



REGULATION FOR FEE SHARING BETWEEN
STATE AND LOCAL GOVERNMENT PENSION
BUREAUX/BOARDS AND PENSION FUND
ADMINISTRATORS ON THE ADMINISTRATION OF
STATE AND LOCAL GOVERNMENT EMPLOYEES'
RETIREMENT SAVINGS ACCOUNTS
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National Pension Commission

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1.0 Preamble

1.1 Introduction

1.1.1 Consequent upon the persistent requests by some State and Local Government (LG) Pension Bureaux/Boards that they be allowed to share in the administration fee being charged on the administration of State and Local Government employees' Retirement Savings Accounts (RSAs), the National Pension Commission (the Commission) considered the appropriateness and viability of the requests with a view to articulating how best to accommodate them.

1.1.2 The recent inspection of some State Pension Bureaux/Boards carried out by the Commission, revealed amongst other things, unsatisfactory funding of such State Pension Bureaux/Boards by the respective State

Governments. Coming on the heels of this revelation is the requirement for States that have implemented the Contributory Pension Scheme (CPS) to commence rendition of statutory returns to the Commission through the Risk Management and Analysis System (RMAS). As this requirement creates additional financial burden on the State and Local Government Pension Bureaux/Boards, there is need for additional financial support and empowerment to enable them acquire the required Information Technology (IT) infrastructure. The Commission therefore considers the requests from the State and Local Government Pension Bureaux/Boards, to partake in the RSA administration fees, as reasonable.

1.1.3 In this regard, this Regulation is issued to

- address all matters relating to fee-sharing by State and Local Government Pension Bureaux/Boards on the administration of State and Local Government employees' RSAs, in line with the PRA 2014 and other extant Regulations, Guidelines and Frameworks issued by the Commission.
- 1.1.4 This Regulation was exposed to all Departments within the Commission as well as the operators for their comments and feedback. The comments were thereafter appraised and where appropriate, considered in coming up with this final document.
- 1.1.5 In this regulation, the terms 'Bureau' and 'Board' refer to the administrative structures put in place to drive the implementation of the CPS by a State that has enacted its law on the CPS, by whatever name they are called.
- 1.2 Objectives of the Regulation**
- 1.2.1 Efficient service delivery at all levels is a sine qua non for the sustainability of the CPS, hence the need for all players - Pension Fund Administrators (PFA), Pension Fund Custodians (PFC) and the State and Local Government Pension Bureaux/Boards, to brace up to this challenge.
- 1.2.2 This Regulation, therefore, seeks to provide sufficient incentives for all players to operate at optimal levels, especially in the area of deduction and remittance of pension contributions.
- 1.2.3 Consequently, the regulation sets out the basis on which State and Local Government Pension Bureaux/Boards can partake in the Administration Fees on RSAs, while ensuring that they effectively manage and administer the CPS in their States in an expedient manner.
- 1.2.4 The Regulation therefore provides an incentive for the

State and Local Government Pension Bureaux/Boards to intensify efforts at ensuring effective and sustained implementation of the CPS in the States and Local Governments thus, even in States and Local Governments where implementation is optima, the Regulation is going to allow them to benefit from the administrative fees.

1.2.5 It is the Commission's belief that the provisions of this Regulation will ensure that there is synergy in the activities of the State and Local Government Pension Bureaux/Boards on the one hand and the PFAs/PFCs on the other, thereby resulting in an efficient pension industry for the benefit of the employees.

1.3 Disclaimer

1.3.1 The requirements of this Regulation are largely consistent with the provisions of the Pension Reform Act, 2014 and are also considered

enforceable within the pension industry and the States and Local Governments.

1.3.2 This Regulation might not be all encompassing; therefore, reference to the PRA 2014 and other Frameworks, Guidelines and Regulations issued by the Commission is essential.

2.0 Eligibility Criteria

2.1 Eligibility of State and Local Government Pension Bureaux/Boards to Earn RSA Administration Fee

2.1.1 In line with the Collection Process set out by the Commission, State and Local Government Pension Bureaux/Boards are responsible for ensuring that employer contributions are set aside by the relevant tiers of government and that employee contributions are deducted from the salaries of the employees.

2.1.2 Additionally, State and Local Government Pension

Bureaux/Boards are to ensure that both employer and employee contributions are accurately remitted to the RSAs of the employees, in a timely manner and in accordance with the PRA 2014 and Rules and Regulations issued by the Commission.

2.1.3 The key responsibilities of the State and Local Government Pension Bureaux/Boards specified in Sections 2.1.1 and 2.1.2 above are integral aspects of RSA administration and both the PFAs and State and Local Government Pension Bureaux/Boards should work together to discharge these responsibilities. Indeed, the effectiveness with which the responsibilities are carried out can be evaluated by the volume of contributions remitted on a monthly basis by the State and Local Government Pension Bureaux/Boards to the employees' RSAs and the volume of contributions

credited to the employees' RSAs by the PFAs.

2.1.4 Consequently, it is logical that fees for the administration of States and Local Governments employees' RSAs should be shared between the PFAs and the State and Local Government Pension Bureaux/Boards, albeit, in accordance with the specifications of this Regulation.

