

A New PENSION SCHEME

in Niger State

• Minna

NIGER STATE PENSION BOARD

Governor's Office

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First Edition

A New Era is Born

A New PENSION SCHEME



Members of the Gratuity Verification and Payment Committee, 2007



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FOREWORD

As a retired Federal Permanent Secretary, I appreciate the plight of retirees and I am committed to measures that will put an end to the hardships resulting from delayed payment of retirement benefits. It is for this reason that the foreword to this booklet provides a reflection of our high level of commitment to the success of the Niger State Pension Reform Law 2007.

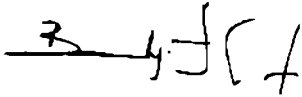
We note with dismay, the high level of corrupt practices prevalent in Pension Administration in Nigeria and we are determined to fight it with every available means at our disposal. This is a war we are very committed to and we are sure of winning because Allah is on our side in the fight.

This administration, in the last six months has taken bold steps in the course of its fight against corruption. Among these is the verification and payment of outstanding gratuity liabilities owed state and local government retirees, amounting to N1.4 billion. Administration of gratuity liability had for long provided a veritable ground for fraudulent practices. Be assured of our determination to put an end to this unholy act.

We have also embraced the Contributory Pension Scheme designed to address the weaknesses of the old pension scheme. Such weaknesses have encouraged mismanagement of pension funds nation-wide.

Finally, the entire pension administration in the state shall be computerized to boost efficiency and reduce corruption to near zero level. This booklet is very useful in introducing the stakeholders of the Niger State Pension Reform Law 2007 to the new Pension Scheme (the CPS). It shall be complemented with seminars, workshops and conferences for effective implementation of the new scheme.

We therefore urge all public servants in the state and local government employment to constantly use this document for understanding of the new scheme and effective retirement planning.



The Chief Servant,
Dr Muazu Babangida Aliyu, OON
(Talban Minna)
Executive Governor of Niger State.
November, 2007.

VISION AND MISION OF THE NIGER STATE CIVIL SERVICE

VISION

Best Civil Service in Nigeria,
in terms of Professionalism, ethics
and service delivery

MISSION

The best Civil Service in Nigeria
propelling a transformation of Niger State
into one of the top 3 State economies
in Nigeria by the year 2020

PREFACE

This booklet is designed to enlighten the stakeholders of the Niger State Pension Reform Law 2007. It covers the genesis of the reform, its objectives and structure. It is meant to serve as a guide to the stakeholders, in particular, the participants in the newly introduced Contributory Pension Scheme (CPS).

Chapter one covers the introductory concepts and the genesis of public sector reforms. In conclusion, the chapter provides a guide to the reader by listing out what he/she should expect from reading this material.

In chapter two, attempt is made to define Pension and Pension Scheme while chapter three traces the history of pension reforms in Nigeria from colonial era to date. The federal Pension Reform Act 2004 is briefly discussed in chapter four while chapter five introduces the Niger State Pension Reform Law 2007 and highlights the features of its Contributory Pension Scheme (CPS). Here, attempt is also made to compare the Contributory Pension Scheme with the Pay-As-You-Go system. Furthermore, the chapter identifies the implications of implementing the new Pension Scheme.

In chapter six, the operators of the new scheme are listed as National Pension Commission (PENCOM), Pension Fund Administrators (PFA), Pension Fund Custodians (PFC) and the new Niger State Pension Board (NSPB). The structure and responsibilities of Niger State Pension Board are discussed in chapter seven. So also are the duties of the Pension Desk Officers (PDO) for Ministries, Departments and Agencies (MDA) and Local Government Councils.

Useful advice to employees on good retirement plan and peaceful retirement life is provided under chapter eight and chapter nine summarizes key points of the Niger State Pension Reform Law 2007 to refresh the reader's memory and serve as quick reference.

Finally, chapter ten concludes the discussion by providing an illustration to test the readers understanding of the principles of the Contributory Pension Scheme. The reader should attempt the questions and then cross check his/her answers with the provided solutions for the purpose of internalizing the principles of the new pension scheme.

