PenCom

NATIONAL PENSION COMMISSION

...Pension Guaranteed

FREQUENTLY ASKED QUESTIONS AND ANSWERS

on the

Contributory Pension Scheme In Nigeria

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OUTLINE **PAGE**

PART I

INTRODUCTION OF CONTRIBUTORY PENSION SCHEME

1. **What is the Contributory Pension Scheme?**
   Contributory Pension Scheme (CPS) is an arrangement where both the employer and the employee contribute a portion of an employee's monthly emolument towards the payment of the employee's pension at retirement.

2. **What is the law that established the CPS in Nigeria?**
   The CPS was established in June 2004 by the Pension Reform Act (PRA) 2004, which was repealed and re-enacted in July 2014.

3. **How is the CPS different from the Defined Benefits Pension Scheme?**
   Under the CPS, both the employer and employee contribute certain percentages of the employee's monthly emoluments to build a retirement fund from which benefits are paid at retirement while under the Defined Benefits (DB) Scheme, total pension obligation is borne by the employer.

4. **What is the main objective of CPS?**
   The main objective of the CPS is to ensure that every person that worked in either the public or private

sectors in Nigeria, including the self-employed persons, receives his/her retirement benefits as and when due.

5. **What are the basic features of the CPS?**

   The basic features of the CPS are:

   i. It is contributory.
   ii. It is fully funded.
   iii. It is based on individualized Retirement Savings Account (RSA).
   iv. It is privately managed by Pension Fund Administrators (PFAs) under the custody of Pension Fund Custodians (PFCs).
   v. Provision of Group Life Insurance.

6. **What are the rates of contributions under the CPS?**

   The minimum rate of contribution is 18% of the employee's monthly emoluments where 10% is contributed by the employer and 8% is contributed by the employee. However, the employer may decide to bear the full responsibility of the contribution provided it is not less than 18% of the monthly emolument of the employee.

7. **Can an employee make additional contributions?**

   An employee may decide to make additional contributions above the minimum 8% provided the employee's total contribution and other deductions do not exceed one-third of his/her total monthly emoluments.

8. **What constitute monthly emoluments?**
   The constituent of monthly emoluments is as may be defined in the employee's contract of employment, but should not be less than the total sum of basic salary, housing and transport allowances.

9. **What does fully funded mean?**
   A fully funded scheme is a pension scheme that has sufficient assets to fully pay the retirement benefits of its members at all times.

10. **What is a Retirement Savings Account (RSA)?**
    An RSA is an account opened by an employee with a PFA of his/her choice, into which all pension contributions are remitted and thereafter invested for the purpose of paying retirement/terminal benefits.

11. **Does the RSA operate like a Bank Account?**
    Unlike a bank account, the RSA can only be accessed at retirement, loss of job, medical incapacitation or in the event of death.

12. **Who is a Pension Fund Administrator (PFA)?**
    A PFA is a company licensed by the National Pension Commission (PenCom) for the sole purpose of managing and administering pension and other

retirement benefit schemes' assets. Some of the PFAs are licensed to manage and administer retirement benefit schemes for staff of organizations that had existing pension schemes prior to the commencement of the CPS in 2004. These companies are called Closed Pension Fund Administrators (CPFAs).

13. **Who is a Pension Fund Custodian (PFC)?**
A PFC is a company licensed by PenCom for the sole purpose of holding all pension funds and assets on trust for employees as well as beneficiaries of the RSA and other retirement benefit schemes.

14. **Who receives the monthly pension contributions?**
The employer deducts and remits both the employee and employer portions of pension contributions to the PFC. The PFC notifies the PFA immediately upon receipt of the contributions.

15. **What is the role of the National Pension Commission (PenCom)?**
PenCom is the regulator and supervisor of all pension matters in Nigeria. It licenses all pension operators; issues regulations and guidelines; and ensures effective administration of all pension schemes in Nigeria.

16. **Who is mandatorily covered by the CPS?**
The CPS covers employees in the public service of the Federation, Federal Capital Territory, States, Local Governments and private sector organizations with 3 or more employees.

17. **Can employees who are not mandatorily covered participate in the CPS?**
Yes, employees of organizations with less than 3 employees as well as self-employed persons can voluntarily participate in the CPS under the Micro Pension Plan (MPP).

18. **Who is exempted from the CPS?**
Judicial Officers, members of the Armed Forces, the Intelligence and Secret Services of the Federation; retirees under any pension scheme existing before 30 June 2004; and employees who had 3 or less years to retire as at 30 June 2004.

19. **Can foreigners employed in Nigeria participate in the CPS?**
Foreigners working in Nigeria are not mandated by law to participate in the CPS. However, such foreigners may voluntarily participate in the Scheme.

20. **Can Nigerians working abroad participate in the CPS?**
Nigerian citizens working abroad are not mandated

by law to participate in the CPS. However, they may voluntarily participate.

