Programmed Withdrawal Retirement Option (PWRO)

Under the PWRO, the Pension Fund Administrator (PFA) manages the retiree's fund and will be responsible for the payment of the Lump Sum Cash (Gratuity) and subsequent monthly pension to the retiree. Retirement benefits are calculated on the basis of an expected life span (based on a template provided by Pencom to all PFAs). Monthly/Quarterly pension is payable over the programmed period which may not be less than 20 years with high possibility of a residual that can be re-programmed . Factors such as RSA Balance, Age, Sex, and Salary etc, at retirement determine what a person receives as Lump Sum Cash and monthly pension.

Usually, this option provides opportunity for retirees to negotiate his/her lump sum (Gratuity) and monthly pension at retirement subject to the RSA Balance and the 2004 Pension Act. Also, in the event of death of a retiree at any time from the commencement of the monthly pension, all the available balance in the RSA will be paid en-bloc to the beneficiaries. Retiree bears longevity risk, in the event of insufficient of fund, though, this is most unlikely to occur. In addition, if a retiree is not satisfied with the PFA at retirement, he/she can move to another PFA of choice. Again, if a retiree is dissatisfied with Programmed Withdrawal services after it has commenced, he/she can move to Annuity Retirement Option (ARO). Programmed Withdrawal Retirement Option is flexible and not rigid.

Annuity Retirement Option (ARO) – Life Insurance

Under the ARO, the PFA pays the Lump Sum Cash Benefit while RSA balance is transferred to the insurance company for payment of subsequent monthly/quarterly pension to be calculated on the basis of an expected life span using a mortality table and usually payable for a minimum guarantee period of 10 years and thereafter for life. The Life Insurance Company bears longevity risk. To enable an RSA holder obtain Annuity quote from Life Insurance Company, the PFA shall provide: Currents RSA balance; Projected RSA balance to the date of retirement based on monthly contributions; Date of Birth; Date of Retirement; Gender of the Retiree; Certified true copy of retiree's last pay slip; and Other relevant documentation. E.g Passport Photograph contact address etc.

The provisional agreement between the Annuitant and the Life Insurance Company shall contain the following minimum information: Name of the proposed annuitant; the full bio-data of the proposed annuitant; the premium (with and without lump sum); the agreed guaranteed period; the expected commencement date; the amount of arrears of annuity payments (if any); and retiree's bank details. However, in the event of death of a retiree during the guarantee period, only the balance for the guaranteed period is paid en-bloc to the beneficiaries, and no benefit whatsoever is paid after the 10 years guarantee period. Also, if an annuitant is not satisfied with the Life Insurance Company once annuity has commenced, he/she can neither move to another Life Insurance Company nor change to Programmed Withdrawal Retirement Option (PWRO). Thus, Annuity Retirement Option is rigid and the decision is irreversible.