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COMMUNIQUE:

SSNIT POLICY NOT TO ACCEPT CONTRIBUTIONS FROM WORKERS AGED 60 AND ABOVE IS A SOCIAL SECURITY POLICY DISASTER – ACRR

1.0 BACKGROUND

The Social Security and National Insurance Scheme (SSNIT) issued a policy directive in December 2022, titled **'Discontinuation of Allowing Members Aged 60 and Above to Contribute to the Scheme'**. The directive did not detail the actuarial basis of the policy nor its social and financial impact on the affected workers or the scheme but simply referenced Section 70(1) of the National Pension Act, 2008, (Act 766).

Section 70 (1) of Act 766 states that;
'A member of the social security scheme who (a) retires on attaining the compulsory retirement age of sixty years; or *(b)* retires voluntarily on attaining the age of fifty-five years and has contributed to the social security fund for a period not less than fifteen years in the aggregate or one hundred and eighty months in the aggregate is entitled to a superannuation pension'.

The Administrators of the SSNIT Scheme interpreted the above provision to imply that 'once a member attains a compulsory retirement age of 60 years, he/she is expected to exit the Scheme, and therefore no contribution is expected on behalf of the member at that point. SSNIT further stated that the member's decision to actually apply for his/her superannuation pension or any other benefit due him at that point solely lies with him/her.

Essentially, SSNIT is not accepting contributions from employers for members who, according to the SSNIT database, are aged 60 years and above (irrespective of the date of birth the Employer has of the worker).

2.0 ACRR'S OPINION ON THE POLICY

The Africa Centre for Retirement Research (ACRR) have examined the SSNIT's interpretation of the referenced provision, the social and economic implications of the policy on the worker, the Scheme, and the overall social security policy agenda. We are of the opinion that the Trust policy to reject contributions from employers on behalf of workers who, according to their database, are 60 years and above, could best be described as a social security policy disaster. The policy has no actuarial linkage, is not in line with best practices, is retrogressive, represents a gross violation of the rights of workers, and could push affected workers into unplanned retirement. Ultimately, the policy will deepen economic inequalities and encourage old age poverty.

The action of the Trust could have resulted from a lack of thorough analysis of the data and wrongful interpretation of section 70 (1) of Act 766.

If the Trust did any actuarial assessment of the effect of their action, stakeholders and the public deserve to know the financial impact on the Scheme, assuming all the over 11,000 affected workers were to apply for their benefits at a time and immediately.

We also hold the position that the relevant stakeholders (especially the National Pensions Regulatory Authority (NPRA) and the Trade Union Congress (TUC) must ensure that the policy is reversed immediately.

3.0 BASIS OF THE OPINION: *WHY THE POLICY MUST BE REVERSED IMMEDIATELY*

Firstly, by the statement of Section 70 of Act 766, the employee retires upon attaining a compulsory retirement age of 60 years and benefits are due on application by the member. The employer issues a retirement notification letter to the employee after certifying that he/she has reached the compulsory retirement age or has opted to go on voluntary retirement.

The provision does not give restrictions on the maximum age at which a member could contribute to the scheme, and does not mandate SSNIT to reject the contributions of workers based on the date of birth they have in their system. ACT 766 does not allow SSNIT to implement such a major policy by administrative means without resorting to an amendment.

Secondly, it is important to note that an estimated 25% of the SSNIT contributors have differences in date of birth between employers and SSNIT. The Trust has in place an Age Assessment Committee which is backed by regulation 27 of the Basic National Social Security Scheme Regulation, 2011 (L.I. 1989) to help establish the actual date of birth of the member in case of discrepancy. The Age Assessment Committee upon examination of evidence submitted by a member could change the DOB or decline the member's request but does not have the right to reject contributions on behalf of such a member. **A Trust policy that rejects contributions of workers based on the date of birth they have in their system represents a violation of the workers' right to pension and right to choose when to apply for benefits (forcing such persons into unplanned retirement).**

Thirdly, this policy has left many experts questioning the technical capacity of the advisory unit of the Trust (the Office of the Chief Actuary). We have heard the Director-General on several platforms suggesting the need to delay retirement by increasing the normal retirement age from 60 to 65 years.

The Trust argues that the long-term financial sustainability of the scheme is in doubt and therefore reviewing the retirement age to 65 will reduce the financial pressure on the scheme.

SSNIT's current action of rejecting contributions from over 11,000 active workers and amounting to millions of Ghana cedis each month in this period of considerable economic and demographic challenges is simply illogical and could easily be interpreted as a financial loss to the Trust. **The policy to deliberately reject contributions income from workers aged 60 and above in the SSNIT database contradicts policymakers' call to increase the retirement age to 65 years!**

Fourthly, the SSNIT initiative to intensify the campaign on the extension of old-age pension coverage to self-employed workers is a great idea for many reasons. It will provide the needed social and economic protection to self-employed workers in old age, improve the global ratings of SSNIT as a National Pension Administrator, as well as significantly improve the long-term financial sustainability of the Scheme.

