Invalidity Pension

What is an invalidity Pension?

How do I qualify for an Invalidity Pension?

How do I apply for an invalidity Pension?

How is an invalidity pension calculated?

How is the Invalidity Pension Paid?

How long do I receive the Invalidity Pension?

Do payments continue after death?

Worked Example

Example 1

Example 2

Q. What is an invalidity Pension?

Answer

Invalidity Pension is a monthly cash benefit paid to a member of the Scheme who can no longer work due to a disease, an illness or a disablement of a permanent nature.

Q. How do I qualify for an Invalidity Pension?

Answer

You qualify to apply for an invalidity Pension under the following conditions:

- Where you have been declared permanently invalid and incapable of securing any gainful employment by a certified Medical Practitioner and the SSNIT Medical Board.
- You have made a minimum contribution to the Scheme for a period of not less than 12 months within the last 36 months prior to the incidence of invalidity.

Note: A member of the scheme can qualify for an invalidity pension at any age.

Q. How do I apply for an invalidity Pension?

Answer

- Report to the nearest SSNIT Branch in person or through your representative with a Medical Report from a recognized Medical Practitioner certifying the invalidity condition.
- The SSNIT Branch will provide you with a Pension Application Form (SS4) for completion.
- Complete the forms and attach <u>two (2) recent passport-size photographs.</u>
- Provide an <u>active bank account number</u> that bears your name as pertains to the SSNIT records.
- Submit the completed Forms, the Photographs and the Medical Report to the SSNIT Branch.
- The Branch shall schedule an appointment for you to appear before a SSNIT Medical Board for a medical examination.

Q. How is an invalidity pension calculated?

Answer

You would be entitled to monthly Pension payments if the SSNIT Medical Board certifies you as invalid.

The Pension amount shall be based on the following:

(a) Your Pension Right - [i.e. Total number of months you have contributed to the scheme during your working life (whether there are breaks in your employment or not) prior to the incidence of invalidity].

(b) Average of your 3 best years annual salaries

General Procedure for Computing the Monthly Pension

Follow the four-step procedure to calculate the Monthly Pension

STEP 1: Compute the Pension Right

Under PNDCL 247

- Where the member has contributed for a period of not less than 240 months, the member shall be entitled to a pension right (or pension credit) equivalent to that of the Old-age retirement pension.

PENSION RIGHT = 0.50 + [Total number of months of contributions - 240] x 0.00125

- Where the member does not satisfy the minimum contribution period of 240 months the member shall be given a pension right of 50% or 0.50 (i.e. the minimum pension right).

Under Act 766

- Where the member has contributed for a period of not less than 180 months, the member shall be entitled to a pension right (or pension credit) equivalent to that of the Old-age retirement pension.

PENSION RIGHT = 0.375 + [Total number of months of contributions - 180] x 0.0009375

- Where the member does not satisfy the minimum contribution period of 180 months the member shall be given a pension right of 37.5% or 0.375 (i.e. the minimum pension right).

Note: In all the cases, it is being assumed that the member has already contributed for at least 12 months within the last 36 months prior to the incidence of invalidity.

STEP 2: Determine the average of three best years' annual salary

To determine the ***average of your three best years' annual salaries***:

(i) *Select the three best years' annual salaries from your SSNIT statement of account*

[Salary1]:	*The highest annual salary*
[Salary2]:	*The second highest annual salary*
[Salary3]:	*The third highest annual salary*

(ii) *Calculate the average of the three (3) best years' annual salaries using the formula*

$$\textbf{Average of three best years annual salaries} = \frac{Salary1 + Salary2 + Salary3}{3}$$

STEP 3: Compute the Annual Pension

Multiply the Average of the three best years' annual salaries by the Pension Right to obtain the Annual Pension.

Annual Pension = Average of three best years' annual salaries X Pension Right

STEP 4: Determine the Monthly Pension

Divide the Annual Pension by 12 to obtain the Monthly Pension.

Monthly Pension = $\dfrac{\textit{Annual Pension}}{12}$

Q. How is the Invalidity Pension Paid?

Answer

- The monthly pension is paid through the member's designated bank which he/she wishes to receive his/her pension benefits.
- The member must submit his/her bank account number and a photocopy of his/her bank details from the Cheque book or a copy of bank statement bearing the account number or a copy of bank statement bearing the account number upon filing of the application form.
- Upon approval of the claim, SSNIT will inform the member when to withdraw the benefit from the bank.

Note: Members who take invalidity pension also qualify for a 25% lump sum under PNDCL 247.

Q. How long do I receive the Invalidity Monthly Pension?

Answer

- You will continue to receive Invalidity Monthly Pension for as long as you remain incapable of work.
- The monthly Pension payments will stop or be suspended, if you recover and resumes employment. In that case you may continue to contribute to the scheme and earn pension rights to add up to the earlier credits (i.e. the earlier pension right you earned prior to the incidence of the invalidity) until you finally retire.

Q. