



## **RETIREE PACK**

### **A GUIDE FOR RETIREES UNDER THE CONTRIBUTORY PENSION SCHEME**

**A Joint Publication of the National Pension Commission and the National Insurance Commission  
for the use of Pension Fund Administrators and Insurance Companies offering Retiree Life Annuity**

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*NAICOM*

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## INTRODUCTION

In line with the provisions of Section 7(1) of the Pension Reform Act (PRA) 2014, retirees are given two retirement benefit modes, which are Programmed Withdrawal (PW) and Retiree Life Annuity (RLA). Consequently, a retiree is required to choose between the two modes by which his/her retirement benefits shall be paid.

This Retiree Pack is a guide to help prospective retirees make informed decision. Retirees are advised to carefully go through this Pack with the view to making informed decision on the mode of receiving their retirement benefits under the Contributory Pension System (CPS).

The Retiree Pack addresses the frequently asked questions in relation to PW and RLA while providing the list of things to be done by a prospective retiree. It also specifies the features of PW and RLA.

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## FREQUENTLY ASKED QUESTIONS

**1. What is Programmed Withdrawal?**

This is a stream of income paid by a Pension Fund Administrator to a retiree on monthly or quarterly basis determined using a Programmed Withdrawal Template over an expected life time.

**2. What happens to the balance in the Retirement Savings Account (RSA) under PW?**

The RSA balance is being re-invested by the PFA to generate more income/funds for the retiree. When a retiree dies, any balance in the RSA will be paid to the named beneficiary(ies).

**3. What is Retiree Life Annuity?**

This is a stream of income purchased from a life insurance company with the available RSA balance under the CPS as premium. It provides a guaranteed periodic income (pension) to a retiree throughout his/her life after retirement. Annuity is guaranteed for ten years. If the retiree dies within the first ten years of retirement, the monthly annuity will be paid to his beneficiary(ies) for the remaining years up to ten years at a present value.

**4. How can Annuity be purchased?**

A retiree can buy annuity by remitting his/her available RSA balance as premium to a Retiree Life Annuity Provider (Life Insurance Company) with the commitment to provide the monthly/quarterly annuity payments for life.

**5. Who regulates Retiree Life Annuity?**

The Regulations on RLA are jointly issued by the National Pension Commission (PenCom) and the National Insurance Commission (NAICOM).

**6. Can I choose PW and later change to RLA?**

A retiree on PW can change to RLA. This can be done after at least 1 year of being on PW.

**7. How can the change in (6) above be effected?**

A retiree can request the PFA to transfer his RSA balance to his chosen Retiree Life Annuity Provider (RLA Provider), given the PFA one month notice.

**8. Can I change from RLA to PW?**

A retiree on RLA cannot change to PW. This is because RLA is for life.



**9. Can a retiree on PW change his PFA?**

Section 13 of the Pension Reform Act (PRA) 2014 states that a holder of a retirement savings account may not more than once in a year, transfer his account from one PFA to another.

**10. Can a retiree on RLA change his RLA Provider?**

A retiree on RLA can change his RLA Provider after at least two years of being with the current RLA Provider with the approval of NAICOM.

**11. What happens where a retiree who is on PW exhausts the balance in his/her RSA?**

A retiree whose RSA balance is exhausted may be eligible for the payment of Guaranteed Minimum Pension (GMP) through the implementation of the Minimum Pension Guarantee (MPG).

**12. What is MPG?**

MPG is an arrangement to provide Guaranteed Minimum Pension to eligible retirees.

**13. Can RLA be exhausted?**

The risk having been transferred to the RLA provider, RLA cannot be exhausted.

**14. What is Guaranteed Minimum Pension?**

Guaranteed Minimum Pension is the lowest benchmark of pension which an eligible retiree under the CPS should receive as minimum pension.

**15. Where can a retiree on PW take his/her complaint to?**

A retiree on PW is expected to take his/her complaint to the PFA for resolution. However, where the retiree is not satisfied with the response of the PFA, he/she can seek the intervention of PenCom.

**16. Where can a retiree on RLA take his complaint to?**

A retiree on RLA is expected to take his complaint to the RLA Provider for resolution. However, where the retiree is not satisfied with the response of the RLA Provider, he/she can seek the intervention of NAICOM.

**17. What are the Components of RSA Balance at Retirement?**

The RSA balance at retirement is made up of the following:

- i. Pension Contributions from July 2004 till the date of retirement;
- ii. Accrued right (if any), representing pension and gratuity for services rendered from date of first appointment to 30 June, 2004;
- iii. Investment income generated by the PFA;
- iv. Voluntary contributions (if any);



- v. Micro pension contributions (if any); and
- vi. Nigeria Social Insurance Trust Fund (NSITF) (if any)

**18. How is the RSA balance utilized at retirement?**

At retirement, the balance in the RSA of a retiree, after the payment of lumpsum and pension arrears (if any), is used to procure an annuity for life of the retiree or a programmed withdrawal over the expected life span of the retiree.

**19. What percentage of the RSA balance can a retiree take as lumpsum?**

There is no fixed percentage for lumpsum payable to a retiree. Lumpsum is determined using the RSA balance, age, gender and final salary of the individual retiree. However, the retiree can choose between a zero lumpsum and a maximum lumpsum calculated using the PW template before the purchase of either PW or RLA.

