5 notable highlights of the Act that impacts a Retirement Savings Account holder

1. **Upward review of the minimum rate of contribution**
   Section 4 (1) of the new Act reviewed upwards, the minimum rate of pension contribution from 15% to 18% of monthly emoluments, where 8% will be contributed by employee and 10% by the employer. This will provide additional benefits to employees thereby enhancing their pension benefits at retirement.

2. **Access to contributions before age 50**
   The Act in section 7 (2) now allows an individual who voluntarily retires, resigns or is disengaged from employment access to 25% of his/her retirement savings account (RSA) balance if he/she is unable to secure another job within a period of 4 months. This is different from what was obtainable under the PRA 2004 where only individuals who were involuntarily disengaged from employment were entitled to access 25% benefits after remaining unemployed for 6 months.

3. **Tax on Voluntary contribution withdrawals**
   Withdrawal of voluntary contributions (VC) within 5 years from the date the contributions were made is still subject to tax. However, as clarified in section 10 (4), only the income earned on the VC will be subject to tax at the point of withdrawal.
   VC that is withdrawn after 5 years from the date the contribution was made will still be tax free.

4. **Access to Mortgage**
   Section 89 (2) of the Act provides that a Pension Fund Administrator (PFA) may subject to guidelines issued by the National Pension Commission, apply a percentage of the pension assets in a Retirement Savings Account (RSA) towards the payment of equity contribution for a residential mortgage by a RSA holder.

   We however await the issuance of guidelines for implementation of this provision from the Commission.

5. **Punishment for defaulting employers**
   Section 11 (6) of the Act provides that an employer who fails to deduct or remit the contributions of its employees within 7 working days from the date salary is paid, in addition to making the remittance already due, will be liable to a penalty to be stipulated by the Commission.

   Furthermore, Section 105 (1& 2) on offences under the Act empowers the National Pension Commission (PenCom), subject to the fiat of the Attorney General of the Federation (AGF), to institute criminal proceedings against employers who persistently fail to deduct and/or remit pension contributions of their employees.

For more information about the PRA 2014, kindly visit www.pencom.gov.ng

For enquiries, please send an email to pensionsolution@stanbicibtc.com or call our 24 hours 7 days a week multilingual Contact Centre on 01-2716000

Best Regards
Stanbic IBTC Pension Managers Limited