21. **What happens to the RSA of a person who resigns from an organization in Nigeria and takes up appointment outside Nigeria?**

    Any person who resigns from an organization in Nigeria and takes up appointment outside Nigeria is entitled to make arrangements with the new employer to continue remitting his pension contributions into his/her RSA in Nigeria. However, if the person chooses to discontinue with the scheme in Nigeria or the new employer has an entirely different pension arrangement, he/she may access his RSA upon retirement or attaining the age of 50 years, whichever is earlier.

22. **Can a retiree under the DB Scheme participate in the CPS?**

    A retiree under the DB Scheme can voluntarily participate in the CPS if he/she secures a new employment.

PART II

REGISTRATION AND CONTRIBUTION REMITTANCE UNDER THE CONTRIBUTORY PENSION SCHEME

1. **How can an employee open a Retirement Savings Account (RSA)?**

   An employee should approach a PFA of his/her choice, complete the RSA Registration Form and provide the following supporting documents:

   i. Letter of Employment or Attestation Letter (in the case of Police Personnel).
   ii. Valid means of identification (Staff ID Card; National Driver's Licence; Permanent Voter's Card; National Identity Card or data page of International Passport).
   iii. Enrolment Slip issued by the National Identity Management Commission (NIMC) indicating the National Identity Number (NIN).

   The PFA would process the request for RSA registration and issue a unique Personal Identification Number (PIN).

2. **Can an employee have more than one RSA?**

   An employee is required by law to open only one RSA, which should be maintained throughout his/her lifetime even if he/she changes employment, transferred his/her RSA to another PFA or retires.

3. **What are the implications of an employee having more than one RSA?**
   Having more than one RSA would lead to incorrect remittances into the RSA and delay in payment of retirement benefits due to the need to reconcile the RSAs.

4. **What should I do if I have more than one RSA?**
   You are required to present all your RSA PINs to any of the PFAs that issued them. The PFA would recapture your details including one of the registered PINs. The recaptured PIN becomes your PIN for life, while all other RSA PINs will be forwarded to PenCom for deactivation after reconciling the balances (if any) in the RSAs associated with them.

5. **Do I need to be recaptured even if I have only one RSA?**
   Yes. All existing RSA holders in the public sector, private sector organizations and retirees, must participate in the data recapture exercise to update their biodata and biometric (picture and signature) information.

6. **What is the implication of not participating in the data recapture exercise?**
   The implication of not participating in the data recapture exercise include:
   I. Inability to access retirement benefits at

retirement.

ii. Non-resolution of multiple RSA registrations.
iii. Reconciliation of multiple registration of RSAs with balances will be hampered.
iv. Inability of RSA holders to update registration records in the future.
v. Inability to transfer RSA from current PFA to another PFA.

7. Can an employer or a Union compel its workers or members to open RSAs with a particular PFA?

The choice of a PFA for opening an RSA is the exclusive right of an employee. It is not permissible for an employer or a Union to compel its employees or members to open RSAs with a particular PFA.

8. What is the role of an employer in opening RSAs by its employees?

All employers that have a minimum of 3 employees are required to obtain a unique identifier called "employer code" from PenCom by submitting a written request through any PFA of their choice. Every employee's RSA is tied to his/her employer's code.

9. What are the requirements for issuing an employer code?

a) **Private Sector Employers:**

I. Written application on the

company/organization's letter-headed paper requesting for an employer code from PenCom.

ii. Certificate of incorporation/registration from relevant registering authority.
iii. Evidence of Taxpayer's Identification Number (TIN).

b) Federal Government Ministries, Departments and Agencies (MDAs):

i. Letter to PenCom on the MDA's letter-headed paper requesting for the issuance of an employer code and stating the source of funding of the MDA.
ii. The MDA's Chart of Account number issued by the Office of the Accountant-General of the Federation (OAGF).

c) State Government MDAs

Letter to PenCom from the State Pension Bureau/Board/Commission or Head of Service, as the case may be, requesting for the issuance of an employer code and stating the source of funding of the MDA.

10. Are fees charged by PenCom to issue employer code?

The generation and issuance of an employer code by PenCom to any employer is at no cost.

11. **Who deducts and remits pension contributions?**
    The employer is obliged by law to deduct and remit pension contributions into the employee's RSA not later than 7 working days from the date salaries are paid.

12. **What happens when an employer fails to remit its employees' pension contributions?**
    PenCom would mandate such employer to make the remittance already due, in addition to paying penalty, which would be at least 2% of the total unpaid contributions. Both the outstanding contribution and penalty would be paid into the employees' RSAs.

13. **What is the purpose of the penalty imposed on the employer for failing to deduct and remit pension contributions as and when due?**
    The penalty is meant to compensate employees for the income that would have been earned if their pension contributions were remitted as and when due.

14. **How are contributions of employees of Federal Government Treasury Funded Ministries, Departments and Agencies (MDAs) remitted into their RSAs?**
    For employees on the Integrated Payroll and Personnel Information System (IPPIS), the Office of the Accountant General of the Federation (OAGF)

deducts and directly remits their contributions into their respective RSAs. However, for employees of Treasury Funded MDAs that are not yet on the IPPIS platform, their contributions are deducted by the OAGF and lodged into the Contributory Pension Account with the Central Bank of Nigeria (CBN). PenCom, thereafter, advises the CBN to remit the contributions directly into their individual RSAs based on the nominal rolls submitted by the MDAs.

