

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

### **1. WHAT IS THIS NEW PENSION SCHEME?**

This new pension scheme is contributory, fully funded, privately managed, third party custody of the funds and assets and based on individual accounts. It ensures that everyone who has worked receives his/her retirement benefits as and when due.

### **2. WHO IS COVERED BY THE NEW PENSION SCHEME?**

The new pension scheme covers all employees in the public service of the Federation, the Federal Capital Territory and the private sector of the economy.

### **3. WHO IS EXEMPTED FROM THE NEW PENSION SCHEME?**

The existing pensioners, employees who have 3 years or less to retire and the categories of persons covered by the provisions of section 291 of the Constitution of Federal Republic of Nigeria 1999 are exempted from the new pension scheme.

### **4. DOES AN EMPLOYEE WHO HAS 3 YEARS AND 1 MONTH TO RETIRE COME UNDER THE OLD SCHEME OR THE NEW SCHEME?**

Any employee with more than 3 years to retire comes under the new pension scheme.

### **5. IS THE NEW PENSION SCHEME MANDATORY FOR ALL CATERGORIES OF EMPLOYERS AND EMPLOYEES COVERED UNDER THE ACT?**

The new pension scheme is mandatory for all categories of employers and employees covered under the Pension Reform Act.

### **6. IS THE PRIVATE SECTOR PENSION BEING MERGED WITH THE PUBLIC SECTOR?**

There is no merger of private sector pension with that of the public sector pension since the sources of funding are not the same. However, both are now being regulated under the same rules and regulations.

**7. WHAT IS THE MAIN OBJECTIVE OF THE NEW PENSION SCHEME?**

One of the main objectives of the pension reform is to ensure that every person that worked in either the public or private sector in Nigeria receives his/her retirement benefits as and when due.

**8. HOW IS THE NEW PENSION SCHEME DIFFERENT FROM THE OLD PENSION SCHEME?**

Most of the old pension schemes were not fully funded. Therefore, upon retirement, there were no ready funds to pay the pensioners. The new pension scheme is fully funded. Money is contributed into individual employee's Retirement Savings Account (RSA) and when he/she retires, there will be money in his/her RSA to pay his pension.

**9. WILL PRIVATE SECTOR PENSION SCHEMES BE ALLOWED TO CONTINUE?**

Private sector pension schemes will be allowed to continue provided if there is evidence to show that the pension scheme is fully funded at all times, any shortfall made up within 90 days, pension funds assets are segregated from the assets of the employer/company, the pension funds assets are held by a licensed Custodian and the scheme is specifically approved by the National Pension Commission.

**10. HOW MUCH WILL AN EMPLOYEE CONTRIBUTE INTO THE NEW SCHEME?**

An employee shall make monthly contributions of a minimum of 7.5% of the total of his/her monthly emoluments (i.e., monthly basic salary, transport allowance and housing allowance) into his RSA.

**11. WILL MY EMPLOYER ALSO CONTRIBUTE?**

The employer shall contribute a minimum of 7.5% of the employee's monthly emoluments towards the retirement benefits of the employee.

**12. CAN THE EMPLOYER MAKE THE TOTAL CONTRIBUTIONS ON BEHALF OF THE EMPLOYEE?**

An employer can make all the contributions on behalf of the employee without making any deduction from the employee's salary except that

such contribution by the employer shall not be less than 15% of the monthly emoluments of the employee.

**13. WILL THE CONTRIBUTIONS LEAD TO A DECREASE IN MY MONTHLY EMOLUMENTS?**

Your contributions are just savings out of your emoluments towards your old age and the employer's contribution will only increase such savings.

**14. ARE PENSION CONTRIBUTIONS PAID TO THE PFA?**

Pension contributions are paid directly to the PFC to be held on the order of the PFA.

**15. WHAT DOES "FULLY FUNDED" PENSION SCHEME MEAN?**

A fully funded pension scheme exists where pension funds and assets match pension liabilities at any given time.

**16. WHAT IS A RETIREMENT SAVINGS ACCOUNT (RSA)?**

Every employee or contributor under the new pension scheme is expected to open RSA in his/her name with a PFA of his/her choice into which all his/her contributions and returns on investment are paid.

**17. IS THE RSA OPERATED LIKE A BANK ACCOUNT?**

The RSA is similar to a bank account except that no contributor can withdraw money from the RSA before his/her retirement. The PFA is required to invest the money and issue statements of account at least once every quarter to the contributor.

**18. HOW DOES MOVEMENT FROM ONE EMPLOYMENT TO ANOTHER AFFECT PENSION?**

Movement from one employment to another does not affect pension under the new scheme. The reform has removed the bottleneck associated with transfer of service from one organisation or sector to another, especially with regard to qualification for pension and the sharing formula for payment of pension as between employers.

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