Dear reader, it is my hope that this document shall meet your expectations. At this point, I wish to express my gratitude to Allah for His endless mercies on us, to the Niger State Chief Servant for giving me the opportunity to contribute in my little way towards the realization of his big dreams for the state and to the Secretary to Niger State Government for his support and inspirations.

Mahmoud Kpako Bello,
Director-General,
Niger State Pension Matters.

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ACRONYMS

BHT	- Basic Salary, Housing and Transport Allowances
CPS	- Contributory Pension Scheme
DBS	- Defined Benefit Scheme
NSRBB	- Niger State Retirement Benefit Bond
NSPB	- Niger State Pension Board
MDA	- Ministries, Departments and Agencies
PAYG	- Pay-As-You-Go
PDO	- Pension Desk Officer
PENCOM	- National Pension Commission
PFA	- Pension Fund Administrator
PFC	- Pension Fund Custodian
RSA	- Retirement Savings Account



A retiree collecting his retirement benefits from The Chief Servant, **Dr. Mu'azu Babangida Aliyu, OON**, (Talban Minna) Executive Governor of Niger State

1.0 INTRODUCTION

1.1 Worldwide and overtime, the Public Service has been bedeviled by many problems resulting from resource constraints. One of such problems is the challenge posed by management of retirement benefits. Several measures have been taken to address the problems through public sector reforms, one of which is the Pension Reform. The goal of the reform is to make available, adequate funds for settlement of retirement benefits as and when due.

1.2 In Nigeria, the Public Sector and majority of organizations under the Private Sector operate unfunded Defined Benefits Scheme (DBS) where payments of retirement benefits are budgeted annually. The problem of resource constraint has however exposed the scheme to poor implementation as funds are either not made available timely or are inadequate. Consequently, there are delays in payment of retirement benefits and accumulation of arrears.

The current reforms which include the introduction of CONTRIBUTORY PENSION SCHEME are aimed at freeing the country of administrative systems that carry heavy and avoidable overheads.

This write-up is an attempt to address the following:

- a) Reasons for the failure of the existing pension regime (the PAY AS YOU GO system-PAYG)
- b) Success factors of the Pension Reform (the CONTRIBUTORY PENSION SCHEME)
- c) Immediate and future effects of the reform on the affected employee.

- d) Complementary measures to the advantage of the reform
- e) Mitigating factors against the shortcomings of the reform
- f) The need to urgently commence individual retirement plan

- g) Guide in choice of Pension Fund Administrator (PFA)

- h) The structure and functions of the new Niger State Pension Board

- i) The functions of Pension Desk Officers (PDO)



Physical verification of retirees for payment of gratuity.

CHAPTER TWO

2.0 DEFINITION OF PENSION

- 2.1 Pension has been defined as a deferred salary that is paid during a worker's retirement.
- 2.2 Report of a Federal Republic of Nigeria public service review commission headed by Chief J O Udoji states in chapter 16, paragraph 728 that "Pension reflects money withheld during the period of employment and returned with interest to the employee after he has ceased being able to work, that is at his normal retirement age. This is money that were it not for the prospect of a future pension would have been in the employee's hand but withheld or deferred". This assertion is however, limited to Pay- as- you-go system which is unfunded and non contributory.
- 2.3 PENSION SCHEME is a system designed to provide employees of an organization with a means of securing on retirement a standard of living reasonably consistent with that which they enjoyed while in service. Here, retirement means cessation of service.