15. **Are pension contributions subject to tax deductions?**

    The PRA 2014 stipulates that pension contributions shall not be taxed. However, income earned on voluntary contribution would be taxed if withdrawn before 5 years from the date the contribution was made.

PART III
INVESTMENT OF PENSION FUNDS UNDER THE CONTRIBUTORY PENSION SCHEME

1. **Who invests pension contributions?**
   The investment of pension contributions is the sole responsibility of the PFAs.

2. **What guides the investment activities of PFAs?**
   The investment activities of PFAs are guided by the provisions of the PRA 2014 and the Regulation on Investment of Pension Fund Assets (Investment Regulation) issued by PenCom.

3. **What are the allowable investment instruments?**
   PFAs can only invest in the following instruments: Equities; Federal Government Securities; State/Local Government Bonds; Corporate Debt Securities; Money Market Instruments; Open/Closed-end Funds; Infrastructure Bonds & Funds; Private Equity Funds; and any securities/instruments that may be approved by PenCom, from time to time.

4. **Do PFAs invest in any of the allowable instruments available in the market?**
   PFAs can only invest in instruments that satisfy quality requirements stipulated in the Investment Regulation, such as minimum risk rating, ability of a listed company to make profit and/or pay dividend,

etc. In addition, the investment Regulation provides investment limits on each allowable instrument to ensure diversification of all investments made by PFAs.

5. **Can I give my PFA instructions on how to invest my contributions?**
No. The investment decisions are made by the PFA, however, the RSA Multi-Fund Structure introduced by PenCom allows a contributor to choose the Fund through which his/her pension contributions would be invested.

6. **What is RSA Multi-Fund Structure**
The RSA Multi-Fund Structure is designed for investing pension contributions based on the age and risk profiles of RSA holders.

7. **What are the Funds under the RSA Multi-Fund Structure?**
There are four distinct funds, which differ from one another based on age classification, namely, Fund I (less than 50 years, but based on request); Fund II (default fund for all contributors less than 50 years); Fund III (50 years and above); Fund IV (strictly for retirees). In addition, there are two special funds, Fund V for participants in the Micro Pension Plan and Fund VI for those interested in having their contributions invested in non-interest financial instruments.

8. **How can I choose the Fund through which my pension contributions will be invested under the RSA Multi-Fund Structure?**
   Contributors who are 49 years and below are in Fund II by default, but they can choose to move to Fund I. While contributors who are 50 years are in Fund III by default, but can choose to move to Fund II. However, contributors on Funds IV and VI are not allowed to move to any other Fund, while contributors on Fund V can move to either Funds II and III if they secure formal employment. Movements between the respective Funds are free once a year. Any subsequent request for movement is liable to nominal fees to be prescribed by PenCom.

9. **What is the rate of return on investment of pension assets?**
   The rates of return on pension fund investments vary from year to year, depending on prevailing economic conditions and performance of the Nigerian financial markets, as well as the investment strategies of the various PFAs. However, the Commission monitors the PFAs to ensure that returns are competitive and fair.

10. **How is income distributed to RSA holders?**
    Income generated from investing pension contributions is fully distributed into the RSAs of contributors based on the proportion of the assets in the individual RSAs.

11. **Are PFAs and PFCs paid for their services?**
PFAs and PFCs are paid for their services through fees that had been clearly defined in the Regulation on Fees Structure issued by PenCom, which are Administration Fees and Asset/Income Based Fees.

12. **What is Administration Fee?**
This is a maximum of N100.00 charged to individual RSAs by PFAs on monthly basis to cover expenses incurred for providing services such as printing and distribution of RSA statements, monthly collection and reconciliation of pension contributions.

13. **What are Asset/Income Based Fees**
Asset/Income Based Fees are charges on Pension Funds for services rendered in investing the pension contributions by PFAs, keeping custody of pension assets by PFCs, and regulating the pension industry by PenCom.

14. **Are my pension contributions safe?**
PenCom ensures that pension contributions are safe This is achieved through the separation of the investment and custody functions between PFAs and PFCs. Furthermore, there is effective monitoring and supervision through daily monitoring of the investment decisions made by the PFAs in order to ensure compliance with the PRA 2014 and the Investment Regulation. Moreover, there are stringent provisions in the Regulations for the

Investment of Pension Fund Assets that ensure the ring fencing of the assets and allowing investments only in instruments with minimal risks. There is also a sealed guarantee such that in case of any infraction, the PFC or its parent company will pay any amount that may be lost due to the infraction.

15. **What are the safeguards put in place to protect the pension assets of retirees from the negative impact of adverse investment conditions?**
    A Pension Protection Fund was established by the PRA 2014 to among others, compensate eligible retirees for shortfall or financial losses that may arise from investment activities of the PFAs.

