



NATIONAL PENSION COMMISSION

Guidelines for Micro Pension Plan

2018

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1.0 Preamble

- 1.1 Section 2(3) of the Pension Reform Act, 2014 (PRA 2014) provides that employees of organizations with less than three employees as well as the self-employed persons shall be entitled to participate in the Contributory Pension Scheme in accordance with Guidelines issued by the Commission.
- 1.2 These categories of persons mainly in the informal sector constitute the vast majority of the working population in Nigeria and are not covered by any retirement benefit scheme. Accordingly, the Commission considers it necessary to develop the Guidelines for the implementation of the provisions of section 2(3) through a “Micro Pension Plan”. Micro Pension Plan refers to an arrangement for the provision of pensions to the self-employed and persons operating in the informal sector.

2.0. Definition of Terms

S/N	Term	Explanation
1	Informal Sector	For the purpose of these Guidelines, the informal sector refers to employees in business entities, organizations and/or persons that are not mandated to implement the Contributory Pension Scheme as provided in Section 2(1) of the Pension Reform Act, 2014.
2	Self-employed	A self-employed individual earns his/her income through conducting trade or business for him/herself.
3	Micro Pension Contributor (MPC)	A person who is registered under Micro Pension Plan.
4	Contributory Pension Scheme	The Contributory Pension Scheme established under Section 3(1) of the Pension Reform Act, 2014.

5	Micro Pension Fund (MPF)	This is a pool of contributions and all other assets under Micro Pension Plan.
6	Next of Kin (NOK)	An individual named by a Micro Pension Contributor as the contact person in the event whereby the Micro Pension Contributor is dead, missing or in emergency situations.
7	Named Beneficiary	An individual or any person who is legally entitled to receive or enjoy any benefit accruable to a deceased/missing Micro Pension Contributor.
8	Guaranteed Minimum Pension	A minimum amount that a Contributor under the Contributory Pension Scheme would earn as monthly pension in accordance with the Guidelines on Minimum Pension Guarantee.
9	Automated Finger Print Identification System (AFIS)	A biometric identification (ID) methodology that uses digital imaging technology to obtain, store and analyze fingerprints data.
10	Personal Identification Number (PIN)	Personal Identification Number is a number issued to an individual upon opening a Retirement Savings Account.
11	RSA Active Funds (Fund I, II and III)	The appropriate Fund in the Multi-fund Structure for persons in active service
12	Retirement	For the purpose of these Guidelines, retirement refers when participants make a formal declaration to stop work, provided that they are not less than 50 years of age.

3.0 Scope of the Guidelines

3.1 These Guidelines shall cover the following:

- a. Roles and responsibilities of stakeholders.
- b. Operational modalities for Micro Pension Plan.
- c. Minimum requirement for participation by licensed Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs).

4.0 Objectives of the Guidelines

4.1 These Guidelines are set out to achieve the following objectives:

- i. Set eligibility criteria for participation in Micro Pension Plan.
- ii. Establish the process of registration for prospective Micro Pension Contributors.
- iii. Define the process of making contributions by Micro Pension Contributors.
- iv. Provide the criteria for managing the Micro Pension Fund.
- v. Outline the modes of accessing benefits under Micro Pension Plan.
- vi. Define the mode of conversion from Micro Pension Plan to Mandatory Contribution.
- vii. Set the minimum ICT requirements for licensed Pension Fund Administrators and Custodians.

5.0 Roles and Responsibilities of Stakeholders

5.1 The roles and responsibilities of key Micro Pension stakeholders shall be as follows:

5.2 Micro Pension Contributor

5.2.1 The Micro Pension Contributor shall:

- a. Open a Retirement Savings Account (RSA) with any Pension Fund Administrator (PFA) of his/her choice.
- b. Make contributions into his/her RSA in accordance with these Guidelines.
- c. Request for RSA statement from his/her PFA.
- d. Update his/her RSA information on request.
- e. Appoint a Next of Kin.
- f. Choose the platform for making contributions.
- g. Decide to make contingent withdrawals.
- h. Choose the mode of accessing pension (Programmed Withdrawal or Annuity) from Micro Pension Plan.
- i. Demand for adequate customer service as provided in the Consumer Protection Framework issued by the Commission.

