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NATIONAL PENSION COMMISSION

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SECOND QUARTER 2010

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

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SECTION ONE

Pension Operating Environment

1.1 Macroeconomic Development

The Nigerian macroeconomic performance was impressive in the first two quarters of 2010 relative to what obtained over the same period in 2009. Growth in the first quarter of 2010 was 6.7 percent as against 4.5 percent recorded during the first quarter of 2009. The second quarter (Q2) real GDP growth was 7.69 percent, which signifies an increase in the level of economic activities in the country. The improved economic performance in the first two quarters signaled favourable operating environment for pension funds growth in terms of contributions and investment returns.

However, the double digit rates of inflation in the first two quarters of 2010 at 12 percent and 11 percent respectively represented threat to the purchasing power of citizens in the country. The rate could have negative impact on the well-being of retirees due to palpable erosion of their purchasing power resulting from general increase in price levels. Similarly, the rate had affected the real rate of return on pension fund investment. This has debilitating consequences particularly on benefit payments and in accumulating enough pension assets to meet future liabilities.

1.2 Developments in the Money Market

The first two quarters of the year witnessed a sustained downward trend in interest rates as a result of high liquidity experienced in the money market. The liquidity was due to injections from the Federal Government's monthly statutory allocation, excess crude oil account and maturities from government securities. The liquidity was further compounded by large oversubscription to government securities, which culminated into rising prices, low rates and yields on these instruments. For example, the level of subscription to 364-day and 182-day Treasury Bills (TBs) were 228.37 percent and 232.30 percent respectively in the second quarter of 2010, which resulted in low discount rates of TBs. One of the consequences of the excess liquidity was the resultant drops in interbank and deposit rates across tenors. For example, the consolidated deposit rates declined from 6.13 percent in December 2009 to 3.30 percent in June 2010. Thus, the spread between the average maximum lending rate and the consolidated deposit rate widened from 17.34 percent in December, 2009 to 19.27 percent in the second quarter of 2010.

The credit arm of the money market did not fare better in the first two quarters of the year as credit to the private sector declined by 1.7 percent in favour of the public sector to the tune of 28.4 percent. This implied a crowding out of private sector credit due to the risk aversion posture of the Deposit Money Banks (DMBs) to the non-government sector.

Consequently, the Pension Funds faced the challenge of potential decline in the private sector activities as a result of the credit crunch suffered in the first half of the year. The large interest rate differential between the lending and savings rates represented another threat to the activities of Pension Funds. These interest rate differentials are capable of discouraging savings which could have been a veritable source of investible funds that could help boost economic activity and hence the performance of Pension Funds investments. The general decline in returns on money market instruments posed another threat to pension funds investment in view of the double digit rates of inflation. In fact, the rates on TBs were negative in real terms in the first two quarters of year 2010.

1.3 Developments in the Bonds Market

The high liquidity in the money market coupled with investors' desire to trade returns for safety led to increased subscription to FGN bonds in the first two quarters of year 2010. This led to increased prices of Bonds at the secondary market as they traded at premium to their par values. The state governments were equally not left out of bond issuance as some of them issued bonds of various tenors in the capital market. The State Governments had also made inroads into the bond market as the bonds issued by these States were fully subscribed. It is important to note that FGN and Lagos State bonds had been oversubscribed to the tune of 228.42 percent and 247 percent respectively in the second quarter of 2010. The foregoing suggests that government bonds remain a "safe haven" for investors because of their perceived confidence of stability and attractive yields.

A noticeable development in the bond market in the second quarter of 2010 was the FGN's commitment to develop the Corporate Bond (CB) market. The FGN came up with the policy that makes investment income derived from CB tax-free in order to encourage issuance of bonds at competitive coupon rates. This could be seen as a major breakthrough for pension funds investment as it could fast-track the diversification of Pension Funds investment portfolio.

