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REGULATION ON INVESTMENT OF PENSION FUND ASSETS

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National Pension Commission

About this Regulation

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The requirements of this Regulation are consistent with the provisions of the Pension Reform Act, 2004. The purpose of the Regulation is to provide uniform rules and standards for the investment of pension fund assets.

REGULATION ON INVESTMENT OF PENSION FUND ASSETS

- 1.0 Institutional Framework**
- 1.1 Pension Fund Custodians (PFCs) shall only take instructions from licensed Pension Fund Administrators (PFAs) on the investment and management of pension fund assets held in their custody, on behalf of the Contributors.
- 1.2 The PFCs in discharging their contractual functions to PFAs, shall not contract out the custody of pension fund assets to third parties, except for allowable investments made outside Nigeria, The PFC shall obtain prior approval from the Commission before engaging a global Custodian for such allowable foreign investments.
- 1.3 The PFAs in discharging their contractual functions to Contributors, shall not contract out the investment/management of pension fund assets to third parties, except for open/close-end/hybrid funds and specialist investment funds allowed by this Regulation.
- 1.4 PFAs shall maintain Active and Retiree Funds for the investment of pension fund assets of Retirement Savings Account (RSA) Funds, pending the approval of multiple funds by the Commission.
- 1.5 In addition to the requirements of other guidelines issued by the Commission on corporate governance practices and business ethics, each PFA shall establish an Investment Strategy Committee as well as a Risk Management Committee, in compliance with Section 66 of the Pension Reform Act, 2004.
- 1.6 The Investment Strategy Committee shall formulate internal investment strategies to enable compliance with the investment regulation issued by the Commission, taking into cognizance the macro-economic environment as well as the investment objectives and risk profile of the PFA. The internal investment strategies shall be reviewed by the PFA at least once every year.
- 1.7 The Risk Management Committee shall determine the acceptable risk profile of the investment portfolio, draw up risk assessment and

- measurement systems, monitor their portfolio against risk tolerance limits, as well as, all other functions relating to risk management to be determined by the PFA Board and the Commission, from time to time.
- 1.8 Each of the Committees in Sections 1.6 and 1.7 above shall have at least one Non-Executive Director with relevant skills and experience, as a member.
- 1.9 The Commission shall provide the necessary guidelines on the investment of Pension Fund Assets outside the territory of the Federal Republic of Nigeria as and when the need arises.
- 1.10 In this Regulation: -

'The Commission' means National Pension Commission.

'securities' mean negotiable instruments representing financial values; and may be debt or equity securities.

'securities exchange' means an exchange or an approved trading facility as defined in Section 315 of the Investment and Securities Act (ISA) 2007.

'State/Local Governments' means all State and Local Governments of the Federal Republic of Nigeria, including the Federal Capital Territory

Administration (FCTA), *which are listed in the Constitution of the Federal Republic of Nigeria.*

'primary market' means a market for new issues of securities wherein the proceeds of sales go to the issuer of the securities sold.

'secondary market' means a resale market where securities originally issued in the primary market are bought and sold.

'related persons' includes father, mother, child, brother, sister, uncle, aunt and cousins where applicable, their spouses and any other relationship that can be reasonably construed as related persons or a corporate entity where any of the aforementioned holds 5% or more beneficial interest.

'margin account' means a brokerage account in which the broker lends money to a customer to purchase securities.

'PRA 2004' means Pension Reform Act 2004.

'supra-national bonds' mean debt instruments issued by multilateral development finance organizations, of which Nigeria is a member.

Multilateral Development Finance Organizations' (MDFOs) mean organizations formed between three or more nations to work on development issues that relate to all the countries in the organization e.g. World Bank Group, African Finance Corporation, African Development Bank etc.

'PFAs' mean licensed Pension Fund Administrators, and include Closed Pension Fund Administrators (CPFAs).

'Pension Fund Assets' mean pension assets under management and custody with licensed pension operators.

'Bank' means a commercial or merchant bank licensed by the Central Bank of Nigeria.

2.0 General Principles

- 2.1 PFAs shall optimally invest pension fund assets with the objective of safety and maintenance of fair returns.
- 2.2 PFAs shall recruit and retain highly skilled personnel in their investment departments.
- 2.3 PFAs shall not invest Pension Fund Assets in instruments that are subject to any type of prohibitions

or limitations on the sale or purchase of such instrument, except for open/close-end/hybrid funds and specialist investment funds allowed by this Regulation.