16. **Can the funds in an employee's RSA be used as a collateral for loan by the RSA holder or his employer?**
    The PRA 2014 prohibits the use of pension fund assets under the management of PFAs to offset or grant loans and credits or as collateral for any loan taken by the contributor or his employer.

17. **Can PFAs invest pension contributions in infrastructure?**
    PFAs can invest pension contributions in infrastructure through Infrastructure Bonds and Funds provided they meet all the safety and quality requirements stipulated in the Investment Regulation.

PART IV

TRANSITIONAL ARRANGEMENTS FROM DEFINED BENEFITS PENSION SCHEME TO CONTRIBUTORY PENSION SCHEME

1. **What happens to my pension and gratuity under the DB Scheme if I migrated to the CPS?**
   Employees of the Federal, State and Local Governments who worked before the commencement of the CPS, would have their pension and gratuity, which accrued under the DB Scheme, computed and remitted to their respective RSAs at retirement.

2. **What is Retirement Bond?**
   Retirement Bond represents the total amount equivalent to the pension and gratuity that accrued under the DB Scheme.

3. **How would the pension and gratuity that accrued under the DB Scheme be paid to eligible Federal Government employees?**
   Accrued pension and gratuity of eligible employees of Federal Government Treasury Funded MDAs are paid from the Retirement Benefit Bond Redemption Fund (RBBRF), which was established and is maintained by the Central Bank of Nigeria (CBN). The Federal Government pays an amount not less than 5% of the monthly wage bill payable to

employees in the public service of the Federation into the RBBRF for the payment of this liability.

4. **Are employees of the FCT also going to be paid accrued pension and gratuity under the DB Scheme from the Federal Government's RBBRF?**
   No. The FCT has established a separate RBBRF Account with the CBN into which it pays 5% of the monthly wage bill payable to its employees and from which accrued pension and gratuity are paid to eligible FCT employees.

5. **How will the accrued pension and gratuity of employees in the private sector be paid?**
   Private sector employers are required to determine the accrued pension and gratuity benefits, where applicable, and transfer the amount so determined into the individual RSAs of their eligible employees.

6. **What happens to the pension of employees of FGN Treasury Funded MDAs who are exempted from the CPS?**
   The Pension Transitional Arrangements Directorate (PTAD) established by the PRA 2014 is responsible for the payment of pension and gratuity to employees of the FGN Treasury Funded MDAs who are exempted from the CPS (retired under the DB Scheme). The FGN would continue to provide the required finances to the PTAD for the payment of

pension until the last pensioner under the DB Scheme is no more.

7. **What happens to the pension of private sector employees who retired prior to the commencement of the CPS?**
   Private sector employees who retired prior to the commencement of the CPS will continue to receive pension based on the terms and conditions of their employment.

8. **What happens to the contributions deducted at source from salaries of public sector employees who are exempted from the CPS?**
   The employee's portion of the pension contributions would be refunded to the affected employee while the employer portion would be transferred back to the employer.

9. **What happens to the pension contributions made by private sector employees prior to the commencement of the CPS?**
   The amount contributed should be transferred to their RSAs within thirty (30) days of registration. The employer is required to notify PenCom of such transfers.

10. **In the case of an organization that has an Approved Existing Scheme (AES) or a Closed Pension Fund Administrator (CPFA), are its employees eligible to join the CPS?**
    Employees of an organization that is operating an AES, which is being managed by a PFA or a Closed PFA, are entitled to choose to remain in the AES/CPFA or open RSAs with any PFA of their choice and request that their retirement benefits be transferred into such RSAs. However, new employees of such organizations, from July 2014, cannot join the AES/CPFA, but are mandated by the PRA 2014 to join the CPS.

11. **What happens to the pension contributions made under the Nigerian Social Insurance Trust Fund (NSITF) before the introduction of the CPS?**
    The pension contributions made under the NSITF Scheme before the commencement of the CPS, including all investment incomes, shall be transferred to the RSA opened by the respective NSITF contributor.

12. **What happens to existing pensioners under NSITF Scheme?**
    Existing pensioners under the NSITF Scheme will continue to receive their retirement benefits based on the terms and conditions upon which the contributions were made. PenCom supervises the

process to ensure that it is in line with the laid down rules and regulations.

13. **What happens to the contributions made under the NSITF Scheme by those not eligible for pension under the Scheme and exempted from the CPS?**
    Contributions made by this category of NSITF contributors will be computed in line with the NSITF Act 1993 and paid into their individual bank accounts.

14. **Can NSITF still manage pension under the CPS?**
    No. The PRA 2014 provides that only private entities licensed by PenCom are allowed to manage and administer pension funds and assets. Consequently, all contributions in the NSITF pension fund have been transferred to Trustfund Pensions Limited for management.

15. **What is the role of NSITF after the introduction of the CPS?**
    NSITF will continue to be responsible for social security services as provided under the Employees Compensation Act 2010.

PART V

RETIREMENT BENEFITS ADMINISTRATION UNDER THE CONTRIBUTORY PENSION SCHEME

1. **What are the types of retirement benefits under the CPS?**
   There are two basic benefits under the CPS, namely periodic (monthly or quarterly) pension and one-off lump sum payments.

