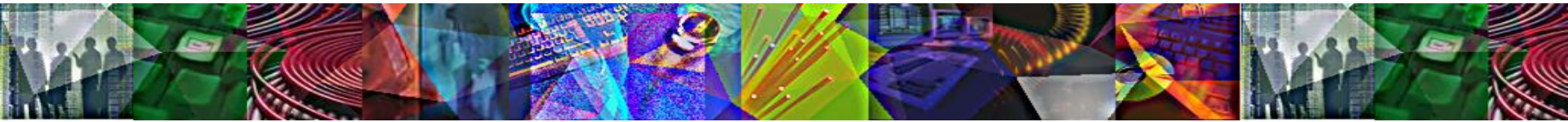




National Pension Commission



SUPERVISORY STRUCTURE AND PROCESSES OF THE NIGERIAN PENSION SYSTEM

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OUTLINE

- Background
- Structure of the Nigerian Pension System
- Supervisory Model
- Operational Structures
- IOPS Principles of Supervision
- Challenges



BACKGROUND


● The Pension Reform Act 2004 (PRA) was enacted to address the following challenges/flaws:

- Huge pension deficits
- Unsustainable pay-as-you-go system
- Poor pension administrative structures
- Weak and fractured regulatory regime



BACKGROUND Contd.

- A chance to start on a new slate:
 - Took a cursory review of supervisory structures and trends around the world.
 - Categorized supervisory approaches to pension systems following World Bank model - licensing, monitoring, analysis, intervention, correction, communication etc.
 - Benchmarked International good practices through adherence to the IOPS Principles of Private Pension Supervision.



STRUCTURE OF THE NIGERIAN PENSION SYSTEM

- Three-year transitory period and Other Transitional Arrangements.
- Existing Schemes and Pension-In-Payment.
- **The New Contributory Pension Scheme.**
- Unified Regulatory and Supervisory Regime.

