4:2012 | | Q1:2013 | | Q2:2013 | |
|-----------|---------------------|---------------------------|---------------------|---------------------------|---------------------|---------------------------|
| | Amount (N' Billion) | % of Total Pension Assets | Amount (N' Billion) | % of Total Pension Assets | Amount (N' Billion) | % of Total Pension Assets |
| Top 3 | 367.21 | 53.69 | 399.42 | 55.63 | 1,116.01 | 56.19 |
| Top 5 | 454.98 | 66.52 | 504.42 | 70.26 | 1,399.11 | 70.45 |
| Top 10 | 608.97 | 89.03 | 664.25 | 92.52 | 1,812.12 | 91.24 |
| Bottom 3 | 0.78 | 0.11 | 0.83 | 0.11 | 5.96 | 0.30 |
| Bottom 5 | 2.71 | 0.40 | 2.00 | 0.28 | 28.76 | 1.45 |
| Bottom 10 | 13.02 | 1.90 | 14.08 | 1.96 | 173.88 | 8.76 |

The bottom three, five and 10 PFAs, however, show some improvements in size of assets under their management as the bottom three increased the assets under their management from 0.11 percent in the first quarter to 0.30 percent in the second quarter. Similarly, the assets under the management of the bottom five and ten PFAs increased to 1.45 and 8.76 percent at the end of the second quarter from 0.28 and 1.96 percent respectively at the end of the first quarter.

3.4 Retirement/Terminal Benefits

3.4.1 Retirees on Programmed Withdrawal

The total number of retirees on Programmed Withdrawal (PW) increased by 8.43 percent from 64,036 in the first quarter to 69,469 at the end of the second quarter as shown in Table 3.12. A breakdown of the total number of retirees into private and public sectors shows that while the public sector accounted for 4,473 retirees (82.33 percent) in the second quarter the private sector accounted for 960 retirees (17.67 percent) in the same period.

Table 3.12: Number of Retirees on PW as at Second Quarter, 2013

| Sector | Gender | | Total | Lump sum (N'Million) | Monthly PW (N'Million) |
|-----------------------------|---------------|---------------|---------------|----------------------|------------------------|
| | Male | Female | | | |
| FGN | 3,197 | 966 | 4,163 | 10,969.47 | 133.56 |
| State | 156 | 154 | 310 | 781.99 | 10.82 |
| Private | 785 | 175 | 960 | 830.26 | 18.80 |
| Q1: Sub-Total | 4,138 | 1,295 | 5,433 | 12,581.72 | 163.18 |
| Inception to Q1:2013 | 52,263 | 11,773 | 64,036 | 168,154.71 | 1,973.79 |
| Total | 56,401 | 13,068 | 69,469 | 180,736.43 | 2,136.97 |

Note: Public Sector refers to both Federal and State Governments

A review of the retirees on Programmed Withdrawal from inception to the end of second quarter by gender shows that male retirees accounted for 76.16 percent of total retirees on PW against the female retirees that accounted for the balance of 23.84 percent. The average monthly lump-sum withdrawal and pension payment during the quarter was ₦54.39 million and ₦54.39 million respectively.

3.4.2 Retirement by Annuity

due to increased awareness of retirement by Life Annuity, the Commission received a total of 1,081 requests for annuity retirement plan in the quarter. All the requests were approved, which brought the total number of retirees on this retirement plan to 4,688 at the end of second quarter of 2013. A total premium of ₦4,885.75 million was approved for payment to insurance companies on behalf of the 1,081 retirees in return for monthly payments amounting to ₦48.07 million as shown in Table 3.13.

Table 3.13: Retirement by Annuity as at the end of Q1:2013

| Sector | Gender | | Total | Lump sum (N'Million) | Premium (N'Million) | Annuity (N'Million) |
|-----------------------------|--------------|--------------|--------------|----------------------|---------------------|---------------------|
| | Male | Female | | | | |
| FGN | 535 | 229 | 764 | 1,621.03 | 3,353.36 | 34.25 |
| State | 96 | 94 | 190 | 429.42 | 852.49 | 8.84 |
| Private | 81 | 46 | 127 | 159.67 | 497.90 | 4.98 |
| Q2: Sub-Total | 712 | 369 | 1,081 | 2,210.12 | 4,885.75 | 48.07 |
| Inception to Q1:2013 | 2,630 | 997 | 3,607 | 11,007.97 | 17,754.72 | 175.78 |
| Total | 3,342 | 1,366 | 4,688 | 13,218.09 | 22,640.47 | 223.85 |

A comparative analysis of retirees on annuity and programmed withdrawals shows that while 4.66 percent of the retirees were under annuity, 95.34 percent were under programmed withdrawals. The relatively lower number of retirement by annuity could be explained by the delay in the takeoff of the retirement plan which started in September, 2009 as a result of the consolidation exercise in the Insurance Industry. However, there is an increase in the number of annuitants from 3,607 at the end of the first quarter of 2013 to 4,688 in the second quarter, representing an increase of 29.97 percent.

