



NATIONAL PENSION COMMISSION

PENSION INDUSTRY QUARTERLY REVIEW

SECOND QUARTER

2011

June 2011

Copyright © PenCom 2011

This publication of PenCom enjoys copyright. Nevertheless, short excerpts from this publication may be reproduced without authorization for non-profit purposes on condition that the source is clearly indicated. For rights of reproduction or translation, application should be made to National Pension Commission. All rights reserved under the International Copyright Law.

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

Table of Contents

SECTION ONE

| | |
|--------------------------------------|---|
| Pension Operating Environment | 1 |
| 1.1 Macroeconomic Development | 1 |
| 1.2 Developments in the Money Market | 1 |
| 1.3 Developments in the Bond Market | 2 |
| 1.4 Developments in the Stock Market | 2 |

SECTION TWO

| | |
|---|---|
| Regulatory and Supervisory Activities | 4 |
| 2.1 Surveillance Philosophy | 4 |
| 2.2 Surveillance of the Pension Industry | 4 |
| 2.2.1 Resolution Activities | 4 |
| 2.3 Compliance Activities | 5 |
| 2.3.1 On-site Inspection of Employers | 5 |
| 2.3.2 Issuance of Letters of Clearance to organizations bidding for contracts with Federal Ministries, Departments and Agencies | 6 |
| 2.3.3 Transfer of National Social Insurance Trust Fund Contributions into Members RSAs | 6 |
| 2.3.3.1 Closed Pension Fund Operators (CPFAs) | 6 |
| 2.3.3.2 Transfer of NSITF Pension Assets | 6 |
| 2.3.3.3 Recovery of Outstanding Rental Income on NSITF Properties | 6 |
| 2.4 NSITF Liabilities | 7 |
| 2.4.1 Actuarial Valuation of the NSITF Scheme | 7 |
| 2.4.2 NSITF Pensioners Verification | 7 |
| 2.4.3 Reconciliation of NSITF Members contributions | 7 |
| 2.4.4 Recovery of Unremitted Pension Contributions | 7 |
| 2.5 Issuance/Review of Guidelines, Regulations and Circulars | 8 |
| 2.6 Other Compliance Efforts | 8 |

SECTION THREE

| | |
|---|----|
| Pension Industry Statistics | 11 |
| 3.1 Scheme Memberships | 11 |
| 3.1.1 Membership of RSA | 11 |
| 3.1.2 RSA Registrations by PFA Market Share | 12 |
| 3.1.3 Memberships of CPFA and AES | 13 |
| 3.2 Pension Contributions | 14 |

| | | |
|-------|--|----|
| 3.2.1 | Contributions by Rank of PFA | 15 |
| 3.3 | Pension Fund Investment | 15 |
| 3.3.1 | PFA Ranking by Size of RSA Assets | 17 |
| 3.4 | Retirement/Terminal Benefits | 18 |
| 3.4.1 | Retirees on Programmed Withdrawal (PW) | 18 |
| 3.4.2 | Retirement by Annuity | 19 |
| 3.4.3 | Withdrawal of 25 Percent of RSA Balances | 20 |
| 3.5 | Implementation of Group Life Insurance | 20 |
| 3.6 | Payment of Death Benefits | 21 |

List of Tables

| | | |
|-------------|---|----|
| Table 2.1: | Number of Employees Registered by State Governments | 9 |
| Table 2.2: | Remittance of Contributions into RSAs of Employees | 10 |
| Table 3.1: | Scheme Membership by Type | 11 |
| Table 3.2: | RSA Registrations by Age and Sector in the Second Quarter of 2011 | 12 |
| Table 3.3: | RSA Registration by Market Share | 13 |
| Table 3.4: | Range of RSA Registration per PFA | 13 |
| Table 3.5: | Membership of CPFAs as at June, 2011 | 13 |
| Table 3.6: | Membership of AES as at June, 2011 | 14 |
| Table 3.7: | Pension Contributions | 14 |
| Table 3.8: | PFA Ranking by Size of Contributions | 15 |
| Table 3.9: | Pension Fund Portfolio by Fund Type as at June, 2011 | 16 |
| Table 3.10: | Structure of Pension Fund Assets as at June, 2011 | 17 |
| Table 3.11: | Rank of PFA by Asset Size | 18 |
| Table 3.12: | Number of Retirees on PW as at June, 2011 | 18 |
| Table 3.13: | Payment of Retirement Benefits by Programmed Withdrawal | 19 |
| Table 3.14: | Retirement by Annuity in the Second Quarter of 2011 | 19 |
| Table 3.15: | Retirement by Annuity as at June, 2011 | 19 |
| Table 3.16: | Withdrawal of 25% RSA Balance as at June, 2011 | 20 |
| Table 3.17: | Submission of Group Life Insurance Certificates | 21 |
| Table 3.18: | Payment of Death Benefits | 21 |

SECTION ONE

Pension Operating Environment

1.1 Macroeconomic Development

The macroeconomic environment was characterized by robust and sustained economic growth in the second quarter of 2011 as revealed by provisional data, which indicated that Real Gross Domestic Product (RGDP) grew by 7.72 percent, which is above the 7.43 percent recorded in the first quarter. The non-oil sector remained the driver of the sustained positive economic performance, recording 8.82 percent growth rate as against the oil and gas sector that had a minimal contribution of 1.81 percent over the same period. This is a positive development for the pension industry outlook in 2011 as the real and service sectors can improve upon their present level of compliance with the Contributory Pension Scheme following favourable economic performance. This can thus lead to increase in total registrations and hence increased volume of pension assets.

The rate of inflation decelerated in the second quarter from 12.8 percent recorded in the first quarter to 10.2 percent. The decrease in the rate of inflation notwithstanding, the fact that the rate was double digit is a source of concern to pension fund investments when the average rate of return on money market instruments of 10 percent is considered. The implication of this is that the real rate of return on money market instrument was negative in the second quarter. This is apart from the evidence that high rate of inflation could erode the purchasing power of both retirees and active workers.