1.4 Developments in the Stock Market

Available indicators of the stock market showed improvements in the activities of the market in the first two quarters of 2010. The All Share Index (ASI) was 25,384.14 points in the second quarter of 2010 as against the 20,827.17 recorded over the same period of 2009 representing an appreciation of 21.88 percent. Similarly, the market capitalization gained 23.75 percent between the 4th quarter of 2009 and 2nd quarter of 2010 to close the half year at ₦6.17 trillion compared to the loss of 11.95 percent recorded in the first half of 2009.

However, a careful examination of ASI showed a marginal depreciation of 2.24 percent in Q2, 2010 as against the gain of 24.67 percent recorded in Q1. Similarly, the market capitalization recorded average positive growth of 8.08 percent in Q1, but declined significantly to an average monthly growth of 1.80 percent in Q2. The general decline in stock market activities in Q2 may be ascribed to the appetite of investors in safe instruments issued by FGN and State Governments.

SECTION TWO

Regulatory and Supervisory Activities

The regulation of the pensions industry is necessary in order to ensure a safe and sound industry that protects pension assets. In line with international best practice, the National Pension Commission (PenCom) has established appropriate and effective regulations and guidelines that would safeguard contributors' assets and ensure a sustainable pension industry. PenCom has also established an effective and efficient resolution mechanism to address issues between contributors and their PFAs and among operators. Thus, PenCom did not only continue to ensure that regulations were clear, fair and transparent to all stakeholders, it ensured that their applications were consistent. In furtherance to a smooth functioning of the pension industry, the Commission reviewed some guidelines and regulations during the period under review.

2.1 Issuance of Guidelines and Regulations

The Commission in consultation with major stakeholders reviewed the Regulation on the investment of pension fund assets to address the huge accumulation of pension contributions and dearth of investible outlets for the ever-growing pension assets. Similarly, the Commission is developing guidelines for direct real estate investments by Closed Pension Fund Administrators (CPFAs) and Approved Existing Schemes (AES). This was with a view to streamlining the activities of pension operators through the provision of uniform rules and standards for investment in this asset class.

2.2 Surveillance of the Pension Industry

Routine examinations were carried out on six (6) operators, which consisted of four (4) PFCs and two (2) PFAs in the period under review. The PFCs were examined on their core custody functions of collection, safekeeping, settlement and corporate action. On the other hand, the PFAs were examined on pension and benefit administration, investment activities, performance measurement, governance/management, Fund accounting, and other compliance issues.

During the review period, the Commission granted approval of business combination between two PFAs namely ARM Pension Managers and First Alliance Pensions and Benefits Limited. The new PFA maintains the name “ARM Pension Managers (PFA) Limited”.

2.3 Compliance and Enforcement Activities

A combination of strategies was adopted to ensure compliance with the provisions of the PRA 2004 by both private and self-funded public sector organizations. The strategies included collaboration with regulatory and professional bodies; issuance of letters of compliance with PRA 2004 to identified eligible organizations; public enlightenment campaigns; and the application of a regime of sanctions.

In furtherance of compliance and enforcement activities, on-site inspections were carried out on two hundred and eighty-nine (289) organizations that had not implemented the Contributory Pension Scheme in the first quarter of the year. The inspection revealed that 28,680 out of 29,984 employees of these organizations had opened RSAs within the second quarter of 2010. The inspection further showed that ₦79.46 billion worth of pension assets out of ₦96.81 billion pre-2004 legacy pension assets of these organizations had been transferred to licensed Pension Fund Administrators by the end of the second quarter of 2010.

2.4 Other Compliance Efforts

(a) Letters for Compliance

During the review period, letters were despatched to 2,340 private sector organizations whose compliance status could not be ascertained. These organizations were requested to implement the Contributory Pension Scheme for their employees as well as provide appriopriate evidence of compliance to PenCom. At the expiration of the deadlines given to the organisations to prove compliance, 1,012 organisations provided evidences of compliance marked with evidences of registration of 27,507 new RSAs to which ₦4.99 billion was already remitted by the end of Q2.

(B) Evidence of Compliance

Following the Federal Government Policy on companies vying to execute government contracts as contained in Section 16(6)(d) of the Public Procurement Act (PPA) 2007, the Commission placed a General Notice in the National Dailies in addition to the issuance of Circular to all MDAs to demand for evidence of compliance with PRA 2004 as one of the requirements for winning government contracts.

