

FCMB

PENSIONS

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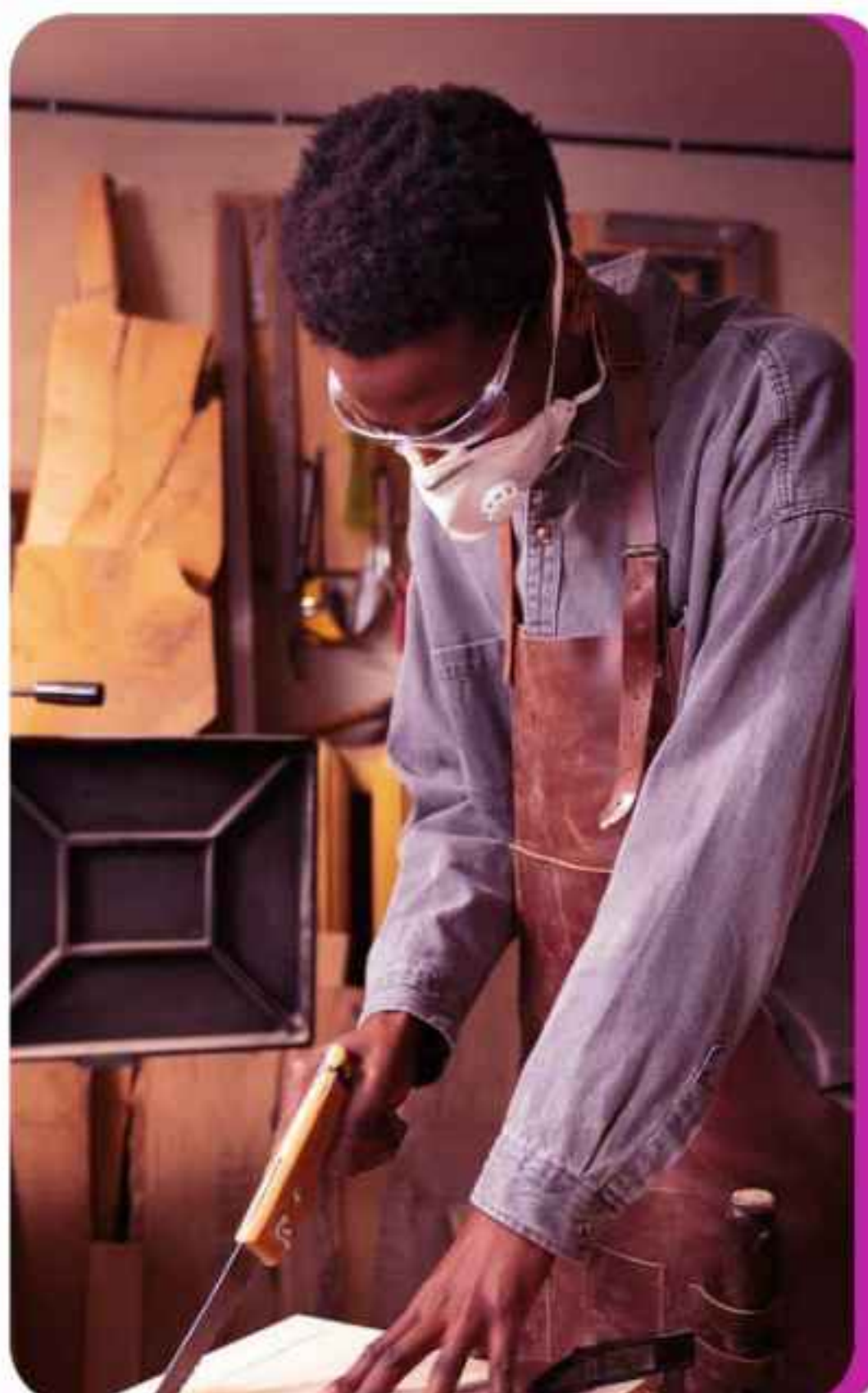
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The Micro Pension Plan

Extending the **Contributory Pension Scheme** to the Informal Sector



Introduction

Governments worldwide have historically been overwhelmed with the challenge of providing financial and social support for their citizens at retirement. This has resulted in the introduction and implementation of various retirement benefit schemes, which have evolved with various reforms into the global pension landscape as we know it today. Despite the success of some of these schemes, extending pension coverage to those who work in the informal sector has remained a huge task. For example, in Nigeria, as at the end of 2024, a total of 10.58 million workers (still growing) are registered under the Contributory Pension Scheme (CPS). With Nigeria's large working population, these suggests there is a huge potential to further grow the number of contributors. The introduction of the Micro Pension Plan (MPP) in 2019 has extended the Contributory Pension Scheme to include informal sectors of the Nigerian economy.

The Micro Pension Plan (MPP)

The Micro Pension Plan (MPP) is tailored for the informal and self-employed (artisans and professionals) workers in Nigeria. It was introduced by the National Pension Commission (PenCom) under the Contributory Pension Scheme (CPS) in 2019 in order to extend retirement savings opportunities to individuals who were not initially covered by the CPS. MPP is designed to provide future financial security for informal sector workers and help them achieve financial freedom upon retirement or when they can no longer work to make a living.