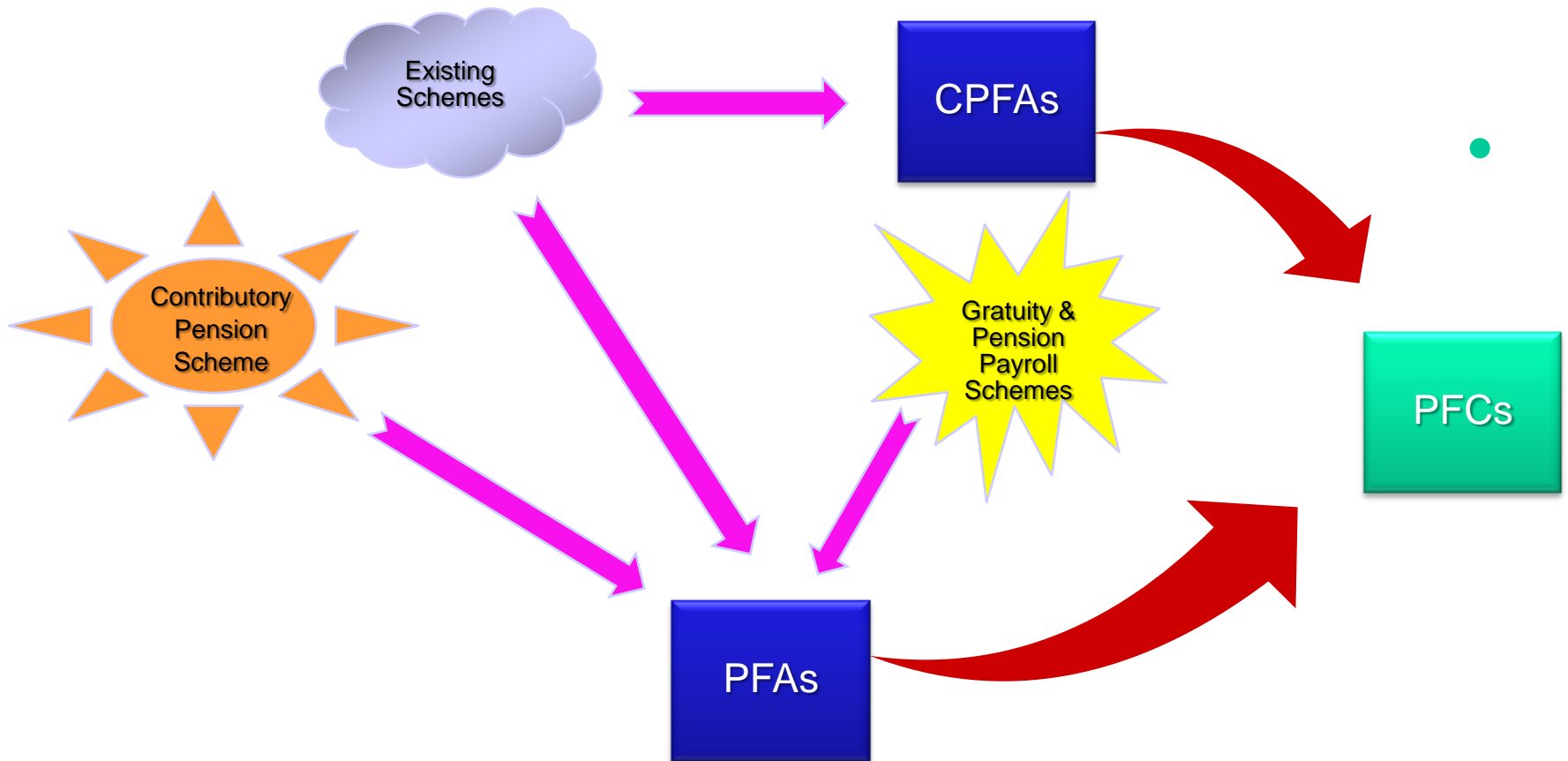


STRUCTURE OF THE NIGERIAN PENSION SYSTEM Contd.

● The Contributory Pension Scheme

- Based on individual Retirement Savings Accounts (RSAs).
- Mandatory for employees in organizations with at least 5 employees.
- Managed by the Private Sector - PFAs and PFCs.
- Recognized Accrued Retirement Benefits.


STRUCTURE OF THE NEW NIGERIAN PENSION SYSTEM





SUPERVISORY MODEL

● Supervisory Objectives

- Central to all our Supervisory Processes is the **Account Holder/Contributor**
- All Regulations to be Guided by International Best Practices, **most especially the entry point**  **LICENSING**
- Regulations being developed along disclosure oriented approach
- Supervisory structures to be built in forward-looking manner



SUPERVISORY MODEL Contd.

● Supervisory Perspective

- Focus on Integrity and Professional Credentials of Owners & Management so as to limit Agency & Systemic Risks.
- Extensive Licensing Procedures
- Stagger Entry to a Reasonable Number of Operators to Make In-Depth Oversight Practical
- Regulatory Spectrum (Decisive Choice)

