FREQUENTLY ASKED QUESTIONS AND ANSWERS

ON THE

CONTRIBUTORY PENSION SCHEME

IN

NIGERIA

PART I

FREQUENTLY ASKED QUESTIONS ON THE INTRODUCTION OF THE CONTRIBUTORY PENSION SCHEME (CPS)

1. **When was the Pension Reform Act (PRA) enacted?**
   The PRA was enacted in June, 2004. Having implemented the PRA for a decade, a review was conducted with a view to improving various provisions based on practical experiences. Consequently, it was repealed and re-enacted in July, 2014 as the Pension Reform Act of 2014.

2. **What is Contributory Pension Scheme (CPS)?**
   The Contributory Pension Scheme (CPS) is an arrangement where both the employer and the employee contribute towards the payment of the employee's pension at retirement. It is fully funded through the monthly pension contributions that are remitted into an employee's Retirement Savings Account (RSA) managed by the Pension Fund Administrator (PFA).

3. **What is the Main Objective of CPS?**
   The main objective of the CPS is to ensure that every person that worked in either the Public or Private Sectors in Nigeria including the self-employed persons receives his/her retirement benefits as and when due.

4. **Who is covered by the Contributory Pension Scheme (CPS)**
   The CPS covers all employees in the Public Service of the Federation, Public Service of the Federal Capital Territory, States and Local Governments, the Private Sector and the self-employed persons (Informal Sector).

5. **Who is Exempted from the CPS?**
   Judicial officers, Members of the Armed Forces, the Intelligence and Secret Services of the Federation, existing retirees prior to June, 2004 and employees who had 3 years or less to retire as at June, 2004.

6. **What is a Retirement Savings Account (RSA)?**
   A Retirement Savings Account (RSA) is an account opened by an employee with a PFA of his/her choice into which all pension contributions and returns on investment are remitted. It is also from the RSA that retirement and death benefits are paid.

7. **Does the RSA Operate Like a Bank Account?**
   No. The RSA holds the employee's monthly pension contributions, which are remitted through the employer for the exclusive purpose of providing retirement income. The PFA invests the funds in allowable investment outlets and the income generated is fully credited into the RSA. Withdrawals are not permissible by contributors except at retirement or upon temporary loss of job and in all cases,

withdrawals are subject to approval by the National Pension Commission (PenCom).

8. Who is a Pension Fund Administrator (PFA)?

A PFA is a company licensed by the National Pension Commission for the sole purpose of managing and administering pension funds contributed into the RSAs.

9. Who is a Pension Fund Custodian (PFC)?

A PFC is a company licensed by the National Pension Commission for the sole purpose of keeping safe custody of pension assets on trust on behalf of contributors. The PFC receives pension contributions from employers on behalf of PFAs, settles investment transactions on the order of the PFA, effects payments of benefits and undertakes other administrative functions.

10. What is the Difference Between a PFA and a PFC?

The PFA manages and invests the pension funds on behalf of contributors while the PFC keeps the pension funds and assets in safe custody and carries out transactions on behalf of the PFA.

11. Who Receives the Monthly Pension Contributions Remitted by the Employer on Behalf of Employees?

Pension contributions are paid directly to the PFC by the employer to be held on the order of the PFA. The PFC notifies the PFA immediately upon receipt of the contributions.

12. What Are the Rates of Monthly Pension Contribution Under the CPS?

The minimum rate of contributions is 18% of the employee’s monthly emoluments where 10% is contributed by the employer and 8% is contributed by the employee.

13. Can an Employer Contribute More than the Stipulated 10% Minimum Pension Contribution?

Section 4(4) of the PRA 2014 stipulates that an employer may, notwithstanding any of the provisions of the Act, agree on payment of additional benefits to the employee upon retirement or elect to bear the full responsibility of the scheme provided the total amount contributed by the employer should not be less than 18% of the employee’s monthly emoluments.

14. What is the Role of the National Pension Commission (PenCom)?

The National Pension Commission (PenCom) is an Agency of the Federal Government of Nigeria established by the PRA 2004 to regulate and supervise all pension matters in Nigeria. In executing its mandate, it licenses and regulates all pension operators and ensures an effective administration of pension for the benefit of contributors and retirees.

15. How is the Contributory Pension Scheme (CPS) Different from the Old Defined Benefits Pension Scheme (DB)?

The CPS is fully funded through the monthly pension contributions into the employee's RSA, which are managed by the PFA and held in safe custody by the PFC. These funds are readily available for payment of benefits at retirement. The DB Scheme or PAY-AS-YOU-GO is not funded and dependent solely on budgetary allocation to pay a predetermined amount as benefits at retirement.

16. 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. This means there is an assurance of funds availability to settle pension obligations at any given time.

17. Can the Employer Make the Total Contributions on Behalf of the Employee?

An employer may choose to pay the whole contributions on behalf of the employee without making any deductions from the employee's salary. In this case, such contributions by the employer shall not be less than 18% of the monthly emoluments of the employee.

