



NATIONAL PENSION COMMISSION

Framework for Micro Pension Plan

2018

Table of Contents

1.0	Introduction.....	3
2.0	Purpose	3
3.0	Scope of the Framework	4
4.0	Strategies for Securing Participation in Micro Pension Plan	4
4.2	Awareness Campaign	4
4.3	Collaboration	5
4.4	Provision of Incentives.....	5
5.0	Operational Modalities for Micro Pension Plan	6
5.2	Registration.....	6
5.3	Contribution.....	6
5.3.1	Frequency of Contributions	6
5.3.2	Segregation of Contribution	6
5.3.3	Remittance of Contribution	7
5.4	Benefits Administration.....	7
5.4.1	Eligibility to Access Pensions	7
5.4.2	Withdrawals.....	7
5.5	Conversion	8
5.5.1	Conversion from Mandatory Contribution to Micro Pension Plan.....	8
5.5.2	Conversion from Micro Pension Plan to Mandatory Contribution.....	8
5.6	Investment.....	9
5.7	Returns	9
6.0	Minimum Requirements for Participation by Licensed Pension Fund Administrators and Custodians	9
7.0	Reviews and Enquiries	9
7.1	Reviews	9
7.2	Enquiries.....	9

1.0 Introduction

- 1.1 The provisions of the Pension Reform Act 2014 (PRA 2014) applies to all employees in the Public Service of the Federation, Federal Capital Territory, States and Local Governments and the Private Sector Organizations in which there are three or more employees. However, Section 2(3) of the Act 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 in accordance with Guidelines issued by the Commission. The categories of persons referred to in Section 2(3) of the PRA 2014 constitute the vast majority of the working population.
- 1.2 Most of the workers defined in Section 2(3) are not covered by any retirement benefit scheme as the nature of their employment has made access to a structured pension system a challenge; hence, the need to extend coverage of the Contributory Pension Scheme to them. Accordingly, the Commission considers it necessary to develop a framework for the implementation of the provisions of Section 2(3) through a “Micro Pension Plan”. Micro Pension Plan shall refer to an arrangement for the provision of pension to the self-employed and persons operating in the informal sector through the Contributory Pension Scheme. The primary objective of Micro Pension Plan is to provide retirement benefits to the Micro Pension Contributor.

2.0 Purpose

- 2.1 The objective of this Framework is to identify the operational structures for the implementation of Section 2(3) of the PRA 2014.

3.0 Scope of the Framework

3.1 The Framework consists of the following three broad areas:

- i. Strategies for securing participation in Micro Pension Plan.
- ii. Operational modalities for Micro Pension Plan.
- iii. Minimum requirements for participation by licensed Pension Fund Administrators and Custodians.

4.0 Strategies for Securing Participation in Micro Pension Plan

4.1 The Commission shall develop strategies for securing informal sector participation in Micro Pension Plan. These strategies shall be, but not limited to the following:

4.2 Awareness Campaign

4.2.1 The Commission shall:

- i. Utilize various channels of communication in educating the public on Micro Pension Plan. The channels may include print, electronic, social and digital media among others.
- ii. Organize periodic town hall meetings with Unions, Associations and Cooperatives to educate members, proffer clarifications and address concerns on Micro Pension Plan.
- iii. Organize trainings for leaders of Unions, Associations and Cooperatives to be Micro Pension champions to coach and enlighten their members.
- iv. Organize awareness and sensitization programmes for students in tertiary institutions

4.3 Collaboration

4.3.1 The Commission shall collaborate with various stakeholders and organizations that interact with the Micro Pension Contributors. Collaboration would include awareness, promotion of financial inclusion, information sharing etc. These groups include, among others, the following:

- i. Leadership of Unions, Associations and Cooperatives across the country.
- ii. Professional Bodies and Non-Governmental Organizations to help secure their buy-in.
- iii. Government Agencies and Organizations especially in promoting financial inclusion and social security.
- iv. Community Leaders and Religious Organizations.
- v. Any other relevant stakeholder.

4.4 Provision of Incentives

- i. Micro Pension Contributors shall have access to a portion of their RSA balance.
- ii. Micro Pension Contributors may qualify for Minimum Pension Guarantee provided they satisfy the requirement outlined in the Guidelines on Minimum Pension Guarantee.
- iii. PFAs may request the Commission to approve other incentives for Micro Pension Plan.