1.2 Developments in the Money Market

In continuation of the tight monetary policy stance of the Central Bank of Nigeria, the Monetary Policy Rate (MPR) was increased from 6.50 percent to 8.00 percent in the second quarter. Consequently, most of the interest rates on money market instruments increased accordingly as inter-bank call rates rose in all segments of the money market.

Thus, the weighted average inter-bank call rate increased by 2.69 percent from 7.95 percent in the second quarter to 10.64 percent in the second quarter. However, the Nigeria Inter-Bank Offered Rate (NIBOR) for the 7-day and 30-day tenors decreased from 11.44 and 13.48 percent in the first quarter to 11.07 and 12.16 percent in the second quarter, representing decreases of 0.37

percent and 1.32 percent respectively.

Similarly, government securities also witnessed upward pressures in the rates of various instruments of different maturities as the bid rates on 91-day and 364-day Treasury Bills moved from the lowest values of 5.50 and 4.95 percent in the first quarter to 7.80 and 8.40 percent respectively in the second quarter.

1.3 Developments in the Bond Market

The Bond market witnessed an impressive performance during in the third quarter as investors demonstrated their confidence in the risk-free FGN securities and the attractive yields offered by this instrument when compared to other financial securities. Thus, during the quarter, there was a reopening of FGN Bonds of 3 and 5 year tenors.

The total amount offered, subscribed to and allotted for the 3-year tenor were ₦105.00 billion, ₦228.60 billion, and ₦105.00 billion respectively, while for 5-year tenor the amount offered, subscribed to and allotted were ₦105.00 billion, ₦252.80 billion, and ₦105.00 billion respectively.

This suggests that there was an over subscription to FGN bond of 3- and 5-year maturity by 117.71 and 140.76 percent respectively. The issue rate for the 3- and 5-year tenor ranged between 11.00 - 12.10 and 12.20 - 13.20 percent respectively.

1.4 Developments in the Stock Market

The performance of the stock market in the second quarter was characterized by mixed results as some performance indicators were quite impressive while others were not. For example, the volume and value of traded securities dropped by 5.00 and 25.90 percent to ₦24.30 billion and ₦159.1 billion, respectively against the figures recorded in the second quarter.

However, the All Share Index (ASI) witness a marginal increase of 1.46 percent during the quarter closing at 24,621.21. The ASI performance in the second quarter was partly driven by investors' expectations with respect to the first quarter results of the banks. It could also be partly ascribed to the announcement of Memorandum of Understanding ("MOU") towards the completion of Mergers & Acquisition ("M&A") activity for the distressed banks. Thus, the banking sector was the most active on the stock exchange with a traded volume of 10.30 billion shares valued at ₦85.1 billion in 178,687 deals.

Similarly, the market capitalization witnessed impressive performance during the quarter under review as market capitalization increased by 4.18 percent from ₦7.87 trillion in the first quarter to ₦11.20 trillion in the second quarter.

SECTION TWO

Regulatory and Supervisory Activities

2.1 Introduction

The Commission continued its consultative philosophy in the regulation of the industry during the second quarter. The risk-based examination approach was continuously implemented to promote transparency, provide early warning signals and encourage pension operators to regularly self-evaluate their positions.

2.2 Surveillance of the Pension Industry

In the period under review, routine examinations were carried out on 8 pension fund operators. The examinations which were risk-based, were generally focused on the operating systems of the operators with the intent of determining any risk therein. The period witnessed some modifications to the examination approach to improve the quality of the exercise, improve the turnaround time for issuing reports as well as create additional value to the services provided by the operators. Similarly, the risk matrix employed for scoring the risk levels of pension fund operators was amended in the second quarter in recognition of the greater importance attached to fund accounting, performance measurement, and internal controls. Issues of corporate governance and fiduciary responsibility of the Boards of the Pension Operators were also emphasized in the amended risk matrix.

In order to continuously monitor the financial conditions and performances of pension funds under management, the Commission was actively engaged in the analysis of such reports as compliance, risk management, corporate governance and actuarial valuation. This was with a view to providing useful management information on the activities of the licensed pension operators in the second quarter.

2.2.1 Resolution Activities

In an attempt to finding lasting solution to the problems of weak pension fund operators, the Commission identified the marginal operators and held meetings with them on one-to-one basis. As a fall out of these meetings, the Commission prioritized the on-site inspection of the identified marginal operators and has also come up with a framework for dealing with such

category of operators. The expectation was that the framework would assist the Commission in resolving the problems of the weak operators.

The Commission received and treated 7 complaints from employees concerning the non-remittance of their pension contributions into their RSAs by their employers. Thus, the unremitted pension contributions together with the interest penalty were computed and sent to the employers along with letters requesting for evidence of compliance. Following the letters of request for compliance, the Commission received responses from 3 organizations that showed evidence of remittance of contributions into employees RSAs and the penalties paid. Employers that failed to respond were sanctioned in line with the sanction regime.

2.3 Compliance Activities

As part of its strategic framework for ensuring compliance with the Pension Reform Act (PRA) 2004, the Commission identified 1,034 new eligible private sector employers. Letters requesting them to furnish the Commission of their compliance status were sent to them. In all, 732 organizations responded, out of which 302 were in full compliance, 280 were in partial compliance, 100 were yet to comply, 50 claimed to have less than 5 employees. The 582 organizations in partial and full compliance had remitted the sum of ₦2.23 billion into the RSAs of 4,312 employees.

2.3.1 On-site Inspection of Employers

An on-site inspection was conducted on 45 Aviation and Logistics Companies with a view to determining their level of compliance with the PRA 2004. The result of the inspection showed that while 30 companies had fully complied, 15 were in partial compliance as they were yet to fully remit pension contributions as well as provide Group Life Insurance cover for their staff. It was gathered during the inspection that the 45 companies had 4,868 employees out of which 4,708 (96.71 percent) had opened RSAs. The inspection also showed that while the sum of ₦4.19 billion had already been remitted into employees' RSAs between January, 2005 and June, 2011, the sum of ₦137.36 million, which represented un-remitted contributions, was still with 6 companies whose employees were yet to open RSAs.