CHAPTER THREE

3.0 PENSION REFORMS IN NIGERIA.

- 3.1 The first pension law to be enacted for Nigeria is the Pension Ordinance of 1951 with retrospective effect from 1946. It was initially meant for United Kingdom officers alone but latter extended to indigenous staff of the colonial administration.
- 3.2 There is also the Pension Decree 102 of 1979 with retrospective effect from 1st April, 1974 (Pension Act 346 LFN 1990).
- 3.3 Minor reforms were carried out between 1979 and 2004. Example of such is the circular Ref. No. GHQ/CGS/925 of 10th September, 1987 for local government pension scheme.
- 3.4 It should be noted that existing pension schemes for public sector recognize payment of gratuity after 5 years of service and gratuity and pension after 10 years of service.
- 3.5 Retirement is usually a result of advancement in age, length of service, reorganization, ill health or discretion of Public Service Commission.
- 3.6 There had been about eight (8) registered pension schemes in the country before 2004. These were largely unfunded, self administered and uninsured.
- 3.7 The Pension Reform Act of 2004 is a direct consequence of failures of existing pension schemes. The failure is traceable to their lack of funding and/or self management by employers.

3.8 Recent reports indicate that public sector pension liabilities had risen to over two trillion naira, nationwide. It therefore became obvious that a big crisis was brewing and we were sitting on a time bomb. The new pension reform therefore came handy to defuse the bomb. The situation is not different in the states and local governments.

CHAPTER FOUR

4.0 PENSION REFORM ACT 2004

- 4.1 Pension burden on governments has grown so big that payment as and when due has become a mission impossible. This system failure gave birth to the new initiative, PENSION REFORM ACT 2004 with a Contributory Pension Scheme (CPS) to provide remedy.
- 4.2 The CPS is contributory, fully funded and based on individual accounts (Retirement Savings Accounts) that are privately managed by Pension Fund Administrators (PFAs), while pension funds and assets are kept by Pension Fund Custodians (PFCs). All these activities are to be performed under strict regulation of the National Pension Commission (PENCOM).
- 4.3 Let us recall the main causes identified for the failure of past pension schemes as lack of funding and self management. These challenges are addressed in the 2004 reform.
- 4.4 However, the provisions of the act cover only employees of the public service of Federal Government, Federal Capital Territory, Abuja and Private Sector Organizations.
- 4.5 The act made no mention of employees of States and Local Governments. Failures of past schemes are not limited to the institutions covered by the act. States and Local Governments also share in the failures as it is increasingly difficult for them to finance the old schemes. They are however, left to embrace the Contributory Pension Scheme under independent legal framework.

CHAPTER FIVE

5.0 NIGER STATE PENSION REFORM LAW 2007.

5.1 Niger state has enacted its pension reform law which embraces the CPS and is effective from 3rd March, 2007. The reform is structured in tune with federal Pension Reform Act 2004.

5.2 The main objective of the reform is to ensure that workers in either the services of Niger State or any local government in the state get their retirement benefits as and when due.

5.3 FEATURES

5.3.1 The Scheme is Contributory and the amount of contribution is 7.5% of employee's monthly emolument, deducted from his salary while the employer provide equal amount, giving a total contribution of 15%. This is calculated as ((Basic Salary + Housing Allowance + Transport Allowance-BHT) multiplied by 7.5%).

5.3.2 There is also the introduction of a life assurance policy that guarantees payment of three times annual emolument in the event that an employee participating in the new scheme dies in service. This is an arrangement in lieu of death gratuity.

5.3.3 Transitional arrangements are included to take care of current pensioners and those exempted from the new scheme who shall continue to be treated on the basis of the old scheme.

5.3.4 Exemption from the scheme include, those due to retire within the first three years of its take-off date i.e. those retiring before 3rd March, 2010.

- 5.3.5 Retirement benefits, including pension earned for services rendered before the new scheme shall be determined for those under the new scheme, using actuarial valuation. A Bond shall be issued for the value so computed. The Bond is redeemable at retirement.
- 5.3.6 Withdrawal from the retirement savings account shall be upon retirement and attainment of 50 years of age, subject to any of the following 3 methods
- i) Programmed monthly or quarterly withdrawal of balance in account as at point of retirement.
 - ii) Purchase of annuity for life from a licensed insurance company.
 - iii) Lump sum withdrawal provided that what is left is sufficient to finance programmed withdrawal not less than 50% of retiree's monthly remuneration as at the date of retirement.