- 2.4 PFAs shall not trade on margin accounts with pension fund assets.
- 2.5 A PFA shall not engage in borrowing or lending of pension fund assets.
- 2.6 PFAs shall not trade in financial instruments with pension fund assets at prices that are prejudicial to the pension fund assets.
- 2.7 Pension Fund Assets shall be invested only in eligible bonds/debt instruments issued by State/Local Governments and Corporate Entities that have fully implemented the Contributory Pension Scheme. The Commission shall provide periodic lists of compliant State/Local Governments and Corporate Entities.
- 2.8 The Commission attaches great importance to sound corporate governance practices in corporate entities or specialist investment funds seeking pension fund investments. Accordingly, PFAs are encouraged to take into consideration the following issues, amongst others, in corporate entities or specialist investment funds in which pension fund assets are to be invested :

- i. Rules governing the Board of the corporate entity or Fund.
- ii. Ongoing disclosure rules of material events in the corporate entity or Fund.
- iii. Adequate disclosures of the financial condition of the corporate entity or Fund, as stated in the annual financial statements, which must be audited by a reputable firm of chartered accountants.

3.0 Authorized Markets

- 3.1 All primary market investments by PFAs in ordinary or preference shares of eligible corporate entities shall only be through public offerings approved by the Securities & Exchange Commission (SEC).
- 3.2 All primary market investments by PFAs in bonds, debentures and other debt instruments (excluding Commercial Paper) issued by corporate entities shall be through public offering or private placement arrangements approved by SEC.
- 3.3 All primary market investments by PFAs in participation units of Open, Close-End, Hybrid Investment Funds and Specialist Investment Funds (REITs, Infrastructure and Private Equity), shall be through public offering or private placement arrangements approved by SEC.

3.4 All secondary market trading of pension fund assets, shall take place in a securities exchange, registered by SEC or a trading facility recognized by the Central Bank of Nigeria (CBN).

3.5 Exceptions to paragraph 3.4 of this Regulation are applicable when;

- a) Acquiring bonds and securities issued or fully guaranteed by the Federal Republic of Nigeria or CBN or eligible MDFO.
- b) Trading with participation units of Open/Closed-end or Hybrid Investment Funds on the memorandum list of a securities exchange registered by SEC or a trading facility recognized by CBN; or Specialist Investment Funds (Infrastructure and Private Equity), registered by SEC.
- c) Acquiring or trading in eligible securities of a corporate entity, which are proposed to be or already listed/quoted in an offshore securities exchange, based on prior approval by SEC.

4.0 Allowable Instruments

Pension fund assets shall be invested in the following allowable instruments:

- 4.1 Bonds, treasury bills and other securities (including bonds denominated in foreign currencies) issued by the Federal Government and CBN or agencies and companies owned by the Federal Government, provided that the securities are fully guaranteed by the CBN or Federal Government.
- 4.2 Bonds issued by **eligible** State and Local Governments or State Government Agencies or wholly owned companies, provided that such securities are fully guaranteed by Irrevocable Standing Payment Orders (ISPOs) or external guarantees by eligible banks or development finance institution or MDFOs.
- 4.3 Bonds, debentures, redeemable/convertible preference shares and other debt instruments issued by corporate entities, including asset backed securities and infrastructure bonds.
- 4.4 Ordinary shares of public limited liability companies listed on a securities exchange registered by SEC.
- 4.5 Money market instruments of banks and discount houses as well as Commercial Papers issued by corporate entities.
- 4.6 Open/Close-ended/Hybrid Investment Funds registered with SEC.
- 4.7 Real Estate Investments through Mortgage Backed Securities (MBS) and Real Estate Investment Trusts (REITs) registered by SEC.
- 4.8 Supranational Bonds issued by eligible MDFOs.
- 4.9 Private Equity Funds registered with SEC.
- 4.10 Infrastructure Funds registered with SEC.
- 4.11 Global Depositary Receipts/Notes (GDRs/Ns) and Eurobonds issued by listed Nigerian companies for their operations within Nigeria, as certified and approved by SEC.
- 5.0 Quality Of Instruments**
- 5.1 Rating Requirements**
- The following rating requirements shall apply:
- 5.1.1 State Government Bonds, Local Government Bonds, Corporate Bonds, Infrastructure Bonds, Supra-national Bonds and other allowable debt securities in which pension fund assets are to be invested shall have a minimum credit rating of **'A'** by, at least, **two** recognized Rating Companies.
- 5.1.2 Notwithstanding the provisions of Section 5.1.1, PFAs may invest not more than 20% of pension assets under management in State/Local