2.3.2 Issuance of Letters of Clearance to organizations bidding for Contracts with Federal Ministries, Departments and Agencies

The Commission received a total of 381 applications for letters of clearance during the quarter. While 150 letters of clearance were issued, a total of 231 applications were turned down due to incomplete documentations. The list of organizations issued with letters of clearance had since been forwarded to the Bureau of Public Procurement (BPP) for further necessary action. The list was also publicized on the Commission's website.

2.3.3 Transfer of National Social Insurance Trust Fund Contributions into Members RSAs

In order to fast-track the transfer of contributions of NSITF members into their RSAs, the Commission held an interactive session with the first batch of “significant employers.” These were employers that remitted the contributions of their employees to the tune of ₦20 million and above. Following the interactive session, 57 employers that participated in the interactive session had the sum of ₦5.12 billion NSITF contributions of 142,480 employees remitted into the employees’ RSAs. It was also resolved at the interactive session that PFAs should appoint dedicated staff to visit significant employers as well as liaise with their employees to complete the transfer application forms.

2.3.3.1 Closed Pension Fund Operators (CPFAs)

As part of the initiatives to transfer the NSITF contributions into members RSA, the Commission engaged the Closed Pension Fund Administrators (CPFAs) directly with a view to ensuring that employees of their parent companies complete and submit their NSITF transfer application forms. As a result of this effort, the sum of ₦921.82 million was remitted into the RSAs of 5,522 employees of the 6 CPFAs.

2.3.3.2 Transfer of NSITF Pension Assets

During the quarter under review, the certificate of occupancy for the adjoining plots of land to the Alagbon Towers was collected and deposited with Diamond Pension Fund Custodian, which concluded the transfer of the property to Trustfund Plc. This also marked the effective transfer of ₦54.10 billion out of ₦54.87 billion slated for transfer to the Custodian.

2.3.3.3 Recovery of Outstanding Income on NSITF Properties

The Trustfund Pensions Plc recovered an outstanding rental income on two NSITF properties (NSITF shopping plaza in Abuja and Bunu Sheriff Garden,

Lagos) totaling ₦21.4 million during the quarter. Trustfund Pensions Plc was also requested to take possession of all properties with long outstanding unpaid rent, ensure that rental incomes are henceforth collected on due dates as well as review the rental income on the properties at prevailing market rates.

2.4 NSITF Liabilities

2.4.1 Actuarial Valuation of the NSITF Scheme

During the quarter under review, the Commission discussed with the Government Actuary Department (GAD) of the United Kingdom for the purpose of conducting a revised actuarial valuation of the NSITF Scheme. The GAD had since carried out a review of various documents relating to the NSITF Scheme and submitted draft contract agreement. Following the submission of the draft contract agreement, Trustfund Pensions Plc was advised to enter into negotiation with GAD as well as obtain necessary approvals from the Commission prior to the execution of the contract by GAD.

2.4.2 NSITF Pensioners Verification

In the execution of the Commission's approval to carry out a pensioners' revalidation exercise, Trustfund Pensions Plc had revalidated 6,198 (78 percent) pensioners out of a total of 7,861. This leaves an outstanding balance of 1,663 pensioners to be revalidated.

2.4.3 Reconciliation of NSITF Members' Contributions

The Commission reviewed the proposal submitted by Trustfund Pensions Plc to engage Consultants in the reconciliation of NSITF members' contributions. In order to achieve a fruitful reconciliation exercise, Trustfund Pension Plc was requested to obtain the primary records of employers from the NSITF database and its Offices across the country. The Trustfund Pensions Plc was also requested to identify employers with highest remittances of the NSITF contributions and group them into batches of 10 as well as liaise with these employers in batches to ensure that their records are updated in the database.

2.4.4 Recovery of Unremitted Pension Contributions

As a follow-up to the development of the framework for recovering outstanding pension contributions and interest penalty from defaulting employers, the Commission exposed the framework to pension operators for their comments and observation during the quarter under review. Similarly, the Commission concluded the review of data relating to defaulting employers from January to

December, 2010 and established that 13,301 employers failed to remit the pension contributions of their employees amounting to ₦15.60 billion into the respective RSAs of the employees.

2.5 Issuance/Review of Guidelines, Regulations, and Circulars

The following guidelines were developed by the Commission during the period under review:

- i. Guideline on Direct Real Estate Investments: The draft guidelines on direct real estate investments by closed Pension Fund Administrators (CPFAs) and Approved Existing Schemes (AESs) was finalized during the quarter and is currently awaiting the Commission's Board approval.
- ii. World Bank/International Financial Corporation Technical Assistance Programme on Investment Regulation: The Commission had worked extensively to include Multiple Funds into the revised investment regulation. The updated draft investment regulation is expected to be finalized and formally issued by the Commission in the first quarter of 2012.
- iii. Review of Circular on New Minimum Capital Requirements for Pension Fund Administrators (PFAs): The Commission reviewed the minimum capital requirements for PFAs upward to a minimum of ₦1 billion and above and issued a Circular to that effect. The Circular also contained new requirements for appointments to Board and top management positions of all PFAs during the quarter under review.

2.6 Other Compliance Efforts

(a) Application of Regime of Sanctions

During the quarter under review, monetary penalties of ₦100,000 (One Hundred Thousand Naira) were each imposed on 11 Pension Fund Administrators (PFAs) for the submission of inaccurate returns on remittances of contributions for the month of April, 2011.

(b) Reconciliation of Receipts and Payments between Committee of Directors of Research Institutes (CODRI) and IGI Insurance Plc

Sequel to the conclusion of the first phase of the reconciliation of receipts and payments between IGI Insurance Plc and some Research Institutes, the Commission continued to receive submissions from National Horticultural Institute, National Root Crops Research Institute, National Cereal Research Institute, National Research Institute for Fresh Water Fisheries, Rubber

Research Institute of Nigeria, and Lake Chad Research Institute. In all, 9 out of 15 Research Institutes made submissions to the Commission for reconciliation purposes.