Letters of Compliance were issued by the Commission to 120 organizations that placed contract advertisements, which were grossly at variance with the provisions of Section 16(6)(d) of the PPA, 2007 during the review period. Similarly, the Commission issued 184 clearance letters to organizations with appropriate evidences of compliance with PRA 2004 that bided for contracts from Ministries Departments and Agencies of the Federal Government.

(c) Application of Regime of Sanctions

Warning letters were sent to 1,473 organizations for failure to respond to earlier requests by the Commission to produce evidences of compliance. Monetary penalties were also imposed on 1,059 organizations for non-implementation of the Contributory Pension Scheme (CPS). Similarly, the Commission had publicly censured organizations that blatantly failed to implement the CPS during the review period.

(d) Registration of Employees in the States

Employer codes and PINs had been generated for Delta State and its employees respectively while work was ongoing for Osun State and its employees. This brought the number of states that had employer codes to 10. The number of PINS generated for state government employees was 975,639 as at the end of the second quarter of 2010.

(e) Public Enlightenment Campaigns

As part of efforts to raise the level of awareness of the CPS with the ultimate goal of increasing the level of compliance, the Commission organized, participated and facilitated seminars, workshops and training sessions for various stakeholders of the industry. Interactive sessions were held with nine (9) Labour Unions and the Chartered Institute of Personnel Management (CIPM) during the review period. The sessions with the Labour Unions were structured to improve awareness among members of these Unions who in turn would champion the implementation of the CPS in their respective organizations. In addition, apart from organizing a training session for the Pension Desk Officers of Ministries, Departments and Agencies (MDAs), the Commission organized a Train-the- Trainers' workshop for the Officers of the Centre for Management Development (CMD), Lagos.

The first conference in the series of Conferences for members of the Boards of all pension operators took place within the review period with eighty six (86) Directors in attendance. The theme of the conference was "Promoting and Sustaining the Pension Industry: the Role of Directors". This was part of the capacity building initiatives of the Commission for the pension industry.

(f) Transfer of NSITF Contributions into Members RSAs

The Commission continued to supervise the transfer of the assets of the Nigerian Social Insurance Trust Fund Scheme (NSITF) into the RSAs of members in line with the provisions of Section 42 (2, 3 and 7) of the PRA, 2004. In order to fast-track these transfers, measures such as reviewing the documentation requirements in the Guideline for the transfer of the assets were taken in order to ease the submission of applications by members for the transfer of their contributions into their RSAs; and placement of advertisement in the National Dailies requesting employers that remitted contributions on behalf of their employees under the National Provident Fund/NSITF schemes to assist their employees with necessary documents/information to enable them fill their transfer application forms for the transfer of their contributions into their RSAs without delay. Thus, at the end of September, 2010, the Commission had processed the 18th batch of applications for the transfer of the NSITF assets. Consequently, a total sum of ₦110.83 million has been transferred into the RSAs of 1,832 beneficiaries as at June, 2010.

2.4.1 The Pension Departments

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

The pensioners that missed the PPVE phase 1 conducted in 2008, including the severed pensioners and those in the diaspora numbering 250 from 55 institutions were enrolled. Similarly, 158 pensioners were also cleared for the payment of their pension arrears that amounted to ₦234.1 million.

(ii) Insured Schemes

In order to ensure compliance with Section 44 of PRA 2004, a Technical Committee with membership drawn from the Budget Office of the Federation (BOF), Office of the Accountant General of the Federation (OAGF) and the National Pension Commission (PenCom) was constituted to draw up modalities for paying pensioners directly as against payments made through insurance companies. The Committee was also mandated to determine the availability of data that could support direct monthly payments to the pensioners. Work had already commenced towards arriving at authentic payrolls for the institutions captured under the PPVE 1.

