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## A REVIEW OF THE GUIDELINES FOR MICRO PENSION PLAN 2018.

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**T**he Guidelines for Micro Pension Plan 2018 (“the Guidelines”) was issued by the National Pension Commission (“Commission”) in exercise of the power vested on the body by virtue of Section 25(1) of the Pension Reform Act CAP P4 LFN 2004 (“PRA”). Which allows the Commission to “formulate and provide general policy guidelines for the discharge of the functions of the Commission”

The Guidelines are made in furtherance of to the provisions of Section 2(3) of PFA which provides that ‘employees of organizations with less than three employees as well as self-employed persons shall be entitled to participate in the Contributory Pension Scheme in accordance with Guidelines issued by the Commission.’

As these categories of workers in the informal sector constitute the larger percentage of the working population in the country and are not covered by any retirement benefit scheme, the Commission considers it necessary to develop the Guidelines for the implementation of the provisions of section 2(3) through a “Micro Pension Plan” with a view to achieving the Pension Industry’s strategic objective of covering 30% of the working population in Nigeria under the Contributory Pension Scheme by the end of 2024

In addition, due to the widely dispersed nature and generally low and irregular incomes of persons targeted by the Guidelines, there is a need to provide a pension plan that would meet their special characteristics. In this regard, the Micro Pension Plan initiative has been conceived within the context of an industry-wide strategy to bring this class of workers on board.

### REVIEW

The scope of the Guidelines covers the role and applicability of the stake holders; operational modalities for Micro Pension Plan; minimum

requirement for participation by licensed Pension Fund Administrators and Custodians. Also, the Guidelines seek to achieve the following objectives: Set eligibility criteria for participation in the Micro Pension Plan; establish the process of registration for prospective Micro Pension Contributors; define the process of remitting contributions by Micro Pension Contributors; provide the criteria for managing the Micro Pension Fund; outline the mode of accessing benefits under the Micro Pension Plan; and define the mode of conversion from Micro Pension (voluntary) contributor to mandatory contributor and vice versa.

Under the Guidelines, the key Micro Pension stakeholders are: Micro Pension Contributor, National Pension Commission, Pension Fund Administrators and Pension Fund Custodians.

The Guidelines assigns roles and responsibilities to the above mentioned stakeholders. Micro Pension Contributors are to open a Retirement Savings Account (RSA) with any Pension Fund Administrator (PFA) of his/her choice; make contribution into his/her RSA; request for RSA statement from his/her PFA; update his/her RSA information on request; appoint a Next of Kin; Choose the platform for making contributions; decide to make contingent withdrawals; choose the mode of exit from the Micro Pension Plan; demand for adequate customer service as provided in the Consumer Protection Framework issued by the Commission.

The Guidelines assigns additional roles to the Commission which include: to issue framework and guidelines for the regulation and supervision of the Micro Pension Plan; protect the rights of contributors and retirees under the Micro Pension Plan; create awareness by carrying out public enlightenment and education on the establishment, operations and management of the Micro Pension Plan; resolve issues between contributors and pension operators as well as among other stakeholders under the Plan.

Also, the Guidelines provide that the Pension Fund Administrators will be responsible for: opening Retirement Savings Account for the Micro Pension Contributor; managing Micro Pension Funds and assets in line with the Regulation on Investment of Pension Fund Assets issued by the Commission; providing customer service support to Micro Pension Contributors; processing the payment of benefits to Micro Pension Contributors; providing secure and suitable platforms for the remittance of contributions and payments of benefits under the Micro Pension Plan; provide other incentives for the Micro Pension Plan subject to the approval of the Commission; render periodic returns to the Commission; conduct public awareness, enlightenment and education on the Micro Pension Plan; issue quarterly RSA statements to the Micro Pension Contributor; carry out other functions on the Micro Pension Plan as may be specified by the Commission from time to time.

Pension Fund Custodians, under the Guidelines, are required to: receive all pension contributions remitted under the Micro Pension Plan from the contributor on behalf of the PFA; hold Micro Pension Funds and Assets in safe custody on trust for the Micro Pension Contributor and the beneficiaries of the RSA; settle all transactions relating to the administration and investment of Micro Pension Funds and assets on behalf of the PFA; render returns to the Commission on matters relating to the 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; Provide secure and suitable platforms for the remittance of contributions and payments of benefits under the Micro Pension

Plan; Carry out other functions on Micro Pension Plan as may be directed by the Commission from time to time.