18. Does the PRA 2014 Apply to Foreigners Employed in Nigeria?

The PRA 2014 primarily applies to Nigerian citizens working in Nigeria and does not cover expatriate employees. However, such expatriate employees are entitled to make voluntary contributions under the Contributory Pension Scheme.

19. Does the PRA 2014 Apply to Nigerians Working Abroad?

The PRA 2014 is applicable to Nigerian citizens working in Nigeria. However, the Commission has issued Guidelines for Cross-Border Arrangements in order to encourage Nigerians working abroad to participate in the scheme on a voluntary basis.

20. Does the PRA 2014 Apply to Nigerians Working in Nigerian Missions Abroad?

The PRA 2014 applies to Nigerians working in Nigerian Missions abroad if these workers are employees of Nigerian institutions required to implement the CPS under the PRA 2014 as in the case of career diplomats routinely posted to missions abroad. However, where the Nigerian Missions employ Nigerians as local temporary support staff in the respective host countries in line with their domestic laws, the PRA 2014 will not apply to these workers.

21. Does the PRA 2014 Apply to Nigerians Returning from Foreign Employment?

A Nigerian previously working abroad shall be part of the Contributory Pension Scheme, if upon return to the country, has secures a formal employment in Nigeria. Where the person is not in any employment, he/she may make voluntary contributions under the Scheme.

22. What Happens to the RSA of a Person Who Resigns from an Organization Operating in Nigeria and Takes Up Appointment with an Organization Outside Nigeria?

Where a person resigns from an organization operating in Nigeria and takes up appointment with an organization outside Nigeria, such employee is entitled to make arrangements with the new employer to continue remitting his pension contributions to his RSA in Nigeria. In the event that such employee chooses to discontinue contribution under the scheme in Nigeria or where the new employer has an entirely different pension arrangement, he can access his RSA upon retirement or attaining the age of 50 years, whichever is later.

23. Can Employees on Temporary, Contract or Tenured Appointments Join the Contributory Pension Scheme?

Employees on temporary, contract or tenured appointments may decide to join the CPS by opening RSAs and make monthly pension contributions.

24. Can Self-Employed Persons Participate in the Scheme?

The PRA 2014 allows self-employed individuals to make voluntary contributions under the scheme towards their retirement. The Micro Pension Scheme is being tailored for this category of participants.

PART II

FREQUENTLY ASKED QUESTIONS ON THE IMPLEMENTATION OF THE CONTRIBUTORY PENSION SCHEME (CPS)

1. **When Does the Deduction of Pension Contributions of a New Employee Commence?**
   An employer is obliged to commence the deduction of pension contributions for a new employee from his first salary.

2. **What Comprises an Employee's Monthly Emoluments?**
   The PRA 2014 defines 'monthly emoluments" as total monthly basic salary, housing allowance and transport allowance.

3. **What is Annual Total Emolument (ATE)?**
   An employee's Annual Total Emolument is the total sum of basic salary and allowances payable as his/her remuneration for one year, as may be provided under the salary structure or terms and conditions of his/her employment.

4. **How Does the Federal Government Remits the Pension Contributions of its Employees into their RSAs?**
   The Pension contributions of FG or employees of Treasury Funded Ministries, Departments and Agencies (MDAs) are deducted at source and lodged into a Contributory Pension Account with the CBN. The Commission computes the pension contributions and advises the CBN to credit the contributions directly to the PFCs. However, for Federal Government employees who are already on the Integrated Payroll and Personnel Information System (IPPIS), the Office of the Accountant General of the Federation (OAGF) remits their contribution to their respective PFCs.

5. **How Does Movement from One Employment to Another Affect Pension Contribution?**
   Movement from one employment to another does not affect pension under the CPS. Upon change in employment, the employee is only required to give the new employer his/her existing RSA details into which payment of subsequent monthly pension contributions would continue.

6. **What Happens to the Accrued Pension Benefits of Employees Who Were Hitherto in the Services of States and Local Governments, but Later Transferred Their Services to the Federal Government After the Commencement of the CPS?**
   The PRA 2014 has, for the purposes of payment of retirement benefits in the public service of the Federation and FCT, abolished the practice of "transfer of service". Consequently, employees who transferred their services after the enactment of the

PRA 2004 have the responsibility to arrange with their previous employers to pay their retirement benefits for the periods they worked for the previous employers.

7. **What Happens to an Employee of a Treasury-Funded MDA whose Pension Contribution is not Being Remitted to the RSA?**
   Such an employee should write a complaint to his PFA. He may also inform the Pension Desk Officer (PDO) and provide all necessary documents, as maybe advised by the PFA, for onward delivery to the Commission. The documents will be verified and the necessary remittance of his/her accumulated contributions would be made in all verified cases.

8. **Can an Employee Make Voluntary Contribution into His/Her RSA?**
   The PRA 2014 allows employees to, in addition to the 18% employee and employer contributions, make voluntary contributions into their RSAs.