SECTION THREE

Pension Industry Statistics

3.1 Scheme Memberships

The rate of compliance and hence registration in both the public and private sectors increased in Q2 of 2010 following the compliance and enforcement activities of the Commission. For example, the rate of compliance increased by 9.34 percent and 6.63 percent in the first and second quarters of 2010 respectively. This contributed to the increase in number of contributors from both the public and private sectors by 2.02 percent and 3.21 percent in the first quarter and 4.25 percent and 4.39 percent in the second quarter of 2010 respectively. There were no remarkable changes in membership of CPFA and AES Schemes as they remained exclusive to the employees of sponsoring organizations. Scheme membership registrations are shown in Table 3.1.

Table 3.1 Scheme Membership by Type of Scheme

Scheme	2006	2007	2008	2009	Q1:2010	Q2:2010	% change (Q1 and Q2)
RSA	1,684,269	2,543,178	3,467,678	4,012,498	4,130,360	4,283,417	3.71
CPFA	19,879	31,335	26,026	26,666	26,666	26,606	(0.23)
AES	23,550	31,445	41,134	41,503	41,424	41,410	(0.03)
Total	**1,704,148**	**2,605,958**	**3,534,838**	**4,080,667**	**4,198,450**	**4,351,433**	**3.64**

Note: Figures in bracket indicate declines

Table 3.1 further shows that the total scheme membership increased by 3.64 percent in the second quarter over the figure recorded in the first quarter of 2010. In contrast, CPFAs and AES witnessed marginal decreases in the second quarter of 2010 by 0.22 percent and 0.03 percent as scheme membership figures reduced to 26,606 and 41,410 from 26,666 and 41,424 respectively

3.1.1 Membership of RSA

Total RSA registration by PFAs for both the public and private sectors was 4,283,417 in the second quarter of 2010, which shows an increase of 153,057 (or 3.71 percent) over the first quarter figure as shown in Table 3.1. The public sector at 2,446,196 RSA registrations accounted for 57.11 percent of total RSA registrations in the second quarter, while the private sector accounted for the balance of 1,837,221 or 42.89 percent. The growth in the public sector was due to the increase in the number of contributors from State Governments and self-funding public sector agencies that adopted the CPS during the review period.

Table 3.2: RSA Registrations by Age and Sector in Second Quarter, 2010

	Public Sector		Private Sector		Total		Grand Total	
Age Range	Male	Female	Male	Female	Male	Female	Number	%
Less than 30 yrs	398,906	149,701	450,631	179,064	849,537	328,765	1,178,302	27.50
30 - 40 yrs	520,025	282,443	546,588	160,825	1,066,613	443,268	1,509,881	35.25
41 - 50 yrs	474,922	250,760	294,143	56,487	769,065	307,247	1,076,312	25.13
51 - 60 yrs	250,840	92,586	112,276	12,418	363,116	105,004	468,120	10.93
Above 61 yrs	21,802	4,211	22,599	2,190	44,401	6,401	50,802	1.19
Total	**1,666,495**	**779,701**	**1,426,237**	**410,984**	**3,092,732**	**1,190,685**	**4,283,417**	**100.00**

The prospect of the scheme lies in its relatively young membership as shown in Table 3.1 that the number of contributors within the age bracket "30 - 40 years dominated RSA registration in the second quarter of 2010, accounting for 35.31 percent of total registration. Similarly, 59.38 percent of participants in the scheme were 40 years or less. It is expected that most of the registered contributors would remain at least 10 years and more in the scheme. Thus, given the anticipated favourable economic environment in the country, the expected increase in the size of regular monthly contributions would be effectively invested to not only generate more income for the contributors, but to further deepen the financial market and develop the economy.

It is however expected that the number of RSA holders would increase as more private sector employers and State Governments implement the CPS. Indeed, the application of the sanction regimes, requirement for letter of compliance with PRA 2004 to bid for Federal Government contracts and visits to State Governors are factors that will continue to increase growth in RSA registrations.

3.1.2 RSA Registrations by PFA Market Share

The ranking of PFAs by number of registered contributors shows that the top three PFAs witnessed a marginal decline as their share of registered contributors dropped from 44.43 percent in the first quarter to close at 44.15 percent in the second quarter as shown in Table 3.3. Similarly, the shares of the top 5 and 10 PFAs dropped slightly from 60.28 and 84.16 percent in the first quarter to 59.84 and 83.63 percent respectively in the second quarter of 2010.

