



REVISED WHISTLE BLOWING GUIDELINES FOR LICENSED PENSION FUND OPERATORS.

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National Pension Commission

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About this Guideline

The Whistle Blowing Guideline for Licensed Pension Fund Operators is divided into six (6) sections.

Section one is the introduction, Sections two and three outline responsibilities for reporting breaches as well as actions and reactions to breaches.

The severities of breaches are categorized in the fourth Section, and the procedures for whistle blowing are spelt out in Section five. Section six addresses enforcement issues.

The requirements of this Guideline are consistent with the provisions of the Pension Reform Act (PRA) 2014, and are also considered enforceable within the industry.

WHISTLE BLOWING GUIDELINES FOR LICENSED PENSION FUND OPERATORS

1.0 Introduction

- 1.1 Transparency is a core value of the National Pension Commission (Commission) and is essential for maintaining trust in the pension industry. The Commission encourages openness and accountability among Licensed Pension Fund Operators (LPFOs) and other stakeholders.
- 1.2 The Commission has adopted a stakeholder-centered regulatory approach, which promotes meaningful contributions from operators, fostering a shared sense of responsibility for industry compliance and ethical conduct.
- 1.3 To strengthen these efforts, the Whistle Blowing Guidelines have been issued to:
- Provide a structured framework for reporting breaches and unethical practices within LPFOs.
 - Define reporting responsibilities and the process for handling whistle blowing reports.
 - Categorize breaches based on severity and specify the required actions.
 - Establish protections for whistle blowers and penalties for non-compliance.
- 1.4 These Guidelines are legally enforceable and consistent with the PRA 2014.
- 1.5 Applicability: The provisions of these Guidelines apply to all LPFOs, including their directors, management, employees, and other

relevant stakeholders.

2.0 Reporting Breaches

2.1 Responsibilities for Reporting Breaches

- 2.1.1 In line with Section 80 of the PRA 2014, the Compliance Officer of a LPFO has a statutory obligation to report any breach of the Act, Codes, Guidelines, Circulars, or Regulations issued by the Commission.

Additionally, all Directors, Management personnel, employees, and any external parties who have dealings with a LPFO are responsible for reporting breaches to the Commission.

- 2.1.2 LPFOs must ensure that all staff members are aware of their whistle blowing responsibilities and are fully conversant with the reporting procedures.

- 2.1.3 The Commission shall protect the identity of a whistleblower throughout any investigative process unless disclosure is legally required.

- 2.1.4 LPFOs must submit a written undertaking to the Commission stating employees who report unethical or illegal activities will not face retaliation.

- 2.1.5 In cases where an employee is victimized for whistle blowing, the Commission will apply appropriate regulatory sanctions to enforce compliance, including:
- Immediate intervention to redress the whistle blower's grievance.
 - Regulatory penalties against the LPFO involved.
 - Direct monitoring to ensure compliance with protective measures.

2.2 Reportable Breach

2.2.1 A breach is reportable if it is of material significance to the Commission in fulfilling its regulatory functions.

2.2.2 Factors that determine material significance include:

- The cause of the breach (e.g., fraud, governance failures, or negligence).
- The impact of the breach (e.g., financial loss to contributors, reputational risk to the pension industry).
- The response to the breach by the LPFO (e.g., whether corrective action was taken).

3.0 Actions and Reactions to Breaches

3.1 Breaches of Material Significance

3.1.1 A breach is considered materially significant if it results from or involves:

- Fraud, bribery, or other corrupt practices.
- Misuse or misappropriation of pension funds.
- Poor corporate governance and inadequate internal controls.
- Failure to pay pension contributions correctly or promptly.
- Deliberate contravention of laws, regulations, or PenCom directives.

3.1.2 Exemptions: An isolated incident caused by system errors or technical failures, which is promptly identified and corrected, may not be considered materially significant.

3.1.3 A breach shall be of material significance to the Commission if it negatively or adversely impacts the functions of the Commission.

3.1.4 In line with determining the circumstance in 3.1.3 above, the principal statutory objective of the Commission shall be as follows:

- (a) to protect the benefits of contributors;
- (b) to ensure effective administration of the

pension fund;

- (c) to reduce the risk of situations arising, which may lead to loss of contributions or inability of a contributor to obtain pension upon retirement; and
- (d) to promote good work ethics amongst operators.

3.1.5 Breaches that are likely to impact on the functions of the Commission shall include substantial failures in any of the following:

- (a) remittance of the right amount of contribution into a Retirement Savings Account (RSA), and at the right time by the employer;
- (b) legitimate and timely payments out of the pension fund by the PFA;
- (c) investment of pension funds in line with the provisions of the Investment Guidelines, issued by the Commission;
- (d) proper administration of the pension fund and maintenance of appropriate records; and
- (e) issuance of accurate, clear, and timely information to RSA holders.

3.2 Response to Breaches

3.2.1 The Commission will assess each breach to determine the necessary course of action, which may include:

- Internal investigation by PenCom.
- Referral to law enforcement agencies or relevant authorities.
- Commissioning an independent inquiry.

