

PENSION NOTES

Issue VIII, 01 June 2007

INDUSTRY / REGULATORY UPDATE



During the month, the National Pension Commission ("PenCom") revealed that many employers are yet to comply with the Contributory Pension Scheme ("CPS") established under the Pension Reform Act 2004 ("PRA 2004"). A mechanism is to be put in place to check non-compliance, particularly with respect to non-remittance of deductions from the employees' emoluments. This new mechanism may involve the issuance of Compliance Certificates to eligible employers.

It was also noted that employers in the private sector are most culpable in the non-compliance with the Act. Pursuant to this, PenCom issued a General Notice to the Public, giving a month-ending May 2007 deadline for the transfer of pension assets to PFAs / PFCs, after which it will impose penalties as prescribed under the act on erring institutions.

In a related development, the Lagos State Government also announced that it will henceforth impose a Penalty of N5 million on any private school that fails to participate in the CPS, as earlier directed by the State Government.

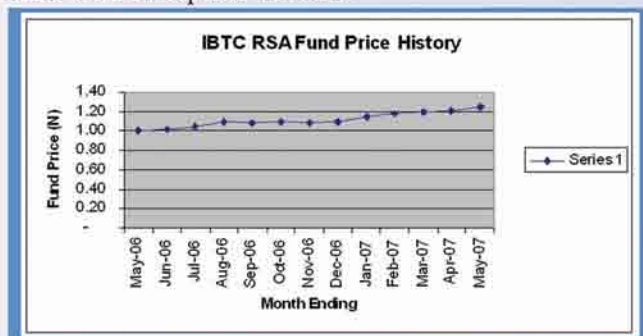
Also, as the awareness on the benefits of the CPS increases across the country, more States including Kaduna, Edo and Abia have expressed their willingness to sign into law the Pension Act that would enable their workers participate in the Scheme.

IBTC RSA FUND



The IBTC RSA Fund ("The Fund") which opened on 02 May 2006 at N1.0000 closed at N1.2495 as at 31 May 2007. In line with investment guidelines by PenCom, the Fund's portfolio allocation was as follows on 31 May 2007: Government Securities (38.50%), Money Market (34.11%), Quoted Equities (26.48%), Managed Funds (0.91%).

The chart below shows the performance of The Fund from inception to date.



IBTC Pensions has continued to deliver competitive returns on investment while ensuring security and liquidity of pension assets at all times.

PRODUCT INFORMATION

Retirement & Financial Planning Education

As part of its complimentary services, IBTC Pensions offers Financial / Retirement Planning Education to its RSA holders, and the general public. Our Retirement Planning Education is available at no cost to our clients, and is available on our website, through articles and features on newspapers, periodic newsletters as well as Financial / Retirement Planning Seminars.

Our website, www.ibtc.com offers a Financial Planning Calculator that allows RSA holders estimate their retirement benefits using a computerized application. Users will be required to key-in certain information about their contributions and make assumptions about investment returns, and their retirement plans. The system will automatically calculate estimated retirement benefits, based on the information and assumptions made. Also, our website features other learning tools such as articles on Financial / Retirement Planning, and on the workings of the Contributory Pension Scheme, as well as current and back issues of IBTC Pension Notes, our monthly newsletter on the pension industry and retirement planning. You can also download selected speeches and presentations made by our Chief Executive Officer, Mr Yinka Sanni, and other Senior Executives from our website.



The IBTC Group also features a Wealth Management Series in ThisDay newspaper, every Sunday that provides useful information and insights on investments, financial and retirement planning.

Finally, IBTC Pensions offers Retirement Planning Seminars to our clients and client institutions, at no additional cost. The seminars offer participants a practical understanding of issues concerning retirement planning, and guides them through important considerations and decisions while they plan towards their retirement. The Seminars are available at request by Institutions, and will be held at the Clients' Office. Client Institutions may contact us to request for a Seminar

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Regulations on the Investment of Pension Fund Assets

Pension Fund Investments are regulated by the Pension Reform Act, and the Guidelines on the Investment of Pension Assets issued by the National Pension Commission ("PenCom"). The Guidelines seek to ensure the security and growth of pension assets. According to the Guidelines, PFAs make investment decisions on behalf of all the RSA holders and manage these investments within a Single Investment Fund.

The investment guidelines outline the institutional framework and authorized trading markets for PFAs as well as the quality of instruments and investment limits and benchmarks.

Based on these regulations, PFAs may only invest in Equities, Government Securities, Money Market Instruments, Unit Trusts and Real Estate Securities. The investment limits will ensure that investment risks are reduced by spreading the pension funds over these asset classes, and across individual companies / instruments.

PenCom also monitors compliance with these guidelines on a daily basis, through daily reports rendered by PFAs and PFCs. Non-compliance with these guidelines attract a penalty from PenCom.

PenCom in consultation with PFAs and PFCs may also revise the Guidelines from time to time based on market trends and developments.

FIXED DEPOSIT

Fixed Deposits are money market instruments issued by Deposit Money Banks and Discount Houses, that offer investors a fixed interest rate over the tenor of the placement.

Pension Funds are allowed to invest in fixed deposits in banks and discount houses that meet certain criteria based on credit ratings.

Fixed Deposits are short term investments, and their interest rates are usually slightly higher than the rates on Treasury Bills, but vary from one bank / discount house to another.

Available in 30, 60, 90 and 365-day tenors, fixed deposits are a popular form of fixed income securities as they are readily available in all banks / discount houses.

UNDERSTANDING INVESTMENT

FREQUENTLY ASKED QUESTIONS

Q Can I use my Retirement Savings Account as a Collateral?

A A Retirement Savings Account ("RSA") holder cannot pledge his RSA as collateral for any loan.

The Pension Reform Act prohibits the collateralization of pension assets for the purpose of borrowings. This is in line with its objective of assuring the retirement benefits of workers in their old age.

Should an RSA holder be able to pledge his Pension Contributions as security for a loan, and becomes unable to pay that loan, then the certainty of retirement benefits promised under the Act would not be assured. Consequently, such collateralization is forbidden

Locations Nationwide

Abia (08077914201) Adamawa (08082047120) Akwa Ibom (08082047121) Anambra (08077914203) Bauchi (08068792464) Bayelsa (08077914221) Benue (08077914172) Borno (08082047122) Cross River (08077914223) Delta (08068792467) Ebonyi (08077914222) Edo (08077914174) Ekiti (08034797861) Enugu (08077914202) FCT Abuja (08022901000, 08042901000, 08052901000) Gombe (08068792468) Imo (08068792462) Jigawa (08034797693) Kaduna (08082047123, 08082047126) Kano (08068792460) Katsina (08068792466) Kebbi (08034797641) Kogi (08068792465) Kwara (08068792469) Lagos (01-2716000,01-7450000, 0802 PENSION (i.e 0802 736 7466), 0804 PENSION, 0805 PENSION, 0806 PENSION) Nassarawa (08077914224) Niger (08077914173) Ogun (08077914171) Ondo (08034797687) Osun (08077914204) Oyo (08082047125, 02-2412445, 02-8109040) Plateau (08068792463) Rivers (084-750950, 084-463460) Sokoto (08082047124) Taraba (08034797639) Yobe (08034797640) Zamfara (08068792461)

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