- Government Bonds, corporate bonds, infrastructure bonds, supranational bonds and other allowable debt securities, with credit rating of BBB by, at least, **two** recognized Rating Companies.
- 5.1.3 Any bank in whose money market instruments pension fund assets are to be invested shall have a minimum credit rating of **'BBB'** by at least **two** recognized Rating Companies. Whilst a discount house or corporate entity in whose money market instruments or commercial paper, respectively, pension fund assets are to be invested shall have a minimum credit rating of **'A'** by, at least, **two** recognized Rating Companies.
- 5.1.4 The minimum rating specified above shall be maintained throughout the tenor of the investments.
- 5.1.5 In the event of two Rating Companies giving different ratings on a particular instrument, issue or issuer, the lowest rating shall apply for purposes of determining the relevant maximum investment limits.
- 5.1.6 All ratings shall be undertaken by Rating Companies registered or recognized by the Securities and Exchange Commission (SEC).
- 5.1.7 If at any time an existing investment is no longer authorized as a result of credit rating downgrade, resulting in a new rating that is not more than one grade below the stipulated minimum, the pension fund may retain such investment to maturity.
- 5.1.8 If at any time an existing investment is no longer authorized, as a result of either a credit rating downgrade by more than one grade or for any other reason, the PFA shall forward its exit strategy to the Commission within 10 working days.
- 5.1.9 PFAs shall not rely only on ratings assigned by Rating Companies – these should be complementary to PFAs internal due diligence and analysis, before investment in any instrument or issuer.
- 5.2 Other Quality Requirements**
- 5.2.1 Pension Fund Assets can be invested in bonds/debt instruments issued by any State/Local Government or its agencies or wholly-owned companies as stipulated in Section 2.7, provided that such securities:
- i. Are approved by SEC.
 - ii. Meet the rating requirements in Section 5.1.1.
 - iii. Have legislated sinking funds backed by Irrevocable Standing Payment Orders (ISPOs) or external guarantee by a bank, development finance institution

or MDFOs acceptable to the Commission.

- iv. Where the bond/debt instrument is not backed by ISPOs, it shall have a legislated sinking fund backed by an Irrevocable Letter of Guarantee of Repayment of the instrument, supported with adequate Internally Generated Revenue and a trust arrangement with a reputable Trustee registered with SEC.
- v. Are currently traded or are trade-able on a securities exchange registered by SEC or trading facility recognized by CBN.

5.2.2 Pension Fund Assets can be invested in bonds, debentures, redeemable/convertible preference shares and other debt instruments issued by corporate entities, subject to the following conditions:

- i. They have been duly issued.
- ii. They meet the rating requirements in Section 5.1.1.
- iii. They have clearly defined term/maturity features, periodic and terminal payout.
- iv. Where such securities have any embedded options e.g. callable, puttable etc, they must be clearly stated in the offer document/prospectus.

- v. They are currently traded or are trade-able on a securities exchange registered by SEC or a trading facility recognized by CBN.

5.2.3 Pension Fund Assets can be invested in infrastructure projects through eligible bonds or debt securities, subject to the following requirements:

- i. The infrastructure project shall be:
 - awarded to a concessionaire through an open and transparent bidding process.
 - not less than N5 billion in value.
 - managed by concessionaire with good track record.
 - in accordance with and meet due process requirements of the Public Private Partnership (PPP) Policy, as certified by the Infrastructure Concession and Regulatory Commission (ICRC) and approved by the Federal Executive Council (FEC).
 - of the nature of core infrastructure, which includes roads, railways, airports, ports, power & gas pipelines (and related facilities), and other infrastructure projects that

may be approved by the Commission, from time to time.

- ii. The **bonds** or **debt instruments** issued to finance the infrastructure project shall in addition to the requirements of Section 5.2.2 above:
- have robust credit enhancements e.g. guarantees by the Federal Government or eligible bank/ development finance institution or MDFOs;
 - have a maturity date that is prior to the expiration of the concession; and
 - have a redemption procedure in the event of project suspension or cancellation.
- iii. Where infrastructure projects are financed through **Specialist Infrastructure Funds**, pension fund investments shall be subject to the following additional requirements:
- The Infrastructure Fund shall have well defined and publicized investment objectives and strategy as well as disclosures of pricing of underlying assets; annual financial statements audited by reputable firms of chartered accountants; and any other necessary information.
 - The Infrastructure Fund shall have satisfactory pre-defined liquidity/exit routes.
 - The Funds shall be managed by experienced Fund Managers, versed in infrastructure financing and registered with the SEC as Fund Managers.
 - The key Principals, namely the Chief Executive Officer (CEO) and Chief Investment Officer (CIO), of the Fund Manager shall have at least ten (10) years relevant experience in infrastructure financing; and shall not exit the Fund without prior notice to the Commission through the PFA. This 'exit clause' shall be expressly stated as a condition in the investment agreement/ covenant between PFA and Fund Manager.
 - The Fund Manager shall retain a minimum of 5% of the Infrastructure Fund.
 - The Funds have reputable development finance institutions or multilateral development finance organizations as co-investors. Alternatively, the Fund Manager shall have a minimum Investment Manager rating of 'BBB' issued by a rating company registered or recognized by SEC.

