



NATIONAL PENSION COMMISSION

**Draft Guidelines 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 Preamble

- 1.1 Section 2(3) of the Pension Reform Act, 2014 (PRA 2014) provides that employees of organizations with less than three employees as well as the self-employed persons shall be entitled to participate in the Contributory Pension Scheme in accordance with Guidelines issued by the Commission.
- 1.2 These categories of persons mainly in the informal sector constitute the vast majority of the working population in Nigeria and are not covered by any retirement benefit scheme. Accordingly, the Commission considers it necessary to develop the Guidelines for the implementation of the provisions of section 2(3) through a “Micro Pension Plan”. The Micro Pension Plan refers to an arrangement for the provision of pension to the self-employed and persons operating in the informal sector.

2.0. Definition of Terms

S/N	Term	Explanation
1	Informal Sector	For the purpose of these Guidelines, the informal sector refers to employees in companies that are not mandated to implement the Contributory Pension Scheme.
2	Self-employed	A self-employed individual earns his income through conducting legitimate trade or business for him/herself.
3	Micro Pension Contributor (MPC)	Refers to a person who is registered under the Micro Pension Plan.
4	Contributory Pension Scheme	Refers to the pension scheme established under Section 3(1) of the Pension Reform Act, 2014.

5	Micro Pension Fund (MPF)	Refers to a pool of contributions and all other assets under the Micro Pension Plan.
6	Next of Kin (NOK)	Refers to an individual as defined under the relevant laws of the Federal Republic of Nigeria, and named by a Micro Pension Contributor as the contact person in the event whereby the Micro Pension Contributor is dead or missing.
7	Named Beneficiary	Refers to an individual or any person who is legally entitled to receive or enjoy any benefit accruable to a deceased/missing Micro Pension Contributor.
8	Guaranteed Minimum Pension	Refers to a minimum amount that a Contributor under the Contributory Pension Scheme would earn as monthly pension. This amount shall not be less than 80% of the prevailing Federal Government approved minimum wage.
9	Automated Finger Print Identification System (AFIS)	Refers to a biometric identification (ID) methodology that uses digital imaging technology to obtain, store and analyze fingerprints data.

3.0 Scope of the Guidelines

3.1 These Guidelines shall cover the following:

- a. Roles and responsibilities of stakeholders.
- b. Operational modalities for the Micro Pension Plan.
- c. Minimum requirement for participation by licensed Pension Fund Administrators and Custodians.

4.0 Objectives of the Guidelines

4.1 These Guidelines are set out to achieve the following objectives:

- i. Set eligibility criteria for participation in the Micro Pension Plan.
- ii. Establish the process of registration for prospective Micro Pension Contributors.
- iii. Define the process of remitting contributions by Micro Pension Contributors.
- iv. Provide the criteria for managing the Micro Pension Fund.
- v. Outline the mode of accessing benefits under the Micro Pension Plan.
- vi. Define the mode of conversion from Micro Pension (voluntary) contributor to mandatory contributor and vice versa.
- vii. Set the minimum ICT requirements for licensed pension fund administrators and custodians.
- viii. Specify incentives that may be offered to persons participating in the Micro Pension Plan.

5.0 Roles and Responsibilities of Stakeholders

5.1 The roles and responsibilities of key Micro Pension stakeholders shall be as follows:

5.2 Micro Pension Contributor

5.2.1 The Micro Pension Contributor shall:

- a. Open a Retirement Savings Account (RSA) with any Pension Fund Administrator (PFA) of his/her choice.
- b. Make contribution into his/her RSA in accordance with the Guidelines for the Micro Pension Plan.
- c. Request for RSA statement from his/her PFA.
- d. Update his/her RSA information on request.