Key Features of the Micro Pension Plan



Voluntary Participation: Informal sector workers and self-employed individuals (artisans and professionals) can choose to enrol and contribute.



Contribution: MPP is flexible and can be made daily, weekly, monthly, or as income permits. Every contribution shall be split into two comprising 40% for contingent withdrawal and 60% for retirement benefits:

- 40% Contingent Withdrawal: Allows for partial withdrawal of funds to address urgent financial needs. Contributor shall be eligible to access the portion of his/her contribution available for withdrawal 3 months after making the initial contribution.
- 60% Retirement Benefit: The Micro Pension Contributor shall be eligible to access pensions upon retirement and attaining the age of 50 years or on health grounds in accordance with the Regulation for the Administration of Retirement and Terminal Benefits issued by the National Pension Commision (PenCom).



Simplified Process: It has minimal documentation requirements and digital channels are being introduced to ensure convenience.

Participation

The following persons not below 18 years of age with a source of income shall be eligible for participation in the Micro Pension Plan under Section 2 (3) of the Pension Reform Act (PRA) 2014:

- Self-employed persons that belong to a Trade, Profession, Cooperative or Business Association.
- Self-employed persons with a business registration as a company, partnership or enterprise.
- Employees operating in the informal sector who work with or without formal written employment contracts.
- Other self-employed individuals.

Micro Pension Contributors must have a unique Personal Identification Number (PIN) issued by a licensed Pension Fund Administrators (PFA) upon enrollment.



Don't be left out: Register today!

Benefits of the Micro Pension Plan



Financial Security in Retirement: It helps combat old-age poverty by providing a steady income stream during retirement, ensuring financial stability and peace of mind.



Access to Funds for Contingencies: It permits contributors to withdraw up to 40% of their savings for immediate financial needs, reducing the impact of financial emergencies.



Flexible and Affordable Contributions: It allows small, flexible contributions based on individual financial capacity, making it accessible to those with varying income levels.



Accessibility and Inclusivity: It is designed for individuals in the informal sector, small business owners, artisans and professionals, the MPP is a flexible system that allows periodic contributions and withdrawals.



Residential Mortgage: MPP contributors can also use a portion of their Retirement Savings Account (RSA) as equity contribution to access Residential Mortgage.



Saving Culture: It aids in the cultivation of saving culture. This enables financial intermediation as it contributes to the pool of investable funds for developmental purposes.



Growth of Savings: MPP contributors' funds increase over time due to interest earned by Pension Fund Administrators from investments made with the funds.



Financial Independence for All: It promotes financial inclusion by enabling workers in the informal sector, such as artisans, traders, and farmers, to plan for their future, thereby promoting financial freedom at old age.

Conversion

Conversion from Micro Pension Plan to Mandatory Contribution



The Micro Pension Contributor shall be eligible to participate under Section 2(1) of the Pension Reform Act, 2014 where he/she secures employment in the formal sector with an organization that has three (3) or more employees



The Micro Pension Contributor shall formally request for conversion, attaching all necessary documents specified in the Guidelines for the Registration of Contributors/Members issued by the National Pension Commission (PenCom).



Where an eligible Contributor fails/refuses to request for conversion to the mandatory contribution after one (1) month of receiving remittance from his/her new employer, the PFA shall automatically change the status of the contributor upon receiving the second remittance.

Conversion from Mandatory Contribution to Micro Pension Plan



Participants in mandatory contribution shall not be allowed to convert to a Micro Pension Plan.

How You Can Participate

- **Informal Sector Workers (artisans, self-employed professionals, small business owners):** You can join the Micro Pension Plan (MPP), encourage your colleagues and wards, and spread the word about this opportunity.
- **Formal Working-Class Individuals:** While the MPP is not designed for you, you can purchase the plan for your domestic staff, vendors, family, and friends ensuring they have financial security for their future. You can also spread the word about this inclusive pension plan..

In the case of the death of the MPP contributor, the balance in a Micro Pension Contributor's RSA shall, in the event of death, be paid to the legal heirs of the deceased/contributor as may be appointed by a Will or Letter of Administration granted by a Probate Registry or as may be directed by a court of competent jurisdiction in the State of residence of the deceased contributor, as the case may be.

FCMB Pensions Limited is duly licensed by the National Pension Commission (PenCom), to carry on business as a Pension Fund Administrator (PFA) as defined under the Pension Reform Act, 2014. The company aligns with the goals of PenCom to extend pension services to the informal sector, ensuring that self-employed and low-income earners can secure their financial futures. Should you require further clarification on this product or our other product offerings, please do not hesitate to contact us through any of our service channels or visit www.fcmbpensions.com

Disclaimer: The views and statements expressed in this newsletter are those of FCMB Pensions Limited. While every effort has been made to ensure the accuracy and completeness of the information provided, readers are advised to verify the facts and consult appropriate professionals before making any decisions based on the content shared.