- A minimum of 75% of the Infrastructure Fund shall be invested in projects within Nigeria.
 - The Fund shall have an **Advisory Board** with independent representatives of institutional investors being in majority.
- 5.2.4 Pension fund assets can only be invested in ordinary shares of public limited companies if:
- i. The public limited liability company has made taxable profits and paid dividends/issued bonus shares for at least one year within the preceding five years.
 - ii. The issuing companies' shares are listed or quoted on a securities exchange registered by SEC.
- 5.2.5 Pension Fund Assets can be invested in the money market instruments of banks/discount houses and the commercial paper of corporate entities, based on the following conditions:
- i. The bank/discount house or corporate entity shall meet the rating requirements in Section 5.1.3.
 - ii. In the case of Bankers Acceptances (BAs) issued on behalf of a third party, they shall carry the full guarantee of the bank.
- iii. Where the investment is in a Commercial Paper (CP), it shall be in compliance with the CBN's guidelines on the issuance and treatment of BAs and CPs.
- 5.2.6 Pension Fund Assets can be invested in real estates, only through instruments such as Mortgage Backed Securities (MBS) and Real Estate Investment Trusts (REITS).
- 5.2.7 Such MBS in Section 5.2.6 above shall satisfy the following requirements:
- i. Meet the rating requirements in Section 5.1.1.
 - ii. The face value of the issue is not less than N1 billion.
 - iii. The market value of the mortgages securitizing the issued MBS shall not be lower than the ratio 1.3:1. Any shortfall in the value of the collateral can be made up by FGN Securities, with face value not exceeding 25% of the MBS.
 - iv. They are trade-able on a securities exchange registered by SEC.
 - v. The Promoters/Originators shall retain a minimum of 10% of the issue, which shall be maintained throughout the tenor of the issue.
 - vi. Make full disclosure of information on the Fund to investors, including corporate governance standards, pricing

of underlying assets and any information necessary for assessing inherent risks in each investment, including issues of title to land and properties.

5.2.8 Such REITs in Section 5.2.6 shall satisfy the following requirements:

- i. The Principals managing the REITs, namely, the Chief Executive Officer and Chief Investment Officer shall each have a minimum of 10 years relevant and continuous investment management experience, five years of which must have been in senior management positions.
- ii. The face value of the issue is not less than N1 billion.
- iii. The Prospectus shall specifically state that the securities shall be listed or have memorandum listing on a registered or recognized Securities Exchange.
- iv. The Promoters shall retain a minimum of 10% of the Fund.
- v. Make full disclosure of information on the Fund to investors, including corporate governance standards, pricing of underlying assets and any information necessary for assessing inherent risks in each investment, including issues of title to land and properties.

5.2.9 Pension Fund Assets can be invested in Asset Backed Securities (ABS), if the issuer and the securities meet the requirements stipulated in Section 5.2.7 above.

5.2.10 Pension Fund Assets can be invested in the investment certificates of Open, Closed-End or Hybrid Investment Funds if:

- i. The Fund has memorandum listing on a registered Securities Exchange.
- ii. The Promoters shall retain a minimum of 10% of the Fund. This shall however not apply to Open-end Funds.
- iii. The Principals managing the Funds, namely, the Chief Executive Officer and Chief Investment Officer shall each have a minimum of 10 years relevant and continuous investment management experience, five years of which must have been in senior management positions.
- iv. There are full disclosures of information on the Fund to investors including investment and risk management strategies, corporate governance standards, yearly audited financial statements, amongst others.