- e. Appoint a Next of Kin.
- f. Choose the platform for making contributions.
- g. Decide to make contingent withdrawals.
- h. Choose the mode of exit from the Micro Pension Plan.
- i. Demand for adequate customer service as provided in the Consumer Protection Framework issued by the Commission

5.3 National Pension Commission

5.3.1 The National Pension Commission shall:

- a. Issue Framework and Guidelines for the regulation and supervision of the Micro Pension Plan.
- b. Protect the rights of contributors and retirees under the Micro Pension Plan.
- c. Create awareness by carrying out public enlightenment and education on the establishment, operations and management of the Micro Pension Plan.
- d. Resolve issues between contributors and pension operators as well as among other stakeholders under the Plan.

5.4 Pension Fund Administrators (PFAs)

5.4.1 The PFAs shall:

- a. Open RSA for the Micro Pension Contributor.
- b. Manage Micro Pension Funds and assets in line with the Regulation on Investment of Pension Fund Assets issued by the Commission.
- c. Provide customer service support to Micro Pension Contributors.
- d. Process the payment of benefits to Micro Pension Contributors.
- e. Provide secure and suitable platforms for the remittance of contributions and payments of benefits under the Micro Pension Plan.

- f. Provide other incentives for the Micro Pension Plan subject to the approval of the Commission.
- g. Render periodic returns to the Commission.
- h. Conduct public awareness, enlightenment and education on the Micro Pension Plan.
- i. Issue quarterly RSA statements to the Micro Pension Contributor.
- j. Carry out other functions on the Micro Pension Plan as may be specified by the Commission from time to time.

5.5 Pension Fund Custodians (PFCs)

5.5.1 The PFCs shall:

- a. Receive all pension contributions remitted under the Micro Pension Plan from the contributor on behalf of the PFA.
- b. Hold Micro Pension Funds and Assets in safe custody on trust for the Micro Pension Contributor and the beneficiaries of the RSA.
- c. Settle all transactions relating to the administration and investment of Micro Pension Funds and assets on behalf of the PFA.
- d. Render returns to the Commission on matters relating to the Micro Pension Plan assets being held by it on behalf of any PFA at such intervals as may be determined from time to time by the Commission.
- e. Provide secure and suitable platforms for the remittance of contributions and payments of benefits under the Micro Pension Plan.
- f. Carry out other functions on Micro Pension Plan as may be directed by the Commission from time to time.

6.0 Operational Modalities for the Micro Pension Plan

6.1 Eligibility for Participation

- 6.1.1 The following persons not below 18 years of age with legitimate source of income shall be eligible for participation in the Micro Pension Plan under Section 2 (3) of the PRA 2014:
- a. Self-employed persons that belong to a Trade, Profession or Business Association.
 - b. Self-employed persons with a business registration as a company, partnership or enterprise.
 - c. Employees operating in the informal sector who work with or without formal written employment Contract.
 - d. Other self-employed individuals.
- 6.1.2 Notwithstanding the provisions of 5.1.1 above, persons from 15 years and below 18 years may also participate subject to the approval/consent of their guardians.
- 6.1.3 Micro Pension Contributors shall be resident in Nigeria.

6.2 Registration

- a. A prospective Micro Pension Contributor shall be required to open a Retirement Savings Account (RSA) by completing a registration form with a PFA of his/her choice.
- b. Electronic registration through the internet or mobile phone should be made available by all PFAs.
- c. PFAs shall electronically capture the applicant's ten finger prints and must pass the AFIS quality requirements specified in the Guidelines for the Registration of Contributors/Members issued by the Commission.
- d. Where the quality of the ten finger prints does not meet the required AFIS specification due to physical impairment, the PFA shall treat such prospective Micro Pension Contributor as physically/partially challenged and shall register such in line with the Guidelines for Registration of Contributors/Members issued by the Commission.
- e. The registration information shall be transmitted to the Commission electronically by the PFA to enable PIN generation.

- f. The PIN generated by the Commission shall be forwarded to the PFA immediately.
- g. The PFA shall forward the PIN to the Micro Pension Contributor.
- h. Registration should also cover the “Know Your Customer” (KYC) and “Customer Familiarity Index” (CFI) on Micro Pension Contributor.
- i. The following minimum documentation and means of identification shall be provided at the point of registration as applicable:
 - i. Evidence of membership of a registered association or trade union
 - ii. Certificate of business registration
 - iii. Letter of employment
 - iv. International Passport
 - v. National Identification Number
 - vi. Driver’s License
 - vii. Permanent Voters Card
 - viii. Bank Verification Number
- j. Other documentation as may be specified by the PFA.