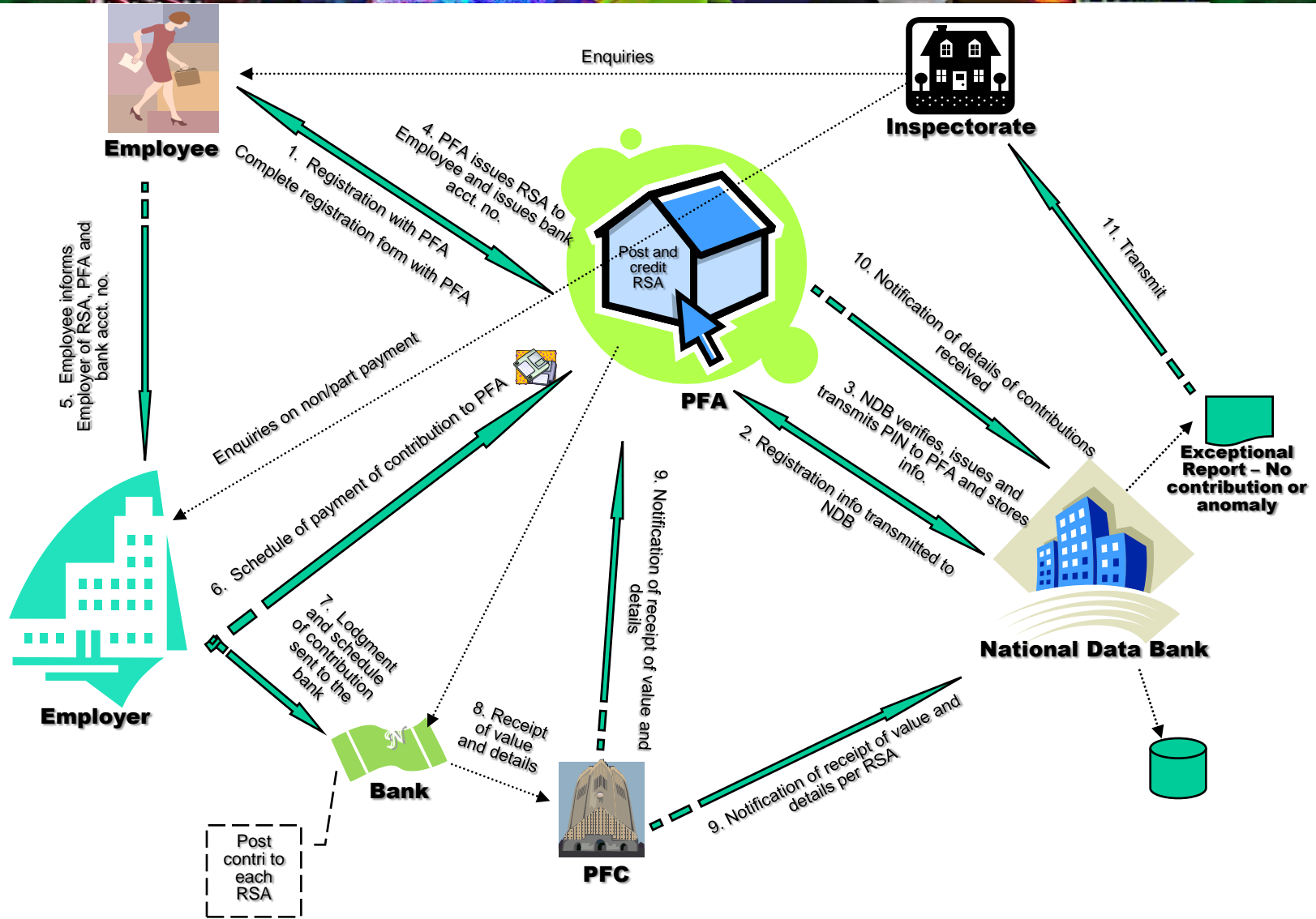


SUPERVISORY MODEL Contd.