5.2.11 Pension Fund Assets can be invested in Private Equity Funds, subject to the following requirements:

- i. The Fund shall have well defined and publicized investment objectives and strategy as well as disclosures of pricing of underlying assets; annual financial statements audited by reputable firms of chartered accountants; and any other necessary information.
 - ii. The PE Fund Vehicle shall have satisfactory pre-defined liquidity/exit routes such as Initial Public Offers; Dividends; Sale to industry buyers; and use of buy-out instruments in investing in the underlying companies or projects.
 - iii. The Funds shall be managed by experienced Fund Managers, versed in PE investments and registered with the Securities and Exchange Commission (SEC) as Fund Managers.
 - iv. The key Principals, namely the CEO and CIO, of the Fund Manager shall have at least ten (10) years experience in PE investment and management of third party assets; and shall not exit the Fund without prior notice to the Commission through the PFA. This 'exit clause' shall be expressly stated as a condition in the investment agreement/covenant between PFA and Fund Manager.
 - v. The Fund Manager shall retain a minimum of 5% of the Fund.
 - vi. The Funds have reputable development finance institutions or multilateral development finance organizations as limited partners. Alternatively, the Fund Manager shall have a minimum Investment Manager rating of BBB issued by a rating company registered or recognized by SEC.
 - vii. A minimum of 75% of the Fund shall be invested in companies or projects within Nigeria.
 - viii. The Fund shall have an **Advisory Board** with independent representatives of institutional investors being in majority.
- 5.2.12 Pension Fund Assets can only be invested in supranational bonds and debt instruments if:
- i. The bonds/debt instruments meet the rating requirements in Section 5.1.1.
 - ii. The issue is approved by the CBN and SEC.
 - iii. A minimum of 75% of the proceeds are utilized for projects within Nigeria.
 - iv. The amount on issue shall not be less than N5 billion.
- 5.2.13 Pension Fund Assets can be invested in Global Depository Receipts/Notes (GDRs/Ns) and Eurobonds issued by Nigerian listed/quoted companies for their

- operations within Nigeria. The Commission will shortly issue guidelines on custody arrangements, valuation and reporting requirements.
- 6.0 Conflict of Interest Issues**
- 6.1 The PFA or any of its agents are prohibited from investing Pension Fund Assets in the shares or any other securities issued by the following:
- i. A Pension Fund Administrator.
 - ii. A Pension Fund Custodian.
 - iii. A shareholder, director or affiliate of the PFA or PFC holding Pension Fund Assets on its behalf.
 - iv. Affiliates of any shareholder of the PFA.
 - v. An employee of the PFA.
 - vi. The spouse or any relationship with persons referred to in (iii) to (v) of this paragraph that can be reasonably construed as a related person.
- 6.2 Exception to Section 6.1 shall only be PFA's investment in the money market instruments of an affiliate bank of the PFC holding pension fund assets on its behalf.
- 6.3 The PFA or any of its agents shall not sell Pension Fund Assets to the following:
- i. Itself.
 - ii. A Pension Fund Custodian
 - iii. Any shareholder, director or affiliate of the PFA or PFC holding pension fund assets on its behalf.
 - iv. Affiliates of any shareholder of the PFA.
 - v. Any employee of the PFA.
 - vi. The spouse or any relationship with persons referred to in (iii) to (v) of this paragraph that can be reasonably construed as a related person.
 - vii. The PFC holding Pension Fund Assets to the order of the PFA.
- 6.4 The PFA or any of its agents shall not:
- i. Apply Pension Fund Assets under its management by way of loans and credits, or as collateral for any loan taken by any person.
 - ii. Divulge or utilize confidential information regarding Pension Fund Assets investment decisions for any personal, corporate or related benefit.

6.5 Members of the Board, Chief Executive Officer and Chief Investment Officer of PFAs shall abstain from taking investment decisions in which they have conflict of interest.

6.6 Each PFA shall develop a framework and establish a Committee that would review Conflict of Interest Issues and render a quarterly report to the Commission in a format to be advised.

7.0 Investment Limits

This Section stipulates maximum investment limits for RSA ‘Active’ Funds only.

7.1 Global Portfolio Limit

7.1.1 Pension Fund Assets may be invested in bonds and other securities issued and fully guaranteed by the Federal Government of Nigeria or CBN up to 80% of pension assets under management.

7.1.2 Pension Fund Assets may be invested in bonds and other securities issued by **eligible** State

Governments and Local Governments subject to:

- i. Maximum portfolio limit of 20% of pension assets under management, where such bonds are backed by ISPOs or guarantees, as stipulated in Section 4.2.
- ii. Maximum portfolio limit of 3% of pension assets under management, where such bonds are not backed by ISPOs or guarantees, as stipulated in Section 4.2.

7.1.3 Pension Fund Assets may be invested in corporate bonds and debt instruments including ABS, MBS and infrastructure bonds, subject to a maximum portfolio limit of 35% of the pension assets under management, with a maximum of 15% being in infrastructure bonds.

