



PenCom

CIRCULAR ON FUND ACCOUNTING

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National Pension Commission

16 November, 2020

About this Circular

This Fund Accounting Circular is for reporting the Accounting Entries for the transfer of RSA from one PFA to another and the purchase of RLA by Retirees with their RSA balances. The provisions of this Circular are consistent with the PRA, 2014.

List of Abbreviations

PRA, 2014	Pension Reform Act, 2014
RSA	Retirement Savings Account
PFA	Pension Fund Administrator
RLA	Retiree Life Annuity
GNTF	Gross Net Transfer Position
TPFA	Transferring Pension Fund Administrator
RPFA	Receiving Pension Fund Administrator
ETD	Expected Transfer Date

1.0 Objective of the Circular

1.1 The main objectives of this Circular are to ensure that:

- i) Accurate and reliable records are maintained; and
- ii) There is uniformity in record keeping across the pension industry.

2.0 Minimum Accounts to be Maintained

2.1 The following minimum accounts are to be maintained:

2.2 RSA Transfer Accounts

In line with the Regulation for the Transfer of RSA, the following Ledger and Bank accounts shall be maintained by PFAs for each of the RSA Funds:

Ledger Accounts:

- i. RSA Fund Investment Transit Account;
- ii. RSA Transfer Allocation Account;
- iii. Consolidated Investment Transit Account; and
- iv. Consolidated Transfer Transit Account

Bank Accounts:

- i. RSA Transfer Control Account (One account for all the RSA funds); and
- ii. RSA Transfer Allocation Account (One account for all the RSA funds).

- 2.3 In line with the Regulation on Retiree Life Annuity (RLA), the PFA shall maintain a Suspense Bank Account for RLA. Upon receipt of RLA Provisional Agreement from a Retiree, the PFA shall move the RSA balance to the Suspense Bank Account.
- 2.4 There shall be uniformity in the naming convention of all the accounts maintained as approved by the Commission.

3.0 Illustrations

3.1 Transfer of RSA

Assumption 1: Debit GNTP

(PFA is both TPFA & RPFA):

- a) *Total Inflow: ₦25,000,000.00 (i.e. RSA1 in Fund 2 – ₦5,000,000.00 & RSA2 in Fund3 - ₦20,000,000.00)*
- b) *Total Outflow: ₦48,000,000.00 (i.e. RSA3 in Fund3 – ₦28,000,000.00 & RSA4 in Fund 3 – ₦20,000,000.00)*
- c) *Debit GNTP: ₦23,000,000.00 (i.e. Total Inflow – Total Outflow)*
- d) *Fund3 Unit Price @ ETD: 3.5623*
- e) *Fund3 Unit Price @ ETD+4: 3.8945*
- f) *Transfer Control Account Unit Price @ ETD: 1.0000*
- g) *Transfer Control Account Unit Price @ ETD+4: 1.0986*
- h) *Overnight Call Rate: 6% p.a.*

On ETD:

DR	RSA Transfer Control Account	₦23,000,000.00
DR	RSA Fund 3 Investment Transit Account	₦25,000,000.00
CR	Fund 3 Investment Account	₦48,000,000.00

(being warehousing of balances of outgoing RSAs).

On ETD+4:

DR RSA Transfer Control Account ₦15,127.02
CR Interest Payable Account ₦15,127.02
(being interest for funds in the RSA Transfer Control Account placed on overnight call for 4 days).

DR Consolidated Investment Transit Account ₦2,331,358.95
CR Interest Receivable Account ₦2,331,358.95
(being capitalization of returns on funds invested under RSA Fund 3, in favour of incoming RSAs).

DR Consolidated Investment Transit Account ₦25,000,000.00
CR RSA Fund3 Investment Transit Account ₦25,000,000.00
(being transfer of values for incoming RSAs transferred to the Consolidated Investment Transit Account).

