



Implementing the Micro Pension Plan in Nigeria

Background

Legal Framework

- Section 2(3) of the Pension Reform Act (PRA) 2014 provides that employees of organizations with less than three employees as well as self-employed persons shall be entitled to participate under the Contributory Pension Scheme (CPS) in accordance with Guidelines issued by the National Pension Commission (PenCom)
- In pursuant to the above, PenCom introduced the Micro Pension (MP) Plan
 - an arrangement for extending pension coverage to the persons working in the informal sector through the CPS
 - The primary objective of the Plan is to provide retirement (old age) income to the targeted group

Operational Modalities of the Micro Pension Plan



● Registration

- Flexible and simplified process leveraging on technology
- Registration with a Pension Fund Administrator (PFA)
 - PFAs to open Retirement Savings Account (RSA) for the contributor
 - PFA to communicate a unique Personal Identification Number (PIN) to the MP contributor
- Minimum age for registration is 18 years
- Persons from 15 and below 18 years may be allowed in the future subject to approval/consent of their guardians

● Contributions

- Contributions shall be by cash deposit, electronically or through any payment instrument/platform approved by the Central Bank of Nigeria
 - Flexible contribution – could be daily, weekly, monthly or as may be convenient
- Every contribution shall be split into two portions:
 - 25% available for contingent withdrawal
 - 75% retained and managed exclusively for retirement benefits (old age income)

