

HIGHLIGHTS OF PENCOM'S OPERATIONAL FRAMEWORK FOR THE NON-INTEREST FUND (FUND VI)



The National Pension Commission (PENCOM) recently introduced a new category of fund which complies with sharia principles of investment. The Non-Interest Fund (Fund VI) permits pension contributors and retirees to choose the preferred investment portfolio they would want their pension contributions remitted to.

The Operational Framework

By the Operational Framework regulating the Fund VI, contributions made to the fund cannot be invested in the production or trading of alcohol, pornography, weaponry, gambling/betting, speculation, interest earning ventures and other similar undertakings that are contrary to Sharia principles. Furthermore, the scope of the prohibited schemes for the Fund VI is to be determined from time to time by the Financial Regulation Advisory Council of Experts (FRACE), an advisory body on Islamic Banking and Finance established by the Central Bank of Nigeria (CBN) to advice on matters relating to Islamic commercial jurisprudence.

The Operational Framework provides that the Fund VI is to be managed in two separate accounts by Pension Fund Administrators (PFAs): for active Retirement Savings Accounts contributors, and retirees. Both active contributors and retirees will be able to move their contributions to the Active Fund VI or Retiree Fund VI, respectively.

PFAs are also prohibited from investing contributions to the Fund in speculative instruments. The Operational Framework sets the maximum limits for the various allowable classes of assets that the Fund can be invested in, and further provides the modalities for Retirement Savings Account holders to migrate to the Fund VI, amongst other provisions. The Fund VI is in line with the multi fund investment structure introduced by PENCOM in 2018 which gives more freedom to retirees and contributors to invest their funds according to their risk enthusiasm. The Operational Frameworks can be downloaded [here](#)



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