



Dear Customer,

This is to inform you that the National Pension Commission (PenCom) has released new guidelines on investment of Pension Fund Assets for pension operators (Multi-Fund Structure) which would replace the existing structure that puts funds for all active contributors into one RSA Fund without considering age or risk profile of the contributors under this fund.

The new structure has been designed to allow Pension Fund Administrators (PFAs) to invest Pension Fund assets in line with the age profile and risk tolerance levels of their various contributors. The effective take-off date of the RSA Multi-Fund Structure shall be **July 1, 2018**.

Introduction

The Multi-fund Structure for RSA Funds otherwise known as the Life-Cycle Investment Structure was conceived by the Commission to align contributors' risk appetite with their investment horizon, at each stage of their life cycle.

The main objectives of the RSA Multi-Fund Structure include the following:

- i. To achieve optimum returns for contributors by aligning their pension savings with their individual risk/return profiles.
- ii. To provide investment portfolio choices to contributors.
- iii. To enhance safety of pension assets through adequate portfolio diversification.

Types of fund

1. Fund I (Strictly by choice)
2. Fund II (Default Fund for RSA holders of 49 years and below)
3. Fund III (Default Fund for RSA holders of 50 years and above)
4. Fund IV (Retiree Fund)

Features of Each Funds

PFA shall create and maintain four RSA Funds as follows:

- i. Fund I:
 - (a) For Contributors that are 49 years and below (by choice).
 - (b) All active Contributors aged 49 years and below, shall remain in Fund II, which is the current RSA Active Fund.
- ii. Fund II:
 - (a) Default Fund for all Active Contributors that are 49 years and below.
 - (b) All active Contributors aged 49 years and below, shall remain in Fund II, which is the current RSA Active Fund.
- iii. Fund III:

For Active Contributors aged 50 years and above.
- iv. Fund IV:

Retiree Fund

Implementation and Take-off Date of Multi-fund Structure

On the effective take-off date (**July 01, 2018**) of the RSA Multi-Fund Structure, the following shall apply:

- i. All active Contributors aged 49 years and below, shall remain in Fund II, which is the current RSA Active Fund.
- ii. All active Contributors aged 50 years and above, shall be moved to Fund III, at a nominal unit price of ₦1.0000.
- iii. All existing Retirees shall remain in Fund IV.
- iv. Any transfers to Fund I, shall be upon the sole request of the RSA holder, and shall be at a nominal unit price of ₦1.0000.

Fund I

- i. The nominal Value of an Accounting Unit (VAUF) or Unit Price shall be ₦1.0000 at the commencement (take-off) date.
- ii. PFAs shall redeem units from the RSA 'Active' Fund in respect of contributors that are 49 years and below, who have formally applied to move to Fund I. The Naira value of the balance in their RSAs shall be transferred to purchase units in Fund I at the nominal Unit Price of ₦1.0000 on the effective

take-off date (1st day of effective implementation of the Multi-fund Structure).

- iii. Subsequent entrants into Fund I after the take-off date shall buy into the Fund at the Value of an Accounting Unit of the preceding day.

Fund II

- i. This is the current RSA 'Active' Fund and shall be known as "Fund II". This is the default Fund for contributors that are within the age bracket of 49 years and below.
- ii. Fund II shall continue to maintain the Value of an Accounting Unit (VAUF) of the current RSA 'Active' Fund, which is computed on the basis of the Net Assets Value and the total number of Accounting Units outstanding.
- iii. Members of Fund II (49 years and below) are allowed to move to Fund I, based on a formal application.

Fund III

- i. New entrants into Fund III after the take-off date shall buy into the Fund at the Value of an Accounting Unit of the preceding day.
- ii. Members of Fund III (50 years and above) shall not be allowed to move to Fund I. However, members of Fund III can move to Fund II, if they so wish.

Fund IV

PFA shall maintain the RSA Retiree Fund to be known as "Fund IV". Fund IV shall continue to be maintained in accordance with the Guidelines on Retiree Fund.

- i. Active Contributors (members of Funds I, II and III) are not eligible to buy into Fund IV, except upon retirement.
- ii. Members of Fund IV are not allowed to move out of the Fund.

Contributors that wish to move to a new Fund shall be required to indicate their choice in writing to the PFA. The PFA shall thereafter transfer / buy into the indicated Fund at the opening Value of an Accounting Unit of the Fund on the date of transfer.

PFA shall maintain proper books of account on all the Funds in accordance with the Fund Accounting Guidelines issued by the Commission.

Investment Management

The investment of pension fund assets in the various Funds shall be in accordance with the Regulation on Investment of Pension Fund Assets, issued by the Commission.

Some Frequently Asked Questions concerning the Multi Fund Structure;

1. What does the Multi-Fund Structure mean?

The Multi-Fund Structure represents a framework that aims to combine the age and risk profile of RSA holders by dividing the RSA Fund into four individual Funds. The current RSA Fund will be broken into three distinct Funds, while the RSA Retirees Fund would represent the 4th Fund.

2. What are the benefits of Multi-Fund Structure?

The Multi-Fund Structure gives a contributor more control over how their pension funds are invested based on their risk tolerance. For Example, a contributor in Fund III owing to the default grouping based on age, may have more tolerance for risks and uncertainty and could request to be moved to Fund II.

3. What are the impacts of Multi-Fund Structure on my future pension assets at point of retirement?

The Multi-Fund Structure gives you more opportunity to achieve your retirement comfortably as it takes cognizance of risk and age.