(c) Implementation by State Governments

In recognition of the level of State Governments’ implementation of the Contributory Pension Scheme, the Commission has been working assiduously to reassign pre-legislation Personal Identification Numbers (PINs) been used by the State Governments. Thus, out of 465,024 PINs submitted for re-assignment, the Commission had forwarded 190,227 PINs by the end of the quarter under review. Similarly, a total of 1,959 PINs that were adjudged to have arisen from multiple and duplicated registrations were flagged off for necessary actions during the quarter.

Table 2.1: Number of Employees Registered by State Governments

| S/N | State | Number of Employee |
|--------------|---------|--------------------|
| 1 | Delta | 75,267 |
| 2 | Kaduna | 80,046 |
| 3 | Kebbi | 15,915 |
| 4 | Lagos | 136,932 |
| 5 | Niger | 116,446 |
| 6 | Ogun | 78,833 |
| 7 | Osun | 30,354 |
| 8 | Zamfara | 49,056 |
| Total | | 444,845 |

Although 17 State Governments have enacted their Pension Laws, seven of these States were yet to put administrative structure in place for the implementation of the reform. Furthermore, out of the seventeen States that enacted their pension laws, only eight States have commenced remittances of employees' pension contributions into their RSAs as shown in Table 2.2, while two State Governments have commenced funding of their Retirement Bond Redemption Fund Account (RBRFA) with the Central Bank of Nigeria. This is in recognition of accrued benefits under the old Pay-As-You-Go (PAYG) System. Monies in the RBRFA would be used to offset the accrued liabilities.

Table 2.2 further shows that the total amount of contributions remitted by the State Governments into the RSAs of their employees increased by N8.21 billion in the second quarter, representing an increase of 26.72 percent over the figure recorded in the first quarter. This increment could be seen as a result of continued remittances by the initial 5 States and the three new States that commenced remittances in the quarter under review.

Table 2.2: Remittance of Contributions into RSAs of Employees

| S/N | State | Contributions Remitted (₦Billion) |
|--------------|---------|-----------------------------------|
| 1 | Delta | 1.00 |
| 2 | Kaduna | 3.88 |
| 3 | Kebbi | 0.41 |
| 4 | Lagos | 25.87 |
| 5 | Niger | 2.87 |
| 6 | Ogun | 4.71 |
| 7 | Osun | 0.24 |
| 8 | Zamfara | 0.32 |
| Total | | 38.94 |

(e) Updates on Pension Departments

In order to make the Pension Transitional Arrangement Departments (PTADs) autonomous in funding and operations, the Commission completed a draft proposal of the model for the structure and operations of these departments. This was with a view to making the pension departments amenable to supervision in line with the Commission's supervisory model.

In view of some recent developments in the operations of the PTADs, the Commission is currently reviewing the guidelines earlier issued in January 2009 for the operations of the PTADs. The focus of the review, which commenced during the quarter, was aimed at improving record keeping and to enhance the Commission's supervisory and regulatory roles over the PTADs.

(f) Parastatals Pensioners' Verification Exercise (PPVE) Phase 1

The Commission opened another window of opportunity to the Next-of-Kin (NOK) of deceased pensioners under the PPVE phase 1 who could not turn up at the various centres during the field enrolment exercise. Through this window of opportunity, 60 NOKs were verified and enrolled during the period under review.

Similarly, the Commission continued the enrolment of unverified pensioners from various institutions under the PPVE Phase 1 and those whose employments were severed by the Bureau of Public Service Reforms. The period under review witnessed the verification and enrolment of 25 pensioners.

SECTION THREE

Pension Industry Statistics

3.1 Scheme Memberships

The Retirement Savings Account (RSA) scheme memberships for both the public and private sectors increased from 4,700,235 as at the end of the first quarter to 4,781,984 at the end of the second quarter, representing an increase of 81,749 (3.48 percent). Similarly, membership of the Approved Existing Schemes (AES) increased from 41,717 in the first quarter to 41,749 at the end of the second quarter, representing an increase of 0.08 percent. The Closed Pension Fund Administrators (CPFAs) witnessed a decline of 3.65 percent from 25,652 in the first quarter to 24,716 in the second quarter as shown in Table 3.1.

Table 3.1: Scheme Membership by Type

| Scheme | Q 2: 2010 | Q 3: 2010 | Q 4: 2010 | Q 1: 2011 | Q2: 2011 | % change (Q1 and Q2) |
|--------------|------------------|------------------|------------------|------------------|------------------|-------------------------|
| RSA | 4,283,417 | 4,421,167 | 4,542,250 | 4,700,235 | 4,781,984 | 1.74 |
| CPFA | 26,606 | 26,573 | 26,605 | 25,652 | 24,716 | -3.65 |
| AES | 41,410 | 41,449 | 41,669 | 41,717 | 41,749 | 0.08 |
| Total | 4,351,433 | 4,489,189 | 4,610,524 | 4,767,604 | 4,848,449 | 1.70 |

In all, total scheme membership increased by 80,855 in the second quarter, which represented a growth of 1.70 percent. This is a far cry from the growth of 3.57 percent recorded in the first quarter.

3.1.1 Membership of RSA

There was a slight improvement in RSA membership in the second quarter as RSA registration for both the public and the private sectors increased by 1.74 percent as shown in Table 3.2.

As in the first quarter, the public sector continued its dominance of RSA registrations in the second quarter with a total registration figure of 2,650,444, which accounted for 55.36 percent of total registrations during the quarter.

