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GUIDELINES FOR TRANSITIONAL CONTRIBUTIONS FUND

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National Pension Commission

About this Guidelines

The Guidelines for Transitional Contributions Fund is divided into seven (7) sections.

Section one gives a brief background of the issues which necessitated the introduction of a Transitional Contributions Fund (TCF). Section two addresses Establishing the Transitional Contributions Fund.

Remittance of contributions and management of the Transitional Contributions Fund were discussed in Sections three and four respectively.

Notifications, Fees and Exist from the TCF were discussed in Section five, six and seven.

The requirements of these Guidelines are consistent with the provisions of the Pension Reform Act, 2004.

1.0 **Introduction**

1.1 Many employers in their effort to comply with the Pension Reform Act 2004 (Act) have demonstrated strong commitment by remitting regularly the pension contributions of employees who have opened RSAs to the PFAs. However, some of the employers who are complying with the provisions of the Act still have unremitted pension contributions because of failure of some of their employees to open RSAs. Meanwhile, the Commission believes it would be unjust to hold such employers liable for the violation of the Act in view of the fact that they have custody of the pension funds.

1.2 Sequel to the above, the Commission considered it necessary to introduce a Transitional Contributions Fund (TCF) to facilitate the administration of such contributions whose beneficiaries are yet to open RSAs with PFAs of their choice.

1.3 Consequently, these guidelines have been formulated to outline the modalities for establishing the TCF, as a stop gap measure, pending the opening of RSAs by the respective employees.

2.0 **Establishing the Transitional Contributions Fund**

2.1 Where any employee that should come under the Contributory Pension Scheme has received salary for a minimum of six months and fails to open an RSA and submit particulars of such account to his employer for the purpose of remitting his pension contributions, the contributions accumulated in respect of such employees shall be managed by a PFA under the TCF.

2.2 Following an employee's failure to open RSA, the employer shall choose a PFA for the purpose of remitting the pension contributions of such employee albeit on a temporary basis.

2.3 To ensure ease of administration while minimizing reconciliation issues, the employer shall choose only one PFA for the purpose of administering the TCF of all its employees that have not opened RSA.

2.4 The chosen PFA shall collect and make available to the Commission, the list of members of the TCF including the names of their employers and the size of the fund as at the time of reporting.

2.5 The Commission shall ensure that the lists of all employees and employers in respect of the TCF are made available on periodic basis to all PFAs for marketing.

2.6 The employer shall maintain a nominal record of the members of the TCF, their contributions and update same as employee members of the fund open their RSAs.

3.0 **Remittance of Contribution**

3.1 The employer shall remit the accumulated contributions in respect of all its employees that fall under the category outlined in 2.1 above to the PFA.

3.2 Contributions belonging to employees that have left the services of the organization without submitting their RSA details shall also be remitted along with those still in service.

3.3 Subsequent contribution shall be remitted by the employer to the PFA on a monthly basis, not later than 7 days after payment of salaries.

3.4 The employer shall forward a schedule of the members of the TCF and the amounts due to each member, along with the payment instruments, to the Pension Fund Custodian and copy the PFA.

3.5 The PFA shall engage one PFC for the custody of the TCF.

4.0 Management of the Transitional Contributions Fund

4.1 Creation of **TCF**

4.1.1 The PFAs chosen by employers shall be required to create and maintain a TCF.

4.1.2 The TCF shall be unitized for proper management and equitable distribution of income earned.

4.1.3 The PFA shall maintain proper records for the TCF.

4.1.4 Proper records shall include, but not limited to the following:

- Names and corresponding amount for each employee and the employer.
- Date of entry and exit of each employee.
- Complete fund accounting.

4.2 Investment

4.2.1 The TCF shall only be invested in fixed income securities.

4.2.3 Interest derived from the investment shall be credited regularly into the fund.

5.0 Notifications

5.1 The employer shall be required to notify the Commission on the first remittance to a TCF.

5.2 There shall be no need to inform the Commission of subsequent remittances. However, the PFAs shall be required to alert the Commission of any failure by an employer to effect remittances to a TCF while there are still some staff that are yet to be advised of their RSA PINs.

5.3 The PFA shall render all relevant returns to the Commission similar to those rendered on the RSA Fund.

6.0 Fees

6.1 The PFA shall NOT charge any form of fees on the TCF.

7.0 Exit from the TCF

7.1 Exit from the Fund shall only be by way of transfer into an RSA.

7.2 The PFA shall cause the employer to submit details of the RSA opened to the PFA administering TCF and request a transfer of the employees’ balance in the TCF to his RSA.

7.3 The details submitted shall include amongst others, a copy of the welcome letter/certificate of registration with the PFA.

7.4 On no account shall a PFA or PFC refund funds in the TCF directly to an employer or employee without express approval by the Commission.

7.5 Upon the demise of a contributor to the TCF who is yet to open an RSA, the amount due to him/her shall be paid in line with the provisions of the Regulations for the Administration of Retirement and Terminal Benefits, to his/her next-of-kin.