5.4 MERITS OF THE NEW SCHEME (THE CPS)

- a. Prompt and regular payment of benefits since funding is made monthly and credited to individual RSA immediately.
- b. Availability of fund for investment, particularly to the capital market. Contributions which are already in hundreds of billions of naira can be put to long term investments in the economy.
- c. Workers' participation. An employee contributes to his retirement fund and is also at liberty to decide who manages it.

- d. Establishment of a central regulator. There is now a central regulator (Pencom) who oversees all pension matters nationwide.
- e. Private sector participation in the management of the scheme. This has introduced profit making into pension administration and services as a check against inflation effect on contributions.
- f. Portability of the scheme. It is now easier to change job because what is required to be done regarding retirement benefit is for the employee to provide the new employer with details of his RSA.
- g. Reduces government spending. Government commitment to payment of retirement benefit is reduced and employee now shares in it.
- h. Less administrative cost to government. Administrative costs are now largely borne by PFAs and PFCs.
- i. There is uniformity in the retirement benefits of public and private workers as well as in different cadres of any organization.

5.5 DEMERITS OF THE NEW SCHEME (THE CPS)

- a. Risks transferred to employee. Since the employee decides who manages his pension contributions, it follows that he assumes full responsibilities for the risks involved.
- b. Lack of confidence on the part of the employees arising from failures of similar government policies in the past. Example is the failure of National Housing Scheme.
- c. Fear of continuity and sustainability by successive governments.

- d. Fear of mismanagement of the contributions
- e. Limited pension payment to new entrants who might have not contributed much before retirement and as such will only take the little contributions so far made.
- f. The new scheme is not as generous as the old and consequently, it allows limited redistribution of wealth between age and income groups.
- g. More complex to administer. Administration involves monthly computations throughout the life of employment.
- h. Contribution can not be deferred by employer. There is therefore no cash flow advantage to him (the employer)
- i. Less flexible for employer. He does not control funds contributed as such cannot use it to his advantage whenever there is a need to do so.
- j. Higher administrative costs. On the whole, it costs more to administer than the old system.

5.6 MERITS OF THE OLD SCHEME (THE PAYG)

- a. Only the employer contributes. Employee does not bear the burden of contributions.
- b. There is a general scale of benefit which is more generous than what the new scheme offers.
- c. Pension increases with salaries. Monthly pension is always increased whenever there is wage increase.
- d. Payment by employer is deferred. There is no immediate pressure on employer's cash flow as payment is only made after retirement.

- e. Costs less to administer. Administrative costs begin from retirement.

5.7 DEMERITS OF THE OLD SCHEME (THE PAYG)

- a. Limited coverage. The old scheme only covers public service and a few private organizations.
- b. Lacks uniformity. There is disparity between public and private sector organizations and even among various cadres in the same organization.
- c. Unsustainable. It is too generous to be sustainable.
- d. Crowding out other social expenditures in budget. Much is spent on it to the detriment of demands from other social responsibilities.
- e. Distortions from changes in life expectancy. In reality retirees outlive their life expectancy by far, thereby putting pressure on budgetary provisions.

5.8 SOME IMPLICATIONS OF THE CPS:

- a. There is annual provision for premium payment on group life assurance policy.
- b. Need for proper age declaration at entry into employment. Conditions for withdrawal from RSA are retirement and attaining 50 years of age. Understating one's age will therefore lead to delayed access to retirement benefits.
- c. Need for computer based information technology to facilitate processing and retrieval of data that will be generated.
- d. Need for continuous employee education on status of PFAs to assist him/her decides who keeps his/her RSA.

- e. Need to augment the provisions of the act with investments/purchase of other life assurance policies. Because the new scheme is not as generous as the old, there is need to compliment with some additional savings/investments.

CHAPTER SIX

6.0 OPERATORS OF THE NEW SCHEME

6.1 NATIONAL PENSION COMMISSION (PENCOM)

6.1.1 The Pension Reform Act 2004 provides for the establishment of a National Pension Commission to regulate, supervise and ensure the effective administration of the new scheme. It is charged with the responsibility of ensuring prompt payment of benefits as well as safeguarding pension funds.