Table 3.3: RSA Registration by Market Share

PFA Ranking	Q1:10 (%)	Q2:10 (%)
Top 3	44.43	44.15
Top 5	60.28	59.84
Top 10	84.16	83.63
Bottom 3	0.12	0.12
Bottom 5	0.45	0.49
Bottom 10	3.31	3.75

Table 3.3 further reveals that the bottom three PFAs maintained their shares of 0.12 percent in the second quarter as was the case in the first quarter of 2010. While the share of the bottom five PFAs marginally increased by 0.04 percent, the share of the bottom 10 PFAs witnessed a marginal increase of 0.44 percent in the second quarter of 2010.

Table 3.4 shows the categorization of PFAs by size of registrations and provides the range of market share of contributor registrations by number of PFAs.

Table 3.4: Range of RSA Registration per PFA

Range of RSA Registrations	Number of PFAs
500,000 – 1,000,000	1
100,000 – 499,999	12
Less than 100,000	11

The table indicates that while 12 PFAs had 100,000 and 499,000 members, 11 PFAs had less than 100,000 members as at the end of the second quarter of 2010. This however, is not an indicator of the viability or otherwise of the PFAs, but rather calls for more efforts from the industry in sensitising the general public about the scheme and the need for employers to comply with the provisions of the PRA 2004.

3.1.3 Memberships of CPFA and AES

The total members of the licensed CPFAs and Approved Existing Schemes were 26,606 and 41,410 as at the second quarter of 2010 respectively. This marked marginal decreases of 0.23 percent and 0.03 percent over the membership figures of 26,666 and 41,424 recorded as at the end of the first quarter of 2010 for CPFA and AES respectively. The breakdown of the CPFA and AES members are shown in Tables 3.4 and 3.6 respectively.

Table 3.5: Membership of CPFAs in the First Two Quarters of 2010

Enrolment Type	Number		Percentage of Total	
	Q1	Q2	Q1	Q2
Active Members	21,347	21,256	80.05	79.89
Existing Pensioners	5,193	5,224	19.48	19.64
Deferred Pensioners	126	126	0.47	0.47
Total	**26,666**	**26,606**	**100**	**100**

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 in the First Two Quarters of 2010

Enrolment Type	Number		Percentage of Total	
	Q1	Q2	Q1	Q2
Active Members	25,462	25,220	61.47	60.90
Current Pensioners	14,579	14,807	35.19	35.76
Deferred Pensioners	149	149	0.36	0.36
Dependants	1,234	1,234	2.98	2.98
Total	**41,424**	**41,410**	**100**	**100**

Note: Dependants are protégés of deceased pensioners.

3.2 Pension Contributions

The total pension contribution into the RSA Scheme by the private and public sectors was N808.72 billion as at the end of Q2, 2010. This marked an increase of N69.29 billion, representing 9.37 percent over the total contributions recorded in the first quarter. Table 3.7 below provides the yearly contributions for the public and private sectors respectively. Similarly, the yearly/quarterly rates of contribution relative to the cumulative contribution as at the end of second quarter of 2010 are shown in Table 3.7.

Table 3.7: Pension Contributions

Year/Quarter	Public Sector		Private Sector	
	Amount (N billion)	% of Total	Amount (N billion)	% of Total
2004	15.60	3.29	-	-
2005	34.68	7.32	-	-
2006	37.38	7.88	23.03	6.88
2007	80.63	17.01	68.34	20.42
2008	99.28	20.94	80.81	24.15
2009	137.10	28.92	91.21	27.26
Q1:2010	31.35	6.61	40.02	11.96
Q2:2010	38.05	8.03	31.24	9.34
Total	**474.07**	**100.00**	**334.65**	**100.00**

The public sector contributions witnessed an increase of 21.37 percent at N38.05 billion over the first quarter figure of N31.35 billion. The increase in public sector contributions was a reflection of increased level of compliance especially from the State Governments and increase in employees' level of income due to career advancements. The average monthly contribution for the public sector increased from N10.45 billion in the first quarter to N12.68 billion in the second quarter of 2010 representing an increase of 21.34 percent. Given the fact that some State Governments have already adopted the scheme and funding the RSAs of their employees and the intensification of the compliance efforts by the Commission, it is expected that the pension contributions would grow further in 2010 relative to what was obtained in the first two quarter of the year.

