



**Radix Pension Managers Limited**

Corporate Office: 26, Adeola Hopewell Street, Victoria Island, Lagos.

Tel: 01-2919689, +2349060001020

E-mail: [info@radixpension.com](mailto:info@radixpension.com)

Website: [www.radixpension.com](http://www.radixpension.com)

## RETIREMENT BENEFIT PAYMENT

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### WHAT YOU NEED TO KNOW ABOUT THE TWO MODES OF BENEFIT PAYMENT UNDER THE PENSION REFORM ACT, 2014.

Section 4(1) of the Pension Reform Act, 2014 provides for a holder of a Retirement Savings Account upon retirement or attaining the age of 50 years, whichever is later, to utilize the balance standing to the credit of his Retirement Savings Account for the following benefits:

- (a) Programmed monthly or quarterly withdrawals calculated on the basis of an expected life span;
- (b) Annuity for life purchased from a life insurance company licensed by the National Insurance Commission with monthly or quarterly payments.

This means that on retirement, a retiree has two modes of payment open to him/her by which his/her monthly or quarterly pension can be paid. He/she can choose (a) Programmed Withdrawal which is managed by Licensed Pension Fund Administrators or (b) take Annuity for life; purchased from a Life Insurance Company licensed by the National Insurance Commission.

**A. What is Programmed Withdrawal?** It is a product offered by a Pension Fund Administrator (PFA) for periodic payments (monthly or quarterly) to a beneficiary of a Retirement Savings Account (RSA). The payment is guaranteed for 10 years and can go beyond this period depending on the balance in the retiree's account. If however death occurs, the RSA balance is paid to the named beneficiary if there is a valid will or to the Administrator in the absence of a valid will.

**Documentation:** A Programmed Withdrawal (PW) agreement needs to be executed between the Retiree and the PFA to form the basis of the contract.

**What is the means of payment?** The periodic payment is made by bank transfer. The PFA issues a standing instruction to the Pension Fund Custodian (PFC) to credit the bank account of the retiree with the agreed amount not later than 24<sup>th</sup> of every month or the quarter payment falls due.

In line with the above, all potential retirees are advised to open bank accounts (Current or Savings) and avail the PFA of the details. Those with dormant accounts should re-activate them before commencement of payment.

**How is quotation obtained?** What is payable to you as Lump sum and monthly/quarterly pension is determined based on the relevant information you have with your PFA (That is, your age at retirement, your salary before retirement, the balance in your RSA and the frequency of payment)

**Option to move RSA:** As a retiring employee, you have the option to move your RSA to another PFA at the point of retirement, for the purpose of commencing programmed withdrawal without any liability, as well as after retirement.

**B. What is Annuity?** It is a product offered by licensed Life Insurance Companies whereby in exchange for lump sum payable upfront (premium), a series of regular payment is made for the remaining lifetime of a person. This can be monthly or quarterly payments. In other words, the retiree pays the balance on his RSA (either wholly or in part) to a Life Insurance Company in exchange for a stream of income to be received as retirement benefit from the insurance company till death.

Payments are guaranteed usually for 10 years whether the annuitant (retiree) survives or not. However, payment will continue to be made as long as the annuitant is alive.

**Documentation:** An Annuity agreement forming the basis of the contract, is executed between the Life Insurance Company and the Annuitant (Retiree)

**What is the means of payment?** This is usually agreed between the Annuitant and the plan provider.

**How is quotation obtained?** Any of the licensed Life Insurance Companies can be approached for quotation by giving the following details:

- Name
- Present Age
- Date of retirement
- Lump sum payment
- Preferred Option: - Guaranteed period, payment option
- Commencement date

**Enquiries:** For further enquiries, please contact us on **01-2919689** and **+2349060001020**

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**Please tick your preferred mode of payment by completing this tear-off portion and return along with other completion requirements.**

- Programmed Withdrawal
- Annuity

Name.....

PIN.....

Signature.....

Date.....