Table 3.2: RSA Registrations by Age and Sector in the Second Quarter of 2011

| Age Bracket | Public Sector | | Private Sector | | Sub-Total | | Grand Total | |
|------------------|------------------|----------------|------------------|----------------|------------------|------------------|------------------|---------------|
| | Male | Female | Male | Female | Male | Female | Number | % |
| Less than 30 yrs | 437,764 | 173,141 | 540,129 | 221,972 | 977,893 | 395,113 | 1,335,499 | 28.41 |
| 30 - 40 yrs | 559,382 | 315,992 | 627,880 | 185,798 | 1,187,262 | 501,790 | 1,658,015 | 35.27 |
| 41 - 50 yrs | 500,048 | 271,606 | 328,860 | 63,650 | 828,908 | 335,256 | 1,151,369 | 24.50 |
| 51 - 60 yrs | 264,839 | 100,647 | 126,838 | 14,057 | 391,677 | 114,704 | 500,833 | 10.66 |
| Above 61 yrs | 22,640 | 4,385 | 25,935 | 2,421 | 48,575 | 6,806 | 54,519 | 1.16 |
| Total | 1,784,673 | 865,771 | 1,649,642 | 487,898 | 3,434,315 | 1,353,669 | 4,700,235 | 100.00 |

The private sector also witnessed some improvements in the number of RSA registrations which increased by 2.91 percent over the figure recorded in the first quarter. In all, the private sector accounted for 44.64 percent at the end quarter under review. The improvement in the number of private sector participants in the Contributory Pension Scheme could be seen as the result of compliance efforts of the Commission, application of regime of sanctions on erring employers as well as the marketing strategies of the Pension Fund Administrators.

A review of the age distribution of RSA holders shows that the RSA holders are relatively young as those in the age category “30- 40” accounted for the highest proportion of contributors in both the public and the private sectors. For example, while this age category accounted for 33.03 percent in the public sector, it accounted for 38.01 percent in the private sector. In addition, RSA holders of 40 years and below accounted for 63.16 percent of total RSA registrations in both the private and the public sectors. The age structure of the RSA holders shows a brighter prospect for investing pension funds in long-term investment as a higher proportion of RSA holders are 40 years and below.

3.1.2 RSA Registrations by PFA Market Share

The ranking of PFAs by number of registered contributors shows a slight drop in the share of the top 3, and top 5 PFAs from 46.56 and 61.23 percent of total registration as at the end of the first quarter to 46.40 and 61.10 percent respectively at the end of the second quarter as shown in Table 3.3. The share of the top ten PFAs witnessed a slight improvement from 83.88 percent in the first quarter to 83.89 percent in the second quarter. Similarly, the shares of the bottom 3, 5, and 10 PFAs increased slightly from 0.14, 0.56, and 4.34 percent at the end of the first quarter to 0.16, 0.59, and 4.44 percent respectively at the end of the second quarter of 2011.

Table 3.3: RSA Registration by Market Share

| PFA Ranking | Q3:2010 (%) | Q4:2010 (%) | Q1:2011 | Q2:2011 (%) |
|-------------|-------------|-------------|---------|-------------|
| Top 3 | 43.91 | 46.78 | 46.56 | 46.40 |
| Top 5 | 59.49 | 61.39 | 61.23 | 61.10 |
| Top 10 | 83.17 | 83.90 | 83.88 | 83.89 |
| Bottom 3 | 0.11 | 0.12 | 0.14 | 0.16 |
| Bottom 5 | 0.55 | 0.53 | 0.56 | 0.59 |
| Bottom 10 | 4.20 | 4.22 | 4.34 | 4.44 |

A review of the range of market share of RSA registrations by number of PFAs shows that only two PFAs had registered over 500,000 contributors as shown in Table 3.4. Eleven PFAs had less than 100,000 registered contributors each while eleven PFAs also had contributors between the range of 100,000 and 499,999.

Table 3.4: Range of RSA Registration Per PFA

| Range of RSA Registrations | Number of PFAs |
|----------------------------|----------------|
| 500,000 – 1,000,000 | 2 |
| 100,000 – 499,999 | 11 |
| Less than 100,000 | 11 |

3.1.3 Memberships of CPFA and AES

The total memberships of licensed CPFAs and Approved Existing Schemes were 24,716 and 42,349 respectively as at the end of the quarter under review. While membership of CPFAs witnessed a decline of 3.65 percent during the review period, membership of AES increased by 1.51 percent over the same period. The breakdown of the CPFA and AES memberships are shown in Tables 3.5 and 3.6 respectively.

Table 3.5: Membership of CPFAs as at June, 2011

| Enrolment Type | Number | | | Percentage of Total | |
|---------------------|---------------|---------------|---------------|---------------------|---------------|
| | Q4:2010 | Q1:2011 | Q2:2011 | Q1:2011 | Q2:2011 |
| Active Members | 21,251 | 19,899 | 18,907 | 79.84 | 76.50 |
| Existing Pensioners | 5,288 | 5,158 | 5,214 | 19.69 | 21.10 |
| Deferred Pensioners | 126 | 595 | 595 | 0.47 | 2.40 |
| Total | 26,605 | 25,652 | 24,716 | 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 June, 2011

| Enrolment Type | Number | | | Percentage of Total | |
|---------------------|---------------|---------------|---------------|---------------------|---------------|
| | Q4:2010 | Q1:2011 | Q2:2011 | Q1:2011 | Q2:2011 |
| Active Members | 25,455 | 25,490 | 25,522 | 61.17 | 60.27 |
| Current Pensioners | 14,831 | 14,844 | 14,844 | 35.62 | 35.05 |
| Deferred Pensioners | 149 | 149 | 749 | 0.35 | 1.77 |
| Dependants | 1,234 | 1,234 | 1,234 | 2.96 | 2.91 |
| Total | 41,669 | 41,717 | 42,349 | 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 at the end of the second quarter was ₦1,844.79 billion. This was an increase of ₦252.09 billion, representing 15.83 percent over the total contributions recorded at the end of the first quarter of 2011 as shown in Table 3.7.

Based on the foregoing, the total public sector contribution was significantly higher than that of the private sector by ₦994.89 billion at the end of the quarter under review.

