

FREQUENTLY ASKED QUESTIONS ON
PAYMENT OF RETIREMENT BENEFITS UNDER THE
NEW PENSION SCHEME

1. WHAT IS THE RETIREMENT AGE UNDER THE PENSION REFORM ACT 2004?

The Act did not stipulate any retirement age. It depends on each employee's terms and conditions of employment.

2. WHAT IS THE MINIMUM PERIOD REQUIRED BY AN EMPLOYEE TO QUALIFY FOR PENSION UNDER THE NEW SCHEME?

There is no qualifying period for pension. If an employee works for an employer for one month, his pension contribution will be paid by the employer into the employee's Retirement Savings Account (RSA) for that month. If the employee moves on to work for another employer for another 1 year, his pension contribution will be paid by the second employer for that period of 1 year and it goes on and on like that.

3. WHEN WILL I HAVE ACCESS TO MONEY IN MY RSA?

Access to the RSA will only be allowed upon retirement. If an employee retires at the age of 50 years or more he/she can have immediate access to the RSA. Similarly, if an employee retires before the age of 50 years due to mental or physical incapacity, he or she can have immediate access to his/her RSA. Whereas an employee who retires under the age of 50 years in accordance with the terms and conditions of employment will not access the RSA until after six months of such retirement if he/she does not secure another employment.

4. WILL GRATUITY BE PAID UNDER THE NEW SCHEME?

Upon retirement, an employee can draw a lump sum (by whatever name called) from the balance standing to the credit of his/her RSA provided the balance after the withdrawal could provide an annuity or fund monthly payments that would not be less than 50% of his monthly pay as at the date of his retirement. However, an employer may choose to pay any other severance benefits (by whatever name

called) over and above the retirement benefits payable to the employee subject to the terms and conditions of his employment.

5. SHOULD GRATUITY BE INCLUDED IN THE ACTUARIAL VALUATION FOR PURPOSES OF DETERMINING ACCRUED PENSION RIGHTS TO BE TRANSFERRED FROM THE OLD SCHEME INTO THE RSA?

If at the commencement of the Pension Reform Act 2004, the employee is entitled to gratuity (if he were to retire on that date), the gratuity shall be computed and included in the actuarial valuation as part of the accrued pension rights of such employee.

6. CAN I WITHDRAW ANY PORTION OF THE AMOUNT IN MY RSA BEFORE RETIREMENT?

Withdrawals from the RSA can only be made upon retirement. However, where an employee makes additional or voluntary lump sum contributions into the RSA, he can withdraw such money before retirement or attainment of the age of 50 years.

7. WHAT HAPPENS TO THE BALANCE IN THE RSA AFTER ANY INITIAL LUMP SUM WITHDRAWAL?

The balance in the RSA will be used to procure an annuity that provides regular income to the contributor or fund a programmed withdrawal.

8. WHAT IS PROGRAMMED WITHDRAWAL?

A programmed withdrawal is a method by which the employee collects his retirement benefits in periodic sums spread throughout the length of an estimated life span.

9. WHAT IS AN ANNUITY?

An annuity is an income purchased from an approved life insurance company which provides monthly or quarterly income to the retiree during his/her lifetime.

10. WHAT HAPPENS WHEN AN EMPLOYEE WHO HAS BEEN CONTRIBUTING UNDER THE NEW SCHEME DIES BEFORE HIS RETIREMENT?

Where an employee who has been contributing under the new pension scheme dies before his/her retirement, his retirement benefits shall be paid to his beneficiary under a will or the spouse and children of the deceased or in the absence of a wife and child, to the recorded next-of-kin or any person designated by him during his/her life time or in the absence of such designation, to any person appointed by the Probate Registry as the administrator of the estate of the deceased.

For more enquiries, please contact:

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