6.1.2 In pursuance of its objectives, the Commission issues guidelines for licensing, approving, regulating and monitoring the investment activities of PFAs and PFCs.

6.1.3 It receives and investigates complaints of impropriety against any PFA, PFC or employer to ensure that the funds are not exposed to fraud or unacceptable level of risk.

6.1.4 The commission has so far licensed more than twenty PFAs and 4 PFCs.

6.2 PENSION FUND ADMINISTRATOR (PFA).

6.2.1 The act provides for licensing of Pension Fund Administrators by the Pencom. The administrators maintain Retirement Savings Account (RSA) for employees, invest and manage pension funds in accordance with Pencom's guidelines.

6.2.2 The minimum paid up capital for a PFA is N150million.

6.2.3 An employee is at liberty by law to open RSA with any of the licensed PFAs and can change PFA at least once a year without advancing any reason.

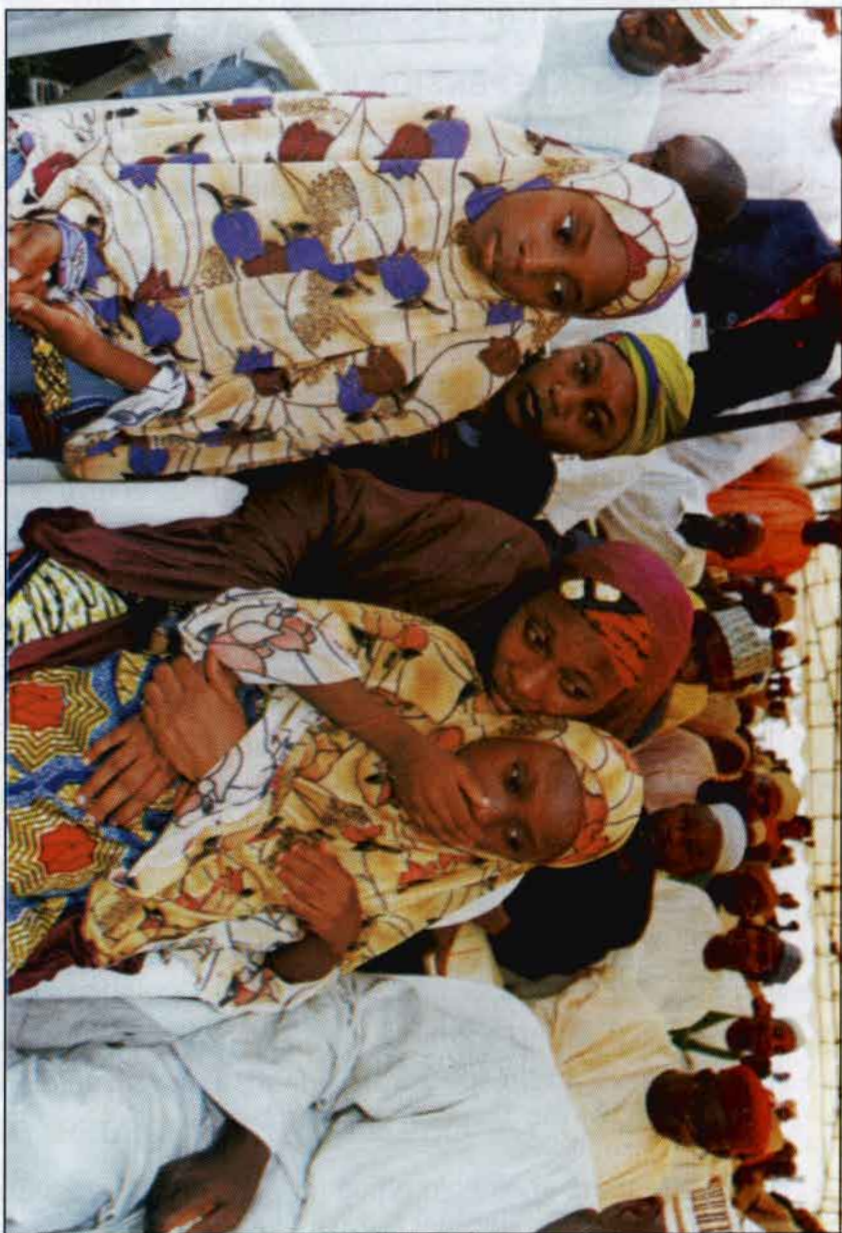
6.3 PENSION FUND CUSTODIAN (PFC).