**20. How does lumpsum affect the PW payout of a retiree?**

There is an inverse relationship between the amount paid out as Lumpsum and periodic benefit payout. Where a retiree receives a maximum allowable lumpsum, he shall be entitled to the minimum monthly/quarterly pension and vice versa.

**21. How does lumpsum affect RLA payout of a retiree?**

The higher the lumpsum received the lower the available RSA balance for the premium, therefore lower monthly/quarterly annuity and vice versa.

**22. How is periodic pension determined?**

Periodic pension (Monthly or quarterly pension) is determined using the following individual retiree's data:

- i. Age at Retirement
- ii. Gender
- iii. RSA Balance
- iv. Annual Total Emolument (ATE)
- v. Retiree's choices

**23. Does the CPS allow a retiree to withdraw the entire balance in his/her RSA at once?**

Only retirees with RSA balance of ₦550,000.00 and below are allowed to withdraw their RSA balance at once subject to PenCom's review from time to time.

**24. Can I use my RSA balance as collateral for loan?**



Pension fund asset cannot be applied for loans or credits or as a collateral for any loan taken by the holder of the RSA.

**25. How and when can an RSA holder access his/her RSA?**

The balance in the RSA can be accessed at retirement or on attaining the age of 50 (whichever is later), at death of the RSA holder or at disengagement from employment before the age of 50 years. Where the RSA holder is less than 50 years of age he can withdraw 25% of his RSA balance after 4 months of job loss.

**ROLE OF A RETIREE**

The following actions are to be undertaken by a prospective retiree in order to facilitate the process of payment of his/her retirement benefits:

**A. Actions to be Taken by a Potential Retiree**

1. Obtain and peruse the Retiree Pack;
2. Within 6 months to retirement, the RSA holder shall submit the following documents to the PFA:
  - (a) The official notice/acceptance of retirement from his/her employer;
  - (b) Current pay slip or any other evidence of total annual remuneration/Grade level and step; and
  - (c) The evidence of accrued pension rights (if any) or acknowledgement of indebtedness (for employees in the Treasury Funded organisations).

**B. Actions to be Taken by a Retiree**

- (a) Obtain data confirmation letter from PFA;
- (b) Obtain and complete standard notification from PFA;
- (c) Seek financial advice from both PFA and RLA provider;
- (d) Choose mode of pension payment, i.e. Programmed Withdrawal (PW) or Retiree Life annuity (RLA);



- (e) Complete and execute a Programmed Withdrawal agreement with the PFA if he /she wishes to receive his monthly or quarterly pension by way of Programmed Withdrawal; and
- (f) Obtain an RLA Provisional Agreement from the RLA provider of choice, complete, sign and submit to the PFA if he or she wishes to receive his monthly or quarterly pension by way of RLA.

**FEATURES OF PROGRAMMED WITHDRAWAL AND RETIREE LIFE ANNUITY**

S/N	PROGRAMMED WITHDRAWAL	RETIREE LIFE ANNUITY
1	A product offered and administered by Pension Fund Administrators (PFAs)	A product offered and administered by Life Insurance Companies (Retiree Life Annuity Providers)
2	Regulated by the National Pension Commission (PenCom)	Regulated by the National Insurance Commission (NAICOM)
3	Pays monthly/quarterly pension over an expected life span as determined using the A(55) Tables of Annuitants Ultimate rates published by the Institute and Faculty of Actuaries of United Kingdom (as amended).	Pays monthly/quarterly Annuity for life as determined using usually the PA (90) Tables of Annuitants Ultimate rates published by the Institute and Faculty of Actuaries of United Kingdom (as amended).
4	The balance in the RSA is re-invested by the PFA to generate income/funds for the retiree. The profit/loss on investment is credited into the retirees RSA.	The premium is transferred to a Retiree Life Annuity Pool and invested to generate income to the pool.
5	Retiree may benefit from periodic pension enhancement resulting from returns on investment of the pension funds in their RSAs.	Periodic pension enhancement may be applicable depending on type of RLA purchased.
6	Balance of retirement benefits remain in the retiree's RSA and RSA statement of account is issued to retirees quarterly or on request.	Retiree receives monthly/quarterly annuity as long as he/she is alive.
7	Retirees may move to Retiree Life Annuity after one year of being under Programmed Withdrawal.	A retiree on RLA cannot move to programmed withdrawal but may change to another RLA provider after at least two years with existing RLA provider.






8	In case of death of a retiree, the legal beneficiary(ies) will be paid the total RSA balance.	In the case of death of an annuitant, RLA is guaranteed for at least ten years. On demise of the annuitant within the guaranteed period, the RLA provider would pay en bloc the sum of annuity for the remaining guaranteed years, at a present value to the named beneficiary(ies).
9	The RSA balance under programmed withdrawal can be exhausted and resort be made to MPG.	RLA are not exhaustible, provided the retiree is still alive.
10	Retiree and PFA share risk.	Risks are transferred to the RLA provider.

## ENQUIRIES

All enquiries regarding these guidelines shall be directed to the National Insurance Commission and/or National Pension Commission.

The Commissioner for Insurance  
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Dated this 1<sup>st</sup> day of September 2020.

  
 Commissioner for Insurance  
 National Insurance Commission

  
 Acting Director General  
 National Pension Commission