3.2.2 LPFOs that fail to act promptly after a breach is identified shall face regulatory penalties, especially if they:

- Ignore corrective measures.
 - Fail to notify affected Retirement Savings Account (RSA) holders.
 - Engage in repeated or systemic breaches.
- 3.2.3 The action to be taken by the Commission shall depend on the nature of the concern. The matters raised may:
- (a) be investigated internally;
 - (b) be referred to law enforcement agencies or relevant authorities; or
 - (c) form the subject of an independent inquiry.
- 3.2.4 In order to protect individuals and the Commission, initial inquiries shall be made to decide whether an investigation is appropriate and, if so, what form it should take.
- 3.2.5 Some concerns may be resolved by mutual agreement action without the need for investigation.
- 3.2.6 The Commission shall take steps to minimize any difficulties, which a whistle blower may experience as a result of raising a concern. For instance, if required to give evidence in criminal or disciplinary proceedings, the Commission will advise about the procedure.
- 3.2.7 Where the whistle blower is an employee of the LPFO the following protections shall apply:
- (a) No LPFO shall dismiss, suspend, or terminate the appointment of a whistle blower without the prior consent of the Commission.
 - (b) No LPFO shall demote or redeploy a whistle blower without the consent of the Commission.
 - (c) Pursuant to 3.2.7(a) and 3.2.7(b) above, the LPFO shall provide the Commission with solid reasons for its proposed actions.
 - (d) The LPFO shall not in any way deny a

whistle blower his/her entitlements in terms of promotions, salary increases, trainings and opportunities.

- (e) Any salary review or incentive that will affect the whistle blower negatively shall be referred to the Commission for approval, before implementation.
- (f) The whistle blower shall have the right to make to the Commission, any complaint, in writing against his/her employer, as he/she may deem necessary.
- (g) Where the Commission finds violations against the whistle blower, by the LPFO it shall issue a letter of caution and direct the LPFO to retract whatever actions taken.

4.0 Severity of Breaches

4.1 Categories of Breaches

- 4.1.1 A breach shall be considered to be materially significant if it poses a risk to the scheme such that there is likelihood that the Contributory Pension Scheme will not be able to deliver the benefits promised, in the long run.
- 4.1.2 A situation where the board and management of a LPFO lack the appropriate knowledge and understanding to fulfill their responsibilities, which is likely to give rise to a materially significant breach.
- 4.1.3 As a form of guidance, the following “traffic light” guidance provides a benchmark against which whistle blowers can judge breaches they come across in the categories of Red, Green, and Amber:
 - (a) **Red (critical) Scenarios – Must be reported within 24 hours** involve breaches which are materially significant because they could immediately or potentially pose significant risk to contributors’ interests and must be reported.

- (b) **Green (Minor) Scenarios – To be recorded internally and reported only if recurrent.** It involve breaches which are not materially significant and do not have to be reported but should be recorded. Such breaches do not normally, on their own, imply or pose a significant immediate or potential risk to contributors' interests.

- (c) **Amber (Moderate) Scenarios – Must be reported within 5 working days.** It involve breaches which are less clear cut and the context of the breach must be taken into account in order to decide whether it is materially significant and should be reported.

4.1.4 **Red breach situations** shall include but not limited to the following:

- (a) Matters including possible fraud/defalcation or misappropriation of assets or contributions such as:
 - (i) authorization of loans from the pension fund managed by the PFA or held in custody by the PFC to an associate, a related company or employee or any other person;
 - (ii) a LPFO receives an instruction to transfer part of the fund, documents of title or sale proceeds respectively to a destination that does not appear to be another LPFO; and is not an authorized sale; or

- (iii) a persistent or significant departure of the investments carried out by a PFA from the provisions of the Investment Guidelines issued by the Commission.

- (b) Breaches carrying criminal penalty such as trading on the assets of the fund in the name of the LPFO, its shareholders, or directors.

- (c) Persistent failure by the employer to remit contributions in accordance with the schedule of contributions and where they remain unremitted for 7 days after the due date or where the employer appears to be using the contributions instead of remitting them to the PFC.

- (d) Breaches involving

widespread and/or persistent administrative failures stemming from poor record keeping or inadequate controls, for example:

- (i) widespread and persistent misallocation of contributions and/or voluntary contributions to RSAs;
- (ii) persistent failure to carry out reconciliation of contributions received resulting in persistent discrepancies; and
- (iii) persistent failure to update the records of a contributor, whose personal details have changed.

- (e) Inappropriate actions that manipulate or overstate the Funds unit price i.e. through non-creation of units or the revaluation of assets that cannot be revalued e.g. FGN bonds to market value, or deposit for shares revalued to market value.

