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Dear Esteemed Customer,

Happy New Year!!!

Welcome to the start of a fruitful and prosperous 2018. In this novel edition of the year 2018, we have addressed and given a detailed review on the proposed Minimum Pension Guarantee (MPG) as introduced by the National Pension Commission (PENCOM).

The undulating rate of inflation has been bothersome to retirees and potential retirees, hence, the need to put in sustainable structures has become an imperative. We have also included a review of the performance of the Nigerian economy and an update of our fund performance for this first quarter.

In our bid to improve on our service delivery, we welcome your suggestions and contributions on how best we can meet and surpass your expectations. Kindly, reach us on **01-2776900, 0800PALPENSIONS** or send an email to info@palpensions.com

Happy Reading!

Review of the Nigerian Economy (Q1 2018)

GDP

Recently released Q4 2017 GDP report by the Nigerian Bureau of Statistics (NBS) showed a stronger than expected growth in the non-oil sector. GDP expanded by 1.92% year-on-year (y/y) in Q4 2017, pushing full year (FY) 2017 growth to 0.83% y/y, following a -1.58% y/y contraction in FY 2016. This was fairly in line with the International Monetary Fund's expectation (0.80% y/y in FY 2017). The 2017 GDP growth was largely driven by the recovery in the Industrial sector (2.19% y/y against -8.85% y/y in FY 2016) as oil sector activities picked up (4.79% y/y in FY 2017 from -14.45 y/y in FY 2016). Although growth in the Agriculture remained positive (3.45% y/y in FY 2017), it slowed from 4.11% y/y in FY 2016). We highlight that although the Nigerian economy has exited recession, it will remain vulnerable. We note as well that although higher oil prices are supporting near term growth, sustainable growth in the medium to long term will be hinged on making the required policy changes needed to drive real per capita GDP growth.

Crude oil prices

Crude oil prices have traded at an average of \$66.91/pb so far this year and remained within a range of \$62.59 - \$70.53/pb. According to the Organization of Petroleum Exporting Countries (OPEC), Nigeria's crude oil production has stabilized around 1.8mb/d over the last three months. Recently released report by the International Energy Agency (IEA) suggests a more bullish view on global oil demand, raising growth forecast by 1.5mbpd. The agency also stated that OPEC supply slipped in February to 32.17 million b/d which suggests quota compliance running at 147%. On the back of this, we expect oil prices to remain above the \$45/pb target set in the 2018 budget.

Forex reserves

Nigeria's forex reserves have increased by US\$5.7bn since the beginning of this year to current levels at US\$44.60bn. We expect further uptrend in the country's reserve position on the back of anticipated additional Eurobonds to be

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issued by the FG as well as rising domestic oil production and uptick in global oil demand and crude prices. While Nigeria's stronger reserve position bodes positively for investor confidence and capital importation, elevated political risk as the 2019 elections approach and the possibility of a faster pace in rate hikes in the US, underpin concerns about potential capital outflows in the near to medium term. Nonetheless, Nigeria's reserves are adequately sufficient to absorb likely demand pressures from foreign investor outflows in H2 2018 (given that total foreign portfolio inflows in 2017 was \$7.3 billion) thus, resulting in a fairly stable local currency.

Inflation

February headline inflation came in below consensus expectations at 14.3% y/y. This was on the back of moderations in both food inflation (17.6% y/y from 18.9% y/y) and core inflation (11.7% y/y from 12.1% y/y). Base effects in our view have continued to underpin recently recorded inflation moderations. We highlight however that despite improved local currency liquidity and stability, imported food inflation has remained the highest amongst the sub-indexes tracked by the CPI (currently at 16.1% y/y). On the other hand, we note that imminent excise duty hikes will have limited impact on inflation as alcohol & tobacco account for c. 1% of CPI.

Monetary Policy

With the Monetary Policy Committee of the Central Bank of Nigeria (CBN) failing to reach a quorum early in the year, monetary policy has remained unchanged since they last met in 2017. Following the

screening of MPC nominees by the Senate this month, the CBN has announced that the MPC would meet in the first week of April as a quorum has now been reached. While we highlight a converging trend between the monetary policy rate (14%) and inflation rate (14.3%), market views are that a 12% inflation rate will be required to trigger a rate cut. In our view, the MPC is likely to leave monetary policies unchanged at the upcoming meeting.

Stock market

The Nigerian Stock Exchange All Share Index (NSE ASI) currently has a year-to-date return of 9.00%. However, in the month of March, the index has declined by -3.80%. We note that although the equity market began the year on a positive momentum, sell-offs have been recorded in recent weeks despite impressive earnings releases from key banking names. With very little or no triggers to suggest a market rebound in the immediate, we expect activity in the

market to remain largely subdued with pockets of opportunity. In our view, investors will remain on the sidelines awaiting Q1 2017 results to be released mid-late April.