6.3.1 Pencom licenses Pension Fund Administrators. A PFC must have a minimum paid up capital of N2 billion, shall be a licensed financial institution with a minimum net worth of N5 billion and/or a total balance sheet of at least N125 billion and must be guaranteed by its shareholders. The act provides that pension funds and assets must be kept by PFCs on behalf of PFAs. Therefore, contributions are remitted directly to the custodians by employers.

6.3.1 A Pension Fund Administrator is at liberty to appoint its own custodian (PFC).

6.4 THE NIGER STATE PENSION BOARD (NSPB).

The Board was established under the Niger State Pension Law 2007 to administer all pension matters in the state, including the Contributory Pension Scheme.



A cross section of beneficiaries waiting their turn to collect benefits

CHAPTER SEVEN

7.0 THE NIGER STATE PENSION BOARD (NSPB).

7.1 Niger State Pension Reform Law established a new Pension Board called the Niger State Pension Board to administer all pension matters in the State for employees of the State and Local Government Councils. The new Board has supervisory responsibilities for the Contributory Pension scheme.

7.2 It shall also be responsible for the transitional operations of the old scheme in respect of existing pensioners and those exempted from the new scheme.

7.3 The reform provides for 7.5% contribution each by the employer and the employee just like the federal law. It has all the features of CPS under the federal act but covers employees of state and local governments in Niger State.

7.4 Structure of the Board

7.4.1 The Board shall supervise and ensure the effective administration of pension matters under the law.

7.4.2 The Board shall consist of a part-time Chairman, a Director General who shall be the Chief Executive Officer, 3 full time members and Ex-officio members.

7.4.3 The Board shall have 3 departments; Technical, Administrative and Inspectorate, Finance and Investment, to be headed by the 3 permanent members.

7.4.4 Board members shall hold office for a term of 4 years and may be renewed for another term of 4 years.

7.4.5 The defunct State and Local Government Pension Boards shall be performed by a Pension (Transition) Department.

7.4.6 The Pension Transition Department shall have 2 sections, made up of the existing staff Pension Board in the State and the Local Government Pension Boards.

7.4.7 The Pension Department shall operate under the rules, regulations and directives made by the new Board. With the commencement of this law, the responsibilities, funds, assets or liabilities of all existing pension offices in the public service of the state shall be vested in the new Board. The Pension Department shall cease to exist after the death of the last pensioner. The existing staff of the State and Local Government Pension Boards shall be taken over by the new Board.

7.4.8 The Board may make regulations generally for carrying into effect, the provisions of the law.

7.5 THE PENSION DESK OFFICER (PDO)

7.5.1 It was noted earlier, that the new scheme has a higher administrative cost than the old scheme and that enormous data is expected to be generated and managed by its operators. Updating of employee's account is monthly beginning from the day he opens his RSA to the day he retires and beyond. An employer shall only be concerned with the period the employee stays in his organization.

7.5.2 The appointment of desk officers is to aid the smooth running of the scheme and to have a pension reference officer in each of the MDA or Local Government Council who shall serve as a contact person on pension matters.

7.5.3 RESPONSIBILITIES OF PDO

- a) Maintaining a databank for employees of his ministry/parastatal.

- b) Keeping and updating RSA monthly balances of employees.
- c) Facilitating opening of RSA with PFA of employee's choice.
- d) Facilitating change of PFA by any of his organization's employee.
- e) Facilitating payment of benefits upon employee's retirement.
- f) Attending to employees' enquiries on pension matters and referring them to Pension Board where necessary.
- g) Preparing and ensuring prompt submission of periodic reports on pension matters.