7.1.4 Pension Fund Assets may be invested in money market instruments of banks/discount houses as well as the commercial papers of corporate entities, subject to a maximum portfolio limit of 35% of pension assets under management.

- 7.1.5 Pension Fund Assets may be invested in supra-national bonds issued by eligible multilateral development finance organizations, subject to a maximum portfolio limit of 20% of pension assets under management.
- 7.1.6 Pension Fund Assets may be invested in ordinary shares of corporate entities, subject to a maximum portfolio limit of 25% of pension assets under management.
- 7.1.7 Pension Fund Assets may be invested in Infrastructure Funds, subject to a maximum portfolio limit of 5% of pension assets under management.
- 7.1.8 Pension Fund Assets may be invested in Private Equity Funds, subject to a maximum portfolio limit of 5% of pension assets under management.
- 7.1.9 Pension Fund Assets may be invested in Open, Close-end and Hybrid Funds, including REITs, subject to a maximum portfolio limit of 20% of pension assets under management.

7.2 Special Overriding Limits

- 7.2.1 Not more than 10% of pension assets under management shall be invested in all instruments/securities (equity, money market and debt) issued by any one corporate entity.
- 7.2.2 PFAs shall ensure that not more than 35% of pension assets under its management are directly or indirectly invested in any one sector of the Nigerian economy.
- 7.2.3 For the purposes of Section 7.2.2 of this Regulation:
- i. Sectors are as classified by the Nigerian Stock Exchange (NSE).
 - ii. Direct investment to a given sector consists of all securities issued by corporate entities operating in that sector.
 - iii. Indirect investment to a given sector consists of all investments in other allowable investment funds in which pension fund assets are actually invested.

7.2.4 Without prejudice to Section 7.2.2, the following transitional arrangements shall apply:

- i. A maximum of 45% of pension fund assets under management can be invested in any one sector of the economy up to 30 June, 2012.
- ii. A maximum of 40% of pension fund assets under management can be invested in any one sector of the economy up to 30 June, 2013.
- iii. A maximum of 35% of pension fund assets under management can be invested in any one sector of the economy up to 30 June, 2014.

7.3 Per Issuer Limits

7.3.1 A maximum of 5% of pension assets under management may be invested in eligible bonds/debt instruments issued by any one State Government and Local Government.

7.3.2 A maximum of 5% of pension assets under management may be invested in eligible bonds, debentures, MBS, ABS,

infrastructure bonds and other debt instruments (excluding Commercial Paper) of any one corporate entity.

7.3.3 A maximum of 5% of pension fund assets under management may be invested in the supranational bond issues of any one multilateral development finance organization.

7.3.4 Pension fund assets may be invested in Certificates of Deposit and Bankers Acceptances of any one bank issued on its own behalf, which can be traded on any facility recognized by the CBN, subject to a maximum limit of 3% for a bank with credit rating of “BBB”; 4% for a bank with credit rating of “A”; and 5% for a bank with credit rating of “AA” and above.

7.3.5 A maximum of 3% of pension assets under management may be invested in the money market instruments of any one discount house.

7.3.6 A maximum of 5% of pension assets under management may be invested in all Commercial Paper issues of any one corporate entity.

7.3.7 Pension Fund Assets managed by a PFA may be invested in ordinary shares of any one corporate entity quoted on a securities exchange registered or recognized by SEC, subject to a maximum limit of 5% of pension assets under management.

7.3.8 A maximum of 5% of pension assets under management may be invested in all Infrastructure Funds issued by any one Fund Manager.

7.3.9 A maximum of 5% of pension assets under management may be invested in all Private Equity Funds issued by any one Private Equity Fund Manager.

7.3.10 A maximum of 5% of pension assets under management may be invested in all Open, Close end and Hybrid Funds, including REITs, issued by any one asset management company.

7.4 Per Issue Limits

7.4.1 Pension Fund Assets may be invested in bonds issued by a State/Local Government or its agency/fully owned company, subject to a maximum limit of 16%

of the issue for a bond with credit rating of 'BBB'; 18% of the issue for a bond with credit rating of 'A'; and 20% of the issue for a bond with credit rating of 'AA' and above.

7.4.2 Pension Fund Assets may be invested in eligible bonds including infrastructure bonds, debentures, MBS, ABS and other debt instruments issued by any corporate entity, subject to a maximum limit of 16% of the issue for a debt instrument with credit rating of 'BBB'; 18% of the issue for a debt instrument with credit rating of 'A'; and 20% of the issue for a debt instrument with credit rating of 'AA' and above.

