



FRAMEWORK FOR THE ESTABLISHMENT OF ADDITIONAL BENEFITS SCHEMES UNDER THE CONTRIBUTORY PENSION SCHEME

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National Pension Commission

About the Framework

The Framework for the Establishment of Additional Benefits Scheme (ABS) under the Contributory Pension Scheme (CPS), is divided into Eight (8) sections.

Section One gives a brief background and legal basis for the establishment of ABS. Section Two sets out the requirements for establishing an ABS under the CPS and obtaining the approval of the Commission.

Reporting requirements are discussed in Section Three, while Section Four discussed audit/ actuarial valuation fees.

Amendments to Trust Deeds and Rules of the Scheme were discussed in Section Five and Section Six focused on Dispute Resolution.

Section Seven sets out the procedure for Termination/ Winding up of the Scheme and Section Eight provides for Review and Inquiries on the Framework.

The requirements of this Framework are consistent with the provisions of the Pension Reform Act 2014.

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1.0 Introduction

1. Section 4 (4) (a) of the Pension Reform Act (PRA), 2014 allows the payment of additional benefits to employees upon retirement by their employers. In addition, Sections 54 and 56 of the PRA 2014 permits only institutions licensed by the National Pension Commission (the Commission) to hold and manage pension funds and assets, while Section 59 stipulates minimum penalties for contravening Sections 54 and 56 of the PRA 2014.
2. In line with the above, employers may set up ABS to allow for the payment of additional benefits to its employees upon exit from the services of the employers.
3. The ABS under the CPS shall be managed by Licensed Pension Fund Administrator(s) (PFAs), and the assets kept in the custody of Licensed Pension Fund Custodian(s) (PFCs), in line with the provisions of the PRA 2014 and subject to the Commission's approval.
4. Accordingly, this Framework is issued to outline the modalities for the establishment and management of ABS by employers, in complementing the retirement benefits of their employees under the CPS.

1.1 Definition of Terms

SN	TERM	DEFINITION
1	The Commission	The National Pension Commission.
2	Pension Fund Administrator	Any corporate entity licensed by the Commission to manage pension funds and assets.
3	Pension Fund Custodian	A company licensed by the Commission for the sole purpose of holding all pension funds and assets in trust for employees, as well as beneficiaries of Retirement Savings Accounts and other retirement benefit schemes.
4	Pension Reform Act 2014	An Act of the National Assembly that established the Contributory Pension Scheme and makes provisions for its uniform implementation for the Public and Private Sectors in Nigeria and Related Matters.
6	Defined Benefits Scheme	A pension Scheme where pension obligation is borne by the employer based on predefined terms and conditions.
7	Defined Contributory Scheme	A pension plan in which an employer/employee contribute in varying percentages to build a retirement fund for the employee.

SN	TERM	DEFINITION
8	Pension Fund	A pool of savings accumulated during the working life of employees, to be paid out as pension when they retire.
9	Employer	Any person or organization that employs people (employee).

1.2 List of Abbreviations

S/N	Abbreviation	Meaning
1	ABS	Additional Benefits Scheme
2	CPS	Contributory Pension Scheme
3	PRA 2014	Pension Reform Act 2014
4	PFA	Pension Fund Administrator
5	PFC	Pension Fund Custodian
6	PMA	Portfolio Management Agreement

2.0 Establishment of Additional Benefits Scheme (ABS)

1. An employer that wishes to establish an ABS for its employees shall be required to show evidence of compliance with the provisions of the PRA 2014 in terms of up-to-date remittance of pension contributions for its employees, Group Life Insurance Cover for employees and execution of Portfolio Management Agreement (PMA) with PFA(s) of its choice.
2. An Employer may appoint one or more PFA(s) to manage its ABS.
3. Where an employer appoints more than one PFA, a lead PFA shall be appointed and the Commission informed of same.
4. The relationship between the Sponsor of Additional Benefits Scheme and the PFAs shall be governed by the provisions of a PMA to be executed by the Sponsor of the Scheme and all PFAs appointed to manage the Scheme. The Commission shall approve the PMA before execution.

5. PFAs shall not receive funds and manage any ABS until the following conditions are met:
 - i. Appointment of External Auditors to audit the Funds
 - ii. Submission of Trust Deed and Rules of the Scheme
 - iii. Submission of draft Portfolio Management Agreement (PMA) between the Trustees of the Scheme and the PFA(s)
6. A PFA shall ensure that all ABS under its management are approved by the Commission.
7. Pursuant to Clause 2.0(6) above, all requests for the approval of ABS shall be submitted to the Commission within 30 days from the appointment of the PFA or Lead PFA by the Trustees of the ABS.
8. The Lead PFA shall be responsible for submitting all applications for management fees as well as to harmonize and submit all reports on the Scheme to the Commission and employer.