9. **Can a Person Who is Already Receiving Pension Under the Old Scheme, Make Contributions Under the New Scheme Upon Securing New Employment?**
   Subject to such guidelines as may be issued from time to time by the Commission, an existing pensioner may make voluntary contributions under the scheme.

10. **Are Voluntary Contributions Made by Employees Subject to Tax Deductions?**
   The PRA 2014 stipulates that pension contributions made by an employee under the Scheme shall not be taxed. However, income earned on voluntary contribution would be taxed if withdrawn before 5 years from the date the contribution was made.

11. **What Happens When an Employer Fails to Remit its Employees' Pension Contributions Within 7 Working Days After the Payment of Salaries?**
   Such employer shall in addition to making the remittance already due, be liable to a penalty to be stipulated by the Commission, which will be paid to the employees, provided that the penalty shall not be less than 2% of the total contribution that remains unpaid for each month while the default continues.

12. **Can an Employer or a Union Influence its Workers or Members to Choose a Particular PFA?**
   The choice of a PFA for the purpose of opening an RSA is the exclusive preserve of an employee. Neither the employer nor a Labour Union is allowed to influence employees' choices of PFAs. It is, therefore, illegal for any employer or Labour Union to impose a particular PFA on its employees or members.

PART III

FREQUENTLY ASKED QUESTIONS ON TRANSITIONAL ARRANGEMENTS FROM THE OLD DEFINED BENEFITS PENSION SCHEME TO THE CONTRIBUTORY PENSION SCHEME (CPS)

1. **What Happens to My Pension if I Retired Prior to the Introduction of the Contributory Pension Scheme in June 2004?**
   All FGN employees who retired prior to June 2004 and employees who had 3 years or less to retire as at 30 June, 2004 were covered by the Old Defined Benefit Scheme (DBS). The Pension Transitional Arrangements Directorate (PTAD) was established in accordance with Section 42 (1) of the PRA 2014 to handle all payments of pensions to FGN retirees under the Old Defined Benefit Scheme. In the case of the Private Sector, the terms and conditions upon which employees retired would apply for the payment of their retirement benefits.

2. **What Happens to the Pension Contributions Made by Private Sector Employees Prior to the Commencement of the CPS?**
   After the commencement of the CPS, employees shall open RSAs with PFAs of their choice and the amount that accrued as their retirement benefits under any existing pension scheme shall be transferred to their newly registered RSAs within thirty (30) days. The employer shall notify the National Pension Commission of such transfers.

3. **What Happens to the Accumulated Pension Contributions of FGN Employees Prior to Remittance into their RSAs?**
   The pension contributions are being invested in Treasury Bills by the CBN. The pension contributions and incomes from such investment would in due course be computed and remitted to the RSAs of the affected contributors proportionately.

4. **What Happens to the Monies Deducted at Source from Salaries of FGN Employees Who Were Exempted from the New Scheme?**
   The employee’s portion of the pension contributions would be refunded to the affected employee while the employer portion would be transferred back to the FGN.

5. **What Happens to the Pension Funds Contributed Under the Nigerian Social Insurance Trust Fund (NSITF) Before the CPS?**
   The pension funds contributed to the NSITF before the commencement of the CPS, including all investment incomes, shall be transferred to the RSA opened by the respective NSITF contributor.

6. **Can NSITF Still Handle Pension Matters Under the CPS?**
   The PRA 2014 provides that only operators licensed by the Commission are allowed to manage and administer pension funds and assets. Consequently, the

NSITF does not handle pension matters. All contributions in the NSITF pension fund have been transferred to Trustfund Pensions Limited for management.

7. **What Will Happen to NSITF After the Enactment of the PRA?**
   NSITF will continue to provide social security services other than pension to the country.

8. **What Happens to Existing Pensioners Who Made Contributions under NSITF?**
   Retirement benefits shall be paid to existing pensioners under the existing terms and conditions upon which the contributions were made. The Commission will continue to supervise the process.

9. **What Happens to the Contributions of those Exempted from the CPS but Have Made Contributions under NSITF Scheme?**
   The contributions into NSITF made by those exempted from the CPS shall be computed in line NSITF Act and paid into their individual bank accounts.

10. **Where an Organisation has an Approved Existing Scheme (AES), is it Mandatory for All Employees to Join the Existing Scheme?**
    Existing employees of an organization that is operating an AES are entitled to choose either to remain with or opt out of the Scheme by opening RSAs with any PFA of their choice and request that their retirement benefits be transferred to such RSAs. However, the PRA 2014 has provided that all new employees of such organisations cannot join the AES and must join the CPS by opening Retirement Savings Accounts (RSAs) with PFAs of their choices.

11. **Where a Company has a Closed Pension Fund Administrator (CPFA), is it Mandatory for all Employees to Join the Existing Scheme?**
    Existing employees of a company that operates a CPFA may remain covered by the CPFA, but all new employees of such company MUST join the CPS by opening RSAs with PFAs of their choices.

