

## **FREQUENTLY ASKED QUESTIONS ON MANAGEMENT OF THE NEW PENSION SCHEME**

### **1. HOW WILL THE MONEY CONTRIBUTED BE MANAGED?**

The total contributions will be paid out by the employer directly to a Pension Fund Custodian and will be managed and invested by the Pension Fund Administrator (PFA) of the employee's choice.

### **2. HOW IS THE NEW SCHEME TO BE REGULATED?**

The National Pension Commission is empowered by the Pension Reform Act 2004 to supervise and regulate new pension scheme.

### **3. WHAT ARE THE MAIN FUNCTIONS OF THE NATIONAL PENSION COMMISSION?**

The National Pension Commission issues licences to PFAs and Custodians, regulates their activities and generally formulates, directs and oversees the overall policy guidelines on pension matters in Nigeria.

### **4. WHO IS A PENSION FUND ADMINISTRATOR (PFA)?**

A Pension Fund Administrator (PFA) is a company licensed by the National Pension Commission to manage and invest the pension funds in the employee's Retirement Savings Account (RSA).

### **5. HOW DO I KNOW WHICH PFA TO CHOOSE?**

The National Pension Commission will publish a list of all licensed PFAs and make it available to the public.

### **6. CAN A PFA HAVE ACCESS TO THE MONEY IN MY RSA?**

The Pension Fund Administrator cannot collect or spend the pension money in the RSA.

### **7. WHO IS A "CLOSED PENSION FUND ADMINISTRATOR (CPFA)?"**

Any employer managing its existing pension scheme before the enactment of the Pension Reform Act 2004 may apply to the National Pension Commission to be licenced as a Closed Pension Fund

Administrator to continue to manage such pension scheme. A closed PFA cannot open or manage RSA for employees other than its employees or employees of its parent company if it is a subsidiary.

**8. WHO IS QUALIFIED TO BE LICENCED AS A CLOSED PFA?**

Any employer having existing pension fund assets worth ₦500,000,000 or more who also meets the requirements of the Pension Reform Act 2004 may apply to the National Pension Commission for a closed PFA licence to enable it manage the pension funds of its employees directly or through its subsidiary.

**9. CAN ANY EMPLOYER BE ALLOWED TO CONTINUE TO MAINTAIN ITS EXISTING SCHEME IF THE TOTAL ASSETS IN THE SCHEME IS LESS THAN ₦500,000,000?**

Any employer with existing scheme of less than ₦500,000,000 can still maintain the scheme but the scheme will have to be administered by a PFA separate from the organisation.

**10. IS IT ONLY EMPLOYEES THAT JOIN AN ORGANISATION AFTER THE COMMENCEMENT OF THE PENSION REFORM ACT THAT CAN ELECT TO OPT OUT OF A CLOSED PFA?**

Every employee may decide to join the contributory pension scheme or move his RSA from a closed PFA to a PFA of his choice subject to such rules and regulations as may be issued by the National Pension Commission.

**11. CAN A SUBSIDIARY COMPANY APPLY AS A CLOSED PFA**

A subsidiary of any company may apply for licence to operate as a Closed PFA provided it satisfies the requirements of the Pension Reform Act 2004.

**12. CAN A NEW MULTINATIONAL COMPANY WITHOUT AN EXISTING PENSION FUND BUT WITH CAPACITY FOR FULLY FUNDED DEFINED BENEFIT PENSION SCHEME APPLY AS CLOSED PFA TO MANAGE THE PENSION OF ITS EMPLOYEES?**

In accordance with the provisions of the Pension Reform Act 2004, only an employer with a pension scheme existing before the commencement of the Act can apply to be licensed as a closed PFA.

### **13. WHO IS A CUSTODIAN?**

A Pension Fund Custodian (PFC) is a company licensed by the National Pension Commission to keep pension money and assets in the RSA on trust for the employee on behalf of the PFA.

### **14. WHAT IS THE DIFFERENCE BETWEEN A PFA AND A PFC?**

The PFA manages and invests the pension funds while the PFC keeps the pension funds and assets in safe custody and carries out transactions on behalf of the PFA.

### **15. WHAT ARE THE MINIMUM FINANCIAL REQUIREMENTS FOR A PFA OR A PFC LICENCE?**

An applicant PFA must have a minimum paid up share capital of N150,000,000 while an applicant PFC must have a minimum paid – up capital of N2,000,000,000 and shall be a licensed financial institution with a minimum net worth of ₦5,000,000,000 unimpaired by losses and has total assets of ₦125,000,000,000 or is wholly owned by a licensed financial institution with similar financial resources.

### **16. CAN I MOVE MY ACCOUNT FROM ONE PFA TO ANOTHER?**

An employee or contributor has the freedom to move his account, once a year, from one PFA to another without giving any reason(s).

### **17. WILL THE PFA CHARGE FEES FOR THEIR SERVICES?**

The PFA will charge fees for the services being rendered on the RSA subject to such guidelines as may be issued by the National Pension Commission from time to time.

### **18. WHY ESTABLISH NEW COMPANIES TO BE LICENCED AS PFAs AND PFCs?**

In order to ensure the safety of pension funds and to avoid mixing pension business and other businesses, it is desirable that the operators deal with pension funds only. This will enhance effective regulation and supervision.

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