DR Fund 3 Investment Account ₦21,748,519.21
DR Fund 2 Investment Account ₦ 5,582,839.74
CR Consolidated Investment Transit Account ₦27,331,358.95
(being transfer of values for incoming RSAs distributed to the applicable Investment Accounts)

DR Interest Receivable Account ₦2,331,358.95
CR Employee RSA 1 Account ₦ 466,271.79
CR Employee RSA 2 Account ₦1,865,087.16
(being capitalization of returns applicable to incoming RSAs)

DR Employee Account RSA 3 ₦28,000,000.00
DR Employee Account RSA 4 ₦20,000,000.00
CR RSA Transfer Control Account ₦48,000,000.00

DR RSA Transfer Control Account ₦25,000,000.00
CR Employee Account RSA 1 ₦ 5,000,000.00
CR Employee Account RSA 2 ₦20,000,000.00

DR Interest Payable Account ₦15,127.02
CR RSA Transfer Control Account ₦15,127.02
(being transfer of Debit GNTP and interest thereon to other PFAs)

Assumption 2: Debit GNTP

(PFA is only TPFA):

- a) Total Inflow: ~~₦0.00~~
- b) Total Outflow: ~~₦48,000,000.00~~ (i.e. RSA3 in Fund3 – ~~₦28,000,000.00~~ & RSA4 in Fund 3 – ~~₦20,000,000.00~~)
- c) Debit GNTP – ~~₦48,000,000.00~~ (i.e. Total Inflow – Total Outflow)
- d) Transfer Control Account Unit Price @ ETD: 1.0000
- e) Transfer Control Account Unit Price @ ETD+4: 1.0986
- f) Overnight Call Rate: 6% p.a.

On ETD:

DR	RSA Transfer Control Account	₦48,000,000.00
CR	Fund 3 Investment Account	₦48,000,000.00

(being warehousing of outgoing RSA balances, invested under RSA Fund3).

On ETD+4:

DR	RSA Transfer Control Account	₦31,569.43
CR	Fund 3 Interest Payable Account	₦31,569.43

(being interest for funds in the RSA Transfer Control Account placed on overnight call for 4 days).

DR	Employee Account RSA 3	₦28,000,000.00
DR	Employee Account RSA 4	₦20,000,000.00
DR.	Interest Payable	₦ 31,569.43
CR	RSA Transfer Control Account	₦48,031,569.43

(being remittance of RSA transfer values to other PFAs with credit GNTP)

Assumption 3: Credit GNTP

(PFA is both RPFA & TPFA):

- a) Total Inflow: ~~₦48,000,000.00~~ (i.e. RSA3 in Fund3 – ~~₦28,000,000.00~~ & RSA4 in Fund3 - ~~₦20,000,000.00~~)
- b) Total Outflow: ~~₦25,000,000.00~~ (i.e. RSA1 in Fund2 – ~~₦5,000,000.00~~ & RSA2 in Fund3 – ~~₦20,000,000.00~~)
- c) Credit GNTP: ~~₦23,000,000.00~~ (i.e. Total Inflow – Total Outflow)
- d) Fund2 Unit Price @ ETD: 3.8906
- e) Fund2 Unit Price @ ETD+4: 3.9862
- f) Fund3 Unit Price @ ETD: 3.6796
- g) Fund3 Unit Price @ ETD+4: 3.8084

On ETD:

DR	Fund 3 Investment Transit Account	₦20,000,000.00
CR	Fund 3 Investment Account	₦20,000,000.00

DR	Fund 2 Investment Transit Account	₦5,000,000.00
CR	Fund 2 Investment Account	₦5,000,000.00

(being warehousing of the balances of outgoing RSAs invested in RSA Fund 3).

On ETD+4:

DR	Fund 3 Investment Transit Account	₦700,076.10
CR	Consolidated Transfer Transit Account	₦700,076.10

(being capitalization of returns on funds invested under RSA Fund 3, in favour of incoming RSAs).

DR	Fund 2 Investment Transit Account	₦122,860.23
CR	Consolidated Transfer Transit Account	₦122,860.23

(being capitalization of returns on funds invested under RSA Fund 2, in favour of incoming RSAs).

DR	RSA Transfer Allocation Account	₦23,015,127.02
CR	Consolidated Transfer Transit Account	₦23,015,127.02

(being receipt of Credit GNTP from other PFAs)

DR	Employee Account RSA 1	₦5,000,000.00
CR	Consolidated Transfer Transit Account	₦5,000,000.00
DR	Employee Account RSA 2	₦20,000,000.00
CR	Consolidated Transfer Transit Account	₦20,000,000.00

(being transfer values of outgoing RSAs)

DR	Consolidated Transfer Transit Account	₦48,838,063.35
CR	Employee Account RSA 3	₦28,488,870.29
CR	Employee Account RSA 2	₦20,349,193.06

(being allocation of transfer values to incoming RSAs).

