



# Implementation Framework for the Non-Interest Pension Fund

National Pension Commission

Abuja

# Outline

- Legal Framework
- Governance Structure
- Accounting, Audit and Disclosure Requirements
- Investment Limits
- Commission and Fees

- Fund VI is part of Multi-fund Structure introduced in 2018 as provided under Sections 1.4 and 7.3 of the Investment Regulations
- Section 85 of the PRA 2014 must be adhered to ensure safety and fair returns on investment
- Section 4.0 of Investment Regulation required PFAs to invest Fund VI assets in instruments that are both ethical and non-interest bearing
- Fund VI Contracts
  - Principles of Wakala Bil-istithmar (Investment Agency Contract) for Active RSA contributions in Funds VI
  - Principle of Mudarabah Contract (profit-sharing and loss-bearing partnership) shall be used for retirees in Fund VI
- Prohibition of Speculation
  - Fund VI assets are to be invested in instruments that are Free from speculation and uncertainty (Gharar) under the Islamic commercial jurisprudence.
  - Derivative products such as futures contracts, swaps, options and forwards are considered as speculative and uncertain

# Governance Structure



- Administration of Fund VI is by licensed PFAs while custody is by licensed PFCs
- The Commission remains the regulator and supervisor of all activities on Fund VI assets
- The FRACE shall serve as an advisory body to the Commission on Islamic Finance matters and specifically on all subsidiary legislations on investment of Fund VI assets
- Pension Industry will establish a Committee of Resident Shari'ah Advisors to ensure continuous Shari'ah audit and purification of the investment pool of fund VI assets including disposal of non-permissible income
- The Portfolio composition of Fund VI, in the first instance, shall be made up of Sharia compliant instruments, any gap shall be filled up with conventional securities/instruments
- Licensed PFAs shall provide justifications for all Non-Shariah compliant securities in the Fund VI portfolio
- The Commission shall, pursuant to review of the market situation and availability of products, determine the terminal date for conventional assets in Fund VI

# Governance Structure



## ● Transfer Modalities

- Eligible RSA holders seeking to move to Fund VI shall do so in accordance with Section 7.5 of the Investment Regulation
  - The provisions of the RSA Multi-fund Implementation Guidelines shall apply to Fund VI in respect of cost of transfer, valuation, movement of assets & types of asset, maintenance of proper books of accounts and custody arrangements
  - Retirees under Fund IV can also move their RSAs to Fund VI
- RSA holders in Fund VI seeking to move back to any of the active RSA Funds or Fund IV shall do so in line with the provisions of the RSA Multi-fund Implementation Guidelines and Section 7.6 of The Investment Regulation dealing with transfers between Fund types within a PFAs
  - The nominal unit price of Fund VI (RSA Fund VI and Retiree Fund VI) shall be ₦1.000 at the 1st day of the effective implementation the Fund
  - The naira value of the balance in their RSAs shall be transferred to purchase units in the RSA Fund VI at the nominal unit price of ₦1.000.

# Accounting, Audit and Disclosure Requirements

- PFAs shall maintain detailed records in respect of their operations on Fund VI in line with the provisions of Section 66 of the PRA, 2014 and requirements of the Fund Accounting Guidelines issued by the Commission
- All PFAs shall comply with the relevant standards on disclosure issued by standard setting organisations including the following:
  - Financial Reporting Council of Nigeria (FRCN);
  - Islamic Financial Services Board (IFSB); and
  - Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI)
- PFAs shall comply with the requirements of provisions of the Code of Corporate Governance for Licensed Pension Operators, Regulations for Auditing of Pension Funds and applicable Guidelines/directives regarding the appointment, re-appointment, resignation, rotation, change and removal of auditors
- PFAs shall provide monthly reports on the percentage split between compliant and non-compliant investments in a format to be provided by the Commission
- PFAs shall also maintain records that show all earnings, receipts, payments and charges made to Fund VI and render regular reports to the Commission, as may be specified from time to time

