



NATIONAL PENSION COMMISSION

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To: MDs/CEOs of All Licensed Pension Operators

Dear Sir/Madam,

IMPLEMENTATION GUIDELINES ON RETIREMENT SAVINGS ACCOUNT (RSA) MULTI-FUND STRUCTURE

Please, recall that the Multi-Fund Structure for Retirement Savings Account (RSA) is expected to be effective from Monday, 2 July, 2018.

Accordingly, please, find attached the Implementation Guidelines on Retirement Savings Account (RSA) Multi-Fund Structure, which had incorporated feedback from Licensed Pension Operators.

Please, do not hesitate to contact the undersigned, should you require any further clarifications.

Thank you.

Yours faithfully,

Ehimeme Ohiona
Head, Investment Supervision Department



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IMPLEMENTATION GUIDELINES ON RETIREMENT SAVINGS ACCOUNT (RSA) MULTI-FUND STRUCTURE

1.0 Introduction

The Pension Reform Act (P.R.A.) 2014 introduced the Defined Contribution Pension Scheme. This is a mandatory pension system in which the longevity and investment risks are borne by the Contributors, unlike the Defined Benefit Scheme where the Employer bears both risks. The Multi-Fund Structure for RSA Funds otherwise known as the Life-Cycle Investment Structure, was conceived by the Commission to align contributors' risk appetite with their investment horizon, at each stage of their life cycle.

The main objectives of the RSA Multi-Fund Structure include the following:

- i. Achieve optimum returns for contributors by aligning their pension savings with their individual risk/return profiles.
- ii. Provide investment portfolio choices to contributors.
- iii. Enhance safety of pension assets through adequate portfolio diversification.

2.0 Implementation Modalities

The implementation modalities outlined herein, are not exhaustive but meant to provide some guidance for PFAs in the establishment and operation of the various Funds under the RSA Multi-Fund Structure.

2.1 Pre-implementation Activities / Audit of RSA 'Active' Fund

- i. PFAs shall conduct an internal review of the total accounting units of the RSA 'Active' Fund as reported in the Valuation Report and compare with total number of accounting units in individual RSA of members, to ensure that the two records are the same.
- ii. Where the figures do not agree, the PFA should reconcile the figures and make necessary adjustments where required, and report to the Commission, accordingly.
- iii. PFAs shall engage the services of external auditors to conduct a pre-implementation confirmation of item 2.1 (i) above.
- iv. The "cut-off" date for the audit shall be **31 May, 2018**.

2.2 Creation of Funds

PFAs shall create and maintain four RSA Funds as follows:

- i. Fund I: For Contributors that are 49 years and below (by choice).
- ii. Fund II: Default Fund for all Active Contributors that are 49 years and below.
- iii. Fund III: Default Fund, strictly for Active Contributors that are 50 years and above.
- iv. Fund IV: Retiree Fund

2.2.1 Implementation and Take-off Date of Multi-Fund Structure

On the effective take-off date of the RSA Multi-Fund Structure, which is 2 July 2018, the following shall apply:

- i. All active Contributors aged 49 years and below, shall remain in Fund II, which is the current RSA Active Fund.
- ii. All active Contributors aged 50 years and above, shall be moved to Fund III, at a nominal unit price of ₦1.0000.

- iii. All existing Retirees shall remain in Fund IV.
- iv. Any transfers to Fund I, shall be upon the sole request of the RSA holder, and shall be at a nominal unit price of ₦1.0000.

2.2.2 Fund I

- i. The nominal VAUF (Unit Price) shall be ₦1.0000 at the commencement (take-off) date.
- ii. PFAs shall redeem units from the RSA 'Active' Fund in respect of contributors that are 49 years and below, who have formally applied to move to Fund I. The Naira value of the balance in their RSAs shall be transferred to purchase units in Fund I at the nominal Unit Price of ₦1.0000 on the effective take-off date (1st day of effective implementation of the Multi-Fund Structure).
- iii. Subsequent entrants into Fund I after the take-off date shall buy into the Fund at the Value of an Accounting Unit of the preceding day.
- iv. The fees on Fund I shall be computed based on Net Assets Value of the Fund. The Asset Based Fees shall be accrued daily and charged to the Fund at end of every month, subject to approval of the fee invoice by the Commission.

2.2.3 Fund II

- i. This is the current RSA 'Active' Fund and shall be known as "Fund II". This is the default Fund for contributors that are within the age bracket of 49 years and below.
- ii. Fund II shall continue to maintain the Value of an Accounting Unit (VAUF) of the current RSA 'Active' Fund, which is computed on the basis of the Net Assets Value and the total number of Accounting Units outstanding.

- iii. Members of Fund II (49 years and below) are allowed to move to Fund I, based on a formal application. Members of Fund II who are not 50 years and above shall not be allowed to move to Fund III.
- iv. The fees on Fund II shall be computed based on Net Assets Value of the Fund. The Asset Based Fees shall be accrued daily and charged to the Fund at the end of every month, subject to approval of the fee invoice by the Commission.