6.3 Contributions

- a. Contributions shall be made in Nigerian currency (Naira).
- b. Micro Pension Contributors may make contributions daily, weekly, monthly or as may be convenient to them.
- c. Every contribution shall be split into two comprising 25% for contingent withdrawal and 75% for retirement benefits.
- d. Contributions shall be made by cash deposit, electronically or any payment instrument/platform approved by the Central Bank of Nigeria.
- e. The PFC shall immediately advise the PFA upon receipt of value of contributions.
- f. Upon receipt of notification from the PFC, the PFA shall immediately notify the Micro Pension Contributor.

- g. A maximum administration fee of Fifty Naira (~~N50~~) shall be charged on each RSA by the PFAs only in the months where the total contributions remitted into the RSA is above the sum of ~~N4,000.00~~ (Four Thousand Naira Only).
- h. Where the nature of engagement of the contributor is not continuous, contributions could be made intermittently.
- i. The narration of the standing order shall include the contributor's PIN.
- j. In all cases the narration of the transfer shall include the contributor's PIN.

6.4 Investment of Micro Pension Fund/Assets

- i. Contributions under the Micro Pension Plan shall be managed as two separate funds namely: Micro Pension Contingent Fund (MPCF) for the 25% contingent contributions and Micro Pension Retirement Benefits Fund (MPRBF) for the 75% retirement benefits contributions.
- ii. The investment of both Funds shall be in line with the Regulation on Investment of Pension Fund Assets issued by the Commission.
- iii. Management fees shall be in accordance with the Regulation on Fees Structure issued by the Commission.
- iv. PFAs shall render statements of accounts and other similar services enjoyed by Contributory Pension Scheme RSA holders/contributors.

6.5 Benefit Administration

6.5.1 The participation of the informal sector in the Contributory Pension Scheme as provided by Section 2(3) of the PRA 2014 is primarily to provide for retirement benefits. Withdrawals/accessing benefits shall be two types reflecting the flexibility incorporated in the treatment of the contributions.

6.5.2 Contingent Withdrawal

- i. The Micro Pension Contributor shall be eligible to access the portion of his/her contribution available for withdrawal one month after making the initial contribution.

- ii. Subsequently, the Micro Pension Contributor shall be eligible to make contingent withdrawals at any time.
- iii. The Micro Pension Contributor may withdraw the total balance of the contingent portion of his/her RSA including all accrued investment income thereto.
- iv. The timeframe for processing and payment of contingent withdrawals shall not exceed two working days.
- v. Payment shall be made only to the Micro Pension Contributor's designated bank account.
- vi. The PFA shall process all requests for contingent withdrawals.
- vii. The PFA shall notify the Commission of all payments made weekly.
- viii. The Micro Pension Contributor has the option of transferring part of his outstanding balance on the contingent portion to his retirement benefits portion.
- ix. Contingent withdrawals shall be subject to applicable tax laws.

6.5.3 Retirement Benefits Withdrawal

- i. The Micro Pension Contributor shall be eligible to access pensions upon attaining the age of 50 years or on health grounds in accordance with the Regulation for the Administration of Retirement and Terminal Benefits.
- ii. The Micro Pension Contributor shall be required to fill a Micro Pension Retirement Notification Form at retirement.
- iii. The PFA shall inform the Micro Pension retiree on the various options of accessing retirement benefits.
- iv. The Micro Pension retiree shall decide on the mode of accessing retirement benefits either through the Programmed Withdrawal or the Life Annuity.
- v. The Commission shall approve all Programmed Withdrawals, Life Annuity and exit payouts under the Micro Pension Plan.