5.3 National Pension Commission

5.3.1 The National Pension Commission shall:

- a. Issue Framework and Guidelines for the regulation and supervision of Micro Pension Plan.
- b. Protect the rights of contributors and retirees under Micro Pension Plan.
- c. Create awareness by carrying out public enlightenment and education on the establishment, operations and management of Micro Pension Plan.
- d. Resolve issues between contributors and pension operators as well as among other stakeholders under the Plan.

5.4 Pension Fund Administrators (PFAs)

5.4.1 The PFAs shall:

- a. Open RSA for the Micro Pension Contributor.
- b. Manage Micro Pension Funds and assets in line with the Regulation on Investment of Pension Fund Assets issued by the Commission.
- c. Provide customer service support to Micro Pension Contributors.
- d. Process, approve and pay contingent benefits to Micro Pension Contributors.
- e. Process and pay retirement benefits to Micro Pension Contributors.
- f. Provide secure and suitable platforms for the remittance of contributions and payments of benefits under Micro Pension Plan.
- g. Request the Commission to approve other incentives for Micro Pension Plan.
- h. Render daily and monthly returns on the Micro Pension Fund and other periodic returns as may be required by the Commission from time to time.
- i. Conduct regular public awareness, enlightenment and education on Micro Pension Plan.
- j. Issue quarterly RSA statements to the Micro Pension Contributor.
- k. Carry out other functions on Micro Pension Plan as may be specified by the Commission from time to time.

5.5 Pension Fund Custodians (PFCs)

5.5.1 The PFCs shall:

- a. Receive all pension contributions remitted under Micro Pension Plan from the contributor on behalf of the PFA.
- b. Hold Micro Pension Funds and Assets in safe custody on trust for the Micro Pension Contributors and the beneficiaries of the RSAs.

- c. Settle all transactions relating to the administration and investment of Micro Pension Funds and assets on behalf of the PFA.
- d. Render returns to the Commission on matters relating to Micro Pension Plan assets being held by it on behalf of any PFA at such intervals as may be determined from time to time by the Commission.
- e. Provide secure and suitable platforms for the remittance of contributions and payments of benefits under Micro Pension Plan.
- f. Carry out other functions on Micro Pension Plan as may be directed by the Commission from time to time.

6.0 Operational Modalities for Micro Pension Plan

6.1 Eligibility for Participation

6.1.1 The following persons not below 18 years of age with source of income shall be eligible for participation in Micro Pension Plan under Section 2 (3) of the PRA 2014:

- a. Self-employed persons that belong to a Trade, Profession, Cooperative or Business Association.
- b. Self-employed persons with a business registration as a company, partnership or enterprise.
- c. Employees operating in the informal sector who work with or without formal written employment Contract.
- d. Other self-employed individuals.

6.1.2 Micro Pension Contributors shall be resident in Nigeria.

6.2 Registration

- a. A prospective Micro Pension Contributor shall be required to open a Retirement Savings Account (RSA) by completing a registration form with a PFA of his/her choice.

- b. The PFA will assign the appropriate Nature of Business (NOB) codes for the prospective Micro Pension Contributor as provided by the Commission.
- c. Electronic registration should be made available by all PFAs.
- d. PFAs shall electronically capture the applicant's ten finger prints and must pass the AFIS quality requirements specified in the Guidelines for the Registration of Contributors/Members issued by the Commission.
- e. Where the quality of the ten finger prints does not meet the required AFIS specification due to physical impairment, the PFA shall treat such prospective Micro Pension Contributor as physically/partially challenged and shall register such in line with the Guidelines for Registration of Contributors/Members issued by the Commission.
- f. The registration information shall be transmitted to the Commission electronically by the PFA to enable PIN generation.
- g. The PIN generated by the Commission shall be forwarded to the PFA immediately.
- h. The PFA shall forward the PIN to the Micro Pension Contributor.
- i. Registration shall also cover the "Customer Familiarity Index" (CFI) on Micro Pension Contributor.
- j. Any of the following valid means of identification shall be provided at the point of registration:
 - i. National Identification Number
 - ii. Permanent Voters Card
 - iii. Driver's License
 - iv. International Passport
- k. Any of the following documentation shall be provided at the point of registration:
 - i. Evidence of membership of a registered association, union or cooperative society

- ii. Certificate of business registration
 - iii. Certificate of incorporation
 - iv. Letter of employment
 - v. Bank Verification Number
- l. Other documentation as may be specified by the PFA.
- m. A Micro Pension Contributor may transfer his/her Retirement Savings Account from one PFA to another in line with the Regulations for the Transfer of RSA issued by the Commission.