PART IV

FREQUENTLY ASKED QUESTIONS ON PENSION CONTRIBUTION REMITTANCE UNDER THE CONTRIBUTORY PENSION SCHEME (CPS)

1. **What are the Causes of Delays in Crediting the Retirement Savings Accounts (RSAs) of Contributors of Treasury Funded FGN MDAs?**

   The major cause of delay is the incomplete or incorrect information on a contributor due to non-submission of updated Nominal Rolls by MDAs. Such vital requisite details include RSA PIN, date of birth, date of first appointment, grade level and step.

2. **What Happens When There is Difference Between What is on the RSA Statement Sent to an Employee by his PFA and What is Actually Being Deducted by his Employer?**

   Where there is a difference, the employee should approach his PFA and employer for reconciliation. Where it is established that there is an under payment of the monthly contributions, the employer must remit the difference into the RSA of the employee.

3. **Can an Employee Have Two Accounts in Two or More Different PFAs?**

   It is not allowed for employees to open more than one RSA. In the event of change of employment, the contributor is required to provide the same RSA details to his new employer who now assumes the responsibility of remitting the monthly pension contributions into the same RSA.

4. **What is Multiple Registration?**

   This occurs when a contributor opens more than one RSA either with the same PFA or with different PFAs.

5. **What are the Implications of Multiple Registration?**

   An RSA holder should not, under any circumstance, have more than one account. Multiple registration results in delayed, incorrect remittances into the RSA account. It also causes undue delay in benefit payments since it is not possible for any contributor to be paid from two RSAs.

PART V

FREQUENTLY ASKED QUESTIONS ON ISSUES OF CORPORATE GOVERNANCE AND INTEGRITY OF THE CONTRIBUTORY PENSION SCHEME (CPS)

1. **How Can I Be Sure that My Contributions Are Safe?**
   The safety of pension assets is assured by the separation of management and custody functions undertaken by licensed PFAs and PFCs respectively. In addition, there is daily monitoring of all investment activities of the PFAs by the National Pension Commission. Moreover, there are stringent provisions in the Regulations for the Investment of Pension Fund Assets that ensure the ring fencing of the assets and allowing investments only in instruments with minimal risks. There is also a sealed guarantee that in case of any infraction, the PFC or its parent company will pay any amount that may be lost due that infraction.

2. **What Happens if a PFA Fails or is Liquidated?**
   The pension funds and assets, which are totally separated from the PFA's operational funds, are kept in safe custody by the PFC and as such the liquidation of the PFA will not affect the funds and assets. In addition, every PFA is expected to maintain, under the PRA 2014, a statutory reserve fund, from the company earnings, as contingency fund to meet claims for which it may be liable.

3. **What Happens Where a PFC Fails or is Liquidated?**
   The pension funds in the custody of a PFC cannot be used to meet any claim in the event of liquidation, winding up or otherwise cessation of business of the custodian or any of its shareholders. Furthermore, the liquidation of a PFC will not affect the pension assets in its custody as the PFC only keeps investment certificates and records. The only cash being held by the PFC comprises of monthly contributions before decisions are made by the PFA to investment it. The Commission has the power and responsibility in such situations to transfer the pension fund assets being held by any failed PFC to another PFC.

4. **Who Can I Complain to if I have a Problem with my PFA?**
   The Pension Reform Act 2014 allows an employee to complain about his/her PFA to the National Pension Commission on all issues.

5. **How is Compulsory or Voluntary Retirement Handled Under the CPS, if this Happens Before the Age of 50 Years?**
   Under the PRA 2014, a person can voluntarily retire or be compulsorily retired before the age of 50 years on the ground of medical advice, permanent disability or due to particular terms and conditions of employment. If any person retires under any of the foregoing circumstances, he is entitled to start

withdrawing pension from his RSA even though he was under the age of 50 at such retirement.

6. **Can an Organization Own Controlling Shares in Both a PFA and a PFC?**
   In order to prevent conflict of interest, an organization cannot own shares in both a PFA and a PFC. This is to strengthen the checks and balances between the licensed pension operators under the strict supervision of the National Pension Commission. Furthermore, the Commission does not approve a single individual or institution to have a controlling shareholding in more than one Pension Operator.

7. **Can a PFA Keep Pension Fund Assets with a PFC in Which the PFA has Shares?**
   Section 77(2) of the PRA 2014 prohibits a PFA from keeping any pension fund assets with a PFC in which the PFA has any business interest, shares or any relation whatsoever.

8. **Can Pension Funds be Attached for the Execution of a PFC's Judgment Debt?**
   The PRA 2014 provides that pension funds or assets in the custody of the Custodian shall not be seized or be subject of execution of a judgment debt.

9. **Is a PFA Allowed to Invest Pension Fund Assets in its Own Shares?**
   A PFA is prohibited from investing pension fund assets in the shares or any other securities issued by the PFA or its PFC and also in investing in shares or any other securities issued by a shareholder or related party of the PFA or PFC.

