

# GMS Flash Alert

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## Nigeria – Circular on Approval of Benefits to Holders of Retirement Savings Account

According to PenCom, Nigeria's National Pension Commission, a new Circular has been issued in furtherance of its commitment to improving efficiency in the administration and payment of retirement benefits to holders of Retirement Savings Accounts (RSAs).

The National Pension Commission (PenCom or “the Commission”) issued a Circular on “Approval of Benefits to Holders of Retirement Savings Account by Licensed Pension Fund Operators.”<sup>1</sup>

With effect from 1 June 2025, Licensed Pension Fund Operators, also known as Pension Fund Administrators (PFAs), will be responsible for approving qualifying benefits applications.

### WHY THIS MATTERS

This development is seen by many as a significant step toward enhancing efficiency in Nigeria's pension system. By eliminating the need for PenCom's pre-approval for specific requests, the benefits application and payment process is expected to be faster and more seamless for retirees and RSA holders.

### More Details

The new directive is aligned with Section 55 (f) and (g) of the *Pension Reform Act 2014* (PRA 2014), which mandates PFAs to handle the computation and payment of retirement benefits. It empowers the PFAs to independently process and approve specific benefit applications, eliminating the need for prior approval from PenCom.

To support this change, the Commission has approved amendments to relevant sections of five (5) regulatory instruments on benefits administration. These amendments enable PFAs to process and approve various requests for retirement benefits, voluntary contributions, mortgage equity contributions, and additional benefits without prior approval by PenCom. However, the PFAs will still need to submit requests for approvals relating to depleted RSAs and death benefit applications to PenCom, in accordance with Section 8 (2) of the PRA 2014.

To foster compliance, PenCom will leverage technology to continue supervising the activities of PFAs.

## Implications of the Circular for Relevant Stakeholders

### 1. Streamlined Approval Process for Specific Requests

The following benefits applications will no longer require the Commission's prior approval:

- Programmed Withdrawal
- Retiree Life Annuity
- Access to Benefits upon Temporary Loss of Employment
- En Bloc Payments for Retirees with Low RSA Balances
- Pre-Pension Reform Act Benefits for Private-Sector Retirees
- Voluntary Contributions
- Payments to RSA Holders for Residential Mortgage Equity Contributions
- Nigeria Social Insurance Trust Fund (NSITF) Contributions for Retirees
- Changes in Pension Payment Periodicity
- Correction of Employer Pension Remittance Errors
- Refunds to CPS-exempted Individuals under the PRA 2014.

### 2. Accelerated Processing of Requests

The PFAs must process and approve qualified benefits requests within two (2) working days of completing the necessary documentation (and all necessary steps) and instructing the appointed Pension Fund Custodian (PFC) to effect payment. PFCs are also required to process payments within 24 hours of receiving instructions from PFAs.

### 3. Medium for Transmittal of Instructions

The Commission has specified that the medium for transmitting instructions to the PFCs is the "Shared Folders" deployed by the Commission.

## KPMG INSIGHTS

Stakeholders should note that challenges may arise during the transition period. It is essential therefore that steps be taken to help ensure compliance with regulatory requirements. RSA holders are also advised to promptly submit necessary paperwork to their respective PFAs, as this is crucial for accessing benefits.

It is expected that PenCom will release clear operational guidelines to provide further clarity on the implementation of these reforms.

One area that must be clarified urgently is the time within which the PFAs must complete their documentation, and all necessary steps, after receiving the applications from the RSA Holders. Without this clarity, the

## KPMG INSIGHTS (CONT'D)

objective that PENCOM seeks to achieve may be frustrated as the PFAs can take a considerable amount of time to complete the documentation process. It is, therefore, imperative that an appropriate length of time be specified for this. Stipulating a timeframe can also form one of the bases for evaluating the performance of the PFAs.

In the meantime, RSA holders and other stakeholders should stay informed about these changes and consult their PFAs for clarification. They may also seek guidance as to how to effectively navigate this operational reform through consultation with their usual professional services adviser or a member of the KPMG team in Nigeria (see the Contacts section).

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### FOOTNOTE:

1 To access the Circular, click [here](#).

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### RELATED RESOURCE

See "National Pension Commission Issues Circular on Approval of Benefits to Holders of Retirement Savings Account by Licensed Pension Fund Operators " in KPMG *Tax Alert*, a publication of the KPMG International member firm in Nigeria.

## Contact us

For additional information or assistance, please contact your local GMS or People Services professional or the following professional with the KPMG International member firm in Nigeria:



**Nike Yomi-Faseun**

**Partner**

Tel. + 23412718930

[Nyomi-Faseun@kpmg.com](mailto:Nyomi-Faseun@kpmg.com)

**The information contained in this newsletter was submitted by the KPMG International member firm in Nigeria.**

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