It is apparent that if the Office of the Chief Actuary of SSNIT had analyzed the trend of voluntary contributors' data, they would have realized that about **94%** of self-employed workers who enroll in the Scheme will not qualify for pension if SSNIT will not accept contributions from members aged 60 and above. The goal of the informal sector initiative to provide pensions to a larger proportion of self-employed workers in old age will thus be in jeopardy.

The policy not to accept contributions from members aged 60 and above will represent a major disincentive to register as a voluntary contributor, and will naturally set up a huge campaign against the success of the informal sector program, which is due to be launched in March 2023.

Fifthly, by implementing this policy, the Trust has rejected contribution income running into millions of Ghana Cedis from over 11,000 active contributors in each of the last few months. Considering that the scheme is currently facing a huge funding deficit, it is easy to infer that the action of the Trust in the circumstance is strange and not actuarially sound**. For any reason, it does not make sense for a scheme to reject contribution income from a pool of workers who will retire at different periods.** ACRR has established that an estimated **72%** of the affected workers have contributed more than 180 months in aggregate into the Scheme, and thus have already qualified for a pension. Question is, why turn away contribution income from such persons and force them into unplanned retirement? In any case, the actuarial valuation reports have warned that if nothing is done, the scheme will be unable to pay benefits fully and on time by 2037.

This position could be worse when the next valuation report is published. From a policy perspective, stakeholders need to accept the scheme's current status, agree, and implement appropriate and socially-centered solvency measures to sustain the scheme for future generations.

It appears SSNIT is seeking to address the funding deficit by cutting down benefits on the blind side of everyone. **That approach won't work! It must be noted that the Scheme is a Social Security Pension Scheme and not a Private Pension Scheme.**

Sixthly, it is important to note that social security is a poverty reduction tool, and the principles and the ILO Minimum Standards require that schemes are designed to protect the most vulnerable. The main mandate of SSNIT is to provide a monthly pension to workers upon retirement.

The SSNIT policy not to accept contributions from members aged 60 and above will deny a significant proportion of the active workers' qualification for pension. An estimated **28%** of the affected workers will be unfairly denied the right to contribute to qualify for a pension. **The policy is not in conformity with the principle of social insurance (solidarity), has no actuarial basis, and possibly will push a considerable group of workers into old age poverty, deepen economic inequalities, and will pose a major socioeconomic danger to a large section of Ghanaian retirees.**

Seventhly, the SSNIT policy not to accept contributions from members, who according to their database, are aged 60 and above, has created uncertainties about how affected workers will be treated by their employers. ACRR has gathered that some institutions have sent affected staff home (forced retirement).

The advice to all Heads of Human Resource Departments is that, in order not to unfairly subject staff to any occupational anxiety, they must examine the issue tactfully before action is taken on the affected employees.

SSNIT got the interpretation wrong and could open employers to a host of legal issues and worker agitations. Legally, institutions must focus on the worker's date of birth in their system and assessment must be handled on a case-by-case basis.

4.0 CONCLUSION

The Trust policy to reject contributions from employers on behalf of workers who, according to their database, are 60 years and above, is assessed to be a social security policy disaster. The policy has no actuarial linkage, is not in line with best practices, represents a gross violation of the rights of workers, and could have resulted from a lack of thorough analysis of the data and wrongful interpretation of section 70 (1) of Act 766. If the Trust did any actuarial assessment of the effect of their action, stakeholders and the public deserve to know what the data says about the financial impact if all the over 11,000 affected workers were to apply for their benefits at a time and immediately.

The policy has a significant adverse effect on both the affected workers and the scheme. The scheme is currently facing sustainability issues (at least the valuation reports have indicated so).
The Trust has already rejected substantial contribution income (into millions of Ghana Cedis) from employers and voluntary contributors. This action by the Trust could be interpreted as a financial loss to the Trust.

It is not enough for the Director-General of the Trust to verbally inform stakeholders about the financial health of the scheme and its ability to pay benefits into the future – assurance must be based on the actuarial valuation reports. As it stands, the Scheme's assessment report for the period 2018 to 2020 is not ready – stakeholders are 6 years in the dark. To minimize the political risk facing the scheme, Director-Generals of the Scheme must be made to present to Parliament and thus disclose the actuarial status (health) of the scheme once every two years, as best practices require.

The ACRR is strongly advocating that the policy must be reversed immediately. The policy will prevent many workers from qualifying for pension, hence deepening old-age poverty and economic inequalities. Recall that bridging economic inequalities is top on the agenda of the United Nations Sustainable Development Goals (SDGs). The policy if not reversed will adversely affect the success of the Trust's effort to extend pension coverage to self-employed workers.
SSNIT as a purely Social Insurance Scheme must consider the policy as one that will considerably affect the retirement wellbeing of thousands of workers, and therefore will require thorough examination and even an amendment to Act 766 for implementation. This development has also lent credence to the proposal that SSNIT must enhance stakeholder consultations on the administration of the scheme.

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