4. What does variable income instruments mean?

Variable income instruments represent investments that yield income or returns that cannot be pre-arranged from the date the investments were made. There is daily fluctuation in the prices of such instruments and this category include Ordinary Shares, Real Estate Investment Trust, Infrastructure Funds and Private Equity Funds.

These investments have the tendency of generating attractive returns over the long term but could be risky due to uncertainty and fluctuations in market prices and returns.

5. How does age and risk profile affect how my pension funds are invested?

When investing funds, everyone has a limit to the amount of risk that they can take. This is termed risk tolerance. Basically, younger individuals seem to have more ability to take risks as they still have time to regain from loses (if any). As a person gets close to retirement, it is safer to limit the amount of risks they take and reduce exposure to uncertainty as they would start drawing down on their pensions within a short period.

Hence, the allowable exposures to variable income instruments have been designed such that Fund I has the highest allowable limit which is followed by Fund II, III and IV respectively, Thereby reducing the risk and uncertainty of contributors in line with their ages.

6. Can I choose my preferred Fund Type to be assigned to?

On July 1, 2018, a default procedure would be implemented on all Funds. This means that all active contributors who are 49 years and below would be moved to Fund II while active contributors who are 50 years and above would be moved to Fund III. Afterwards, an active contributor can make a formal request to his or her Pension Fund Administrator to move from one fund to another which is subject to Guidelines by the National Pension Commission. This means that an active contributor who is 49 years and below can opt for Fund I, while an active contributor in Fund III could request that his or her funds be moved to Fund II. Nevertheless, the regulation does not allow an active contributor in Fund III to move to Fund I while an active contributor in Fund II is not allowed to move to Fund III which is mainly for active contributors that are above 50 years.

7. Is it possible to move between Fund types?

An active contributor may formally request to move from one Fund type to another Fund type within a Pension Fund Administrator once in 12 months without being charged.

Where an active contributor requests for any additional movement from Funds within a 12 month period a fee shall be charged which represents an amount not less than a minimum value, to be determined by the Commission from time to time.

8. Between the contributor and the PFA who takes responsibility for the movement?

The contributor has the right to move between funds depending on his or her preference. However, the Pension Fund Administrator will be responsible for implementing the movement upon receipt of a formal request from the contributor.

9. Will my balance change when my PFA begins the Multi-Fund Structure?

No, your RSA balance will not change due to introduction of the Multi-Fund Structure because the balance would be switched to the suitable fund without charges. However, future increase in your RSA balance would depend on contributions which include mandatory monthly contributions, voluntary contributions as well as returns generated by the Pension Fund Administrator on that individual fund.

10. What do I require to move from one fund type to another?

To move from one fund type to another, you would be required to make a formal request and submit to us for processing.

11. Who do I contact for advice before taking a decision to move my funds?

We would advise you regarding the fund performance and indices to enable you take an informed decision.

12. Which Fund Type will I be assigned, if my date of birth was erroneously captured?

You would have the opportunity to check and update your records in our Database before the transition begins.

13. Can I separate my mandatory contributions and voluntary contributions into different fund types?

Every contributor is entitled to only one RSA PIN for all types of contributions. Hence, your mandatory contributions would be in the same Fund type with your voluntary contributions.

14. Will there be different or same fund price for mandatory and voluntary contributions?

The mandatory and voluntary contributions will have the same fund price as they will be invested in the same fund type that the contributor selects.

15. Are there Multi-Fund options for the Approved Existing Schemes?

The Approved Existing Schemes (AES) are regulated by the Board of Trustees who has the right to structure the portfolios in the best interest of the beneficiaries based on PenCom's approval.

16. Can an RSA holder who has made a withdrawal such as 25% and unemployed request for movement of his or her funds under the Multi Fund Structure?

Yes, the regulation does not have restriction for movements due to withdrawal of 25% provided the individual is below 50 years; he or she is allowed to switch between Fund I and Fund II.

17. Can a client below 50 years move to Fund III?

No, Fund III is mainly for active contributors who have reached 50 years and above.

18. If I decide to switch from Fund II to Fund I, is it possible to move back to Fund II?

It is possible, however it would be at a cost if you are switching within 12 months.

19. Can I have access to the financial reports of other funds?

Yes, the fund prices would be published daily on our website and quarterly report would be sent to contributors with registered emails.

20. Do I have the option to choose the specific variable income instruments my funds can be invested in under the Multi-Fund Structure?

No, the PFA has the responsibility of specific instruments that the Funds would be invested in as the regulation only allows a contributor to select a Fund.

21. Will the charge for moving between Funds be deducted from my RSA or do I pay a separate amount to the bank?

The charge for moving between funds would be deducted from the RSA balance of the contributor requesting for movement.

22. Is it possible for an RSA holder to split his/her fund to 2 different funds?

No, it is not possible because you are only identified with one PIN and cannot be allowed to have contributions in more than one fund structure at a time.

23. What is the relationship between the Transfer Window and the Multi-Fund Structure?

There is no relationship between the transfer window and the Multi-Fund Structure. The Transfer Window permit the contributor the choice of moving his/her Retirement Savings Account from one Pension Fund Administrator to another while the multi fund permits a contributor the choice of moving from one fund to another within the same PFA.

Should you require further clarification you can contact us at www.legacypension.com or call us on 08059580002, 07080633004 or 08032752888.