3.4.3 Withdrawal of 25 Percent of RSA Balances

This is the withdrawal of 25 percent of RSA balances made by persons who retired before the age of 50 years in accordance with the terms and conditions of their employment, and who having stayed for at least six months, could not secure another employment.

In the second quarter, the Commission granted the approval for the payment of ₦1,326.01 million to 5,409 RSA holders of which 5,139 (95.01 percent) were from the private sector and 270 (4.99 percent) from the public sector as shown in

Table 3.14: Withdrawal of 25% of RSA Balance in the Second Quarter of 2013

| Sector | Gender | | Total | Total RSA Balance (N Million) | Total 25% Request (N'Million) |
|-----------------------------|---------------|--------------|---------------|-------------------------------|-------------------------------|
| | Male | Female | | | |
| FGN | 194 | 70 | 264 | 413.86 | 104.02 |
| State | 4 | 2 | 6 | 13.43 | 3.35 |
| Private | 4,272 | 867 | 5,139 | 4,874.62 | 1,218.64 |
| Q2: Sub-Total | 4,470 | 939 | 5,409 | 5,301.91 | 1,326.01 |
| Inception to Q1:2013 | 21,000 | 3,604 | 24,604 | 19,142.70 | 4,780.86 |
| Total | 25,470 | 4,543 | 30,013 | 24,444.61 | 6,106.87 |

A review of these requests shows that the private sector employees were paid ₦1,218.64 million or 91.90 percent of the total approvals while the public sector employees were paid ₦107.37 million or 8.10 percent of the total approvals as shown in Table 3.14.

3.5 Implementation of Group Life Insurance Policy (GLIP)

The Commission intensified its compliance and enforcement activities with particular reference to the provisions of Section 9 (3) of PRA 2004, which requires employers to maintain life insurance policy in favour of their employees for a minimum of three times the annual emoluments of the employees. The number of institutions that submitted evidences of compliance with the GLIP increased from 30 in the first quarter to 54 in the second quarter, representing an increase of 80.00 percent. As at the end of the second quarter, financial institutions topped the list of complying institutions with 14 organizations.

Table 3.15: Compliance with Group Life Insurance Policy in Q2:2013

| S/No | Sector | Number |
|--------------|--------------------------|-----------|
| 1 | Financial Institutions | 14 |
| 2 | Educational Institutions | 3 |
| 3 | Construction | 4 |
| 4 | Pension Operators | 9 |
| 5 | Oil and Gas | 4 |
| 6 | Manufacturing | 1 |
| 7 | Hospitality | 1 |
| 8 | Government Agencies | 2 |
| 9 | Commercial | 7 |
| 10 | Others | 9 |
| Total | | 54 |

The Commission continues its sensitization programmes and engagement of employers as part of measures to deepen compliance and implementation of the Group Life Insurance Policy.

3.6 Approval of Death Benefits

During the quarter, approvals were given for the payment of ~~N~~5,989.28 million as death benefits to the Next of Kin (NOKs) of 1,998 deceased employees as shown in Table 3.16.

Table 3.16: Approval of Death Benefits as at Q1:2013

| Sector | Gender | | Total | Total Amount Paid (N Million) |
|-----------------------------|---------------|--------------|---------------|-------------------------------|
| | Male | Female | | |
| FGN | 1,409 | 202 | 1,611 | 4,520.04 |
| State | 15 | 18 | 33 | 119.15 |
| Private | 309 | 45 | 354 | 1,350.09 |
| Q2: Sub-Total | 1,733 | 265 | 1,998 | 5,989.28 |
| Inception to Q1:2013 | 9,494 | 1,473 | 10,967 | 29,639.09 |
| Total | 11,227 | 1,738 | 12,965 | 35,628.37 |

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

The Table further shows that the sum of ~~N~~35,628.37 million had been paid to the NOKs of 12,965 deceased employees from inception of the implementation of the CPS to the end of the second quarter.