5.0 Operational Modalities for Micro Pension Plan

5.1 The following processes shall be applicable to Micro Pension Plan:

5.2 Registration

5.2.1 The minimum age for registration under Micro Pension Plan shall be 18 years. Registration under Micro Pension Plan shall be through the completion of the Retirement Savings Account (RSA) Opening Form in line with the Guidelines for the Registration of Contributors/Members issued by the Commission.

5.2.2 Registration should also cover “Customer Familiarity Index” (CFI) on the Micro Pension Contributor.

5.3 Contribution

5.3.1 Frequency of Contributions

5.3.1.1 The income of most persons targeted for Micro Pension Plan is usually irregular. It is therefore necessary to make contributions flexible. Accordingly, the frequency of remittance of contributions could be daily, weekly, monthly or as may be convenient to the Micro Pension Contributor provided that contributions will be made in any given year.

5.3.2 Segregation of Contribution

5.3.2.1 Due to the nature of the target groups, there is need to allow access to a portion of the balances in the Retirement Savings Account. Therefore, every contribution shall be split into two portions:

1. 40% available for contingent withdrawal.

2. 60% retained and managed exclusively for retirement benefits.

5.3.3 Remittance of Contribution

- 5.3.3.1 The remittance of contributions shall be in the Nigerian currency. It shall be by cash deposit, electronically, through any payment instrument/platform or other financial service agents approved by the Central Bank of Nigeria.

5.3.4 Amount of Contribution

- 5.3.4.1 The amount of contribution shall be dependent on the Micro Pension Contributor's pension aspiration and financial capacity. However, contributions being made may be subject to relevant or applicable laws in accordance with the provisions of Section 10(4) of the PRA 2014.

5.4 Benefits Administration

5.4.1 Eligibility to Access Pensions

- 5.4.1.1 A Micro Pension Contributor shall be eligible to access his/her retirement benefits upon attaining the age of 50 years or on health grounds in accordance with the Regulation for the Administration of Retirement and Terminal Benefits.

5.4.2 Withdrawals

- 5.4.2.1 Accessing benefits shall be as follows:

1. Contingent Withdrawal:

The Micro Pension Contributor shall be allowed to make withdrawals from the contingent portion of his/her Retirement

Savings Account. Such withdrawals shall be in line with the Guidelines for Micro Pension Plan.

2. Retirement Benefits Withdrawal

Upon retirement, the Micro Pension Contributor shall have access to the portion of his/her contributions exclusively available for payment of retirement benefits.

The withdrawal options are Programmed Withdrawal and Life Annuity in accordance with the provisions of Section 7(1) (b) & (c) of PRA 2014 and the Regulation for the Administration of Retirement and Terminal Benefits.

3. Deceased/Missing Persons:

Accessing a deceased/missing person's Retirement Savings Account and withdrawal therefrom shall be in line with the Regulations for the Administration of Retirement and Terminal Benefits issued by the Commission.

5.5 Conversion

5.5.1 Conversion from Mandatory Contribution to Micro Pension Plan

5.5.1.1 Conversion from mandatory contribution to Micro Pension Plan shall not be allowed.

5.5.2 Conversion from Micro Pension Plan to Mandatory Contribution

5.5.2.1 A Micro Pension Contributor shall be eligible to participate under Section 2(1) of the Pension Reform Act, 2014.

5.6 Investment

1. Micro Pension contributions shall be treated as the Micro Pension Fund (MPF). However, the contributions shall be split into two portions: 60% retained for pensions and 40% available for contingent withdrawals.
2. Investment of the Fund shall be treated in line with the Regulation on Investment of Pension Fund and Assets issued by the Commission.

5.7 Returns

- 5.7.1 All licensed Pension Fund Administrators and Custodians shall be required to render periodic returns on the operations of Micro Pension Plan.

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

- 6.1 Only institutions (PFAs/PFCs) licensed by the Commission shall register, manage and keep custody of assets or provide other services relating to Micro Pension Plan.

7.0 Reviews and Enquiries

7.1 Reviews

This Framework is subject to review by the Commission from time to time.

7.2 Enquiries

All enquiries regarding this Framework shall be directed to:

The Director General
National Pension Commission
174, Adetokunbo Ademola Crescent
Wuse II
Abuja–Nigeria

Email: info@pencom.gov.ng

Tel: +234-9460-3930