Fixed Income Market

The 364-day treasury bill yield has contracted by c. 227bps from 17.60% as at the end of 2017, to its current level of 15.33%. Discount rates on the 90, 180 and 364-day bills as well have trended southwards closing at 11.75%, 13.00% and 13.46% respectively as at last week's auction (vs. 12.00%, 13.65% and 13.70% recorded in January and 11.85%, 13.49% and 13.50% in February). In the same manner, average yields on benchmark bonds have contracted this year by 52bps to 13.57%. We expect to see further correction in the yield curve in the short term even as the recently released Q2 '17 T-bills calendar by the CBN indicates that half of the maturing bills will be redeemed (and refinanced) through Eurobond proceeds.



Minimum Pension Guarantee

Retirees and potential retirees are bothered with sustainability of their monthly pension at retirement considering inflation this brought about the introduction of Minimum Pension Guarantee (MPG) by the National Pension Commission.

What is MPG? Minimum Pension Guarantee (MPG) is an arrangement established to provide Guaranteed Minimum Pension (GMP) to eligible retirees in line with the provisions of Section 84 of the PRA 2014. With this arrangement retirees shall be entitled to an absolute amount equivalent to 80% of the National Minimum Wage. The GMP rate is subject to review by the National Pension Commission (PenCom) from time to time based on the prevailing minimum wage and sustainability.

The MPG will cover RSA holders who contributed and retired under the Contributory Pension Scheme (CPS) in any of the following categories:

- Retirees whose RSA balances can only provide a stream of income through Programmed Withdrawal lower than the GMP at the point of retirement; or

- Retirees whose RSA balances can provide a stream of income through Programmed Withdrawal equal or higher than the GMP at the point of retirement, but got exhausted during their lifetime.

Eligibility

- A retiree shall benefit from MPG if he/she has contributed into RSA for a minimum period of 15 years and retires under the CPS.
- A retiree who contributed for less than 15 years under the CPS shall be eligible if he transfers his total accrued rights/Pre-Act benefits for past service into the RSA, provided that the number of years served in the old scheme shall make up for 15 year eligibility period
- A casual worker and an employee with breaks in employment in the formal sector who has accumulated a minimum of 135 months of cumulative contribution shall be eligible for MPG provided that such retiree must have attained a minimum of 50 years of age.
- An informal sector contributor may benefit from the MPG where he/she has made contributions for a minimum cumulative period of 120 months and meets criteria as may

be determined by PenCom based on regulation of Informal Sector Participation.

- v. Any private sector whose pre-Act benefits has not been paid into the RSA shall only enjoy MPG if he has contributed for 15 years under the CPS.
- vi. Retirees that have transferred their services from States that have not implemented the CPS shall be required to pay the transfer value either to the current employers or into their RSAs.

General Provisions

- I. The RSA balance of a retiree eligible for MPG shall not be paid en bloc.
- II. An RSA holder who voluntarily retires before the age of 50 years and has accessed 25% of his RSA balance shall not be allowed to enjoy MPG where such withdrawal from the RSA was made within 5 years before he attains 50 years.
- III. The payment of lump sum, if any, shall be from the residual of the RSA balance and without any prescribed minimum after adequate provisions have been made for the retiree's monthly pension of an amount equal to or above the expected life span (i.e. payment of 25% of the RSA balance to retirees as default minimum lump sum, as designed in the Programmed Withdrawal Template, shall be discontinued).

Funding and Cessation of MPG

This MPG will be provided for in the Pension Protection Fund which shall be funded by FGN, PenCom, PFAs, PFCs and CPFAs. The payment of MPG will cease upon the death of a beneficiary.

Conclusion

This arrangement will be communicated when the National Pension Commission gives the approval for implementation.

WHAT'S NEW!

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 - You can now reach our Call Centre on 0800PALPENSIONS (08007257367467)
 - You can download the PAL App to access a full bouquet of PAL Pensions' services at your fingertips. It is available on the App Store and Google Play store.
 - You can access your Pension balance on the go. Send PAL to 20052 and following the prompts.



FREQUENTLY ASKED QUESTIONS

I need to change my name, address, telephone number and/or Next of KIN, what do I do?

To change any of such information you are required to fill a Change of Personal Information Form indicating the information you want to change/update. The form is to be signed, dated and thumb printed authorizing the PFA to effect the changes on the database. For a change of name to be effected, you need to provide a change of name document (Affidavit, Newspaper publication or Marriage Certificate).

The Paper Shredder

A young executive is leaving the office late one evening, when he finds the CEO standing in front of a shredder with a piece of paper in his hand.

"Listen," said the CEO, "this is a very sensitive and important document here, and my secretary has gone for the night. Can you make this thing work for me?"

"Certainly," the young executive says. He turns the machine on, inserts the paper, and presses the start button.

"Excellent, excellent!" says the CEO as his paper disappears inside the machine. "I just need one copy."

Culled from the internet

#DIDYOUKNOWNIGERIA

Ile-Ife, was paved as early as 1000AD, with decorations that originated from Ancient America suggesting there might have been contact between the Yoruba's and the Ancient Americans half a millennium before Columbus 'discovered' America.

Thank you for reading.....**PAL Pensions; Your Pal for Life!**