2. **What are the modes of accessing periodic pension payments under the CPS?**
   There are two modes for accessing periodic pension payments under the CPS, namely, Programmed Withdrawal (PW) and Life Annuity.

3. **What is Programmed Withdrawal?**
   This is a method by which the retiree collects his retirement benefits in monthly or quarterly amounts throughout the length of an estimated lifespan, which is determined using mortality (actuarial) tables. This is a product offered by the PFA. When a retiree dies, any balance in the RSA will be paid to the duly nominated beneficiaries.

4. **What is Life Annuity?**
   This is a series of monthly or quarterly payments paid to a retiree for life. This is a product offered by Life Assurance companies.

5. **What is lump sum payment?**
A lump sum payment is an amount of money that is paid once, at retirement, from the RSA.

6. **Will gratuity be paid under the CPS?**
An employer may choose to pay additional severance benefits, including gratuity, provided these additional benefits are going to be fully funded by the employer. In addition, the operational modalities and the size of the benefits are at the discretion of the employer.

7. **What is the pension guarantee under Life Annuity?**
Life Annuity payments are guaranteed for ten years. Thus, if the retiree dies before attaining ten years of receiving annuity payments, the monthly annuity/pension will be paid to his beneficiaries for the remaining period up to ten years. For example, if a retiree who chose annuity dies six years after retirement, his monthly pension for the next four years will be paid to his beneficiaries.

8. **How can I purchase a Life Annuity contract from a Life Assurance company?**
The retiree can buy a Life Annuity contract by paying a portion of his/her RSA as premium to an insurance company, which in turn provides the monthly/quarterly payments (annuity), subject to the Regulations jointly issued by PenCom and the

National Insurance Commission (NAICOM).

9. **Can I choose Programmed Withdrawal and later change to Life Annuity?**
   Yes. It is possible for a retiree to change to Life Annuity after collecting his retirement benefits through Programmed Withdrawal for some time. In this case, the remaining balance in the RSA will be utilized as premium to purchase the Life Annuity from an insurance company, which will be paying him monthly pension/annuity for life.

10. **Can I choose Life Annuity and later change to Programmed Withdrawal?**
   No. Once a retiree has chosen to collect his/her benefits through Life Annuity, he/she is not allowed to change to Programmed Withdrawal. However, the retiree can change his annuity contract from one insurance company to another after every two years. The amount to be paid as annuity/pension will be based on the balance to be transferred between the insurance companies.

11. **What are the components of the final RSA balance of an employee of a Treasury-Funded FGN MDA who retired under the CPS?**
   The RSA balance is made up of three components, namely, accrued rights, accumulated monthly pension contributions and income earned on investing the contributions.

12. **What do I need to do for my accrued rights (Retirement Bond) to be paid?**
    Employees of Treasury Funded FGN MDAs are required to be enrolled by PenCom. The information collected during enrolment exercise will be utilized for the issuance of the Retirement Bond and/or computation of bond value. The enrolment exercise is conducted annually for those retiring in the coming year.

13. **What should I do if I was unavailable and missed the annual enrollment exercise?**
    Any FGN employee who misses the annual enrolment can come to the Head Office of PenCom for an in-house enrollment, which normally commences two (2) months after the conclusion of the annual enrollment and ends two (2) months before the next annual exercise.

14. **What happens when an FGN employee is promoted after participating in the enrollment exercise?**
    Where an FGN employee is promoted after enrolling for the payment of accrued rights, a copy of the promotion letter indicating grade level and step and effective date should be forwarded to PenCom along with a copy of his/her registration slip obtained during the enrolment exercise. These will be used to compute and pay any difference in the monthly contributions that may occur as a result of

the promotion. However, if a retiring employee's promotion relates to a period when his MDA had moved to IPPIS, such case will be handled by the IPPIS Office.

15. **What is the retirement age under the CPS?**
    Retirement age under the CPS depends on each employee's terms and conditions of employment.

16. **What is the minimum period required by an employee to be eligible for pension under the CPS?**
    There is no eligibility period for pension under the CPS. If an employee works for an employer, his pension contribution will be paid by the employer into the employee's RSA for the period of his/her service. However, access to the contributions must be in line with the provisions of the PRA 2014 and the Regulation on the Administration of Retirement and Terminal Benefits issued by PenCom.

17. **When can I have access to the money in my RSA?**
    An RSA holder will have access to his/her RSA upon retirement based on his/her condition of service or upon attaining the age of 50 years (whichever comes first) or is medically incapacitated. Where an employee voluntarily retirees, disengages or is disengaged while still under 50 years of age, he/she can have access to 25% of his/her RSA provided that such employee is unable to secure another

employment after 4 (four) months of such retirement/disengagement.

18. **What happens when an employee who has been contributing under CPS dies before his retirement?**
Where an employee who has been contributing under the CPS dies before retirement, his/her benefits shall be paid to the named beneficiary as provided under a will or to the next of-kin. In the absence of such designation, the benefit shall be paid to any person appointed by the Probate Registry as the Administrator of the estate of the deceased.

