ABC OF MULTI FUND STRUCTURE

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Introduction

- The new multi-fund Structure gives the contributors to a large extent the right to choose and further diversification of the Pension Fund Portfolio. Unlike the one jacket fit all RSA Fund we presently operate, the RSA Fund has been broken down into 3 Funds namely; Fund I, Fund II, Fund III. We also have the Fund IV which is the Retiree Fund.
- Under the multi fund structure, we have four Funds altogether. With Fund I and Fund III being the new addition to the existing RSA and Retiree Funds.

OBJECTIVES OF THE MULTI FUND STRUCTURE

- To achieve optimum returns for contributors by aligning the portfolios with their individual risk/return profile
- To increase safety of Pension Fund investment by diversification of Pension Fund Portfolios.
- To increase investment in Alternative assets
- To provide greater choice and control to contributors

FUND I

This is otherwise known as aggressive Fund for Young contributors who are able to take risks.

The risk here is in terms of exposure to variable income securities such as Equities, Infrastructure Funds, Private Equities Funds, Hybrid Funds and Real Estate Investment Trust (REIT).

The Fund can be exposed up to 75% of variable income securities and the minimum exposure to variable income securities is 20%.

The Fund shall have a minimum of 2.5% invested in alternative assets such as Infrastructure Funds, Private Equities and Real Estate.

This Fund is for contributors that are 49 years and below. Membership of this Fund shall be by **FORMAL REQUEST** by a contributor.

The nominal unit price shall be N1.0000 at the commencement date while subsequent entrants into Fund I after the take off date shall buy into the Fund at the value of an Accounting unit of the preceding day.

Contributors who are 50 years and above shall not be allowed to choose Fund I.

Fees on Fund I Shall be computed based on Net Asset Value(NAV).

FUND II

This is just like the existing RSA Active Fund. It is the default Fund for contributors that are within the age bracket of 49 years and below. The risk exposure here is moderate as the Fund exposure to variable income securities is a maximum of 55% and a minimum of 10%.

Minimum exposure to alternative asset is also 2.5%. This Fund is for contributors between the ages of 49 years and below who HAS NOT made a request to be moved to Fund I. Members of Fund II shall not be allowed to move to Fund III but will only be allowed to move to Fund I.

The Fees on Fund II shall be based on Net Asset Value (NAV)

FUND III

This is a new Fund and a default Fund for contributors that are 50 years and above(Pre-Retiree). New entrants into Fund III after the take off date shall buy into the Fund at the Value of an Accounting Unit of the preceding day.

It is a conservative Fund because the exposure to variable income securities is a maximum of 20% and a minimum of 5%. No exposure to alternative asset. Members of Fund III shall not be allowed to move to Fund I. However members of Fund III can move to Fund II if they so wish.

The Fees on Fund III shall also be computed based on Net Asset Value of the Fund (NAV).

FUND IV

This is RSA Retiree Fund to be known as Fund IV and it shall continued to be managed in accordance with guideline on Retiree Fund. It is for ages 60 years and above.

The exposure to variable income securities is a maximum of 10% and a minimum of 0%.

Members of Fund I,II and III are not eligible to buy into Fund IV except upon retirement.

Members of the Fund IV are not allowed to move out of the Fund and fees on Fund IV shall continue to be income based fee.

TRANSFER BETWEEN FUND TYPES WITHIN A PFA

- An active contributor may switch from one Fund type to another Fund type with a PFA once in 12 months without paying any fee by request.
- Subsequently, any switches between Funds within a PFA in the same calendar year would attract a flat rate of N1,000.00

CONCLUSION

- The introduction of the Multi Fund investment structure would address the varying risk appetite of contributors as different Fund are tailored to fit the ages and risks profiles of contributors.
- Expanding the scope of allowable investment instruments and Fund classes available to contributors would improve return on Pension Funds
- Multi Fund structure would also benefits the economy as a whole as Pension assets would be channelled into key areas of the economy such as infrastructure and Housing.