Table 3.7: Pension Contributions

| Year/ Quarter | Public Sector | | Private Sector | | Total | |
|-------------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
| | Amount (₦ billion) | % of Total | Amount (₦ billion) | % of Total | Amount (₦ billion) | % of Total |
| 2004 | 15.60 | 1.10 | - | - | 15.60 | 0.85 |
| 2005 | 34.68 | 2.44 | - | - | 34.68 | 1.90 |
| 2006 ¹ | 83.22 | 5.86 | 23.03 | 5.42 | 106.25 | 5.76 |
| 2007 | 176.63 | 12.44 | 68.34 | 16.08 | 244.97 | 13.28 |
| 2008 | 193.57 | 13.63 | 80.81 | 19.02 | 274.38 | 14.87 |
| 2009 | 256.88 | 18.09 | 91.21 | 21.46 | 348.09 | 18.87 |
| 2010 | 293.14 | 20.65 | 102.86 | 24.21 | 396.00 | 21.47 |
| Q1:2011 | 144.31 | 10.16 | 28.42 | 6.69 | 172.73 | 9.36 |
| Q2:2011 | 221.81 | 15.62 | 30.28 | 7.13 | 252.09 | 13.66 |
| TOTAL | 1,419.84 | 100.00 | 424.95 | 100.00 | 1,844.79 | 100.00 |

/1 Public sector pension contributions was revised from 2006 to date with unremitted balances with the CBN

3.2.1 Contributions by Rank of PFA

The ranking of PFAs by total contributions shows that while the top 5 PFAs accounted for 68.09 percent of total contributions, the top 10 accounted for 89.99 percent of total contributions received in the second quarter as revealed in Table 3.8. The average monthly contributions received by the top 5 and 10 PFAs were ₦19.81 billion and ₦26.18 billion respectively in the quarter. Similarly, the average monthly contributions received by the bottom 5 and 10 PFAs amounted to ₦161.83 million and ₦987.48 million respectively in the quarter.

Table 3.8: PFA Ranking by Size of Contributions

| Rank | Amount (₦' Billion) | Q2:2011 (% of Total) |
|-----------|------------------------|-------------------------|
| Top 5 | 59.42 | 68.09 |
| Top 10 | 78.53 | 89.99 |
| Bottom 5 | 0.49 | 0.56 |
| Bottom 10 | 2.96 | 3.39 |

The size of the pension contributions of the bottom 10 PFAs can be seen as a correlation between the contributions and the number of RSAs registered. This establishes a direct relationship between the number of RSAs registered by PFAs and the size of pension contributions received during the quarter. Thus, the bottom 5 and 10 PFAs accounted for 0.56 percent and 3.39 percent of pension contributions in the second quarter respectively, representing an infinitesimal 3.95 percent share of total contributions received by the PFAs in the review period.

3.3 Pension Fund Investment

The total value of pension assets stood at ₦2.25 trillion at the end of the second quarter from ₦2.08 trillion recorded in the first quarter, representing an increase of ₦166.24 billion (7.97 percent). The total pension assets for the four Scheme types are shown in Table 3.9.

Table 3.9: Pension Fund Portfolio by Scheme Type as at June, 2011

| Fund/ Period | Q4:2010 | | Q1:2011 | | Q2:2011 | | Change between Q1 & Q2:2011 | |
|-----------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|--------------------------------|---------------|
| | N' Billion | % of Total | N' Billion | % of Total | N' Billion | % of Total | N' Billion | % of Total |
| RSA Active | 980.28 | 48.30 | 1,007.89 | 48.34 | 1,112.40 | 49.42 | 104.51 | 62.86 |
| RSA Retiree | 127.31 | 6.27 | 122.27 | 5.87 | 150.87 | 6.70 | 28.60 | 17.20 |
| CPFAs | 404.37 | 19.92 | 419.24 | 20.11 | 442.26 | 19.65 | 23.02 | 13.85 |
| AESs | 517.81 | 25.51 | 535.46 | 25.68 | 545.59 | 24.23 | 10.13 | 6.09 |
| Total | 2,029.77 | 100.00 | 2,084.88 | 100.00 | 2,251.12 | 100.00 | 166.24 | 100.00 |

As in the previous quarter, Table 3.9 shows that RSA active funds dominated total pension fund investment portfolio in the quarter accounting for 62.86 percent. The AES and CPFAs accounted for 6.09 and 13.85 percent respectively. The RSA retiree fund accounted for the remaining balance of 17.20 percent. All the Funds recorded improvements in the quantum of their pension fund portfolios at N104.51 billion, N28.60 billion, N23.02 billion, and N10.13 billion for RSA active fund, RSA retiree fund, CPFAs and AESs respectively.

A structural breakdown of pension fund investment portfolio shows that FGN securities accounted for 47.09 percent of total pension assets as shown in Table 3.10. Investment in FGN Securities also increased by N141.96 billion, representing an increase of 15.46 percent over the figure recorded in the first quarter. This could be seen as a strategic measure by PFAs to divest part of their investment portfolio away from equity and money market instruments whose yields were generally lower than the FGN securities. The growth in FGN securities could be explained by increased investment in Government Bonds, especially bonds issued by the Asset Management Company of Nigeria (AMCON) that had higher coupon rates that averaged 11.3 percent relative to money market rates that averaged 10 percent during the quarter. Thus, pension funds were heavily invested in 3-year, 5-year, and 20-year FGN bonds, which had 11.63 and 12.73 percent rate of return per annum respectively.