19. **What happens to an employee who retired under the CPS due to physical or mental incapacity, but subsequently is recertified fit and proper for employment?**
Such an employee may re-enter the Scheme upon securing a new employment. The new employer would remit his pension contributions into his original RSA.

20. **What happens to the balance in the RSA after any lump sum withdrawal?**
The balance in the RSA will be applied towards the payment of monthly pension to the retiree on programmed withdrawal. In the case of annuity, it is

applied to procure a monthly annuity for life from a Life Assurance company.

21. **Can I make a lump sum withdrawal of more than 25% of my RSA balance?**
    This is possible provided the amount left in the RSA after such lump sum withdrawal shall be sufficient to fund a Programmed Withdrawal or Life Annuity of not less than 50% of the retiree's monthly remuneration as at the date of retirement.

22. **What happens to a retiree with an insufficient balance in his/her RSA?**
    A retiree with RSA balance of not more than N550,000 will be entitled to withdraw the entire balance in the RSA as lump sum at retirement. For RSA balance of more than N550,000, the retiree will be placed on monthly pension. However, when the retiree has contributed for a certain number of years, to be determined by PenCom from time to time, he/she will be entitled to a guaranteed minimum pension as provided by PRA 2014.

23. **Why would the RSA balance of two employees who were employed on the same day/level be different at retirement?**

    The RSA balances may differ due to the following major reasons:

i. The timing and regularity of their promotion may be different
ii. Their respective Grade Levels/Steps as at June 2004 and resulting amounts of accrued rights generated under the defunct DB scheme may be different
iii. The regularity of remittance of pension contributions under the CPS may be different
iv. Return on investment by the PFAs may differ slightly due to their investment decisions and prevailing market conditions

24. Why would the amount of monthly pension and lump sum differ between employees who retired at the same time and on the same salary grade?

The amounts may differ due to the following major reasons:

i. Differences in their RSA balances as described in No. 23 above
ii. The age and gender
iii. Each of the retirees may have made different choices at retirement. For instance, one retiree may choose to collect the minimum lump sum or no lump sum at all so that his monthly pension can be higher. The other retiree may have chosen to collect a lump sum that is higher than the stipulated minimum and reduce his monthly pension.

25. **What constitutes the consolidated benefits of a deceased employee who died in active service?**
The consolidated benefits of a deceased employee include his/her accumulated monthly contribution including any income that accrued from investing the contributions; benefits from Group Life Insurance Policy; and accrued pension benefits.

26. **What is the procedure for accessing the RSA of a deceased employee?**
Upon the death of an employee, the employer/Next of Kin (NoK) or representative of the deceased shall notify the PFA, who in turn shall duly notify PenCom. The deceased's consolidated benefits are, thereafter, paid in bulk to the Executors of his estate or to any person appointed by the Probate Registry as the Administrator of his estate to enable them apply the same in favour of his beneficiaries. The employer should also process the proceeds of the Group Life Insurance Policy and ensure payment by the insurance company to the beneficiaries.

27. **How would the consolidated benefits of an employee who died prior to opening an RSA be processed in favour of his beneficiaries?**
For a deceased person who did not open an RSA before his death, the retirement benefits will be processed and paid to the beneficiaries from the Temporary RSA opened for him/her by the employer.

28. **What is the quantum of benefits under the Group Life Insurance Policy?**
Every employee is entitled to a Group Life Insurance Policy for at least 3 times his/her Annual Total Emolument.

29. **What is Annual Total Emolument (ATE)?**
An employee's ATE is the total sum of basic salary and all allowances payable as his/her remuneration for one year, as may be provided under the salary structure or terms and conditions of his/her employment.

30. **Who pays the premium for a Group Life Insurance Policy?**
The premium for Group Life Insurance Policy is paid by the Employer. The employee does not bear any cost to this effect. The employer is obligated to pay the equivalent amount of the Group Life insurance to the beneficiaries of the deceased where it does not have an existing Group Life Insurance Policy for its employees.

31. **Are employees covered for life by the Group Life Insurance Policy?**
No. Employees are covered for the period in which they are in active service of the employer. Hence, the policy does not cover the employee after disengagement/retirement from the service of the employer.

32. **Who provides Group Life Insurance for the employees of Treasury Funded FGN MDAs?**
The Federal Government provides Group Life Insurance cover for her employees through the coordination of the Office of the Head of the Civil Service of the Federation (OHOSF).

33. **Can an employer provide Group Life Insurance cover for more than three times the Annual Total Emolument of the employee?**
Yes. An employer may provide Group Life Insurance cover that provides benefits over and above three time the ATE of its employees. In addition, any employer that has an existing policy whose terms are better than three times the ATE should maintain such policy.

34. **How long does it take to finish processing applications for payment of benefits?**
The timeline for finish processing applications for benefits payment is not more than five (5) working days from the date the application is received by PenCom from the PFA.