The private sector contributions increased from N303.41 billion in the first quarter to N334.64 as at the end of second quarter, 2010 representing an increase of 10.30 percent over the closing figures of the first quarter. The average monthly contribution for the private sector, however, decreased by 21.94 percent from N13.34 billion in the first quarter to N10.41 billion in the second quarter of 2010. Considering the increase in the number of employees registered in this sector during the quarter and the declined contributions made by the sector, it could be suggested that there are funding challenges in the private sector. As mentioned earlier, the Commission is intensifying efforts towards ensuring that all eligible employers comply with both the requirement to implement the scheme and the obligation to fund the RSAs of their employees on regular basis.

3.2.1 Contributions by Rank of PFA

An analysis of total contributions by rank of PFAs showed that while the top 5 PFAs accounted for 73.02 percent of total contributions, the top 10 accounted for 94.55 percent of total contributions received in the second quarter of 2010 as revealed in Table 3.8. Thus, the average monthly contributions of the top 5 and 10 PFAs amounted to ₦12.08 billion and ₦15.64 billion respectively in the first half of 2010. Similarly, the average monthly contributions of the bottom 5 and 10 PFAs amounted to ₦8.09 million and ₦159.90 million respectively in the first half of 2010.

It is important to note that the bottom 10 PFAs were those within the range of registration lower than 100,000 as shown in Table 3.4 above, which established 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' Million)	June'10 (%)
Top 5	72,483.43	73.02
Top 10	93,854.33	94.55
Bottom 5	48.55	0.05
Bottom 10	959.37	0.95

However, the bottom 5 and 10 PFAs accounted for 0.05 percent and 0.95 percent respectively, representing an infinitesimal 1 percent share of total contributions received by these PFAs in the second quarter of 2010. The distribution of RSA contributions is not surprising if it is linked to the distribution of RSA registrations as the top 5 and 10 PFAs accounted for more than half of total RSA registrations at 60.00 percent and 84.01 percent respectively in the first half of 2010.

3.3 Pension Fund Investment

The unaudited value of total pension fund assets increased from ₦1,438.17 billion in the fourth quarter of 2009 to ₦1,681.51 billion and ₦1,777.57 as at the end of the first and second quarters of 2010 respectively. This indicates that while pension assets witnessed remarkable growth of 16.9 percent in the first quarter of 2010, it declined to 5.71 percent in the Q2 of 2010. Table 3.9 shows the total industry assets by scheme type from inception to the end of the second quarter of 2010.

Table 3.9: Pension Fund Portfolio by Fund Type

Fund/ Period	2006	2007	2008	2009	Q1:2010		Q2:2010		Change (Q1 and Q2 of 2010)	
	₦' Billion	₦' Billion	₦' Billion	₦' Billion	₦' Billion	% of Total	₦' Billion	% of Total	₦' Billion	% of Total
RSA Active	64.69	278.30	471.77	659.64	746.53	44	818.36	46	71.83	9.62
RSA Retiree	NA	NA	NA	89.24	96.41	6	100.85	6	4.44	4.60
CPFAs	149.92	202.63	294.62	342.36	369.81	22	379.23	21	9.42	2.55
AESs	145.73	334.26	332.61	349.13	468.76	28	479.13	27	10.37	2.21
Total	**360.34**	**815.19**	**1,098.99**	**1,529.63**	**1,681.51**	**100**	**1,777.57**	**100**	**100**	**100**

Note: NA = Not Available

Table 3.9 further revealed that RSA Funds accounted for 50 percent and 52 percent of total pension assets in the first and second quarters of 2010 respectively while the CPFAs and AES assets accounted for 21percent and 27 percent in the second quarter of 2010. The domination of RSA Funds could be partly explained by the improved RSA registrations in both the public and private sectors leading to increased monthly contributions while the employer sponsored schemes remained stagnant in terms of memberships and thus the size capital injections into the schemes.

