



...A Better Future

PENSION FUND ADMINISTRATION (PFA)

Frequently Asked Questions

Retirement Savings Exit Guidelines

1. Why is there Zero balance in my Retirement Savings Account?

- PenCom requires public service employees to submit evidence of grade level and step (preferably a recent pay slip) to their PFA.

Remittances are made into RSAs for public sector employees once employment records are duly verified. Matched and authenticated by PenCom.

Contributions for public sector employees are transferred in batches; therefore employees whose documents have been submitted will need to exercise patience; however contributions for employees in the private sector are expected to have been transferred monthly into their RSAs by their employers.

Employees with multiple registrations also slow down remittance from PenCom as remittance has to be duly credited to correct RSAs.

2. How are Pension Funds invested?

- Pension assets are to be invested in specific instruments – a combination of managed funds; direct equity investment and fixed income securities.

Investment of pension funds is guided by PenCom investment guidelines. Investment of pension assets within the stipulated guidelines is at the discretion of the PFA.

3. Can I use my RSA Balance as collateral?

- No, current provisions and guidelines of the PRA expressly prohibit this. The scheme was established to assist improvident individuals save to cater for their livelihood in old age and provide retirement benefits as and when due. RSA balance as a collateral can be exposed to high level of risk which can deplete the assets, thereby defeating the object of the Act.

4. Why are there fluctuations in my RSA Balance?

- Fluctuations represent the growth or fall in the RSA unit price occasioned by market forces of demand and supply. The unit price reflects the total market value of all investment (of the RSA Fund) divided by the total number of units.

5. What happens to my Retirement benefits for previous years of service?

- Unfunded public sector – Accrued benefits from the time of entry into service up till 30 June 2004 shall be computed in accordance with the terms of Pay as You Go Defined Benefit (PAYG DB) Scheme. A Federal Government bond for accrued benefits will be issued to each employee and redeemed by employer at retirement and the proceeds transferred to the employee's RSA.

For employees in the private sector – depending on their employment contracts – all their benefits prior to 01 January 2005 and their contributions thereafter till retirement will be transferred into their RSAs.

6. How can I withdraw from my RSA?

- You can withdraw from your RSA through:
 1. Programmed withdrawal based on expected life span. Programmed withdrawal is expected to generate at least 50% of employees' last annual salary at retirement over expected life span.
 2. Purchase of an annuity for life: An annuity is defined as a series of fixed payments at regular intervals over the specified period of the annuity. A RSA holder may upon retirement or attaining the age of 50 years (whichever is later), purchase an annuity from a life insurance company licensed by the National Insurance Commission with monthly or quarterly payments.
 3. Lump sum payment and programmed withdrawal or annuity: A RSA holder upon attaining retirement age will be eligible to make a lump sum withdrawal provided that the amount left in the RSA after the lump sum withdrawal is sufficient to purchase an annuity or fund programmed withdrawals for a minimum period of 18 years.

7. What is Mandatory Retirement?

- Disengagement from active service at the retirement age or completion of length of service based on terms of service. Employee can access his/her retirement benefits either as programmed withdrawal, purchase of an annuity or lump sum payment.

8. What is Compulsory Retirement?

- Disengagement from active service in accordance with the terms and conditions of service before attaining the age of 50. Employee can access 25% of RSA balance and the remaining 75% will be accessed either as a programmed withdrawal over expected life span, or will be used to purchase an annuity for life when he/she attains the age of 50 years.

9. What is Retirement on Medical Grounds?

- Disengagement from active service based on advice of a suitably qualified physician or medical board. The medical board is to be constituted by the employer and must include a qualified medical practitioner.

10. What happens to me RSA balance in case of death?

- ☛ Employees' Next-of-Kin (NOK) to notify PFA. Entitlements will be paid to the beneficiary under a will or any person appointed by the probate registry as administrator of your estate.

11. What happens when a Federal Public Servant dies without an RSA?

- ☛ A Death Benefit Form will be completed by the NOK after providing certain documentation and upon meeting certain criteria.

12. What happens in the case of Missing persons?

- ☛ Employees' NOK to notify PFA after a minimum period of twelve (12) months following the reported disappearance of the missing person.

13. What happens when an employee changes his/her employer?

- ☛ RSA is not affected by change of employment. The employee's new employment details should however be communicated to his/her PFA. The RSA is portable.

14. Can I change my PFA?

- ☛ Employees have the right to change their PFA under the Act. However, the transfer window is not open yet. Clients will be advised as soon as the opportunity emerges.

15. Can I take a Lump Sum at Retirement?

- ☛ An RSA holder upon attaining retirement age will be eligible to make a lump sum withdrawal provided that the amount left in the RSA after the lump sum withdrawal is sufficient to purchase an annuity or fund programmed withdrawals that will produce an amount which is not less than 50% of the RSA holder's total annual remuneration at the date of his retirement.

16. What is an annuity?

- ☛ An annuity is an income purchased from a licensed life insurance company approved by the Commission. It is a monthly or quarterly payment during the lifetime of a retiree.

17. What is the retirement age in the Act?

- ☛ The Act does not stipulate a retirement age. That is entirely dependent on each employee's terms and conditions of service.

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“...to be the ‘PFA of first choice’ in Nigeria, reputed for real wealth creation and excellent customer service...”

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