10. **Can Government Borrow from the Pension Contributions of Workers?**
    Governments at Federal, States and Local levels can only access pension fund assets through investments made by the PFAs in Treasury Bills issued by the Central Bank of Nigeria or Bonds (including Sukuk) approved by the Securities & Exchange Commission (SEC) and other relevant Institutions.

PART VI

FREQUENTLY ASKED QUESTIONS ON THE INVESTMENT OF PENSION FUNDS UNDER THE CONTRIBUTORY PENSION SCHEME (CPS)

1. **What Are Allowable Investment Vehicles?**
   The PRA 2014 and the Regulation on Investment of Pension Fund Assets issued by the Commission clearly stipulate the allowable financial instruments in which pension fund assets can be invested. The instruments allowed are: Equities; Federal Government Securities; State/Local Government Bonds; Corporate Debt Securities; Money Market Instruments; Open/Closed-end Funds; Infrastructure Bonds & Funds; Private Equity Funds and any securities/instruments that may be approved by the Commission, from time to time.

2. **Can PFAs Invest in Instruments that are not Allowed by the PRA 2014 and Guidelines on Investments Issued by the Commission?**
   No. PFAs are only allowed to invest in instruments in line with the PRA 2014 and Regulations on Investment of Pension Funds. In addition, PFAs are closely monitored, on daily basis, to ensure that they adhere strictly to the Regulations.

3. **Can I Give My PFA instructions on How to Invest My Funds?**
   No. The investment decisions are made by the PFA, however, the new Investment Regulations on Multi-Fund Structure allows a contributor to choose the Fund through which his/her pension contributions would be invested based on their age-group and risk appetite in line with the provisions of the PRA 2014.

4. **What is the Rate of Return on Investment of Pension Fund Assets?**
   The rates of return on pension fund investments vary from year to year, based on the economic outlook and performance of the Nigerian financial markets, as well as the investment strategies of the various Pension Fund Managers. However, the Commission monitors the PFAs to ensure that returns are competitive based on market conditions.

5. **How are Profits Distributed to RSA Holders?**
   All income earned from investment of pension funds under the PRA 2014 is remitted into the RSAs of contributors.

6. **How are the PFAs and PFCs paid for their services?**
   Clearly defined fees (Administration, and Asset/Income Based Fees) are charged by the operators for their services in line with the Regulation on Fees Structure issued by the Commission.

7. **How Does the Commission Ensure the Safety and Quality of Pension Fund Assets?**
The separation of the investment and custody functions between PFAs and PFCs is to enshrine safeguard of the pension fund assets. Furthermore, there is effective monitoring and supervision by the Commission through daily monitoring of the investment decisions made by the PFAs to ensure compliance with the PRA 2014 and the Investment Regulations issued by the Commission. The Investment Regulations outline the allowable instruments/securities, qualitative and quantitative criteria as well as the maximum investment limits for pension fund assets.

8. **What are the Safeguards Put in Place to Protect Pension Funds from the Negative Impact of Adverse Investment Conditions?**
The PFAs have a duty to make safe investments that would yield fair returns for the contributors as stipulated by the PRA 2014 and the Regulations on the Investment of Pension Fund Assets. In addition, a Pension Protection Fund was established by the PRA 2014 to compensate for any erosion in the value of pension contributions during severe economic downturns.

9. **Can the Funds in an Employee's RSA Be Used as a Collateral for Loan by the RSA Holder?**
The PRA 2014 prohibits the use of pension fund assets under the management of PFAs to offset or grant loans and credits or as collateral for any loan taken by the contributor, his employer, the PFA and the PFC.

10. **Can a Contributor Use Part of the RSA Balance to Secure a Mortgage?**
Yes. The PRA 2014 allows a contributor to utilize part of RSA balance towards payment of equity contribution for a mortgage to own a primary home subject to Guidelines issued by the Commission, which spells out the detailed eligibility requirements and modalities.

11. **What is the Mode of Investment of Pension Fund in Infrastructure in Nigeria?**
The Investment Regulations allow indirect investment of pension funds in infrastructure through Infrastructure Funds or Bonds. These investments recognize the need for channeling pension funds towards economic development through safe and viable investment outlets.

PART VII

FREQUENTLY ASKED QUESTIONS ON PAYMENT OF RETIREMENT BENEFITS UNDER THE CONTRIBUTORY PENSION SCHEME (CPS)

1. **What is the Minimum Period Required by an Employee to Qualify for Pension Under the New Scheme?**

   There is no qualifying period for pension. If an employee works for an employer, his pension contribution will be paid by the employer into the employee's RSA for the period of his service. However, access to the contributions must be in line with the provisions of the PRA 2014.

2. **Will Gratuity be Paid Under the CPS?**

   Upon retirement, an employee can withdraw a lump sum from the balance standing to the credit of his/her RSA provided the balance after the withdrawal could provide an annuity or fund monthly payments through programmed withdrawals. However, an employer may choose to pay any other severance benefits (by whatever name called) over and above the retirement benefits payable to the employee under the PRA 2014.