4.1.5 **Green breach situations**
shall include the following:

- (a) Breaches which are isolated or arise from, unintended administrative lapses in an otherwise well-run system which for example arise due to systems failure or change in service provider and which are corrected in a timely manner when identified, provided that any effect on contributors' benefits is negligible. for example:
 - (i) failure to invest a month's contributions promptly, in accordance with laid down procedures;
 - (ii) failure to pay benefits correctly or in a timely manner; and
 - (iii) failure to provide an RSA holder with timely or correct information, within the PFAs reach, after three demands in writing over a period of ten (10) working days.
- (b) Failure to adhere precisely to the details of the legislation where the breach is unlikely to

result in an error or misunderstanding, for example:

- (i) inconsequential and corrected omissions from the minutes of board meetings;
- (ii) simple breaches of the Investment Guideline through dealing or implementation errors or movements in the markets, where the breach is remedied within reasonable period of time.

4.1.6 **Amber breach situations**
shall include the following:

- (a) Several 'green' breaches, which effectively stem from the same cause such as a systems failure, teething problems with new systems or processes or the absence of a critical member of staff. Where the LPFO is taking effective action to alleviate and remedy the problems, the Commission shall not require a report. However, if the breaches results from inadequate systems or processes and the LPFO fails to take effective steps to improve or replace them, the Commission will expect a detailed report.
- (b) LPFOs have been hindered in their attempts to comply with regulatory requirements by their service providers for example where, despite the best efforts of the

LPFO, its service provider continuously provides poor service resulting in persistent or widespread non-compliance; the Commission shall expect a report.

- (c) Failure by the LPFO to take all reasonable and proper measures to recover all debts and monies due to the fund within a reasonable amount of time. Such shall constitute a breach of trust and the Commission shall expect a report.
- (d) Failure of the PFA to monitor and control fees and/or other expenses being charged by service providers shall constitute a breach of trust where they are paid from the fund. The Commission shall expect a report in this circumstance, except where it is in respect of an approved existing scheme, where the employer is paying the balance of cost.

4.1.7 The examples of red, green, and amber scenarios listed in 4.1.3 to 4.1.6 above, are by no means exhaustive.

5.0 Procedures for Whistle Blowing

5.1 Whistle blowing concerns shall be reported in writing. The whistle blower shall set out the background and history of the concern, giving names, dates

and places where possible, and the reason why he/she is particularly concerned about the

situation.

5.1.1 The whistle blowing report shall be submitted at a designated mail box, email address, or online portal. The whistle blower may, however, fill out the whistle blowing form hosted on the website/portal.

5.1.2 The provisions of 5.1 notwithstanding, a whistle blower who is unable to put his/her concern in writing, may contact an appropriate officer of the Commission. An intending whistle blower shall be required to report the concern in a timely manner.

5.1.3 The appropriate officer shall, within 1 working day of receipt of a report, escalate the report to the Committee set up by the Commission to investigate such reports.

5.1.4 Although the whistle blower shall not be expected to prove the truth of an allegation, he/she shall need to demonstrate that there are sufficient grounds for the concern.

5.1.5 The whistle blower is encouraged to indicate his/her name in the allegations. Concerns expressed anonymously shall also be taken seriously at the Commission's discretion, focusing on the credibility of the information. In exercising its discretion, the Commission shall consider the following:

- (a) the seriousness of the issues raised;

- (b) the credibility of the concern; and the likelihood of confirming the allegation from traceable sources.

5.2 Anonymous Reporting

5.2.1 Anonymous whistle blowing reports will be considered based on:

- The seriousness of the allegation.
- The credibility of the information provided.
- The availability of supporting evidence.

5.2.2 The whistle blower is not expected to prove the allegation but must provide sufficient information to justify further investigation.

6.0 Enforcement and Penalties

6.1 The Commission shall actively enforce this Guidelines and apply sanctions against LPFOs that:

- Fail to report material breaches in a timely manner.
- Attempt to conceal or misrepresent a reported breach.
- Retaliate against whistleblowers.

6.1.1 Where the Commission concludes that serious matters that should have been reported to it have not been reported in a timely fashion, the Commission shall impose appropriate administrative sanctions to the LPFO or individual(s).

6.1.2 The Commission shall consider imposition of appropriate administrative sanctions where it discovered that a breach that led to an adverse event was not reported to

the Commission in a timely manner.

6.1.3 If an allegation is made in good faith, but it is not confirmed by the investigation, no action shall be taken against the whistle blower.

6.1.4 If the whistle blower made allegation that were found to be malicious or simply to cause anger, irritation, or distress, disciplinary action may be taken against the whistle blower.

6.1.5 The Commission shall deal with a whistle blowing report in a timely manner.

6.2 Penalties for Non-Compliance

6.2.1 Failure to comply with the provisions of these Guidelines may result in:

- Monetary fines on the LPFO and/or responsible individuals.
- Regulatory sanctions, including suspension or license revocation.
- Referral for criminal prosecution where applicable.

6.3 Protection against Malicious Reporting:

If an allegation is made in good faith but later found to be incorrect, no action will be taken against the whistle blower. However, false or malicious allegations meant to cause harm will result in disciplinary action.

7.0 Review and Enquiries

7.1 This Guidelines shall be subject to review by the Commission from time to time as the need arises.

7.2 All enquiries regarding this Guideline shall be directed to the Director General, National Pension Commission.