Operational Modalities of the Micro Pension Plan



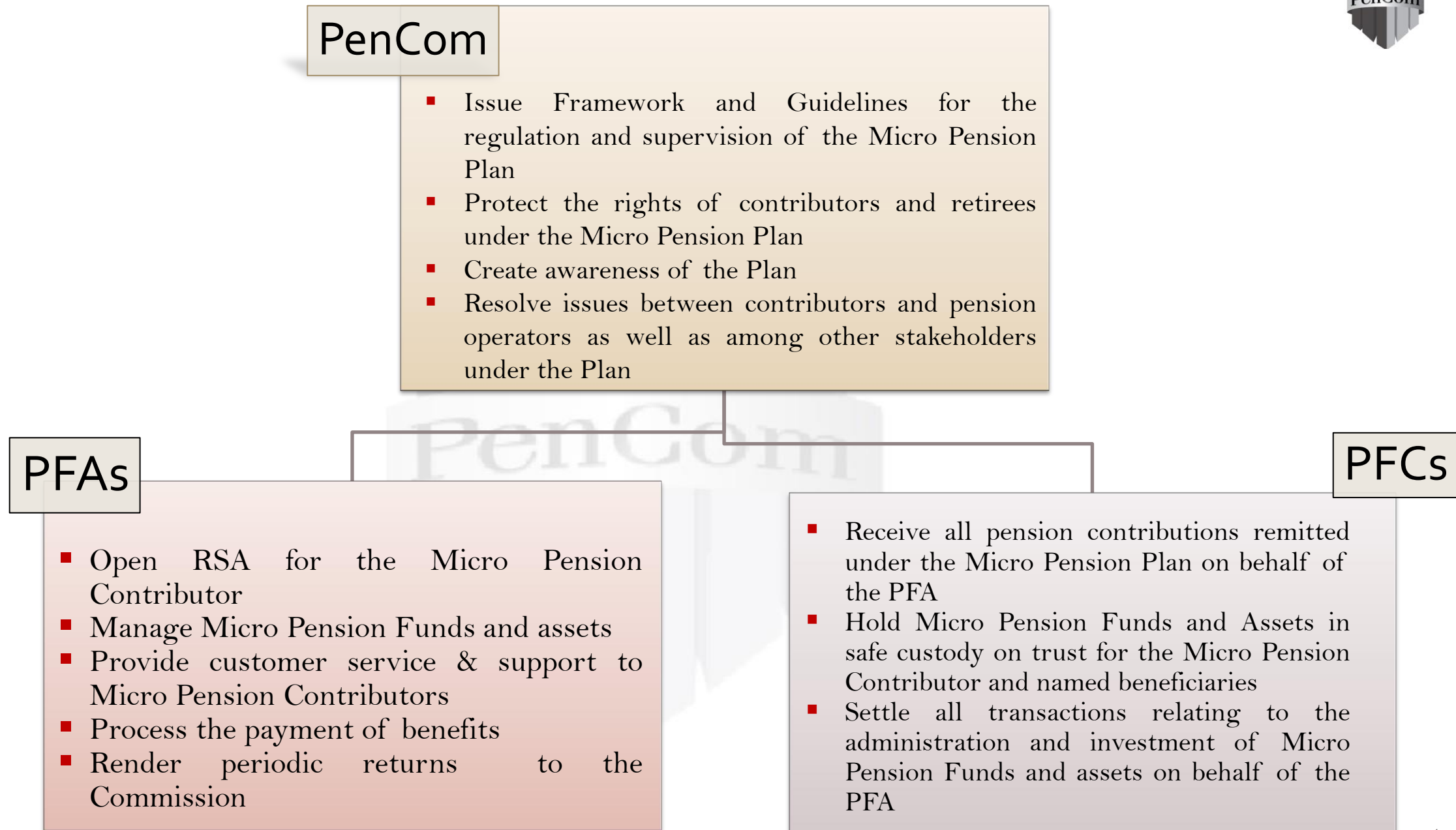
● Benefits Administration

- In accordance with the Regulation for the Administration of Retirement and Terminal Benefits issued by the Commission
 - Eligibility for retirement benefits is upon attaining the age of 50 years or on health grounds
- Access to benefits shall be as follows:
 - Contingent Withdrawal
 - Retirement Benefits Withdrawal
 - Deceased/Missing Persons

● Investment

- The Funds shall be invested in line with the Regulation on Investment of Pension Fund Assets
- Management fees shall be in accordance with the Regulation on Fees Structure issued by PenCom
- Investment and fees will be treated along the two splits of the contributions, namely:
 - Contingent and retirement assets

■ Institutional Framework of the Micro Pension Plan



Consumer Protection



- PenCom shall remain greatly involved in enhancing consumer protection in the Micro Pension Plan through its regulatory and supervisory responsibilities in the following areas:

Disclosure and Transparency

- PFAs shall issue simple, clear and standardized RSA statement that provides generic information about the products, the individual pension accounts and/or accrued entitlements in hard or electronic forms
- PenCom shall encourage disclosure of information on the type of investment, the risks involved and the investment returns

Financial Education and Awareness

- PenCom shall engage and promote financial education and awareness as part of a wider national Financial Inclusion Strategy
- PenCom shall ensure that all financial education programmes are tailored to also meet the needs of Micro Pension Contributors

Business Conduct of Pension Operators and Authorized Agents

- Pension services providers and their relevant agents shall be licensed, registered or approved by PenCom before they commence Micro Pension operations in Nigeria
- Where a third party is involved in the provision of Micro Pension products or services, PenCom shall ensure a comparable level of consumer protection

Complaint Resolution

- PenCom shall require PFAs to provide adequate complaints handling mechanisms
- PenCom shall monitor the effectiveness of such mechanisms and shall take appropriate supervisory action or impose sanctions where those mechanisms do not work properly
- PFAs would be mandated to properly disclose to members and beneficiaries' information about the complaints procedure and, where possible and deemed necessary, relevant information on the nature of the complaints resolved

Benefits and Incentives of the Micro Pension Plan



● Incentives

- Micro Pension (MP) Contributors shall have access to a portion of their RSA balances
- MP Contributors may qualify for Minimum Pension Guarantee provided they satisfy the requirements outlined in the Guidelines
- MP Contributors can access other incentives that may be provided by PFAs and approved by the Commission
- Conversion from main plan to MP and vice versa is allowed

● Benefits

- Provides access to pension for individuals not mandatorily covered under the CPS
- Contributions and access are easy and flexible
- Investment generates income for the contributors
- Contributions will be paid to the Next-Of-Kin in case of death
- On a secondary note, assets will be available for investment in national development projects

Check List

- Program being run as an initiative under the National Financial Inclusion Strategy (NFIS)
- Secured buy-in of NFIS implementing agencies and other critical stakeholders
- Developed draft Framework and Guidelines – almost finalized
- Working on supporting application for registration
- Classified prospective participants by income groupings
- Started awareness campaigns to major stakeholders
- Targeting trade unions and associations