



NATIONAL PENSION COMMISSION

**Draft Framework for the Extension of Pension
Coverage in Accordance with Section 2(3) of
the PRA 2014 (Micro Pension Plan)**

2018

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1.0 Introduction

- 1.1 The provisions of the Pension Reform Act 2014 (PRA 2014) applies to all employees in the Public Service of the Federation, Federal Capital Territory, States and Local Governments and the Private Sector Organizations in which there are three or more employees. However, Section 2(3) of the Act provides that employees of organizations with less than three employees as well as self-employed persons shall be entitled to participate under the Contributory Pension Scheme in accordance with Guidelines issued by the Commission. The categories of persons referred to in Section 2(3) of the PRA 2014 constitute the vast majority of the working population.
- 1.2 Most of the workers defined in Section 2(3) are not covered by any retirement benefit scheme as the nature of their employment has made access to a structured pension system a challenge; hence, the need to extend coverage of the Contributory Pension Scheme to them. Accordingly, the Commission considers it necessary to develop a framework for the implementation of the provisions of Section 2(3) through a “Micro Pension Plan”. The Micro Pension Plan shall refer to an arrangement for the provision of pension to the self-employed and persons operating in the informal sector through the Contributory Pension Scheme. The primary objective of the Micro Pension Plan is to provide retirement benefits to the Micro Pension Contributor.

2.0 Purpose

- 2.1 The objective of this Framework is to identify the operational structures for the implementation of Section 2(3) of the PRA 2014.

3.0 Scope of the Framework

3.1 The Framework consists of the following three broad areas:

- i. Strategies for securing participation in the Micro Pension Plan.
- ii. Operational modalities for the Micro Pension Plan.
- iii. Minimum requirements for participation by licensed pension fund administrators and custodians.

4.0 Strategies for Securing Participation in the Micro Pension Plan

4.1 The Commission shall develop strategies for securing informal sector participation in Micro Pension Plan. These strategies shall be, but not limited to the following:

4.2 Strategies for Securing Participation in the Micro Pension Plan

4.2.1 The Commission shall:

- i. Utilize various channels of communication in educating the public on the Micro Pension Plan. The channels may include print, electronic, social and digital media among others.
- ii. Organize periodic town hall meetings with Unions/Associations to educate members, proffer clarifications and address concerns on the Micro Pension Plan.
- iii. Organize trainings for Union leaders to be Micro Pension champions to coach and enlighten their members.

4.3 Collaboration

4.3.1 The Commission shall collaborate with various stakeholders/organizations that interact with the Micro Pension Contributors. Collaboration would include awareness, promotion of financial inclusion, information sharing etc. These groups include, among others, the following:

- i. Leadership of Unions and Associations across the country.
- ii. Professional Bodies and Non-Governmental Organizations to help secure their buy-in.
- iii. Government agencies and organizations especially in promoting financial inclusion and social security.
- iv. Community leaders and religious organizations.

4.4 Provision of Incentives

- i. Micro Pension Contributors shall have access to a portion of their RSA balance.
- ii. Micro Pension Contributors may qualify for Minimum Pension Guarantee provided they satisfy the requirement outlined in the Guidelines for the Implementation of the Minimum Pension Guarantee.
- iii. Micro Pension Contributors can access other incentives that may be provided by PFAs and approved by the Commission.

5.0 Operational Modalities for the Micro Pension Plan

5.1 The following processes shall be applicable to the Micro Pension Plan:

5.2 Registration

5.2.1 The minimum age for registration under the Micro Pension Plan shall be 18 years. However, persons from 15 and below 18 years may also participate subject to approval/consent of their guardians. Registration under the Micro Pension Plan shall be through the completion of the Retirement Savings Account (RSA) Opening Form in line with the Guidelines for the Registration of Contributors/Members issued by the Commission.

5.2.2 Registration should also cover “Know Your Customer” (KYC) and “Customer Familiarity Index” (CFI) on the Micro Pension Contributor.

5.3 Contribution

5.3.1 Frequency of Contributions

5.3.1.1 The income of most persons targeted for the Micro Pension Plan is usually irregular. It is therefore necessary to make contributions flexible. Accordingly, the frequency of remittance of contributions could be daily, weekly, monthly or as may be convenient to the Micro Pension Contributor.

5.3.2 Segregation of Contribution

5.3.2.1 Due to the nature of the target groups, there is need to enable access to a portion of the balances in the Retirement Savings Account. Therefore, every contribution shall be split into two portions:

1. 25% available for contingent withdrawal

2. 75% retained and managed exclusively for retirement benefits.

5.3.3 Remittance of Contribution

- 5.3.3.1 The remittance of contributions shall be in the Nigerian currency. It shall be by cash deposit, electronically or through any payment instrument/platform approved by the Central Bank of Nigeria.

5.4 Benefits Administration

5.4.1 Eligibility to Access Pensions

- 5.4.1.1 A Micro Pension Contributor shall be eligible to access his/her retirement benefits upon attaining the age of 50 years or on health grounds in accordance with the Regulation for the Administration of Retirement and Terminal Benefits.

5.4.2 Withdrawals

- 5.4.2.1 Accessing benefits shall be as follows:

1. Contingent Withdrawal:

The Micro Pension Contributor shall be allowed to make contingent withdrawals from the portion of his/her Retirement Savings Account. Such withdrawals shall be in line with the Guidelines for the Micro Pension Plan.

2. Retirement Benefits Withdrawal

Upon exit/retirement, the Micro Pension Contributor shall have access to the portion of his/her contributions exclusively available for payment of retirement benefits.

The withdrawal options are Programmed Withdrawal and Life Annuity in accordance with the provisions of Section 7(1) (b) & (c) of PRA 2014.

3. Deceased/Missing Persons:

Accessing a deceased/missing person's Retirement Savings Account and withdrawal therefrom shall be in line with the Regulations for the Administration of Retirement and Terminal Benefits issued by the Commission.

5.5 Conversion

5.5.1 Conversion from Mandatory Participation under Section 2(1) to Section 2(3) of the Pension Reform Act, 2014

5.5.1.1 An RSA holder who disengages or is disengaged from formal employment and has not started drawing pension may participate in the Micro Pension Plan and continue with his/her pension contributions subject to the Commission's approval.

5.5.2 Conversion from Participation under Section 2(3) to Section 2(1) of the Pension Reform Act, 2014

5.5.2.1 A Micro Pension Contributor shall be eligible to participate under Section 2(1) of the Pension Reform Act, 2014 subject to the Commission's approval.

5.6 Investment

1. Micro Pension contributions shall be treated as two separate Funds namely: Micro Pension Contingent Fund (MPCF) and Micro Pension Retirement Benefit Fund (MPRBF).

2. The Funds shall be invested in line with the Regulation on Investment of Pension Fund Assets.

5.7 Returns

5.7.1 All licensed Pension Fund Administrators and Custodians shall be required to render periodic returns on the operations of the Micro Pension Plan.

6.0 Minimum Requirements for Participation by Licensed Pension Fund Administrators and Custodians

6.1 Only institutions (PFA/PFC) licensed by the Commission shall register, manage and keep custody of assets or provide other services relating to the Micro Pension Plan.

7.0 Reviews and Enquiries

7.1 Reviews

This Framework is subject to review by the Commission from time to time.

7.2 Enquiries

All enquiries regarding these Framework shall be directed to:

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