



NATIONAL PENSION COMMISSION

REF: PENCOM/INSP/CIR/SURV/12/05

DATE: 16 October, 2012

TO: All Licensed Operators

SUBJECT: ADDENDUM TO FRAMEWORK FOR RESOLUTION OF FAILING OPERATORS IN THE NIGERIAN PENSION INDUSTRY

The Commission has observed the need to develop a criteria for appointment of Pension Fund Administrators (PFAs) that would manage the pension assets of failing Operators. Consequently, it has reviewed the Framework for Resolution of Failing Operators in the Nigerian Pension Industry (Framework) to incorporate the selection criteria of PFAs as well as amend Section 8 relating to incentives for Merging Institutions as an addendum to the Framework.

A. Criteria for appointment of PFAs to Manage the Pension Assets of failed PFAs

The following criteria would be adopted by the Commission in selecting the PFA that would manage the pension assets of failed PFAs:

- i. Preference shall be given to PFAs with the following:
 - a. An overall composite risk rating of very low risk to medium risk i.e 1 to 3 in line with the Commission's Risk Based supervisory approach;
 - b. High level of Compliance and Corporate Governance culture as gleaned from on-site examination and off-site reports;
 - c. Offering lower fees for Approved Existing Schemes; and

- d. Offering percentage concession to RSA holders on Management and Administrative fees.
- ii. PFAs that have satisfied the criteria highlighted in (i) above would be required to forward their bids for the acquisition of the pension assets of the failed PFA(s).
- iii. The transferred fund shall be audited before the appointed PFA commences the management of the fund.
- iv. The funds can only be transferred after a satisfactory reconciliation of the records of the appointed PFA with the PFC of the failing Operator.
- v. The transferred fund/assets would be segregated and managed independently by the appointed PFA for a maximum period of six months and thereafter RSA holders would have the option to change their PFAs in accordance with Section 11 of the PRA, 2004.
- vi. The following information must be transferred along with the funds/assets:
 - a. History of the RSA transactions for each Contributor;
 - b. Original and Scanned copies of RSA registration forms; and
 - c. Investment Portfolio position.
- vii. The Commission having satisfied that the above criteria has been satisfactorily complied with shall issue a written approval to the appointed PFA and PFC to commence the transfer of the funds.

B. Incentives for Merging Institutions

- i. Section 8 (i) of the Framework provides an incentive for the retention of Retirement Savings Accounts of the acquired institution for a minimum period of twenty four (24) months. *This section has now been expunged from the Framework as it contravenes Section 11 of the Pension reform Act, 2004 (PRA).*

- ii. Section 8. (iii) of the Framework did not specify the minimum moratorium period for temporary violation of the Commission's Investment Regulation. *This Section has been amended to read **"Moratorium for temporary violation of the Commission's Investment Regulation as a result of the acquisition for an initial period of six months subject to review by the Commission from the date of consummation of the acquisition."***

This addendum is with immediate effect.

All enquiries regarding this addendum should be directed to the undersigned.

Thank you.



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Surveillance Department