3. **What is Retirement Bond?**

   The Retirement Bond represents the accrued retirement benefits for the past services rendered by employees of the Treasury Funded Ministries, Departments and Agencies of the FGN, State and Local Governments before the commencement of the CPS. The amount is calculated by qualified actuaries and is transferred to the RSA upon retirement.

4. **Are Pension Benefits for Services Rendered Under Old Scheme Going to be Paid to the Contributors Under the CPS?**

   Every employee is entitled to pension and gratuity that may have accrued under the old pension scheme. The total accrued benefit is calculated and provisions made by employers to credit the amounts determined to the respective RSAs of the beneficiaries.

5. **What are the Components of the Final RSA Balance of a Treasury-Funded FGN Employee?**

   The RSA balances are made up of two components, namely, accrued rights and accumulated monthly pension contributions including the investment income. The accrued rights include gratuity and pension that an employee is entitled to for the past services rendered to the FGN, from the date of his/her first appointment to 30 June, 2004.

6. **What is the Retirement Age Under the Pension Reform Act 2014?**
   The Act did not stipulate any retirement age. Retirement age depends on each employee's terms and conditions of employment.

7. **What Happens When an Employee Who Has Been Contributing Under CPS Dies Before His Retirement?**
   Where an employee who has been contributing under the CPS dies before his/her retirement, his benefits shall be paid to his beneficiary as he/she provided under a will or to the next of-kin. In the absence of such designation, the benefit shall be paid to any person appointed by the Probate Registry as the administrator of the estate of the deceased.

8. **What Happens to an Employee Who Retired Under the CPS Due to Physical or Mental Incapacity, but Subsequently Had His Case Reviewed and Recertified Fit and Proper for Employment?**
   Such an employee may re-enter the Scheme upon securing a new employment. The new employer would commence remittance of the employee's pension contributions into his original RSA.

9. **What Happens When an FGN Employee Receives Promotion After Enrolment Exercise?**
   Where a FGN employee is promoted after enrolling for the payment of accrued pension rights with the Commission, a copy of the promotion letter indicating grade level and step and effective date should be forwarded to the Commission along with a copy of his/her registration slip obtained during the enrolment exercise. These will be used to compute and pay any difference in the accrued benefits that may occur as a result of the promotion.

10. **What Do I Do if I was Unavailable and Missed the Annual Enrollment Exercise?**
    Any FGN employee who misses the annual enrolment can come to the Commission for the in-house enrollment, which normally commences two (2) months after the conclusion of the annual enrollment and ends two (2) months before the next annual exercise.

11. **When Can I Have Access to the Money in My RSA?**
    A holder of an RSA shall have access to his/her RSA upon retirement based on condition of service or upon attaining the age of 50 years (whichever is later) or is medically incapacitated. Where an employee voluntarily retirees, disengages or is disengaged, he/she can have access to 25% of his/her RSA provided that such employee is unable to secure another employment after 4 (four) months of such retirement.

12. **What Happens to the Balance in the RSA After Any Initial Lump Sum Withdrawal?**
    The balance in the RSA will be applied towards the payment of monthly pension to the retiree on programmed withdrawal. In the case of annuity, it is applied to procure a monthly annuity for life from a Life Insurance company.

13. **Can I Make a Lump Sum Withdrawal of More than 25% of My RSA Balance at Retirement?**
    This can be allowed provided the amount left in the RSA after that lump-sum withdrawal shall be sufficient to fund a Programmed Withdrawal or annuity of not less than 50% of the retiree's annual remuneration as at the date of retirement.

14. **What is Programmed Withdrawal?**
    This is a mode of withdrawal by which a retiree receives pension through his Pension Fund Administrator (PFA) on a monthly or quarterly basis over an estimated life-span. The RSA balance is being re-invested by the PFA to generate more income/funds for the retiree. When a retiree dies, any balance in the RSA will be paid to the duly nominated beneficiaries.

15. **What is Annuity?**
    Annuity is a stream of income purchased from a Life Insurance company. It provides a guaranteed periodic income (pension) to a retiree throughout his/her life after retirement. Under the CPS, annuity is guaranteed for ten years. If the retiree dies within ten years of retirement, the monthly annuity/pension will be paid to his beneficiaries for the remaining years up to ten years. For example, if a retiree who chose annuity dies six years after retirement, his monthly annuity/pension will be paid to his beneficiaries for the next four years. The retiree can buy annuity contract by paying a portion of his retirement benefits as premium to an insurance company which in turn provides the monthly/quarterly payments (annuity), subject to the Regulations jointly issued by the National Pension Commission and National Insurance Commission.

16. **What Happens to a Retiree with an Insufficient Balance in his RSA?**
    A retiree who has contributed for a specified number of years shall be entitled to a guaranteed minimum pension, which will be determined by the Commission from time to time, under the Guidelines for Minimum Pension Guarantee (MPG).