Table 3.10: Structure of Pension Fund Assets as at June, 2011

| Asset Class | Q4:2010 | | Q1:2011 | | Q2:2011 | | Change between Q1:2011 & Q2:2011 | |
|---------------------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|----------------------------------|-------------|
| | N' Billion | % of Total | N' Billion | % of Total | N' Billion | % of Total | N' Billion | % Change |
| Ordinary Shares | 381.40 | 18.79 | 397.23 | 19.05 | 421.22 | 18.71 | 23.99 | 6.04 |
| FGN Securities | 829.38 | 40.86 | 918.05 | 44.03 | 1,060.01 | 47.09 | 141.96 | 15.46 |
| State Government Bonds | 69.61 | 3.43 | 88.33 | 4.24 | 79.01 | 3.51 | (9.32) | (10.55) |
| Money Market Securities | 496.06 | 24.43 | 401.59 | 19.26 | 390.75 | 17.36 | (10.84) | (2.70) |
| Corporate Debt Securities | 50.73 | 2.50 | 52.66 | 2.53 | 57.03 | 2.53 | 4.37 | 8.29 |
| Real Estate Property | 171.01 | 8.42 | 171.42 | 8.22 | 178.07 | 7.91 | 6.65 | 3.88 |
| Other Assets | 31.78 | 1.57 | 55.60 | 2.67 | 65.03 | 2.89 | 9.43 | 16.96 |
| Total Assets | 2,029.96 | 100.00 | 2,084.88 | 100.00 | 2,251.12 | 100.00 | 166.24 | 7.97 |

The period under review also witnessed decline in investment in money market securities, which decreased by N10.84 billion from N401.59 billion in the first quarter to N390.75 billion in the second quarter, representing a decline of 2.70 percent. This could be seen as a deliberate effort of the PFAs to adjust their investment portfolio in order to take advantage of slight increases in other fixed income securities, especially the Federal Government Securities. Similarly, the PFAs strategically reduced the exposure of pension fund investment to the money market instruments of the Central Bank of Nigeria-managed banks.

During the quarter under review, other investment instruments like the corporate debt and real estate property witnessed increases of 8.29 and 3.88 percent respectively. This suggests that private sector organizations are becoming aware of the importance of corporate debt as a financial instrument

3.3.1 PFA Ranking by Size of RSA Assets

A review of PFAs' ranking by size of RSA assets shows that the top three and five PFAs accounted for more than half of the RSA assets at 55.80 and 70.12 percent respectively at the end of the second quarter of 2011. This picture was expected given the fact that the top three and five PFAs accounted for 46.40 and 61.10 percent of RSA registration respectively in the quarter.

Table 3.11: Rank of PFA by Asset Size

| PFA Rank | Q4:2010 | | Q1:2011 | | Q2:2011 | |
|-----------|---------------------|---------------------------|---------------------|---------------------------|---------------------|---------------------------|
| | Amount (N' Million) | % of Total Pension Assets | Amount (N' Million) | % of Total Pension Assets | Amount (N' Million) | % of Total Pension Assets |
| Top 3 | 448.10 | 54.85 | 483.64 | 54.35 | 534.29 | 55.80 |
| Top 5 | 563.19 | 68.93 | 601.91 | 68.88 | 671.41 | 70.12 |
| Top 10 | 744.86 | 91.17 | 797.02 | 91.21 | 883.05 | 92.22 |
| Bottom 3 | 0.91 | 0.11 | 0.96 | 0.11 | 1.11 | 0.12 |
| Bottom 5 | 2.38 | 0.29 | 2.50 | 0.29 | 3.06 | 0.32 |
| Bottom 10 | 16.95 | 2.08 | 18.70 | 2.14 | 22.26 | 2.32 |

The share of pension assets bottom 3, 5 and 10 PFAs' witnessed slight improvements during the quarter under review as they increased from 0.11, 0.29, and 2.14 percent in the first quarter to 0.12, 0.32, and 2.32 percent respectively. The implication of the foregoing on the pension industry lies in the need for the initiation of merger and acquisition where the larger PFAs would either merge with or acquire the weaker PFAs in order to ensure the viability of the weak PFAs, retain stakeholders' confidence in the pension industry as well as guarantee a sustainable pension industry.

3.4 Retirement/Terminal Benefits

3.4.1 Retirees on Programmed Withdrawal (PW)

The Commission granted approval for 3,423 applications for accessing retirement benefits through programmed withdrawal during the quarter. Thus, the total number of retirees on programmed withdrawal between January and June, 2011 was 6,685, accounting for 3,262 and 3,423 retirees in the first and second quarters respectively as shown in Table 3.12.

Table 3.12: Number of Retirees on PW as at June, 2011

| Period | Number of Retirees | Lumpsum (N' Billion) | Programmed Withdrawal (N' Billion) |
|--------------|--------------------|----------------------|------------------------------------|
| Q1:2011 | 3,262 | 8.71 | 0.098 |
| Q2:2011 | 3,423 | 8.66 | 0.088 |
| Total | 6,685 | 17.37 | 0.186 |

A breakdown of the total number of retirees by private and public sectors in the second quarter shows that while the public sector accounted for 2,920 retirees (85.31 percent), the private sector accounted for 503 retirees (14.69 percent) in the second quarter of 2011 as shown in Table 3.13.

Table 3.13: Payment of Retirement Benefits by Programmed Withdrawal

| Sector | Male | Female | Total | Lump Sum (N' Million) | Average Monthly PW (N'Million) |
|--------------|--------------|------------|--------------|-----------------------|--------------------------------|
| Public | 2,339 | 581 | 2,920 | 8.41 | 2.80 |
| Private | 418 | 85 | 503 | 0.30 | 0.10 |
| Total | 2,757 | 666 | 3,423 | 8.71 | 2.90 |

Table 3.13 further shows that the total lump sum withdrawal during the quarter under review was ₦8.71 billion. The Table also shows that the total programmed withdrawal over the same period was ₦2.90 billion.

