



PenCom

GUIDELINES FOR THE APPOINTMENT OF PENSION FUND CUSTODIANS FOR STATE GOVERNMENT AND RETIREE FUNDS

www.pencom.gov.ng

National Pension Commission

About this Guidelines

The Guidelines for the Appointment of Pension Fund Custodians for State Government and Retiree Funds is divided into three (3) sections.

Section one is the introduction, while Section two deals with definition of terms.

Modalities for appointment of PFCs are spelt out in Section three.

The requirements of these Guidelines are consistent with the provisions of the Pension Reform Act, 2004.

1.0 Introduction

1.1 The need for the issuance of a Guideline in respect of appointment of Pension Fund Custodians (PFCs) by Pension Fund Administrators (PFAs) has arisen as a result of the growing number of States that have enacted the Contributory Pension Scheme into law.

1.2 Furthermore, the separation of the Retirees' Fund from the Retirement Savings Account (RSA) has also created an independent Fund with its own investment Guidelines.

1.3 The need to ensure a level playing field among PFCs, improve efficiency, engender transparency in the system and fair distribution of Custody business has also compelled the Commission to introduce these new Guidelines.

1.4 The new Guideline is expected to additionally encourage competition among the PFCs thus ensuring optimal discharge of their duties to their clients in the area of service delivery.

2.0 Definitions

In this Guideline:

- **Retirement Savings Account (RSA)** means an account opened with a PFA as specified in Section 11 of the PRA, 2004.
- **Retirees' Fund** means the Fund set apart exclusively for the payment of the entitlements of the retirees.
- **State Governments / Employees Fund** means the Funds of the State Governments/Employees that

have implemented the Contributory Pension or other Scheme.

- **Approved Existing Schemes (AES)** means pension and/or benefit schemes in the private sector that have been in existence prior to the PRA, 2004 which have been approved by the Commission to continue in accordance with their previous arrangements in line with Part VII (Transitional Provisions for the Private Sector) of the PRA 2004.

3.0 The Appointment

- By this Guideline, a PFA if it so chooses, may appoint separate PFCs for the Custody of the Funds listed hereunder and classified as:
 - RSA Fund;
 - Retirees' Fund;
 - State Governments/Employees Fund; and/or
 - Approved Existing Schemes.
- Where a PFA chooses not to appoint a separate PFC for State Government Fund, it should at any time be able to provide details of the State Government's Pension Assets under its Management.
- PFAs are not allowed to operate multiple PFCs for States and Retiree Funds but may do so for Approved Existing Schemes.
- There shall not be a separate State Retiree Fund as all retirees are expected to be part of the main RSA Retiree Fund. However, the State Government that operate Defined Benefit Schemes may be exempted from the provisions of this clause.

- The PFA and its PFC shall execute a single master Custodial Agreement for State Government Fund to guide their legal relationship.
- Custody Contracts between the PFAs and the PFCs shall also be regulated by paragraph 8.0 of the Commission's Guidelines for the Operations of Pension Fund Administrators.