A summary of the industry portfolio presented in Table 3.10 revealed shifts in the investment strategies of PFAs, CPFAs, and AES over the review period as pension operators divested some of their holdings in money market instruments in favour of government securities and quoted equities/equity funds.

Consequently, contributions received in the first two quarters of 2010 were invested relatively more in fixed income securities including State Government Bonds, Corporate Debt Securities and quoted equities/equity funds.

Table 3.10: Pension Industry Portfolio

Asset Class	2006	2007	2008	2009	Q1:2010		Q2:2010		Change (Q1 and Q2 of 2010)	
	₦' Billion	₦' Billion	₦' Billion	₦' Billion	₦' Billion	% of Total	₦' Billion	% of Total	₦' Billion	% of Total
Ordinary Shares	94.26	243.44	220.54	220.71	263.64	16	335.80	19	72.16	27.31
Govt. Securities	84.45	279.74	350.83	531.95	517.00	32	669.08	38	152.08	29.42
Money Market Securities	106.22	186.01	332.44	542.22	425.79	26	509.57	29	83.78	19.68
Corporate Debt Securities	0.72	0.24	15.12	31.18	30.69	2	30.90	2	0.21	0.68
Real Estate*	59.98	79.08	125.50	142.96	152.12	9	153.86	9	1.74	1.14
Other Assets	15.72	26.68	54.56	59.97	248.05	15	78.37	4	(326.42)	68.41
Total Assets	**361.35**	**815.19**	**1,098.99**	**1,529.63**	**1,637.29**	**100**	**1,777.58**	**100**	**339.42**	**100**

Note : * = Restricted to CPFAs and AES only
Figures were as at the end of the specified quarter.
Figures in parenthesis indicate negative change

The other assets were made of mainly un-invested cash, which was totally moved into investments in other asset classes as at the end of the second quarter of 2010.

3.3.2 PFA Ranking by Size of RSA Assets

The distribution of PFAs by size of pension assets shows that 3 PFAs controlled more than half of the pension fund assets as at the end of the first two quarters of 2010 as they accounted for 54.13 percent and 53.69 percent in the first and second quarter of 2010 respectively as shown in Table 3.11. The Table further shows that the bottom 3, 5 and 10 PFAs accounted for 0.11 percent, 0.40 percent, and 1.90 percent in the second quarter of 2010 respectively, which was similar to the figures in the first quarter of the year.

Table 3.11: Rank of PFA by Asset Size

PFA Rank	Amount (₦' Billion) Q1:2010	% of Total Pension Assets Q1:2010	Amount (₦' Billion) Q2:2010	% of Total Pension Assets Q2:2010
Top 3	336.94	54.13	367.21	53.69
Top 5	416.13	66.86	454.98	66.52
Top 10	554.97	89.16	608.97	89.03
Bottom 3	0.65	0.10	0.78	0.11
Bottom 5	1.55	0.25	2.71	0.40
Bottom 10	10.80	1.73	13.02	1.90

3.4 Retirement/Terminal Benefit

3.4.1 Retirees on Programmed Withdrawal

The total number of retirees on programmed withdrawal increased from 16,469 in 2009 to 22,494 as at the end of the second quarter of 2010. This represented an increase of 36.58% over the 2009 figures as shown in Table 3.12. A breakdown of the total number of retirees to private and public sectors shows that while the public sector accounted for 20,588 retirees (91.52%) as at the end of second quarter of 2010, the private sector accounted for 1,906 (8.48%) over the same period.

Table 3.12: Number of Retirees on Programmed Withdrawal

Sector	2008		2009		Q1:2010		Q2:2010	
	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
Public	4933	96.27	15,319	93.02	18,111	91.91	20,588	91.53
Private	191	3.73	1,150	6.98	1,595	8.09	1,906	8.47
Total	**5,124**	**100**	**16,469**	**100**	**19,706**	**100**	**22,494**	**100**

Note: Figures were as at the end of the given dates from inception of the Programmed Withdrawal programme.

