



NATIONAL PENSION COMMISSION

174, Adetokunbo Ademola Crescent, Wuse II, Abuja.

P.M.B. 5170 Wuse, Abuja, Nigeria

Tel: +234-9-4138736-40, 09-6720091, 6720094, 4133398, 4133363

www.pencom.gov.ng

CIRCULAR

REF: PENCOM/INSP/CIR/SURV/19/167

DATE: 18 June, 2019

TO: All Licensed Pension Fund Administrators and Custodians

SUBJECT: IMPLEMENTATION OF THE REQUIREMENT FOR THE PROVISION OF FIDELITY INSURANCE COVER FOR EMPLOYEES OF PFAs/PFCs

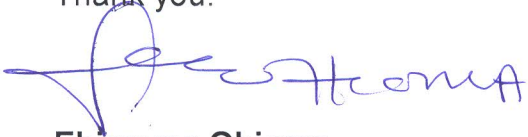
- 1.0 Section 69 (f) of the Pension Reform Act (PRA 2014) mandates Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs) to provide annual Fidelity Insurance Cover for all staff to the full value of the pension funds and assets managed or held by them or as may be determined by the Commission.
- 2.0 The Fidelity Insurance cover will protect the pension funds and assets from any risk associated with actions or inactions of employees of PFAs and PFCs like dishonesty, negligence, fraud, forgeries and other fraudulent acts that may result in financial losses.
- 3.0 The Commission is aware that based on the current value of the assets under management and custody in the industry, providing Fidelity Insurance Cover up to the full value of pension assets would have astronomical costs implication to Pension Operators.
- 4.0 In addition, the Commission has taken cognizance of the subsisting Guarantees provided by the parent companies of PFCs for the full value of pension funds and assets held in custody on behalf of Retirement Savings Account (RSA) holders or their beneficiaries.
- 5.0 In view of the foregoing, the Commission has leveraged on the discretionary powers granted it by Section 69 (f) of the PRA 2014 with regards to the determination of an appropriate level of Cover and has, therefore, made the Fidelity Insurance Cover to be a percentage of the Shareholders' Fund of a PFA/PFC.
- 6.0 Consequently, all licensed PFAs and PFCs are required to procure a Fidelity Insurance Policy to cover a minimum of 2% of Shareholders' Fund as annual Fidelity Insurance Cover for their employees. The Shareholders' Fund shall be based on the last audited accounts of the PFA/PFC.

7.0 The 2% provision on the Shareholders' Fund shall exclude the statutory reserve (and value of real estate financed by Shareholders).

8.0 This Circular is effective, immediately.

All enquiries regarding this Circular should be directed to the undersigned.

Thank you.



Ehimeme Ohioma
Head, Surveillance Department