DR	Fund 3 Investment Account	₦5,122,860.23
CR	Fund 2 Investment Transit Account	₦5,122,860.23
DR	Fund 3 Investment Account	₦20,700,076.10
CR	Fund 3 Investment Transit Account	₦20,700,076.10
DR	Fund 3 Investment Account	₦23,015,127.02
CR	RSA Transfer Allocation Account	₦23,015,127.02

(being the movement of transfer values of incoming RSAs to the applicable RSA Fund Investment Account)

Assumption 4: Credit GNTP

(PFA is only RPFA):

- a) Total Inflow: ~~₦48,000,000.00~~ (i.e. RSA3 in Fund3 – ~~₦28,000,000.00~~ & RSA4 in Fund 3 – ~~₦20,000,000.00~~)
- b) Total Outflow: ~~₦0.00~~
- c) Credit GNTP – ~~₦48,000,000.00~~ (i.e. Total Inflow – Total Outflow)

On ETD:

No General Ledger entries will be required as the PFA is only expecting inflows into RSA Fund 3 on ETD+4, and does not have any fund in its position as at ETD.

On ETD+4:

DR	RSA Transfer Allocation Account	₦48,031,569.43
CR	Consolidated Transfer Transit Account	₦48,031,569.43

(being receipt of Credit GNTP from other PFAs, in favour of incoming RSAs).

DR	Consolidated Transfer Transit Account	₦48,031,569.43
CR	Employee Account RSA 3	₦28,018,415.50
CR	Employee Account RSA 4	₦20,013,153.93

(being allocation of transfer values received to incoming RSAs).

DR	Fund 3 Investment Account	₦48,031,569.43
CR	RSA Transfer Allocation Account	₦48,031,569.43

(being the movement of transfer values of incoming RSAs to the applicable Investment Account).

Assumption 5: Zero GNTP

(PFA is neither receiving nor transferring):

- a) Total Inflow: ₦48,000,000.00 (i.e. RSA3 in Fund3 – ₦28,000,000.00 & RSA4 in Fund2 - ₦20,000,000.00)
- b) Total Outflow: ₦48,000,000.00 (i.e. RSA1 in Fund3 – ₦28,000,000.00 & RSA2 in Fund2 – ₦20,000,000.00)
- c) GNTP: N0.00 (i.e. Total Inflow – Total Outflow)
- d) Fund2 Unit Price @ ETD: 3.7685
- e) Fund2 Unit Price @ ETD+4: 3.8006
- f) Fund3 Unit Price @ ETD: 3.5091
- g) Fund3 Unit Price @ ETD+4: 3.5964

On ETD:

DR	Fund 3 Investment Transit Account	₦28,000,000.00
CR	Fund 3 Investment Account	₦28,000,000.00

(being warehousing of the balances of outgoing RSAs, invested in RSA Fund 3, in favour of incoming RSAs).

DR	Fund 2 Investment Transit Account	₦20,000,000.00
CR	Fund 2 Investment Account	₦20,000,000.00

(being warehousing of the balances of outgoing RSAs, invested in RSA Fund 3, in favour of incoming RSAs).

On ETD+4:

DR	Fund 3 Investment Transit Account	₦696,588.87
CR	Consolidated Investment Transit Account	₦696,588.87

(being capitalization of returns on funds invested under RSA Fund 3, in favour of incoming RSAs).

DR	Fund 2 Investment Transit Account	₦170,359.56
CR	Consolidated Investment Transit Account	₦170,359.56

(being capitalization of returns on funds invested under RSA Fund 2, in favour of incoming RSAs).

DR	Employee Account RSA 1	₦28,000,000.00
DR	Employee Account RSA 2	₦20,000,000.00
CR	Consolidated Investment Transit Account	₦48,000,000.00

(being transfer values of outgoing RSAs)

DR	Consolidated Investment Transit Account	₦48,866,948.43
CR	Employee Account RSA 3	₦28,505,719.92
CR	Employee Account RSA 4	₦20,361,288.51

(being allocation of transfer values to incoming RSAs)

DR	Fund 3 Investment Account	₦20,361,288.51
CR	Fund 3 Investment Transit Account	₦20,361,288.51

DR	Fund 2 Investment Account	₦8,335,300.36
CR	Fund 3 Investment Transit Account	₦8,335,300.36

DR	Fund 2 Investment Account	₦20,170,359.56
CR	Fund 2 Investment Transit Account	₦20,170,359.56

(being the movement of funds from Investment Transit Accounts to the applicable Investment Accounts)

4.0 Effective Date

This Circular shall take effect from 16 November, 2020.

5.0 Inquiries

All inquiries regarding this Circular shall be directed to the Director General, National Pension Commission.