2.2.4 Fund III

- i. PFAs shall redeem units from the RSA 'Active' Fund (Fund II) in respect of Contributors that are 50 years and above (as at their last birthday) into Fund III. The total Naira value redeemed in Fund II shall be transferred to purchase units in Fund III at a nominal Unit Price of ₦1.0000 on the effective take-off date.
- ii. New entrants into Fund III after the take-off date shall buy into the Fund at the Value of an Accounting Unit of the preceding day.
- iii. Members of Fund III (50 years and above) shall not be allowed to move to Fund I. However, members of Fund III can move to Fund II, if they so wish.
- iv. The fees on Fund III shall be computed based on Net Assets Value of the Fund. The Asset Based Fees shall be accrued daily and charged to the Fund at end of month, subject to approval of the fee invoice by the Commission.

2.2.5 Fund IV

PFAs shall maintain the RSA Retiree Fund to be known as "Fund IV". Fund IV shall continue to be maintained in accordance with the Guidelines on Retiree Fund.

- i. Active Contributors (members of Funds I, II and III) are not eligible to buy into Fund IV, except upon retirement.
- ii. Members of Fund IV are not allowed to move out of the Fund.
- iii. Fees on Fund IV shall continue to be Income Based Fees.

2.3 Contributors that wish to move to a new Fund shall do so in accordance with Section 7.3 of the Regulation on Investment of Pension Fund Assets dealing with Active Choices. RSA Holders shall be required to indicate their choice in writing to the PFA. The PFA shall thereafter transfer / buy into the indicated Fund at the opening Value of an Accounting Unit of the Fund on the date of transfer.

2.4 A Contributor may migrate from one Fund to another a maximum of twice in a calendar year. The first transfer in a calendar year shall be at no cost to the Contributor, while any subsequent transfer in the same calendar year shall be at a flat rate of ₦1,000.00.

2.5 PFAs shall maintain proper books of account on all the Funds in accordance with the Fund Accounting Guidelines issued by the Commission.

3.0 Contributor Awareness / Sensitization

- 3.1** PFAs shall be required to conduct pre and post implementation sensitization of contributors on the RSA Multi-Fund Structure. This would be a coordinated campaign by the industry via workshops, radio, newspapers, newsletters, websites and other social media platforms. Further details on the sensitization campaign would be communicated in due course.
- 3.2** PFAs shall be required to provide RSA Statements to all RSA holders who automatically default to Fund III upon the implementation of the RSA Multi-Fund Structure. The statements should reflect the RSA balance as at the day after the transfer to the new Fund.
- 3.3** However, for RSA holders who exercise an active choice to move to another Fund, the PFAs shall be required to notify him/her subsequent to the migration from one Fund to another. The notification shall contain the following salient information:
- i. Date of Transfer
 - ii. Opening Value of Accounting Unit of the Fund on the Date of Transfer
 - iii. Number of Accounting Units of the RSA Holder on the Date of Transfer
 - iv. Opening Value of the RSA Account Balance of the RSA Holder on the Date of Transfer
 - v. Number of Accounting Units purchased on behalf of the RSA Holder on the Date of Transfer
 - vi. Closing Value of RSA Account Balance of the RSA Holder on the Date of Transfer

4.0 Valuation – Movement of Assets & Types of Assets

4.1 The transfer of pension assets between the various Funds shall be in accordance with the provisions of the Regulation on Valuation of Pension Fund Assets and any subsequent circulars issued in this regard.

4.2 The following assets shall be transferred based on the following:

S/N	Asset	Valuation Methodology
1	Quoted Ordinary Shares	NSE Daily Official List
2	FGN/States/Corporate Bonds	Marked-to-Market
3	Money Market Instruments	Principal + Accrued Interest
4	Alternative Assets (Private Equity and Infrastructure Funds)	Last quarterly Valuation Report of the respective Fund Managers

5.0 Transition Period and Reporting Requirements

5.1 There shall be a transition period of 6 months, effective from the commencement date of the Multi-Fund Structure, for all PFAs to restructure their respective portfolios.

5.2 PFAs shall create two additional Funds (Fund I & Fund III) on the Risk Management & Analysis System (RMAS). Applicable Fund Codes and Scheme Associations shall be advised by the Commission, prior to take-off.

5.3 Rendition of Valuation reports on the RSA Multi-Funds shall continue to be on a daily basis.

5.4 The investment of pension fund assets in the various Funds shall be in accordance with the Regulation on Investment of Pension Fund Assets, issued by the Commission.

6.0 Custody Arrangements

- 6.1 The custody of pension fund assets in Funds I - III shall remain with one Pension Fund Custodian.
- 6.2 However, the custody of pension fund assets in Fund IV can be with a different Pension Fund Custodian.
- 6.3 This arrangement shall suffice until otherwise directed by the Commission.

7.0 Effective Commencement Date

The tentative effective take-off date of the RSA Multi-Fund Structure shall be **2 July 2018**.