# Investment Limits – Fund VI ‘Active’

S/N	ASSET CLASS	ASSETS ALLOCATION (MAXIMUM PORTFOLIO LIMITS)
1	Federal Government Sukuk (including Islamic Treasury Notes/Sukuk and Eurosukuk issued by FGN, CBN or FGN Agencies and Infrastructure Sukuk, backed by FGN/CBN guarantee	FGN & CBN Sukuk: Maximum of 70%
2	State and Local Governments	<ul style="list-style-type: none"> <li>i. 15%, if Issue is backed by ISPOs/Guarantees</li> <li>ii. 3%, if issue is not backed by ISPOs/Guarantees</li> </ul>
3	Corporate Sukuk (including ABS, MBS, GDNs, Eurosukuk & Infrastructure Sukuk)	40% - subject to a maximum of 20% in Infrastructure Sukuk
4	Supranational Sukuk	20%
5	Shariah compliant Money Market Instruments (including Bankers Acceptances; Commercial Papers of corporate entities)	30%



## Investment Limits – Fund VI 'Active'

S/N	ASSET CLASS	ASSETS ALLOCATION (MAXIMUM PORTFOLIO LIMITS)
6	Shariah compliant Ordinary Shares (including GDRs)	25%
7	Shariah compliant Infrastructure Funds	5%
8	Shariah Compliant Private Equity Funds	5%
9	Shari'ah compliant Open/Closed-End/Hybrid Funds (including ETFs & REITs)	20%



# Investment Limits – Fund VI ‘Retiree’

S/N	ASSET CLASS	ASSETS ALLOCATION (MAXIMUM PORTFOLIO LIMITS)
1	Federal Government Notes/Sukuk (including Islamic Treasury Notes/Sukuk and Eurobonds (including Sukuk) issued by FGN, CBN or FGN Agencies and Infrastructure Sukuk, backed by FGN/CBN guarantee	FGN & CBN Sukuk: Maximum of 80%
2.	State and Local Government <sup>2</sup> s:	<ul style="list-style-type: none"> <li>i. 20%, if Issue is backed by ISPOs/Guarantees</li> <li>ii. 3%, if issue is not backed by ISPOs/ Guarantees</li> </ul>
3	Corporate Sukuk (including ABS, MBS, GDNs, Eurosukuk & Infrastructure Sukuk)	45%, subject to a maximum of 10% in Infrastructure Sukuk
4	Supranational Sukuk	20%
5	Shariah compliant Money Market Instruments (including Bankers Acceptances; Commercial Papers of corporate entities)	35%

# Investment Limits – Fund VI ‘Retiree’

S/N	ASSET CLASS	ASSETS ALLOCATION (MAXIMUM PORTFOLIO LIMITS)
6	Shari’ah compliant Ordinary Shares (including GDRs)	5%
7	Shari’ah Compliant Infrastructure Funds	0%
8	Shari’ah Compliant Private Equity Funds	0%
9	Shari’ah Compliant Open/Closed-End/Hybrid Funds (including ETFs & REITs)	5%

# Commissions and Fees



- Administration fees shall be charged per RSA holder by PFAs to cover cost of administering each RSA in line with the provisions of the Regulation On Fees Structure issued by the Commission
- Asset Based Fees shall be charged on Fund VI Active based on the Principle of Wakala Bil-Istithmar (Investment Agency) while Income Based Fees are charged on Fund VI Retiree based on the Principle of Mudarabah (Profit and Loss Sharing).

S/N	Party	Maximum Fee Rate	
		Fund VI - Active Fund (Asset Based Fees)	Fund VI- Retiree Fund (Income Based Fees)
1	PFA	1.20%	5.00% (flat)
2	PFC	0.25%	1.50% (flat)
3	PENCOM	0.20%	1.00% (flat)
4	Total	1.65%	7.50% (flat)

# Thank You!

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