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NIGERIA PUBLISHES VOLUNTARY PENSION CONTRIBUTION GUIDELINES

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[Guidelines](#) setting out rules for making voluntary contributions (VCs) to Nigeria's contributory pension scheme — in addition to statutory employee and employer contributions — were published in October 2018 by the pension authority PENCOM and took effect immediately. The guidelines accompany PENCOM's 2017 [circular](#) about the administration of VCs and aim to clarify certain provisions and curb tax evasion.

The [Pension Reform Act](#) requires that private and public sector employees in organizations with three or more employees must participate in a contributory pension scheme (CPS). Most employees in the private sector can make VCs, but there's no option to allow employers to do so.

HIGHLIGHTS OF THE GUIDELINES

Key provisions of the guidelines include the following:

- **Set out eligibility criteria.** The guidelines detail the criteria individuals must meet to make VCs.
- **Cap VCs at one-third of the employee's monthly salary.** Contributions must be made in Nigerian currency from legitimate income via the employer, and employees are limited to remitting VCs once per month.
- **Split VCs equally between two balances — the 'contingent balance' and the 'fixed balance.'** Pension fund administrators must maintain two VC balances for administrative purposes. Members can withdraw up to 50% of their contingent balance after two years (and every two years after that) and on retirement can consolidate any remaining contingent balance with their fixed balance. Fixed balances can be withdrawn only on retirement. Certain individuals — for example, foreigners living and working in Nigeria and retirees who later take contract work — aren't allowed to access their VCs until the termination of their contract.
- **Describe how VCs are taxed.** For example, the guidelines explain taxation of VCs when contributions are withdrawn before the end of a five-year period and the tax exemption of fixed balance income taken on retirement. Pension fund custodians also must declare deducted taxes and submit twice-yearly declarations to PENCOM.

RELATED RESOURCES

- [Guidelines on Voluntary Contribution under the Contribution Pension Scheme](#) (PENCOM, 25 Oct 2018)
- [Circular on Withdrawals from Voluntary Contributions](#) (PenCom, 16 Nov 2017)
- [The Pension Reform Act 2014](#) (PENCOM)

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