2.2 Pre-Conditions for State and Local Government Pension Bureaux/Boards to Earn RSA Administration Fee

2.2.1 The State and Local Government Pension Bureaux/Boards must be established by a State or Local Government which has adopted and commenced the implementation of the CPS.

2.2.2 The State and Local Government Pension Bureaux/Boards must have fully remitted both employer and employee pension

contributions, in accordance with the proportion of pensionable emoluments specified in the respective State laws.

2.2.3 Such contribution remittances specified in Section 2.2.2 above must have been accompanied by appropriate contribution schedules detailing individual RSAs and their corresponding employer and employee pension contributions, as specified in relevant Regulations and Guidelines issued by the Commission. It is important to note that such contribution schedules must be arithmetically accurate and the total sum thereon in agreement with the total amount so remitted.

2.2.4 The State and Local Government Pension Bureaux/Boards must have submitted up-to-date nominal rolls of their eligible employees to the Commission. Such nominal

roll must be submitted semi-annually as at 30 June and 31 December.

3.0 General Provisions of the Regulation

3.1 Allowable Charges

3.1.1 The State and Local Government Pension Bureaux/Boards may earn a maximum of ₦40 of the Administration Fee being charged per contributor (RSA) on a monthly basis.

3.1.2 The Administration Fee stipulated herein is the maximum amount that a State or Local Government Pension Bureau/Board may earn on any one of its employee's RSA in any given month.

3.1.3 Even where a PFA is charging administration fee which is less than the ₦100 stipulated in Clause 5.3 of the Commission's Regulation on Fees Structure, the State's or Local Government Pension Bureaux/Board's share of the Administration fee shall not

be less than ₦40 of the total Administration Fee per RSA.

- 3.1.4 Following the provisions of Sections 3.1.1, 3.1.2 and 3.1.3 above, a PFA shall earn the remaining portion of the Administration Fee per contributor (RSA), after deducting the amount due to the State or Local Government Pension Bureau/Board, each month.
- 3.1.5 In a State where there are separate State and Local Government Pension Bureaux/Boards, the PFA shall pay to each Bureau/Board their commensurate share of the Administration Fees based on the actual number of RSAs being administered.
- 3.1.6 No additional charges, apart from those specified in this Regulation and other Guidelines and Regulations issued by the Commission, shall be borne by the Pension Fund Assets being administered by any PFA on

behalf of State and Local Government employees.

- 3.1.7 The provisions of this section are without prejudice to modalities for charging Administration Fees specified in Guidelines and Regulations issued by the Commission.

3.2 Rules of General Application

- 3.2.1 As from the commencement of this Regulation, no State or Local Government Pension Bureau/Board shall be allowed to share in any other fees outside those stipulated in this Regulation. To this end, State and Local Government Pension Bureaux/Boards that require PFAs or PFCs to register with them before administering the RSAs of their employees shall not attach any financial obligation to the registration process.
- 3.2.2 The State and Local Government Pension Bureaux/Boards shall only earn Administration Fees on

the RSAs that were credited with the complete employer and employee contributions.

3.2.3 Where contributions are remitted in arrears, the State and Local Government Pension Bureaux/Boards shall still be entitled to 40% of the Administration Fees charged per RSA.

3.2.4 The publication of Administration Fees earned by any PFA on its website must reflect the fee-sharing structure between it and any State or Local Government Pension Bureau/Board.

3.2.8 Similarly, any State or Local Government Pension Bureau/Board earning Administration Fees on its employees RSAs must, in line with the philosophy of transparency within the pension industry, display such fees on conspicuous notice boards within its office premises. Where such a Bureau/Board has a website, the information must also be posted thereon.

3.3 Commencement Date

3.3.1 This Regulation shall come into force with effect from 1 January 2016.

4.0 Implementation Modalities

4.1 Methodology for Calculation of the Fee

4.1.1 Administration fees shall be calculated as a flat charge to be paid monthly from contributions received by the PFAs. This fee is to be deducted before converting contributions into accounting units of the Pension Fund Assets.

4.1.2 The PFAs are to advise the State or Local Government Pension Bureaux/Boards, in writing, of their computation of the administration fees due to the latter. Such advice must be accompanied with the payment. The PFA should copy the Commission with its computation and payment advice, accordingly.

4.1.3 The State or Local Government Pension

Bureaux/Boards shall convey their observations or notification of no objection on the computation of fees, in writing, to the PFAs within a working day of receipt of such advice from the PFAs, with a copy to the Commission.

4.2 Payment of Fee to the Pension Bureaux

4.2.1 The PFAs/PFCs shall be responsible for remitting the portion of the administration fees that relates to the State or Local Government Pension Bureaux/Boards, not later than 5 working days after

crediting of the respective contributions into the employees' RSAs.

5.0 *Review and Inquiries*

5.1 Reviews

5.1.1 This Regulation shall be reviewed from time to time by the National Pension Commission.

5.2 Inquiries

5.2.1 All enquiries regarding the content of this Regulation should be forwarded to the Director General, National Pension Commission.