A Next-of-Kin receiving her late father's benefits from The Chief Servant, **Dr. Mu'azu Babangida Aliyu, OON**, (Talban Minna) Executive Governor of Niger State

CHAPTER EIGHT

8.0 TIPS ON GOOD RETIREMENT PLAN AND A PEACEFUL RETIREMENT LIFE

8.1 WHILE IN SERVICE

- a) Preparation while in service includes good conduct, complete records and decision on where to retire to (location).
- b) Acquiring a Private house for your family which could involve taking a mortgage, entering an owner occupier housing scheme or gradual development.
- c) Training of children/wards as a social security for old age. This should not be limited to one's biological children.
- d) Making wise investments in shares, properties, e.t.c, saving for raining days. Provide for a time when salary payments shall cease.
- e) Moderate and sustainable pattern of spending. We should keep a life style that we are sure to sustain at retirement.
- f) Periodic medical check-ups. We must always be aware of our health status.

8.2 WHILE IN RETIREMENT

- a) Engaging in productive activities. Our retirement benefits for instance, must be largely invested in productive ventures.
- b) Discharging social responsibilities. We should strive to be responsible and respected members of

- society/community we live in.
- c) Healthy living (engaging in physical exercises and avoiding stressful ventures). We must avoid stressful activities like very high risk investments.
 - d) Health care (We must undertake frequent medical check up).
 - e) Right nutrition and moderate temperament. We should take it easy with life and take food with the right nutrient.
 - f) Adequate hydration. As we advance in age, we need more fluid in our system. We should therefore take a lot of water and fruit drinks but avoid too much intake of sugar.

CHAPTER NINE

9.0 IMPORTANT POINTS TO NOTE IN THE NEW LAW

- 1) Unlike the PAYG, the new pension scheme is a contributory, fully funded and privately managed pension solution with 3rd party custody of pension funds and assets.
- 2) The main objective of the new Pension Reform is to ensure that every person that worked in either the state or local government civil service in Niger State receives his or her retirement benefits as and when due.
- 3) The new scheme is based on individual Retirement Savings Account (RSA) which ensures payment of retirement benefits as and when due.
- 4) The scheme is mandatory and it covers all employees of Niger State government as well as those of local governments in the state.
- 5) The scheme does not cover existing pensioners, traditional title holders (like Emirs and District Heads) and those employees due to retire within the transitional period of three (3) years ending on 3rd March, 2010.
- 6) The old pension scheme, the "Pay-as-you-go" shall continue to operate for existing Pensioners as well as those due to retire before 3rd March, 2007.
- 7) Contribution is 7.5% of total emolument each by Employee and Employer. This is 7.5% of summation of Basic Salary, Housing and Transport Allowances).

- 8) The total contributions of 15% are paid to the Pension Fund Custodian (PFC) for Employee's RSA on behalf of his Pension Fund Administrator (PFA).
- 9) An Employee maintains a RSA with a PFA who is required to invest the money contributed and issue statements of account to the employee at least once every quarter.
- 10) The right of an employee to accrued retirement benefits for previous years' services would be acknowledged through issuance of "Niger State Retirement Benefits Bond" to him/her. Value of the bond shall be determined through actuarial valuation by independent private actuary to be appointed by Niger State Government.
- 11) The Retirement Benefit Redemption Bond shall be funded by the employers (in our case, the Niger State Government or Local Government Council) with 5% of the total monthly wage bill.
- 12) The old Pension Boards, state and local government have been converted to "Pension Transition Departments" with the responsibility of making regular and prompt payment of pension to existing pensioners and those exempted from the new scheme.
- 13) An employee is free to choose any of the licensed PFA registered by the Niger State Pension Board for the maintenance of his RSA. He can also freely change PFA only once a year without giving any reason(s)
- 14) The National Pension Commission is empowered to supervise and regulate the new Pension Scheme.