17. **How Would a Person Who Retires Before the Age of 50 Years and in Accordance with the Terms and Conditions of His Employment Access his RSA?**
    As stipulated in Section 7(2) of the PRA 2014, this category of employees is entitled to withdraw not more than 25% of their RSA balances as at the time of retirement provided they have been out of job for 4 months and have not secured another employment.

18. What are the Reasons for Monthly Pension and Lumpsum to Differ Between Colleagues Who Retired at the Same Time and on the Same Salary Grade?

Monthly pension and lumpsum may differ due to the following reasons:

- their grades, ranks, salary steps may differ as at June 2004;
- the magnitude of their contributions to RSA may vary during their pension accumulation phases;
- their respective PFAs may operate different strategies for investment of pension fund and generate different investment incomes; and
- they may at retirement, withdraw different amounts as lumpsum giving higher monthly pension to the one who withdrew lower amount as lumpsum due to higher RSA balance after the lumpsum withdrawal.

19. What Constitutes the Consolidated Benefits of a Deceased Employee Who Died in Active Service?

The consolidated benefits of a deceased employee include the proceeds of his/her accumulated contribution plus any income that accrued from investing the contributions, benefits from life insurance policy and accrued pension benefits.

20. What is the Procedure for Accessing the RSA of a Deceased Employee?

Upon the death of an employee, the employer/Next of Kin (NoK) or representative of the deceased shall notify the PFA, who in turn shall inform the Commission with supporting documents. The deceased's consolidated benefits are, thereafter, paid in bulk to the Executors of his estate or to any person appointed by the Probate Registry as the Administrator of his estate to enable them apply the same in favour of his beneficiaries. The employer should also process the proceeds of the life insurance policy and ensure payment by the insurance company to the beneficiary.

21. How Would the Consolidated Benefits of an Employee Who Died Prior to Opening an RSA be Processed in Favour of His Beneficiaries?

For a deceased person who did not open a RSA before his death, the NoK should open a Death Benefit Account (DBA) with any PFA of his/her choice through which the deceased's entitlements and proceeds of Life Insurance Policy would be paid.

22. What Happens to the Benefits of a Missing Employee?

Section 9 of the PRA 2014 stipulates that where a missing employee is not found within a period of one year from the date he was declared missing and a Board of Inquiry set up by the Commission concludes that it is reasonable to presume that the employee is dead, the consolidated benefits of such missing employee would be paid by the PFA in bulk to the Executors or the Administrator of the Estate of the deceased person in accordance with section 8 of the PRA 2014.

23. What is the Quantum of an Employee's Benefits Under the Life Insurance Policy?

Section 4(5) of the PRA 2014 makes it mandatory upon every employer to maintain a life insurance policy in favour of its employees for at least 3 times the annual total emolument of the employees. The employer is still obligated to pay the equivalent amount of the Group Life insurance to the deceased beneficiaries in the event that it does not have a current Policy with an Insurance Company.

24. Who Pays the Premium for a Group Life Insurance Policy?

The premium for Group Life Insurance Policy is to be paid by the Employer. The employee does not bear any cost to this effect.

25. Are Employees Covered for Life in the Group Life Insurance Under PRA 2014?

No. Employees are covered for the period in which they are in active service of the employer. Hence, the policy does not cover the employee after disengagement/retirement from the service of the employer.

26. Who Provides the Group Life Insurance for the Employees of Treasury Funded Federal Government Employees?

The Federal Government provides Group Life Insurance cover for her employees through the coordination of the Office of the Head of Service of the Federation (OHOSF).

27. Can an Employer Pay for More than the Three Times the Total Annual Emolument of the Employee?

Yes. The guideline issued by the Commission and NAICOM provides that any employer that has an existing policy whose terms are better than 3 times the Annual Total Emolument (ATE) should maintain such policy. Therefore, the employer may provide life insurance cover over and above the minimum required.

28. Can I Choose Programmed Withdrawal and Later Change to Annuity When I Have Already Retired?

Yes. It is possible for a retiree to change to Life Annuity after collecting his retirement benefits through Programmed Withdrawal for some time. At that time, the remaining balance in the RSA will be utilized as premium to purchase the Life Annuity from an insurance company, which will be paying him monthly pension/annuity for life.

29. Can I Choose Annuity and Later Change to Programmed Withdrawal When I Have Already Retired?

At the moment this is not allowed. Once a retiree has chosen to collect his benefits by annuity, he is not allowed to change back to Programmed Withdrawal. The retiree can only change his annuity contract from one insurance company to another after two years based on the Surrender Value between the insurance companies.

30. How Long Does it take to Obtain Approval for Payment of Benefits?
The timeline for approval of benefits payment is not more than five (5) working days from the date the Commission receives the application and supporting documents from the PFA.