3.4.2 Retirement by Annuity

A total of 106 retirees decided on annuity retirement plan in the second quarter of 2011. The sum of ₦391.86 million was approved as total lump-sum for the retirees, while the sum of ₦511.91 million was paid out to the insurance companies as premium in return for average monthly annuities of ₦1.58 million as shown in Table 3.14

Table 3.14: Retirement by Annuity in the Second Quarter of 2011

| Sector | Male | Female | Total | % of Total | Annuity (N'm) | Average Monthly Annuity (N'm) | Lump Sum (N'm) | Premium (N'm) |
|--------------|-----------|-----------|------------|------------|---------------|-------------------------------|----------------|---------------|
| Public | 76 | 23 | 99 | 93.4 | 4.24 | 1.41 | 357.49 | 464.29 |
| Private | 6 | 1 | 7 | 6.6 | 0.5 | 0.17 | 34.37 | 47.52 |
| Total | 82 | 24 | 106 | 100 | 4.74 | 1.58 | 391.86 | 512.81 |

The number of retirees on annuity retirement plan in the review period shows increased level of awareness of life annuity as a retirement plan under the CPS. Thus, the total number of retirees on annuity plan increased from 73 in the first quarter to 106 in the second quarter, representing an increase of 45.21 percent as shown in Table 3.15. It can be seen from the Table 3.14 that the FGN retirees had a larger proportion of retirees under the annuity plan at 96 (90.57 percent) retirees to the 7 (8.22 percent) and 3 (2.83) retirees recorded by the private sector and Lagos State respectively.

Table 3.15: Retirement by Annuity as at the end of June, 2011

| Period | Number of Retirees | Lumpsum | Average Monthly Annuity | Premium Paid |
|--------------|--------------------|---------------|-------------------------|---------------|
| Q1:2011 | 73 | 220.07 | 2.87 | 270.29 |
| Q2:2011 | 106 | 391.86 | 1.58 | 511.91 |
| Total | 179 | 611.93 | 4.45 | 782.20 |

Table 3.15 further revealed that while the cumulative lump-sum withdrawal as at the end of the review period was N611.83 million, a cumulative premium of N782.20 million was paid to insurance companies for an average monthly pension of N4.45 million.

3.4.3 Withdrawal of 25 Percent of RSA Balances

Withdrawal of 25 percent of RSA balances was made by persons that retired before the age of 50 years in accordance with the terms and conditions of their employment and those temporarily out of employment who having stayed for at least six months could not secure another employment. In this regard, approvals were granted under the review period for the payment of N469.28 million to 2,643 RSA holders comprising 2,534 retirees from the private sector and 109 retirees from the public sector as shown in Table 3.16.

Table 3.16: Withdrawal of 25% RSA Balance as at June, 2011

| Sector | Male | Female | Total | % of Total | Total 25% Request (N Million) |
|---------------------------------|---------------|--------------|---------------|------------|-------------------------------|
| Public | 78 | 31 | 109 | 4.12 | 46.19 |
| Private | 2,247 | 287 | 2,534 | 95.88 | 423.09 |
| Sub-Total for Q2:2011 | 2,325 | 318 | 2,643 | 100 | 469.28 |
| Total as at Q1:2011 | 18,820 | 2,553 | 21,373 | 100 | 2,970.50 |
| Cumulative as at Q2:2011 | 21,145 | 2,871 | 24,016 | 100 | 3,439.78 |

A review of the request for 25 percent withdrawal during the review period shows that the private sector retirees accounted for N423.09 million or 90.16 percent of total withdrawals, while the public sector accounted for N46.19 (9.84 percent).

3.5 Implementation of Group Life Insurance

In line with the provision of Section 9(3) of PRA 2004 that requires employers to maintain life insurance policy in favour of their employees, the pension industry continued to experience increase in the number of private sector employers implementing the Group Life Insurance policy. 175 employers implemented the GLIP in the first quarter, which was an increase of 9.43 percent over the number of employers that implemented the policy during the first quarter.

Table 3.17: Submission of Group Life Insurance Certificates

| S/N | Category | Q1:2011 | Q2:2011 | Total |
|-----|--------------------------|------------|------------|------------|
| 1 | Financial Institutions | 56 | 26 | 82 |
| 2 | Educational Institutions | 3 | 6 | 9 |
| 3 | Construction | 9 | 3 | 12 |
| 4 | Oil and Gas | 8 | 17 | 25 |
| 5 | Manufacturing | 13 | 32 | 45 |
| 6 | Hospitality | 9 | 9 | 18 |
| 7 | Government | 7 | 2 | 9 |
| 8 | Pension Operators | 26 | 1 | 27 |
| 9 | Commercial | 0 | 66 | 66 |
| 10 | Others | 28 | 13 | 41 |
| | TOTAL | 159 | 175 | 334 |

As it was in the first quarter, Table 3.19 further shows that the financial institutions topped the list of complying organizations as the cumulative number of complying employers in this sector moved from 56 at the end of the first quarter to 82 during the quarter under review, representing an increase of 46.43 percent. Another interesting picture from Table 3.17 is the implementation of the Group Life Insurance scheme in the commercial activities sector, which moved from zero in the first quarter to 66 in the second quarter.

3.6 Payment of Death Benefits

The Commission granted approval of 925 requests for payment of death benefits to the Next of Kin of deceased employees in the public and private sectors as shown in Table 3.18. The public sector accounted for a higher proportion of death benefit claims at 89.18 percent, while the private sector accounted for 10.82 percent.

Table 3.18: Payment of Death Benefits

| Sector | Male | Female | Total | % of Total | Life insurance Paid (N'b) | Total Death Benefit Paid (N'b) |
|--------------------------|--------------|------------|--------------|---------------|---------------------------|--------------------------------|
| Public | 733 | 92 | 825 | 89.18 | 0.114 | 1,641 |
| Private | 87 | 13 | 100 | 10.82 | 0.036 | 0.145 |
| Total | 820 | 105 | 925 | 100.00 | 0.150 | 1,786 |
| Total (Q1) | 991 | 119 | 1,110 | 100.00 | 0.133 | 1,615 |
| Total (Q1 and Q2) | 1,811 | 224 | 2,036 | 100.00 | 0.283 | 3,401 |

Expectedly, the public sector also accounted for a higher proportion of death benefits paid at ₦1.64 billion (91.88 percent), while the private sector accounted for the remaining balance of 8.22 percent. The cumulative total death benefits paid in the first and second quarters of 2011 amounted to ₦3,401 billion.