7.4.3 Pension Fund Assets may be invested in supranational bonds or debt instruments issued by an eligible multilateral development finance organization, subject to a maximum limit of 16% of the issue for a bond with credit rating of 'BBB'; 18% of the issue for a bond with credit rating of 'A'; 20% of the issue for a bond with credit rating of 'AA and above'.

- 7.4.4 Pension Fund Assets may be invested in a Commercial Paper as provided in Section 5.2.5 (iii), subject to a maximum limit of 18% of the issue for an issuer with credit rating of 'A'; and 20% of the issue for an issuer with credit rating of 'AA' and above.
- 7.4.5 A PFA shall not purchase more than 4.5% of the issued ordinary share capital of any one corporate entity.
- 7.4.6 A PFA shall not purchase more than 20% of any one Infrastructure Fund.
- 7.4.7 A PFA shall not purchase more than 20% of any one Private Equity Fund.
- 7.4.8 A PFA shall not purchase more than 10% of any one Close/Open-end or Hybrid Investment Fund.
- 7.4.9 The overall maximum Investments Limits shall therefore be as follows:

	ASSET CLASS	GLOBAL PORTFOLIO LIMIT	PER ISSUER LIMIT	PER ISSUE LIMIT
1	Government Securities	FGN & CBN Securities: 80%	Maximum of 80% of total issue of FGN & CBN Securities	80% of the issue.
		State and Local Governments: i. 20%, if issue is backed by ISPOs/ Guarantees, as stipulated in Section 4.2. ii. 3%, if issue is not backed by ISPOs/ Guarantees, as stipulated in Section 4.2.	Maximum of 5% of pension assets under management in total issues of any one State or Local Government.	Based on the credit rating of the bond/debt instrument thus: i)Rating of BBB: 16% of the issue ii)Rating of A: 18% of the issue iii)Rating of AA & above: 20% of the issue

2	Corporate Bonds /Debt Securities (including ABS, MBS and Infrastructure Bonds)	35%, subject to a maximum of 15% in Infrastructure Bonds.	Maximum of 5% of pension assets under management in total issues of any one corporate entity.	Based on the credit rating of the bond/ debt instrument thus: i)Rating of BBB: 16% of the issue ii) Rating of A: 18% of the issue iii)Rating of AA & above: 20% of the issue
3	Supra-national bonds	20%	Maximum of 5% of pension assets under management in total issues of any one multilateral development finance organization.	Based on the credit rating of the bond/ debt instrument thus: i. Rating of “BBB”: 16% of the issue ii. Rating of “A”: 18% of the issue iii. Rating of “AA & above”: 20% of the issue
4	Money Market Instruments (including Certificates of Deposits; Bankers Acceptances; and Commercial Paper of corporate entities)	35%	I. Maximum investment of pension assets under management in all money market instruments issued by any one bank shall be subject to the issuer’s credit rating thus: i. Rating of “BBB”: 3% of pension assets under management ii. Rating of “A”: 4% of pension assets under management iii. Rating of “AA” & above: 5% of pension assets under management. II. A maximum of 3% of pension assets under management may be invested in all money	Applicable to Commercial Paper issues Only. Based on the credit rating of the corporate entity issuing the Commercial Paper thus: i. Rating of “A”: 18% of the issue ii. Rating of “AA & above”: 20% of the issue

			market instruments of any one discount house with a minimum rating of 'A'. III. For Commercial Paper, maximum of 5% of pension assets under management may be invested in total issues of any one corporate entity with a minimum rating of 'A'.	
5	Ordinary Shares	25%	Maximum of 5% of pension assets under management in any one corporate entity.	Maximum of 4.5% of the issued capital of any one corporate entity.
6.	Infrastructure Funds	5%	Maximum of 5% of pension assets under management to any one issuer.	Maximum of 20% of the value of any one Fund
6	Private Equity Funds	5%	Maximum of 5% of pension assets under management to any one issuer.	Maximum of 20% of the value of any one Fund
7	Open, Close-end and Hybrid Funds (including REITs)	20%	Maximum of 5% of pension assets under management to any one issuer.	Maximum of 10% of any one Fund.

8.0 Performance Benchmark

8.1 The quarterly and annual rates of return on all RSA Funds shall be publicly disclosed by the PFAs and the Commission.

8.2 The annual rates of return shall be based on the audited financial statements of the Funds and on a 3-year rolling average performance of the Fund.

8.3 The Commission shall issue further guidelines on performance measurements in the pension industry shortly.

9.0 RSA Retiree Fund

9.1 A Retiree Fund shall be maintained for RSA retirees who have chosen and are operating the Programmed Withdrawal Retirement option.