31. Can Pensioners Under the Contributory Pension Scheme Benefit from Any Subsequent Increase in Salary of Workers?
The PRA 2014 provides that pension should be increased after every five years or whenever there is increase in the salaries of active workers in line with the provisions of Section 173 of the 1999 Constitution (as Amended).

PART IIX

FREQUENTLY ASKED QUESTIONS ON COMPLIANCE WITH THE PROVISIONS OF THE PRA 2014 UNDER THE CONTRIBUTORY PENSION SCHEME (CPS)

25. How Can Companies Obtain Certificates of Compliance?

A company can obtain certificate of compliance by formally applying to the Commission and attaching the following documents:

- Evidence of remittance of monthly pension contribution(s) to the RSAs of employees which should include: comprehensive list of employees of the organization; current staff payroll; and schedule of contributions indicating the name of the PFA, names of the employees, RSA PIN and employer/employee contributions.
- Evidence of remittance of pension contributions from inception to date in form of photocopies of bank deposit slips and payment instruments.
- Evidence of transfer of assets meant for any pre-2004 retirement benefits scheme into the employee's RSA.
- Evidence of valid Group Life Insurance policy which should include Certificate of Group Life, Policy Document and Evidence of payment.

26. Can Companies with Less than 3 Employees Get Certificates of Compliance?

The PRA 2014 has made compliance with its provisions not mandatory for organizations that employ less than three staff. The Commission is not obliged to issue clearance letters to such organizations.

27. What Penalties Does the Commission Have for Companies that Default in Complying with the PRA 2014?

Section 103 of the PRA 2014 provides punishments varying from fines to imprisonment for different offences under the Act committed by companies and/or Management of such companies as the case may be.

28. What Happens to a Non-Compliant Employer that Fails to Make Deductions as Stipulated by the PRA 2014?

Such an employer has committed an offence and is liable to a fine of not more than N250,000.00 or to imprisonment for a term not exceeding one year or to both fine and imprisonment.

29. What Would Happen to an Employee Who Fails to Open a Retirement Savings Account as Prescribed by the PRA 2014?

The PRA 2014 stipulates that when an employee fails to open an RSA within a period of 6 months after assumption of duty, the employer shall request a PFA to open a nominal Retirement Savings Account for the remittance of the employee's pension contribution.

30. **What Would Happen to A PFA or PFC that Misappropriates Pension Funds?**
A PFA or PFC that misappropriates pension funds is liable, on conviction, to a fine of an amount equal to three times the amount misappropriated or imprisonment for a term not less than ten years or to both fine and imprisonment. In addition, the Commission shall remove from office, any Director or Officer of such PFA or PFC.

31. **What Happens to a PFA or PFC that Fails to Render Monthly Reports to the Commission of any Fraud, Forgery or Theft Occurring in its Organization?**
Such a PFA or PFC has committed an offence and shall be liable on conviction to a fine not less than ₦10m and each of its Director or Officer shall be liable to a fine of not less than ₦5m or imprisonment for a term not exceeding three (3) years or to both fine and imprisonment.

32. **What Would Happen to a PFA that Fails to Comply with the Provisions of the PRA 2014 on Investment and the Regulation on Investment issued by the Commission?**
Any PFA who fails to comply with the investment provisions of the PRA 2014 shall be liable to a penalty of an amount to be determined by the Commission, but in any case shall not be more than ₦500,000.00 for each day that the non-compliance continues and the PFA shall forfeit the profit from that investment to the beneficiaries of the RSA and if the investment has led to a loss, the PFA shall be made to make up for the loss.

33. **What Remedy is Available to an Employee or Beneficiary of an RSA Who is Dissatisfied with a Decision of the PFA or PFC?**
Any employee or beneficiary of a RSA who is dissatisfied with a decision of the PFA or PFC may request in writing that the Commission reviews such decisions.

34. **What Happens Where a Contributor, Beneficiary or Pension Operator is Dissatisfied with a Decision or Action Taken by the Commission?**
Such dissatisfied person or operator may refer the matter to arbitration in accordance with the Arbitration and Conciliation Act or to Investment and Securities Tribunal established under the Investment and Securities Act 1999.

35. **Where and Whom Do I Complain to When a PFA Does Not Issue Me Statement of Account?**
One can file a complaint with the Commission. PFAs are mandated by the Commission to issue RSA statements to contributors at least once every quarter.

36. **What Should Be Done When Pension Deductions are not Remitted by Employers?**
Where an employer fails in the statutory responsibility to remit pension contributions of his employees, the concerned employee(s) should complain directly to the Commission. The name and address of the defaulting employer

should be provided to enable the Commission engage the employer without compromising the confidentiality of the complainant.

37. How Are Monthly Deductions of Contribution Handled When One is Either a Contract or Casual Staff Whose Salary is Not Broken Down into Basic, Transport and Housing Allowances?

The PRA 2014 has not categorized workers on permanent or casual basis. Employers are mandated to remit pension contribution of every worker on its payroll. For staff whose salaries are not broken into basic, transport and housing allowances, the pension contributions should be based on the salary payable.