2.1 Documentation Requirements

1. All employers eligible to establish ABS shall be required to forward the following documents to the Commission, through the Lead PFA, for review and approval:
 - a) Draft Portfolio Management Agreement between the employer and Pension Fund Administrator;
 - b) Where an employer has appointed more than one PFA, there shall be one Portfolio Management Agreement, jointly signed by the employer and all the PFAs of the Scheme;
 - c) A Trust Deed between the employer and the designated Trustees administering the Fund on its behalf. The Trust Deed, which shall be clearly distinct from the Rules of the Scheme, shall set out the following:
 - i. Appointment of Trustees
 - ii. Responsibility of Trustees

- iii. Responsibility of the Employers
 - iv. Termination of the Scheme, amongst others.
- d) The Rules of the Scheme, which shall be clearly distinct from the Trust Deed shall set out the following:
 - i. The Objective of the Fund;
 - ii. Eligibility criteria;
 - iii. Rate of contribution (where applicable);
 - iv. Mode of access and benefit entitlement, amongst others.
- e) Evidence that the employer's staff have opened RSAs indicating names of staff, their PFAs and their Personal Identification Numbers (PINs).
- f) Evidence of up to date remittance of pension contributions into the Retirement Savings Accounts of all its employees;
- g) Evidence that the employer maintains a Group Life Insurance Policy in favor of its staff as provided by Section 4(5) of the PRA 2014, or show evidence of an alternative arrangement in line with Section 4 (6) of the PRA 2014.
- h) Where the Scheme is an existing Defined Benefits Scheme, the employer shall be required to forward the latest Actuarial Valuation Report. In the event that the report indicates that the Scheme is in deficit, the employer shall undertake to the Commission that the pension fund shall be fully funded at all times and any shortfall to be made up within 90 days or as may be prescribed by the Commission, in line with Section 50 (g) of the PRA 2014.
- i) Where the Scheme is a Defined Contributory Scheme, the employer shall be required to forward the Statement of Assets and Liabilities of the Scheme. If the employer is yet to transfer any assets to the Scheme, it would be required to provide details of when it intends to commence funding of the Scheme.

- j) The employer shall also be required to provide a list of all the employees on the Scheme.
2. Upon receipt of the Commission's approval of its ABS, the employer shall be required to submit undertakings that it shall:
- a) Transfer all the assets of the Scheme to the appointed PFA(s);
 - b) Ensure that the Scheme shall be fully funded at all times and any shortfall be made up within 90 days in line with Section 50 (g) of the PRA 2014;
 - c) Instruct the PFA to pay each employee his/her benefits/entitlements as provided in the Rules of the Scheme, as and when due;
 - d) Continuously comply with the provisions of the PRA 2014, Guidelines, Rules and Regulations issued by the Commission; and
 - e) Meet all such additional regulatory and supervisory requirements, which may be prescribed by the Commission from time to time.
3. Upon receipt of the Commission's approval of the ABS, the appointed PFA shall ensure that the employer engages:
- a) an Actuary to conduct annual actuarial valuation of the Scheme (where it is a defined benefit Scheme); and
 - b) a firm of Chartered Accountants to audit the Scheme annually.
4. Pursuant to Clause 2.0(6) and 2.1(3) above, the External Auditor shall be appointed at the inception of the Scheme for a minimum period of three (3) years, which shall be deemed renewable if the fund sponsor does not change the External Auditors at the expiration of their term.

3.0 Reporting Requirements

1. The PFA or Lead PFA, shall forward the audited financial statements and actuarial valuation report (for Defined Benefits Schemes), to the Commission, within 120 days, after the end of the preceding year.
2. The appointed PFA or the Lead PFA shall forward consolidated monthly valuation reports of the Scheme to the Commission, through any electronic reporting channel stipulated by the Commission.
3. The PFA or the Lead PFA shall also be responsible for forwarding requests for the payment of fees due to the PFAs, PFCs and the Commission. All requests shall include the agreed rates and shall reach the Commission within 10 days after the preceding month.

4.0 Audit and Actuarial Valuation Fees

1. The fees arising from the audit/ actuarial valuation of an ABS shall be charged to the Scheme.
2. The Scheme Sponsor may choose to defray the cost of the audit/actuarial valuation.
3. The employer shall negotiate reasonable fees with the External Auditors and Actuaries for the audit and actuarial valuation of the Scheme.

5.0 Amendments to Trust Deeds and Rules of the Scheme

1. The Trust Deed and Rules of the Scheme shall not be altered or amended without prior written approval of the Commission.

6.0 Dispute Resolution

1. A clause shall be included in the Portfolio Management Agreement of every ABS indicating that in the event of an unresolved dispute between an employer and the appointed PFA, the dispute shall, in the first instance, be referred to the Commission for settlement.

2. Where either party is dissatisfied with the decision of the Commission in Section 6.0(1) of this Framework, the dispute shall be referred to arbitration in accordance with the Arbitration and Conciliation Act, Cap A18 of the Laws of the Federation of Nigeria, 2004.

7.0 Termination and Winding up of the Scheme:

1. Termination and winding up of the ABS shall be in line with the provisions of the Trust Deed and Rules of the Scheme, subject to the Commission's approval.
2. Where the Scheme was not approved by the Commission before the effective date of this Framework, but had been managed by a PFA, and the Scheme Sponsor decides to terminate the Scheme, the PFA and PFC shall be entitled to their own portion of management fees, which shall be subject to the Commission's approval.

8.0 Review and Inquiries

1. This Framework shall be subject to periodic review by the Commission, as the need arises.
2. All enquiries regarding this Framework shall be directed to:

The Director General
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