35. **Can pension be increased under the CPS?**
Pension under the CPS shall be increased after every five years or whenever there is increase in the salaries of active workers in line with the provisions of Section 173 of the 1999 Constitution (as Amended). In addition, pension can be enhanced

based on increased RSA balances occasioned by high returns on investment of the retiree assets by the PFAs.

PART VI

CORPORATE GOVERNANCE AND INTEGRITY OF THE CONTRIBUTORY PENSION SCHEME

1. **How does PenCom ensure the soundness of PFAs and PFCs?**
   PenCom ensures that only fit and proper persons are appointed as Directors and Top Management of the PFAs and PFCs. It also entrenched sound corporate governance in the pension industry, which is strictly monitored through off-site supervision to review the reports submitted by the PFAs and PFCs on periodic basis; and on-site examination to physically review their books and records, on annual basis, to confirm that their operations are within the confines of the law.

2. **What happens if a PFA fails or is liquidated?**
   Pension funds and assets are kept in safe custody by the PFC and, as such, the liquidation of the PFA will not affect the funds and assets. In such situations, PenCom will transfer the records of the failed or liquidated PFA to another PFA. In addition, every PFA is expected to maintain a statutory reserve fund, from its earnings, as contingency fund to meet claims for which it may be liable.

3. **What happens where a PFC fails or is liquidated?**
   The failure or liquidation of a PFC will not affect the

pension assets in its custody as it only keeps investment certificates and records. The only cash being held by the PFC comprises of monthly contributions before decisions are made by the PFA to invest the amount contributed; and matured investments before reinvestment by the PFA. In addition, PenCom has the power and responsibility in such situations to transfer the pension fund assets being held by any failed PFC to another PFC.

4. **Can my contributions be used to settle liabilities of a failed PFA or PFC?**
   Pension funds cannot be used to meet any claim in the event of liquidation, winding up or cessation of business of the PFA or PFC or any of their shareholders.

5. **Can an organization own shares in both a PFA and a PFC?**
   In order to prevent conflict of interest, an organization should not own shares in a PFA and a PFC at the same time, but it can have shareholding in more than one PFA or PFC.

6. **Can an individual or organization own controlling shares in more than one PFA or PFC?**
   Where an individual or institution owns shares in more than one PFA or PFC, he/she cannot have significant shareholding (5% and above) in more than one PFA or PFC.

7. **Can a PFA keep pension fund assets with a PFC in which the PFA has business interest?**
   Section 77(2) of the PRA 2014 prohibits a PFA from keeping any pension fund assets with a PFC in which it has any business interest, shares or any relation whatsoever.

8. **Can pension funds be attached for the execution of judgment debt of a PFC?**
   The PRA 2014 provides that pension funds or assets in the custody of the PFC shall not be seized or be subject of execution of a judgment debt.

9. **Is a PFA allowed to invest pension fund assets in its own shares?**
   A PFA is prohibited from investing pension fund assets in the shares or any other securities issued by itself or its PFC and also in investing in shares or any other securities issued by a shareholder or related party of the PFA or its PFC.

10. **Can government borrow from the Pension Funds?**
    Pension funds cannot be borrowed directly by Governments at Federal, States and Local levels. However, PFAs are allowed to invest pension assets in Treasury Bills issued by the Central Bank of Nigeria (CBN) or Bonds (including Sukuk) issued by the Federal or State Governments and approved by the Securities & Exchange Commission (SEC) and other relevant institutions.

PART VII

COMPLIANCE WITH THE PROVISIONS OF THE PENSION REFORM ACT 2014

1. **How can companies obtain Certificates of Compliance?**

   A company can obtain certificate of compliance by formally applying to the Commission and attaching the following documents:

   i. Certified list of employees of the organization as at the end of the last fiscal year.
   ii. Certified rates of monthly contributions indicating the employer (minimum 10%) and employee (minimum 8%) rates.
   iii. Evidence of remittance of pension contributions for the last three fiscal years for organizations that were in existence for that period; and from the date of incorporation/registration/licensing to the last fiscal year for organizations that were not in existence for the last three fiscal years.
   iv. Evidence of transfer of pension fund and assets meant for any pre-2004 retirement benefits scheme into the employees RSA
   v. Evidence of remittance of all outstanding pension contributions and penalties where applicable.
   vi. Evidence of valid Group Life Insurance Policy, which should include Certificate of Group Life, Policy Document and evidence of payment.

2. **Can companies with less than 3 employees get Certificates of Compliance?**
   The PRA 2014 has made compliance with its provisions not mandatory for organizations that employ less than three persons. Therefore, Compliance Certificates are not issued to such organizations. In addition, the PRA 2014 does not require PenCom to issue clearance letters to them.

3. **What penalties does PenCom impose on companies that default in complying with the PRA 2014?**
   Section 103 of the PRA 2014 provides punishments varying from fines to imprisonment for different offences that may be committed by companies and/or Management of such companies.

4. **What is the penalty on a non-compliant employer that fails to remit deductions as stipulated by the PRA 2014?**
   Such an employer has committed an offence and is liable to a fine of not more than N250,000.00 or to imprisonment for a term not exceeding one year or to both fine and imprisonment.

