



# NATIONAL PENSION COMMISSION

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[www.pencom.gov.ng](http://www.pencom.gov.ng)

10 September 2009

**PENCOM/TECH/RM/IPR/09/2386**

The Managing Director  
IBTC Pension Managers  
No. 5a Oko Awo Street  
Off Adetokunbo Ademola Street  
Victoria Island, Lagos

Dear Sir/Madam

## **Re: Asset Based Fees on Retiree and Gratuity Funds**

You would recall that the Commission had, in the last quarter of 2008, temporarily suspended the charging of asset based fees on Retiree and Gratuity Funds/Schemes of organizations being managed by various Pension Fund Administrators (PFAs), including Closed PFAs. The Commission felt that since these Funds do not significantly grow like the Active funds, it would be inappropriate to apply the same fees regime to both categories of Funds. Moreover, Retiree/Gratuity Funds are mainly invested in fixed income securities.

Consequently, the Commission has revised the fee structure/regime for all Retiree (including RSA Retiree) and Gratuity Funds, with effect from the month of October 2009 (i.e. investment activities & performance from the month of October 2009). Going forward, fees payable to Operators on all Retiree and Gratuity Funds shall be as follows:

- i.) Fees shall be computed on Earnings Basis i.e. only on interest/coupon incomes and realized gains/losses (on disposal of pension fund assets). Unrealized gains/losses are **NOT** to be

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considered in determining the monthly income for purposes of charging fees.

- ii.) Based on a maximum rate of 7.5% flat of monthly income, distributed as follows:

Parties	Maximum Rate (%)
Pension Fund Administrator	5.0
Pension Fund Custodian	1.5
PenCom	1.0
Total	7.5

- iii.) PFAs/PFCs shall render to the Commission monthly portfolio valuation reports of the Retiree & Gratuity Funds/Schemes under management/custody.

- iv.) Monthly invoices for fees shall, amongst others, contain relevant information as in the table below:

Asset Class	Portfolio Value (N)	Earned Income (N)
Ordinary Shares		
Government Securities		
Corporate Debt Securities		
Money Market Instruments		
Open/Close-end Funds		
Un-invested Cash		
Total Pension Assets/Income		

Please note that the information contained herein must correspond/agree with those in the monthly reports/returns forwarded to the Commission.

You may therefore submit all outstanding invoices on affected Fund/Schemes for the Commission's approval. Please do not hesitate to contact the undersigned should you require further clarifications.

Thank you.

Yours faithfully,



Lana Loyinmi  
Head, Risk Management

Cc: Pension Fund Custodians