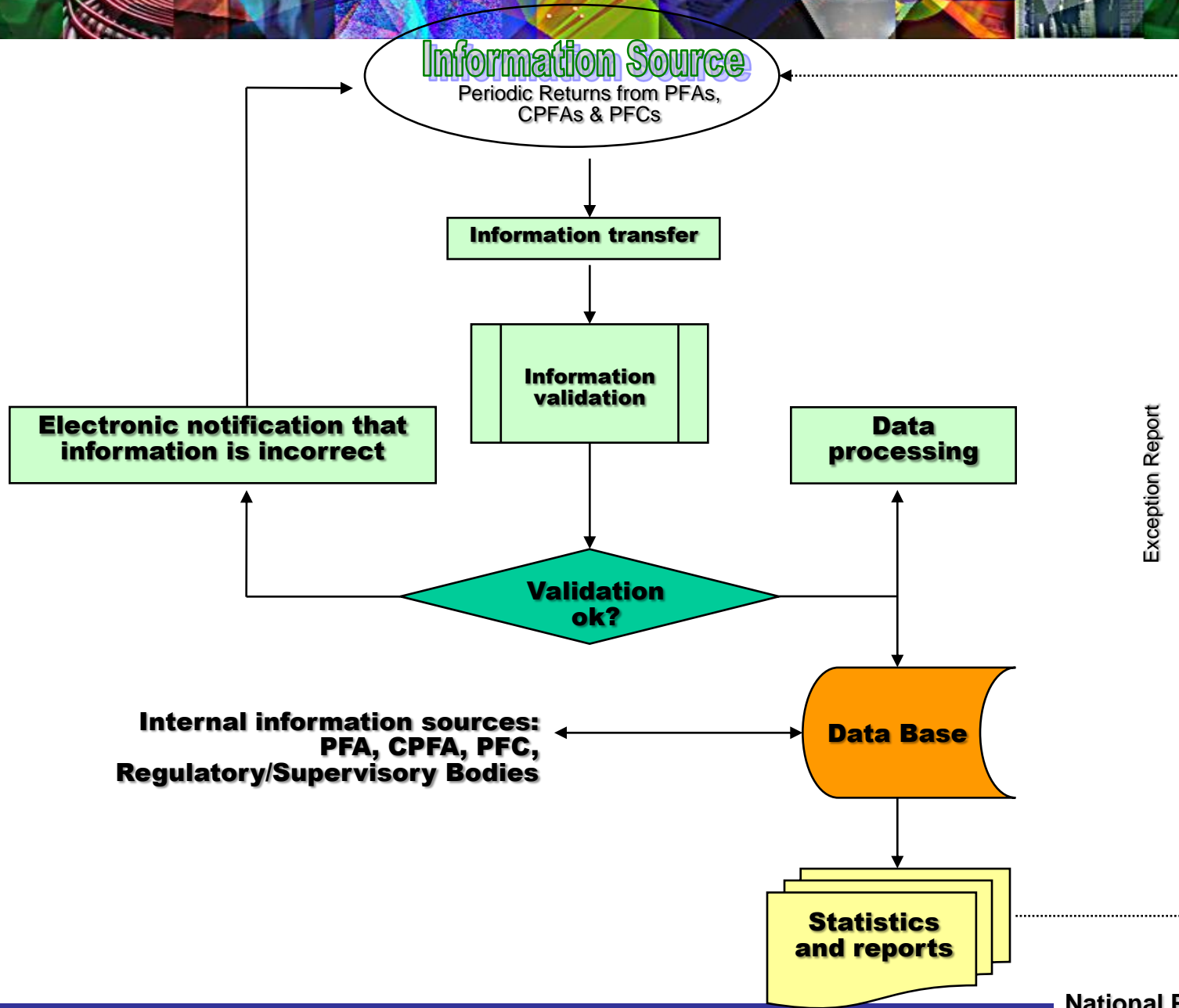
● Regulatory and Supervisory Framework

- Consultative – monthly meeting with operators for inputs to policies, guidelines etc
- Free Entry and Free Exit
- Supervisory Regime based on Risk Profile
- Carry out Onsite and Offsite examinations and issue sanctions for non compliance.
- Consumer protection assistance in resolving disputes against abuses by service providers

THE COLLECTION PROCESS



THE SUPERVISORY MODEL





EVALUATION OF IOPS PRINCIPLES

- The Enabling Law Assigns the Regulator clear and explicit objectives (Principle 1)
 - PRA Objective – to ensure that everyone who works gets his/her pension as and when due.
- The Enabling Law Grants the Regulator considerable degree of operational independence (Principle 2)
 - The Commission reports directly to the Presidency
 - The Board of the Commission is appointed for a fixed term
 - Supervisory acts can only be over-ruled by a court of law
 - The autonomy reduces administrative bottlenecks



EVALUATION OF IOPS PRINCIPLES Contd.

- Empowers the Commission to examine the books of any institution in Nigeria and to impose sanctions (Principle 4)
 - The Commission may request and obtain information from any institution
 - It may examine or cause to be examined, the books of any institution
 - It may impose monetary sanctions
 - It may adopt other forms of sanction i.e. naming and shaming
- Empowers the Commission to outsource functions to professionals, where necessary (Principle 3)



EVALUATION OF IOPS PRINCIPLES Contd.

- Risk Focused Supervision (Principles 5 &6)
 - Adoption of Uniform Pension Rating system
 - Supervisory Regime based on Risk Profile of Operators
- Corporation with Other Regulatory Agencies (Principle 7)
 - Enquiries on fitness and properness of board and top management
 - Exposure of draft guidelines and regulations to operators for comments and criticism
 - Observer Status – (Financial Sector Regulatory Coordinators Committee meeting)



CHALLENGES

- Registration of contributors
 - Lack of reliable identification instrument
 - Incomplete documentation
- Enforcement in the private sector
 - Mostly informal
 - Difficult to locate address
 - Inadequate records
 - Contract/terms of employment not fully defined
 - Employer contributions viewed as additional burden
 - Adverse economic conditions



● THANK YOU FOR LISTENING