5. **What would happen to an employee who fails to open a RSA?**
   When an employee fails to open an RSA within a period of 6 months after assumption of duty, the employer shall request a PFA to open a nominal RSA

for the remittance of the employee's pension contributions. Thereafter, the contributions will be transferred to the RSA duly registered by the employee.

6. **What would happen to a PFA or PFC that misappropriates pension funds?**
   A PFA or PFC or any person or body that misappropriates pension funds is liable, on conviction, to a fine of an amount equal to three times the amount misappropriated or imprisonment for a term not less than ten years or to both fine and imprisonment. In addition, PenCom shall remove from office, any Director or Officer of such PFA or PFC who misappropriates the funds.

7. **What happens to a PFA or PFC that fails to render monthly reports of any fraud, forgery or theft occurring in its organization to PenCom?**
   Such PFA or PFC has committed an offence and shall be liable on conviction to a fine not less than N10m and each of its Directors or Officers responsible for the offence shall be liable to a fine of not less than N5m or imprisonment for a term not exceeding three (3) years or to both fine and imprisonment.

8. **What would happen to a PFA that fails to comply with the provisions of the PRA 2014 on investment and the Regulation on Investment issued by PenCom?**

Any PFA who fails to comply with the provisions of the PRA 2014 on investment shall be liable to a penalty of an amount to be determined by PenCom, but in any case, shall not be more than N500,000.00 for each day the non-compliance continues and the PFA shall forfeit the profit from that investment to the beneficiaries of the RSA and if the investment has led to a loss, the PFA shall be made to make up for the loss.

PART VIII

SERVICE DELIVERY UNDER THE CONTRIBUTORY PENSION SCHEME

1. **Who can I complain to if I have a problem with my PFA or employer?**
   It is the right of the contributors to complain directly to PenCom about their PFAs or employers on all issues regarding their pension contributions, retirement benefits and administration of their RSAs.

2. **What happens where a contributor, beneficiary or pension operator is dissatisfied with a decision or action taken by PenCom?**
   Such contributor, beneficiary or operator may refer the matter for arbitration in accordance with the Arbitration and Conciliation Act 2004 or to Investment and Securities Tribunal established under the Investment and Securities Act 1999.

3. **How often do I get RSA Statement from my PFA?**
   PFAs are mandated by PenCom to issue RSA statements to contributors and retirees at least once every three months. RSA holders are expected to update their details with their PFAs, from time to time, to ensure that they receive the RSA Statements regularly.

4. **How can I monitor my RSA?**
   The RSA statement has a minimum information and disclosure requirements mandated by PenCom, which include amount contributed from inception to date, monthly employer and employee pension contributions, income earned (returns on Investment), and total RSA balance as at the period. PFAs also send RSA balances via text message. Finally, the RSA holder has the option of checking the performance of his RSA on online and on digital platforms or physically visiting the nearest branch of his/her PFA to obtain hard copy of the RSA statement.

5. **How are monthly deductions of contributions handled when one is either a contract or casual staff whose salary is not broken down into basic, transport and housing allowances?**
   The PRA 2014 has not categorized workers on permanent or casual basis. Employers are mandated to remit pension contribution of every worker on its payroll. For staff whose salaries are not broken into basic, transport and housing allowances, the pension contributions should be based on the salary payable.

6. **What are the causes of delays in crediting the contributions of employees of Treasury Funded FGN MDAs into their RSAs?**
   The major cause of delay is the incomplete or

incorrect information about the contributor due to non-submission of updated Nominal Rolls by MDAs to PenCom. Such vital requisite details include RSA PIN, date of birth, date of first appointment, grade level and step.

7. **What happens when there is difference between the contribution credited to my RSA and what is actually deducted as shown on my pay slip?**
   Where there is such difference, the employee should approach his PFA and employer for reconciliation. Where it is established that there is an under payment of the monthly contributions, the employer must remit the difference into the RSA of the employee.

8. **What happens to the accrued pension benefits of employees who were hitherto in the services of States and Local Governments, but later transferred their services to the Federal Government after the commencement of the CPS?**
   The practice of "transfer of service" for the purposes of payment of retirement benefits in the public service of the Federation and FCT has been abolished. Consequently, employees who transferred their services after the commencement of the CPS have the responsibility to arrange with their previous employers to pay their retirement

benefits for the periods they served in their employment.

9. **What happens to an employee of a Treasury-Funded MDA whose pension contribution is not being remitted to his/her RSA?**
Such an employee should write a complaint to his PFA. He may also inform the Pension Desk Officer (PDO) of his/her organization and provide all necessary documents, as maybe advised by the PFA, for onward delivery to PenCom. The documents will be verified and the necessary remittance of his/her accumulated contributions would be made in all verified cases. Where the employee is working for an FGN MDA that is already on IPPIS Platform, such complaint should be forwarded to the Office of the Accountant General of the Federation for verification and remittance of all outstanding contributions.

NATIONAL PENSION COMMISSION

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