9.2 The general principles and criteria for investment of pension fund assets as outlined in **Sections 2.0 to 6.0** of this Regulation shall also apply to the RSA Retiree Fund.

9.3 The RSA Retiree Fund shall be invested in allowable instruments, as outlined below:

- i.) Bonds, treasury bills and other securities issued or fully guaranteed by the Federal Government or the Central Bank of Nigeria or eligible MDFOs.
- ii.) Bonds issued by State/Local Governments, with legislated sinking funds backed by ISPOs/Guarantees, as stipulated in Section 4.2.
- iii.) Bonds, debentures, redeemable preference shares and other debt instruments (including MBS, ABS and Infrastructure Bonds) issued by corporate entities.
- iv.) Bonds issued by multilateral development finance organizations, of which Nigeria is a member.

v.) Money market securities of banks/discount houses and eligible Commercial Paper issued by corporate entities.

vi.) Ordinary shares of companies listed/quoted on a securities exchange registered by SEC.

9.4 PFAs shall invest the pension fund assets of RSA Retiree Funds subject to the following maximum portfolio limits:

S/N	Asset Class	Maximum Portfolio Limit (as % of Assets Under Management)
1.	Bills and Bonds issued or guaranteed by FGN/CBN	80%
2.	Bonds issued by State/Local Governments & their agencies/wholly owned companies (backed by ISPOs/Guarantees, as stipulated in Section 4.2)	20%
3.	Corporate Bonds/Debt Securities (including MBS, ABS and Infrastructure Bonds)	35%
4.	Money market instruments of banks/discount houses and Commercial Paper of corporate entities	35%
6.	Supra-National Bonds	20%
7.	Ordinary Shares	10%

9.5 Per issuer and per issue limits for the RSA Fund, as outlined in Sections 7.3 and 7.4 of this Regulation, shall also apply to the RSA Retiree Fund.

9.6 The Performance Benchmark of the RSA Retiree Fund shall be in line with the RSA Fund, as provided in Section 8.0.

10.0 Violations of Investment Limits

10.1 Limits imposed by this Regulation may be temporarily violated in cases of asset revaluation. However, where such violation results from market appreciation in the value of securities, the PFA shall immediately notify the Commission and make no further purchases of such security until the portfolio is rebalanced.

10.2 If at any time a Pension Fund Administrator (PFA) willfully violates any of the investment limits so prescribed in Section 7.0 of this Regulation, the PFA may maintain the investments but shall not make any additional investments in that instrument until there is rebalancing due to increase in portfolio value. In addition, the PFA shall pay a penalty for violation of the approved limit, as determined by the Commission.

10.3 If a bank/discount house fails to fulfill the rating requirements stated in Section 5.1.2 of this Regulation, the PFA shall divest itself of all money market instruments issued by the bank within the following 3 months.

11.0 Voting Rights

11.1 PFAs shall observe due diligence and instruct the PFCs in the exercise of voting rights acquired as a result of Pension Fund Assets held on their behalf by PFCs. Guidelines in this regard would be issued by the Commission in due course.

12.0 Closed Pension Funds and Approved Existing Schemes

12.1 Pursuant to Section 39 (1) (f) of the PRA 2004, all investments made in assets prior to the commencement of the Act, which are contrary to Section 73 of the Act and this Regulation, by entities whose existing schemes have been approved to continue to exist by the Commission, may be maintained. This is, however, subject to any other regulations that may be made by the Commission.

12.2 CPFAs and Approved Existing Schemes may continue to invest in approved asset classes and securities (including real estate properties and foreign investments) provided that they do not exceed the investment limits specified in their internal investment guidelines as approved by the Commission.

12.3 Where a Closed Pension Fund or Approved Existing Scheme had invested up to the investment limit prescribed for that asset class in its internal investment guidelines, it may only make new investments in that asset class if there is portfolio

- growth to accommodate the additional investments.
- 12.4 CPFAs and Approved Existing Schemes may directly invest in real estate properties, subject to their internal investment guidelines and Guidelines on Direct Real Estate Investments issued by the Commission.
- 12.5 CPFAs and Approved Existing Schemes operating defined contribution schemes may maintain separate Funds for Existing and Retired employees, which should be reflected in the
- internal investment guidelines approved by the Commission.
- 12.6 Any amendment(s) to the internal investment guidelines of a CPFA/Approved Existing Scheme shall have prior approval by the Commission before implementation.
- 13.0 Reviews**
- 13.1 This Regulation is subject to regular reviews by the Commission.