6.3 Contributions

- a. Contributions shall be made in Nigerian currency (Naira).
- b. Micro Pension Contributors may make contributions daily, weekly, monthly or as may be convenient to them provided that contributions will be made in any given year.
- c. Every contribution shall be split into two comprising 40% for contingent withdrawal and 60% for retirement benefits.
- d. The amount of contribution shall be dependent on the Micro Pension Contributor's pension aspiration and financial capacity.
- e. Both PFAs and PFCs are required to inform the Economic and Financial Crime Commission of any single lodgment of ~~N~~5 Million and above.
- f. Contributions shall be made by cash deposit, electronically, through any payment instrument/platform or other financial service agents approved by the Central Bank of Nigeria.
- g. The PFC shall immediately advise the PFA upon receipt of value of contributions.
- h. Upon receipt of notification from the PFC, the PFA shall immediately notify the Micro Pension Contributor.
- i. PFAs shall charge a maximum administration fees of eighty naira (~~N~~80) for contributions of Four Thousand Naira (~~N~~4,000.00) and

above while a maximum administration fees of twenty naira (N20) shall be charged on RSAs for contributions below the sum of Four Thousand Naira (N4,000.00).

- j. There shall be no additional charges/costs other than what is specified in these Guidelines.
- k. The narration of the standing order shall include the contributor's PIN.
- l. In all cases the narration of the transfer shall include the contributor's PIN.
- m. Contributions received from political office holders and those on tenured employments other than those on contract appointments shall be treated in line with the Guidelines on Voluntary Contributions issued by the Commission.

6.4 Investment of Micro Pension Fund/Assets

- i. Contributions under Micro Pension Plan shall be managed as one fund known as the Micro Pension Fund (MPF).
- ii. The investment of the Fund shall be treated in line with the Regulation on Investment of Pension Fund Assets issued by the Commission.
- iii. Management fees shall be in accordance with the Regulation on Fees Structure issued by the Commission.

6.5 Benefit Administration

- 6.5.1 The participation of the informal sector in the Contributory Pension Scheme as provided by Section 2(3) of the PRA 2014 is primarily to provide for retirement benefits. Withdrawals/accessing benefits shall be two types reflecting the flexibility incorporated in the treatment of the contributions.

6.5.2 Contingent Withdrawal

- i. The Micro Pension Contributor shall be eligible to access the portion of his/her contribution available for withdrawal 3 months after making the initial contribution.
- ii. Subsequently, the Micro Pension Contributor can only make withdrawals once in a week from the balance of the contingent portion of the RSA.
- iii. The Micro Pension Contributor may withdraw the total balance of the contingent portion of his/her RSA including all accrued investment income thereto.
- iv. The Micro Pension Contributor may choose to convert the contingent portion of the contributions to the retirement benefits portion at the end of every year.
- v. The timeframe for processing and payment of contingent withdrawals shall not exceed two working days.
- vi. Payment shall be made only to the Micro Pension Contributor's designated bank account.
- vii. The PFA shall approve and pay all requests for contingent withdrawals.
- viii. The PFA shall notify the Commission of all payments made monthly.
- ix. Contingent withdrawals shall be subject to applicable tax laws in accordance with the provisions of Section 10(4) of the PRA 2014.
- x. At retirement, the Micro Pension Contributor has the option of transferring part/all of his outstanding balance on the contingent portion to his retirement benefits portion.

6.5.3 Retirement Benefits Withdrawal

- i. The Micro Pension Contributor shall be eligible to access pensions upon retirement and attaining the age of 50 years or on health

grounds in accordance with the Regulation for the Administration of Retirement and Terminal Benefits.