- 15) The Niger State Pension Board is charged with the responsibility of administering all Pension Matters under the new law (both old and new schemes).
- 16) PFA manages and invests pension funds while the Custody of funds and Assets rests with the PFC.
- 17) Though contributions are made by employee and employer, only the employee shall have access to his/her Retirement Savings Account at retirement and when 50 years of age.
- 18) The law provides for adequate representation of all Pension stakeholders in the State on the new Board.
- 19) Withdrawal from RSA shall be made by the Employee only at retirement and when he/she is 50 years of age, or if less than 50 years, after 3 months of joblessness.
- 20) Withdrawal can either be :
 - i) Programmed monthly or quarterly withdrawal throughout expected life span from retirement.
 - ii) Purchase of annuity policy from a licensed Insurance Company
 - iii) Combination of lump sum withdrawal and any of the two methods above.
- 21) Pension Contributions are Tax- free but profits generated from Investments made are taxable.

CHAPTER TEN

CONCLUSION

At this point we are acquainted with the genesis of the Contributory Pension Scheme, its meaning, operations, operators, regulator and supervisors. Furthermore, we are no longer in the dark regarding the responsibilities of the Niger State Pension Board and the Pension Desk Officers.

We may however test our understanding with the following illustration:

Illustration I

Mr. Tired is an employee of Niger State with the following details:

- Retirement date is 1/1/2015
 - Take-home pay at retirement date is N20,000.00 monthly
 - RSA balance as at 31/12/2014 is N1,500,000.00
 - Value of Retirement Bond Certificate in hand is N3,000,000.00
 - His estimated life expectancy at retirement is 70years of age
- Required:

When can he withdraw, how much is to be set aside for his programmed monthly withdrawal and what is his maximum lump sum withdrawal, if his official date of birth is:

a) 01/01/1967, b) 12/05/1965 and c) 01/01/1963?

Answers:

a) 01/01/2017, N2,400,000.00, N2,100,000.00

b) 12/05/2015, N2,360,000.00, N2,140,000.00

c) 01/01/2015, N2,160,000.00, N2,340,000.00

It should be noted that normal retirement before age 50 years allows withdrawal of 25% of balance in account if new employment is not secured in 6 months of such retirement.

Illustration II

Mrs Tunani had served in the Niger State civil service for 29 years as at 3rd March, 2007. She has just been introduced to the new pension scheme. She therefore requested her PDO to carry out a comparative analysis on two options of retiring now (not participating in the new scheme) and waiting till her due date of 3rd March, 2013 when she will also be 60 years of age. The following data are assumed:

i) Benefits for services rendered before 3/3/07: Gratuity N5 million

Terminal Pension 3 million

ii) Monthly Employee's Contribution 10,000.

*iii) Monthly Salary as at 3rd March, 2013
(Last pay) 140,000.*

iv) Expected life span of 70 years

Solution:

To retire now,

- a) Gratuity due now is N5 million
- b) She will be on monthly pension for life
- c) Any pension contribution earlier deducted from her salary shall be refunded to her.

To retire on 3rd March, 2013,

a) RSA balance will be:	
Benefit for past services	N8,000,000
Contributions	N720,000
Income from Investments (assumed)	N180,000
Total	N8,900,000

b) Withdrawal from RSA:

- i) N74,166.67 monthly or N222,500 quarterly
- ii) Purchase of annuity policy from an insurance company
- iii) Lump sum withdrawal of a maximum of N500,000 (N8,900,000 less 50% of last pay for the remaining expected life that is N8,900,000 (140,000 * 50% * 12months * 10 years)

The above analysis indicate that if Mrs Tunani opts not to join the new scheme, she will have to voluntarily retire now and that will fetch her the total sum of gratuity to be computed as at actual date of retirement. In addition, she will be on monthly pension for the rest of her life.

Alternatively, if Mrs Tunani decides to wait till 3rd March 2013, she must participate in the scheme and on her retirement date she can only make a lump sum withdrawal of a maximum sum of N500,000. The remaining balance in her RSA would have to be left to service monthly withdrawal for 10 years.

For further enquiries, contact the officers of the Niger State Pension Board at the Niger state Trust Fund Building, Opposite Abdulsalam Youth Centre, Minna. You can also reach us at 08033050141 or 08051633088.