



NATIONAL PENSION COMMISSION

No 174, Adetokunbo Ademola Crescent, Wuse II
P.M.B. 5170 Wuse,
Abuja, Nigeria
Tel: +234-9-4138736 - 40,
www.pencom.gov.ng

PenCom/Tech/RM/B&I/1253

12 December, 2008

All PFAs and PFCs

Dear Sir,

Modalities for Payment of Death Benefits of Deceased FGN Employees without RSAs to their NOKs

Pursuant to Section 5 (2) of the Pension Reform Act 2004 (the Act) and in line with a Circular received from the Budget Office, the Commission commenced the processing of the death benefits of the deceased employees of the Federal Government of Nigeria who died before the commencement of life insurance policy. Please recall that an employee's death benefit comprises of his/her retirement benefits (*Section 4* of the Act) and entitlement under the life insurance policy (*Section 9 (3)* of the Act), the proceeds of which should be applied by the PFA in favour of the deceased Next-of-Kin (NOK).

It was however, observed that some employees did not register with any Pension Fund Administrator (PFA) before their demise, thus creating a challenge in complying with *Section 5* of the Act. Consequently, a framework on the modalities for NOKs to register with PFAs for the payment of deceased benefits was required. The Commission has therefore adopted the following framework/procedure for the remittance of accrued rights and pension contribution as well as life insurance policies to the NOKs of deceased employees who were unable to open RSAs before their death.

Framework for the release of Death Benefits of Deceased Employees without Retirement Savings Accounts to their Next of Kin(NOKs)

- (i) An account to be known as the Death Benefit Account (DBA) shall be created and maintained by PFAs for NOKs of deceased employees without RSAs.
- (ii) A standardized format of the DBA registration form containing bio-data of both the deceased and NOK as well as the biometrics of the NOK shall be designed by the Commission. Specimen format is attached as **Appendix A** (PFAs may place their logo on the form)
- (iii) The DBA registration form should have a standardized numbering convention of not more than 12 character digits with standard algorithm of **DBA/PFA Code/six digit serial No**, to replace the Retirement Savings Account number.
- (iv) NOKs shall register with any PFA of their choice and open DBA.
- (v) For the provision of this service, a flat administrative fee of ₦5,000.00 per account, to be shared between the PFA & PFC in the proportion of 4:1 respectively and deductible from the death benefit.

Procedure

- a) The Commission would request the MDAs to advise the NOKs to open a DBA with any PFA of their choice.
- b) The NOK approaches a PFA for registration with the following relevant documents:
 - (i) Medical Certificate of Death/Cause of Death.
 - (ii) Certificate of Registration of Death (if available).

- (iii) Police Report (if death is by accident).
 - (iv) Letter of Administration or Will admitted to Probate (This will be compulsory as from January 2008 for death claims where the deceased had opened RSA before death).
 - (v) Declaration of Wish/Evidence of Nomination of NOK (Where item (iv) is not available, this would be acceptable for death cases up to December 2007 and subsequent cases where the deceased had not opened RSA before death).
- c) The PFA issues the Death Benefit Account Form to be completed by the NOK.
 - d) PFAs shall validate the information on the DBA against the documents provided by the NOK and ensure authenticity and completeness.
 - e) PFA opens DBA and issues DBA number to NOK.
 - f) PFA to forward electronically detailed information on deceased employees/NOK in a standardised Registration Schedule to the Commission. See **Appendix B**.
 - g) The Commission reviews submission by PFA and responds on exceptions only, within three (3) days of receipt of Registration Schedule.
 - h) For deceased FGN employees records already forwarded to the Commission, the computed death benefits are adopted.
 - i) For fresh requests, the Commission (NDB Department) computes the accrued rights and accumulated pension contributions (if any).

- j) The Commission directs the CBN to remit the accrued rights of the deceased employees to the PFA's account with its PFC, attaching a schedule of the respective beneficiaries and DBA numbers.
- k) To facilitate the remittance of the proceeds of the life insurance policy, the NOK forwards the DBA number and PFA/PFC's bank account details to the deceased's MDA.
- l) For the private sector, the employer is to remit any outstanding accrued rights and pension contribution as well as liaise with the insurance company to transfer the proceeds of life insurance policy into the DBA, using the PFA/PFC's bank account details.
- m) The procedure on payment of death benefits as stipulated in Section 5.3.6 to 5.3.12 of the Regulation on the Administration of Retirement and Terminal Benefits, thereafter applies.
- n) Upon the PFA's notice to the Commission (monthly returns) of the en-bloc payment of the death benefit to the NOK, the DBA number is flagged and considered closed.

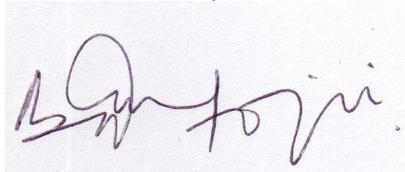
- o) The PFCs are required to submit monthly returns of payments to the Commission.

We envisage that the above framework/procedure is of a short term nature; therefore it shall serve solely for the purpose of processing death benefits for deceased persons without RSA. There shall also not be any amendment to the guidelines/regulations.

You are therefore required to note the above procedures and make necessary arrangement to open the DBA for the NOK from now on.

Thank you.

Yours faithfully,



Lana Loyinmi
Head, Risk Management