- ii. The Micro Pension Contributor shall be required to fill a Standard Retirement Notification Form at retirement.
- iii. The PFA shall inform Micro Pension retiree on the various options of accessing retirement benefits.
- iv. The Micro Pension retiree shall decide on the mode of accessing retirement benefits either through the Programmed Withdrawal or the Life Annuity.
- v. The Commission shall approve all Programmed Withdrawals, Life Annuity and exit payouts under Micro Pension Plan.
- vi. In the case of Programmed Withdrawal, the PFA and the retiree shall jointly execute a Programmed Withdrawal Agreement, stating the terms and conditions of the contract.
- vii. In the case of the Life Annuity, the insurance company and the retiree shall jointly execute the Annuity contract, stating the terms and conditions of the contract.
- viii. All payments for contingent and payments of pensions shall be made only to the contributor's/retiree's designated bank account through channels approved by the CBN.
- ix. Micro Pension Contributors shall be entitled to Guaranteed Minimum Pension provided they satisfy the provision of Section 84(1) of the PRA 2014 and the Guidelines on Minimum Pension Guarantee issued by the Commission.
- x. Where the total amount contributed is below the amount required to qualify for Minimum Pension Guarantee, the Micro Pension retiree shall be paid enbloc in accordance with the Regulation for the Administration of Retirement and Terminal Benefits.
- xi. Any contribution after retirement shall be treated as Voluntary Contributions (VC).

6.5.4 Deceased/Missing Persons

The processing of deceased/missing person's benefits under Micro Pension Plan shall be in line with the Regulations for the Administration of Retirement and Terminal Benefits issued by the Commission.

6.6 Conversion

6.6.1 Conversion from Micro Pension Plan to Mandatory Contribution

- a. The Micro Pension Contributor shall be eligible to participate under Section 2(1) of the Pension Reform Act, 2014 where he/she secures employment in the formal sector with an organization that has three (3) or more employees.
- b. The Micro Pension Contributor shall formally request for conversion, attaching all necessary documents specified in the Guidelines for the Registration of Contributors/Members issued by the Commission.
- c. The Micro Pension Contributor shall retain his/her existing RSA.
- d. Micro Pension Contributor may withdraw the total balance of the Contingent portion of his/her RSA prior to conversion.
- e. Where the Micro Pension Contributor chooses not to withdraw the contingent portion, the balance of his/her contingent portion shall be merged with the retirement benefits portion of his/her RSA prior to conversion.
- f. At conversion, the PFA shall move the Micro Pension Contributor's RSA balance to the appropriate fund under the Multi-fund Structure.
- g. Where an eligible Contributor fails/refuses to request for conversion to the mandatory contribution after one (1) month of receiving remittance from his/her new employer, the PFA shall automatically change the status of the contributor upon receiving the second remittance.

- h. The PFA shall notify the employer of the status of the RSA of the contributor.
- i. The PFA shall forward monthly returns on conversion to the Commission.

6.6.2 Conversion from Mandatory Contribution to Micro Pension Plan

Participants in mandatory contribution shall not be allowed to convert to Micro Pension Plan.

6.7 Returns

6.7.1 PFAs/PFCs shall render regular returns through the Risk Management and Analysis System (RMAS) and/or any other platform as specified by the Commission.

6.7.2 PFAs/PFCs shall also render the daily and monthly returns for the Micro Pension Fund.

6.7.3 PFAs/PFCs may be required to render other periodic returns.

7.0 Minimum Requirements for Participation by Licensed Pension Fund Administrators and Custodians

7.1 All PFAs/PFCs are required to meet the following minimum criteria:

7.1.1 Structure for Micro Pension

- i. PFAs/PFCs shall establish adequate structure for the effective and efficient operation of Micro Pension Plan.

7.1.2 ICT Requirement

- i. The minimum ICT requirements shall be in line with the ICT Guidelines issued by the Commission.
- ii. Notwithstanding 7.1.2(i) above, licensed PFAs/PFCs shall provide multi-channel platforms for registration, collection, customer service and benefit administration.

8.0 Reviews and Enquiries

8.1 Reviews

8.1.1 These Guidelines are subject to review by the Commission from time to time.

8.2 Enquiries

8.2.1 All enquiries regarding these Guidelines shall be directed to:

The Director General
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Wuse II
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