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Outline

• Nigerian Pension Scheme
• Institutional Framework
• CPS at a Glance
• 2014 Reforms
• Why Focus on Infrastructure?
• Impact of the CPS on the Nigerian Economy
• Sustainability Strategy
Nigerian Pension Scheme

The System
- Employee driven based on individual Retirement Savings Account (RSA)
- Mandatory for organisations with at least 3 employees
- Private Sector Management
- Planned Withdrawal of Savings – Programmed Withdrawal or Life Annuity
- Life Insurance Cover for cases of death in active service
- Strong Regulatory Framework

New Reforms Introduced in 2014

The Regulator
- Regulations guided by international best practices
- Consultative approach in rule making
- Supervisory approach is Risk Based
  - Authorized markets and trading platforms
  - Investment limits & risk rating requirements
  - Daily reporting and examination of investment activities
  - Fit and Proper Persons requirements for pension funds management
  - Strict corporate governance and disclosure requirements
PenCom
- Regulates & supervises all pension matters in Nigeria
- Maintains database of all pension matters
- Enforces compliance, sanctions & penalties

PFA/CPFA
- Registration/Transfer of Contributors
- Administration of RSA & Customer Support
- Reporting to PenCom and Contributors
- Taking Investment Decisions
- Administration of Retirement Benefits

PFC
- Holds pension fund assets in safe custody on trust
- Executes transactions and undertakes other related activities on behalf of PFA

PTAD
- Coordinates the activities of Pension Offices/Boards in the Federal Public Service

Employer
- Remits monthly contributions

Employee
- Registers with a PFA of his/her choice
The CPS at a Glance

- Initially licensed 26 PFAs, 7 CPFAs and 5 PFCs
  - Presently reduced to 21 PFAs, 7 CPFAs and 4 PFCs due to mergers and acquisitions

- Number of registered contributors was 7.13 million as at June 2016
  - This represents about 11.43% of total labor force in Nigeria and 3.95% of total population

- The growth trajectory of the pension fund showed a movement from about $15 billion deficit in June, 2004 to about $27 billion in assets under management as at the end of 2015
  - An unprecedented growth of over 300% within a decade
  - Average monthly inflow of $200 million
  - Average annual growth of 20%

- 26 States of the Federation had adopted the scheme and are at different stages of implementation while the remaining 10 States are at bill stage

- At least 200,000 private sector employers of labour are implementing the CPS

- Over 145,000 had retired under the Scheme as at June 2016 and are currently receiving pensions as and when due
Value of total portfolio grew from 1.4% of GDP in 2006 to 7% in 2010 and was estimated at about 5.58% of the rebased Nigerian GDP as at 31 December, 2015.
2014 Reforms: New Initiatives

- **Consistently Achieve Excellence in Service Delivery**
  - The Commission is targeting 70% contributors’ and retirees’ satisfaction level across all dimensions of service.
  - Payments of retirement benefits within 24 hours from date of application, with a target of 90% of all cases.

- **Drive Inclusive & Expanded Coverage**
  - Target 20 million contributors by 2019.
  - The Commission has commenced engaging all relevant stakeholders to ensure the target is achieved.

- **Deliver Low Cost & Efficiency**
  - Emphasis is being given to reducing the cost of operations of the Industry.
  - Industry is working on shared services platform in non-competition areas to enhance industry capacity and reduce costs of operations.

- **Achieve Positive Real returns & Visible Impact on the Economy**
  - The Commission has outlined several strategies to drive the growth of the Pension Fund Asset to a minimum size of 10 percent of the Nigerian GDP by 2019.
  - Finished work on policy document to introduce Multi-fund structure to allow the funds make measurable impact on the Nigerian economy through infrastructure and housing development.

- **Build Human Capital & Capability**
  - To realise all the initiatives in the key priority areas, the industry is working to build the required human capital, competencies and experiences.
  - Work is ongoing to introduce pension education as a curriculum item from primary schools right up to tertiary institutions.
2014 Reforms: New Initiatives

- **Extending Coverage with Emphasis on:**
  - States and Local Governments
  - Informal Sector

- **Micro Pension Plan**
  - Designed to cover the SMEs, self-employed and informal sector
  - Already engaged Trade Unions and Associations
  - Creating awareness and engaged in sensitization
  - Working out the relevant technology

- **Championing the initiative to create instruments that would allow pension fund investments make visible impact on the economy**
  - Special focus on Infrastructure and Housing as only 5.4% of the total allocation to infrastructure financing was utilized as at December 2015
    - Largely due to non-availability of investment instruments that meet the requirements for pension fund investments
    - Industry ready to support development of such instruments – as part of our corporate and industry strategies
    - Engagement with relevant stakeholders to support the Government’s power reforms by investing in power infrastructure
2014 Reforms: New Initiatives

- Introduced Pension Protection Fund (PPF)
  - To be funded by:
    - Annual Subvention of 1% of monthly wage of FGN employees
    - Annual Levy on PenCom and Pension Operators
    - Income from investment of the fund
  - Utilization of PPF
    - Funding of Minimum Pension Guarantee (MPG)
    - Compensation for shortfall or financial losses from investment activities
    - Any other eligible purpose

- RSA Balance to secure Residential Mortgage: Subject to Guidelines – a percentage of RSA balance may be applied for payment of Equity Contribution for residential mortgage

- Pension Fund Investment Income now tax exempt

- Board of the Commission was expanded to include Trade Union Congress, Nigeria Stock Exchange and National Insurance Commission

- The Board reports directly to the President of the Federal Republic of Nigeria

- Conflict of interest issues now heavily sanctioned
Why Focus on Infrastructure?

Estimated requirement for infrastructure development in Nigeria over the next 10 years is over $100bn on power, roads, railway, bridges and seaports.

Housing deficit requires approximately $228 billion to address.

Several promising projects currently ongoing including the Abuja and Lagos light rails.

There is stability in the democratic processes with improved elections and smooth transition of Governments.

Urgent need for economic diversification occasioned by decline in oil prices, which heightened the clamour for investment in infrastructure to fully exploit other sources of income.

Existing favourable demographics – about 60% of Nigeria’s population of over 170 are under the age of 30 years.

Due to the rising importance of pension investments in economic development, the policy on pension reform has been sustained by four successive Governments.
Impact of the CPS on the Nigerian Economy

The CPS has facilitated the development of:

- Corporate bond market
- Insurance market
  - Group Life Insurance
  - Life Annuities
- Alternative asset classes
  - Currently promoting co-investing from the diaspora
- Mortgage market
  - Nigeria Mortgage Refinancing Company’s $254 million bond
  - Provides for a portion of the pension funds in an RSA to be utilized as equity contribution for payment of residential mortgage for primary home
- Corporate governance in companies where pension funds have been invested
- Rating Agencies
Sustainability Strategy of the Pension Reform

- Expanded Coverage of the CPS to the underserved Informal Sector through the **Micro Pension Initiative**
- Nigerian Pension Funds to incorporate **Environmental, Social and Governance principles** in investment decisions
- Implementation of **Multiple funds** to:
  - Boost developmental investments
  - Allow contributors make choices on how their pension contributions should be invested
- Improved **Service Delivery**
  - To leverage on Technology
  - To establish shared services for efficiency
- Provided a platform for promotion of CPS across Africa through the **World Pension Summit Africa Special** and the **African Pension Awards**
  - This year’s summit is scheduled for September 27 –28 at Abuja
Thank you