Given the figures in Table 3.12, it can be seen that 3,237 and 6,025 workers retired during the first and second quarters of 2010 respectively and have been receiving periodic pensions through the programmed withdrawal method. The balances in their RSAs after the initial lump sum withdrawals were transferred into their respective retiree accounts for the purposes of receiving their periodic benefits.

The total lump-sum withdrawals between January and the end of the second quarter of 2010 was ₦17.65 billion with a total monthly programmed withdrawal of ₦166.70 million. A breakdown of these withdrawals by sector is presented in Table 3.13.

Table 3.13: Payment Retirement through Programmed Withdrawal as at the end of Q2:2010

Sector	Average Monthly PW (₦ Million)	Lump Sum (₦ Million)
Public	156.81	17,181.20
Private	9.89	469.39
Total	**166.70**	**17,650.59**

The cumulative lump-sum withdrawals stood at ₦65,419.88 from inception to the end of the second quarter of 2010 while the sum of ₦786.55 million was withdrawn as monthly programmed withdrawal over the same period.

3.4.2 Retirement by Annuity

In line with the provisions of Section 4 (1) (b) of PRA 2004, which stipulated that retirees may purchase a life annuity as an alternative retirement plan to programmed withdrawal, the Commission received a total of 14 requests for annuity retirement plan between September, 2009 and June 2010. So far 13 of such requests were approved for as at the end of the second quarter of 2010. The retirees' withdrawals of lump sums and monthly annuity for the review period stood at ₦61.92 million and ₦0.59 million respectively as shown in Table 3.14.

Table 3.14: Retirement by Annuity as at the end of Q2:2010

Sector	Retirees				Retirement Benefits	
	Male	Female	Total	% of Total	Average Monthly Annuity	Lump Sum (₦ Million)
Public	11	2	13	100	587,683.09	61.92
Private	-	-	-	-	-	-
Total	**11**	**2**	**13**	**100**	**587,983.09**	**66.71**

A comparison of number of retirees operating annuity relative to programmed withdrawals showed that while 0.06 percent of the retirees were under annuity, 99.94 percent were under programmed withdrawals. Similarly, only public sector retirees purchased the life annuity as at the end of the review period.

3.4.3 Withdrawal of 25 Percent of RSA Balances

This represents withdrawals of 25 per cent of RSA balances made by persons who retired before the age of 50 years in accordance to the terms and conditions of their employment and who having stayed for at least six months could not secure another employment.

During the quarter under review, approvals were granted for payment of a total of ₦549.08 million to 3,817 RSA holders of which 267 were from the public sector and 3,550 were from the private sector. A critical analysis of these requests showed that private sector employees accounted for ₦455.69 million or 83 percent of the total withdrawals while the public sector employees that were out of job accounted for ₦93.39 million or 17 percent as shown in Table 3.15.

Table 3.15: Withdrawal of 25% of RSA Balance in the Second Quarter of 2010

Sector	Retirees				Retirement Benefits	
	Male	Female	Total	% of Total	Total 25% Request (₦ Million)	Total RSA Balance (₦ Million)
Public	206	61	267	7.0	93.39	373.56
Private	2,050	500	3,550	93	455.69	1,822.75
Total	**2,256**	**561**	**3,817**	**100**	**549.08**	**2,196.31**

It should however be noted that many of the requests largely came from junior employees of construction companies whose jobs were normally terminated at the end of a contract.

3.5 Implementation of Group Life Insurance

The Section 9 (3) of PRA 2004 requires employers to maintain life insurance policy in favour of their employees for a minimum of three times the annual emoluments of the employees. It is in line with this provision that 42 employers from the private sector presented their evidences of compliance to the Commission during the period under review.

The Federal Government also continued the implementation of the life insurance policy for its civilian employees which was centralized under the Office of the Head of Service (OHOSF). Other Supervising Authorities of the Ministries, Departments and Agencies (MDAs) not included under the OHOSF's arrangement, for example, the Armed Forces personnel (under the Defence Headquarters) and the Police Affairs (under the Police Headquarters) were at various stages of implementation of the policy.

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

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