



## NATIONAL PENSION COMMISSION

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To: MDs/CEOs of All Licensed Pension Operators

Dear Sir/Madam,

### **IMPLEMENTATION GUIDELINES ON RETIREMENT SAVINGS ACCOUNT (RSA) MULTI-FUND STRUCTURE**

Please, recall that the Multi-Fund Structure for Retirement Savings Account (RSA) is expected to be effective from Monday, 2 July, 2018.

Accordingly, please, find attached the Implementation Guidelines on Retirement Savings Account (RSA) Multi-Fund Structure, which had incorporated feedback from Licensed Pension Operators.

Please, do not hesitate to contact the undersigned, should you require any further clarifications.

Thank you.

Yours faithfully,

**Ehimeme Ohiona**  
Head, Investment Supervision Department



## NATIONAL PENSION COMMISSION

### **IMPLEMENTATION GUIDELINES ON RETIREMENT SAVINGS ACCOUNT (RSA) MULTI-FUND STRUCTURE**

#### **1.0 Introduction**

The Pension Reform Act (P.R.A.) 2014 introduced the Defined Contribution Pension Scheme. This is a mandatory pension system in which the longevity and investment risks are borne by the Contributors, unlike the Defined Benefit Scheme where the Employer bears both risks. The Multi-Fund Structure for RSA Funds otherwise known as the Life-Cycle Investment Structure, was conceived by the Commission to align contributors' risk appetite with their investment horizon, at each stage of their life cycle.

The main objectives of the RSA Multi-Fund Structure include the following:

- i. Achieve optimum returns for contributors by aligning their pension savings with their individual risk/return profiles.
- ii. Provide investment portfolio choices to contributors.
- iii. Enhance safety of pension assets through adequate portfolio diversification.

#### **2.0 Implementation Modalities**

The implementation modalities outlined herein, are not exhaustive but meant to provide some guidance for PFAs in the establishment and operation of the various Funds under the RSA Multi-Fund Structure.

## **2.1 Pre-implementation Activities / Audit of RSA 'Active' Fund**

- i. PFAs shall conduct an internal review of the total accounting units of the RSA 'Active' Fund as reported in the Valuation Report and compare with total number of accounting units in individual RSA of members, to ensure that the two records are the same.
- ii. Where the figures do not agree, the PFA should reconcile the figures and make necessary adjustments where required, and report to the Commission, accordingly.
- iii. PFAs shall engage the services of external auditors to conduct a pre-implementation confirmation of item 2.1 (i) above.
- iv. The "cut-off" date for the audit shall be **31 May, 2018**.

## **2.2 Creation of Funds**

PFAs shall create and maintain four RSA Funds as follows:

- i. Fund I: For Contributors that are 49 years and below (by choice).
- ii. Fund II: Default Fund for all Active Contributors that are 49 years and below.
- iii. Fund III: Default Fund, strictly for Active Contributors that are 50 years and above.
- iv. Fund IV: Retiree Fund

### **2.2.1 Implementation and Take-off Date of Multi-Fund Structure**

On the effective take-off date of the RSA Multi-Fund Structure, which is 2 July 2018, the following shall apply:

- i. All active Contributors aged 49 years and below, shall remain in Fund II, which is the current RSA Active Fund.
- ii. All active Contributors aged 50 years and above, shall be moved to Fund III, at a nominal unit price of ₦1.0000.

- iii. All existing Retirees shall remain in Fund IV.
- iv. Any transfers to Fund I, shall be upon the sole request of the RSA holder, and shall be at a nominal unit price of ₦1.0000.

### **2.2.2 Fund I**

- i. The nominal VAUF (Unit Price) shall be ₦1.0000 at the commencement (take-off) date.
- ii. PFAs shall redeem units from the RSA 'Active' Fund in respect of contributors that are 49 years and below, who have formally applied to move to Fund I. The Naira value of the balance in their RSAs shall be transferred to purchase units in Fund I at the nominal Unit Price of ₦1.0000 on the effective take-off date (1<sup>st</sup> day of effective implementation of the Multi-Fund Structure).
- iii. Subsequent entrants into Fund I after the take-off date shall buy into the Fund at the Value of an Accounting Unit of the preceding day.
- iv. The fees on Fund I shall be computed based on Net Assets Value of the Fund. The Asset Based Fees shall be accrued daily and charged to the Fund at end of every month, subject to approval of the fee invoice by the Commission.

### **2.2.3 Fund II**

- i. This is the current RSA 'Active' Fund and shall be known as "Fund II". This is the default Fund for contributors that are within the age bracket of 49 years and below.
- ii. Fund II shall continue to maintain the Value of an Accounting Unit (VAUF) of the current RSA 'Active' Fund, which is computed on the basis of the Net Assets Value and the total number of Accounting Units outstanding.

- iii. Members of Fund II (49 years and below) are allowed to move to Fund I, based on a formal application. Members of Fund II who are not 50 years and above shall not be allowed to move to Fund III.
- iv. The fees on Fund II shall be computed based on Net Assets Value of the Fund. The Asset Based Fees shall be accrued daily and charged to the Fund at the end of every month, subject to approval of the fee invoice by the Commission.

#### **2.2.4 Fund III**

- i. PFAs shall redeem units from the RSA 'Active' Fund (Fund II) in respect of Contributors that are 50 years and above (as at their last birthday) into Fund III. The total Naira value redeemed in Fund II shall be transferred to purchase units in Fund III at a nominal Unit Price of ₦1.0000 on the effective take-off date.
- ii. New entrants into Fund III after the take-off date shall buy into the Fund at the Value of an Accounting Unit of the preceding day.
- iii. Members of Fund III (50 years and above) shall not be allowed to move to Fund I. However, members of Fund III can move to Fund II, if they so wish.
- iv. The fees on Fund III shall be computed based on Net Assets Value of the Fund. The Asset Based Fees shall be accrued daily and charged to the Fund at end of month, subject to approval of the fee invoice by the Commission.