- vi. In the case of Programmed Withdrawal, the PFA and the retiree shall jointly execute a Programmed Withdrawal Agreement, stating the terms and conditions of the contract.
- vii. In the case of the Life Annuity, the insurance company and the retiree shall jointly execute the Annuity contract, stating the terms and conditions of the contract.
- viii. All payments for contingent, retirement and terminal benefits shall be made only to the contributor's/retiree's designated bank account or their beneficiaries.
- ix. Micro Pension Contributors shall be entitled to Guaranteed Minimum Pension provided they satisfy the provision of Section 84(1) of the PRA 2014, the Guideline on Minimum Pension Guarantee issued by the Commission and:
 - a. Having made contributions for a cumulative period of not less than 120 months.
 - b. The RSA balance at retirement shall not be less than N500,000.00.

6.5.4 Deceased/Missing Persons

The processing of deceased/missing person's benefits under the Micro Pension Plan shall be in line with the Regulations for the Administration of Retirement and Terminal Benefits issued by the Commission.

6.6 Conversion

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

- a. The Micro Pension Contributor shall be eligible to participate under Section 2(1) of the Pension Reform Act, 2014 under the condition that the Micro Pension Contributor secures employment in the formal sector with an organization that has three (3) or more employees.
- b. The Micro Pension Contributor shall formally request for conversion, attaching all necessary documents specified in the Guidelines for

the Registration of Contributors/Members issued by the Commission.

- c. The PFA shall forward the request for conversion to the Commission for approval.
- d. The Micro Pension Contributor shall retain his/her existing RSA.
- e. Pursuant to the approval, the PFA shall move the Micro Pension Contributor's pension assets to the RSA Active Fund.
- f. The contingent portion of the RSA shall be treated as additional voluntary contribution.
- g. Notwithstanding the provision in (f), the Micro Pension Contributor may withdraw the total balance in the contingent portion of his/her RSA prior to conversion.
- h. Where an eligible Contributor fails/refuses to request for conversion to the Contributory Pension Scheme after one month of receiving contributions from his/her new employer, the PFA shall advise the Contributor to apply for conversion.
- i. Consequent upon 5.6.1 (h) above, all contributions received from the new employer shall be credited into the retirement benefits portion of his/her RSA.
- j. The PFA shall notify the employer of the status of the RSA of the contributor.
- k. The employer shall request the employee to apply for conversion.

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

- i. Contributors under Section 2(1) of the Pension Reform Act, 2014 shall be eligible to participate in the Micro Pension Plan under the following conditions:
 - a. The RSA holder disengages or is disengaged from formal employment.
 - b. The RSA holder has not started drawing pension.

- c. The RSA holder may withdraw a maximum of 25% of the balance in the RSA at the point of conversion
 - d. The remaining balance, after withdrawal of 25% of RSA balance as in 5.6.2(i)(c) above, must be transferred to retirement benefits portion of his/her RSA.
 - e. Any balance in the RSA of a contributor who is drawing pension shall be termed as retirement benefits.
- ii. All requests for conversion shall be forwarded to the Commission for approval.
 - iii. The MPC shall retain his/her existing RSA.
 - iv. Pursuant to the approval, the PFA shall move the Contributor's membership from the RSA Active Fund to the Micro Pension Fund.

6.7 Returns

- 6.7.1 PFAs/PFCs shall render regular returns through the Risk Management and Analysis System (RMAS) and/or any other platform as specified by the Commission.

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

- 7.1 All PFAs/PFCs are required to meet the following minimum criteria:

7.2 Structure for Micro Pension

- i. PFAs shall establish adequate structure for the effective and efficient operation of Micro Pension Plan.

7.3 ICT Requirement

- i. The minimum ICT requirements shall be in line with the ICT Guidelines issued by the Commission.
- ii. Notwithstanding 6.2 (i) above, licensed PFAs/PFCs shall provide multi-channel platforms for registration, collection, customer service and benefit administration.

8.0 Reviews and Enquiries

8.1 Reviews

8.1.1 These Guidelines are subject to review by the Commission from time to time.

8.2 Enquiries

8.2.1 All enquiries regarding these Guidelines shall be directed to:

The Director General
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