



Introduction

The National Pension Commission (PENCOM) issued an amendment to the Regulation on Investment of Pension Fund Asset with the sole purpose of ensuring a vibrant and effective regulatory regime for the investment of pension fund assets. This amendment breaks down the active Retirement Savings Account Fund into three funds to reflect different risk appetites. It also allows investments in new companies which evolved as a result of mergers, acquisitions and other combination arrangements as well as non-interest capital market securities such as the Sukuk. Furthermore, it reduced the minimum requirement of portfolio companies or projects to be sited in Nigeria for Private Equity and Infrastructure Funds from 75% to 60%, with the aim of encouraging the entry of more infrastructure and Private Equity Funds.

Apart from the Multi-fund structure, whose operational framework is yet to be provided by PENCOM, the amended regulation has been approved for implementation.

What is the Multi-fund structure?

The Multi-fund structure is a framework designed to align the retirement savings of contributors to their risk appetite by maintaining four Funds with distinctly different tolerance for risk. The aggressive fund (Fund I) would have a much higher allocation to variable income instrument than Fund II. Similarly, Fund II's allocation will be higher than Fund III's allocation. Fund IV, the retiree Fund will have the lowest allocation to variable income securities.

What are Variable Income Instruments?

A variable income instrument refers to an investment whose terminal return profile is not predetermined at the start of such an investment. Such an investment provides contributors a rate of return that is dynamic and determined by market forces, thus greater risks as well as rewards. The PENCOM framework defined Variable income instruments as the sum of a PFA's investments in Ordinary Shares; Real Estate Investment Trust; Infrastructure Funds; and Private Equity Funds.

Fund Type - Default Description	Exposure to Variable Investment Instruments	
	Minimum	Maximum
Fund I – Based on individual choices	20%	75%
Fund II – Contributors 49 years and lower	10%	55%
Fund III – Contributors of 50 years and above	5%	20%
Fund IV – Contributors in RSA Retirees	0%	10%

Is the Multi-fund structure optional for PFAs?

The multi-fund structure is not optional. All PFAs will offer the Multi-fund Structure for their RSA Fund. Nonetheless, there is a transition period of 6 months, effective from the commencement date for all PFAs to streamline their respective portfolios.

How does the Multi-fund structure differ from the old structure?

The old structure invested the funds of all RSA contributors with the same investment criteria regardless of risk appetite and age. The multi-fund structure seeks to align contributor's investments with their age profile and risk appetite.

How do I know which Fund is suitable for me?

Fund I is an aggressive Fund and it is targeted at contributors with a high risk appetite. It is also suitable for young contributors who have a long time before they retire. The long duration ensures that the contributors have enough time to realize potential gains and recover from potential losses that may occur in variable income instruments. Contributors in this Fund must be younger than 50 years old.

Fund II is a balanced Fund and it is suitable for middle aged contributors and those with a medium risk appetite. It is designed to be less risky when compared to Fund I. All Contributors, other than those who are retired may find Fund II suitable.

Fund III is a conservative Fund and it is designed for contributors close to retirement and contributors with a low risk appetite. It is ideally suited to contributors between the ages of 50 and 60 years. However, younger contributors may participate in this Fund.

When is the commencement date of the Multi-fund structure?

The Pension commission (PENCOM) will provide the operational framework for the implementation soon, and then the multi-fund structure will commence. There is a transition period of 6 months from the commencement date for all PFAs to streamline their respective portfolios.

Do I need to choose a Fund today?

You do not need to choose a Fund immediately. Leadway Pensure will allocate contributors to either Fund II or Fund III based on their age at the time of implementation. Active Contributors who are below 50 years old will be assigned to Fund II and Active Contributors who are 50 years and above will be assigned to Fund III. However, contributors who wish to be in Fund I or Fund II must make a formal request to Leadway Pensure.

Can I switch to any fund of my choice?

A Retirement Savings Account ("RSA") contributor under the age of 50 may switch between Fund III, II and I by simply making a formal request to Leadway Pensure. An RSA contributor who is 50 years and above may switch between Fund III and Fund II only. Such a contributor will not be allowed to choose Fund I.

How often can I switch between Fund types?

Once a formal application has been made to Leadway Pensure, an active Contributor may switch from one Fund Type to another Fund Type once in 12 months without paying any fees. However, further requests for switches will attract a fee which will be determined by the Pension Commission.

Will I be able to move back to the default fund?

Yes. Contributors can switch between funds as long as the age limits are not breached. However, switches more than once in 12 months will attract a fee.

How do I benefit from the new structure?

The multi-Fund structure allows Leadway Pensure better serve its contributors by building portfolios that closely reflect their risk appetite. This implies that contributors with a large risk appetite are compensated for taking more risk whilst contributors with a low risk appetite are appropriately compensated.

The new structure also recognizes that a contributor's risk appetite may change over time due to a myriad of factors, thus the flexibility to switch from one fund to the other is an added advantage.

Can I opt to be in separate funds for RSA and my AVC?

All contributions whether mandatory and voluntary must be under the same fund type.

Will LPPFA provide financial advice before making a decision to switch?

Our relationship managers are trained to provide guidance. We will also make information on the performance of each fund available on our website and by email to enable contributors stay updated and make informed decisions.