

Enhancing Pension System Governance Through Accreditation of Agents.



Overview

The recent licensing of the first Accredited Pension Agent (APA) by the National Pension Commission (PenCom) marks a significant evolution in Nigeria's pension landscape. This initiative aims to enhance pension coverage, particularly for self-employed individuals and workers in the informal sector, who hitherto faced barriers in accessing pension systems. In addition, recognizing the role of intermediaries introduces a system of compliance and accountability that is vital for ensuring the integrity of the sector.

Key Highlights

1. **Regulatory Framework:** PenCom's development of a structured framework for APAs underscores its commitment to enhancing formal pension enrolment.
2. **Inclusivity in Pension Plans:** The introduction of the Personal Pension Plan (PPP) marks a strategic focus on inclusivity - targeting artisans, freelancers, and informal professionals, as it seeks to integrate those outside traditional employment into the contributory pension system, thus addressing the needs of previously under-served persons.
3. **Roles of Accredited Pension Agents:** APAs serve as key intermediaries between self-employed individuals and Pension Fund Administrators (PFAs). Their roles include marketing, facilitating registration, and ensuring the accurate remittance of contributions, thereby simplifying the participation of individuals in the informal sector in the pension system.

Implications for the Pension Sector

1. **Expanded Pension Coverage:** This initiative is expected to significantly enhance access to pension services and broaden coverage, particularly for self-employed individuals, informal sector workers, and other previously excluded groups, thereby strengthening financial security, encouraging long-term savings, and advancing broader financial inclusion objectives.
2. **Enhanced Compliance and Regulatory Oversight:** PenCom's strategy of expanding coverage through accredited agents is complemented by enhanced compliance mechanisms. The accreditation of pension recovery agents and the collection of funds from defaulting employers signal PenCom's strong commitment to protecting contributors' interests. Furthermore, the enforcement of Service Level Agreements (SLAs) and regulatory standards ensures a culture of accountability among PFAs and APAs, thus safeguarding contributors' funds.
3. **Digital Innovation and Technological Advancements:** PenCom's Data Recapture Self-Service Platform (PENCAP) reflects its commitment to leveraging technology to improve pension management. This platform enables contributors to conveniently update their records, ensuring data accuracy and operational efficiency. Additionally, the newly licensed APA's role as a Payment Solution Service Provider (PSSP) further supports PenCom's digital agenda by facilitating secure, seamless pension contributions via digital channels.

Conclusion

The APA initiative marks a pivotal milestone in the government's efforts to broaden pension coverage, especially for self-employed individuals and workers in the informal sector. Through the strategic use of technology, formalized industry roles, and a strong focus on regulatory compliance, PenCom is not only increasing pension accessibility but also strengthening the long-term sustainability of the system. While other countries have adopted various innovative approaches to expand pension inclusion, this model represents a significant step within Nigeria's reform landscape and may offer valuable insights for jurisdictions pursuing similar objectives.

Call to Action

Stakeholders across the public and private sectors should lend their support to these initiatives, ensuring the successful implementation and impact of the accreditation system. In addition, continued engagement and dialogue around these efforts will also be critical to achieving the desired outcomes.

For expert advice on Corporate Governance, Regulatory Compliance, Corporate Secretaryship, and insurance industry-related advisory, please contact our team at rcg@jee.africa.

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