Under the Guidelines, the following persons not below 18 years of age shall be eligible for participation in the Micro Pension Plan: self-employed persons that belong to a trade, profession or business association; self-employed persons with a business registration as a company, partnership or enterprise; Employees operating in the informal sector who work with or without formal written employment Contract; Other self-employed individuals. However, persons that are above 15 years but below 18 years may also participate subject to the approval/consent of their guardians.

To register under the Guidelines, a prospective Micro Pension Contributor shall be required to open a RSA by completing a registration form with a Pension Fund Administrator of his or her choice and providing the required biodata information. The Contributor is required to provide the following minimum documentation and means of identification at the point of registration: Evidence of membership of a registered association or trade union, certificate of business registration, letter of employment, international passport, national identification number, driver's licence, permanent voters card and bank verification number.

Contributions shall be made in Nigerian currency. Micro Pension Contributors may make contributions daily, weekly, monthly or as may be convenient to them and every contribution shall be split into two comprising 25% for contingent withdrawal and 75% for retirement benefits. Contributions are to be made by cash deposit, electronically or any payment instrument/platform approved by the Central Bank of Nigeria. Where the nature of the engagement of the contributor is not continuous, contributions can be made intermittently.

Further to the above, contributions under the Micro Pension Plan shall be managed as two separate funds namely: Micro Pension Contingent Fund (MPCF) for

the 25% contingent contributions and Micro Pension Retirement Benefits Fund (MPRBF) for the 75% retirement contributions. PFAs are mandated to render statements of accounts and other similar services enjoyed by Contributory Pension Scheme RSA holders/contributors.

In addition, the Micro Pension Contributor shall be eligible to access the portion of his/her contribution available for withdrawal one month after making the initial contribution and subsequently at any time. Payments are to be made to the Contributor's designated bank account and the PFA is mandated to process all requests for contingent withdrawals. It is noteworthy that contingent withdrawals will be subjected to the applicable tax laws.

The Micro Pension Contributor shall be eligible to access pensions upon attaining the age of 50 years or on health grounds in accordance with the Regulation for the Administration of Retirement and Terminal benefits. The Contributor will be required to fill a Micro Pension Retirement Notification Form at retirement. The PFA will inform the retiree on the various options of accessing retirement benefits. The options available to a retiree are either the Programmed Withdrawal or the Life Annuity. Withdrawal options are subject to the approval of the Commission.

The Guidelines also envisages a situation where the Micro Pension Contributor dies or goes missing and provides that if such occurrence happens, the benefits under the Micro Pension Plan shall be in line with the Regulations for the Administration of Retirement and Terminal Benefits issued by the Commission.

Where a Contributor decides to convert from the Micro Pension Scheme to the Contributory Pension Scheme under Section 2(1) of the PRA upon securing employment in the formal sector, the Contributor shall formally request for conversion and shall attach all necessary documents requested by the

Commission. Upon such an application, the PFA shall forward the request to the Commission and the Contributor shall retain his/her existing RSA. The PFA may advise a Contributor to seek the above conversion, where the PFA observes that the Contributor has begun receiving contributions from his/her new employers.

The Guidelines equally make provision for Contributors under Section 2(1) of the Pension Reform Act, 2014 to convert to the Micro Pension Plan under the following conditions: The RSA holder disengages or is disengaged from formal employment; the RSA holder has not started drawing pension. The RSA holder is permitted to withdraw a maximum of 25% of the balance in the RSA at the point of conversion, the remaining balance, after withdrawal of 25% of RSA balance must be transferred to retirement benefits portion of his/her RSA and any balance in the RSA of a contributor who is drawing pension shall be termed as retirement benefits.

## **CONCLUSION**

In conclusion, the Guidelines for Micro Pension Plan 2018 which was made by the National Pension Commission pursuant to Section 2(3) of the Pension Reform Act 2014 if well implemented will be of immense help to categories of people who fall within the informal business sector by creating a regulatory avenue for them to participate in retirement savings geared towards an assured post-work life.

***Disclaimer: This article does not constitute legal advice neither is it a substitute for obtaining legal advice from a legal practitioner.***

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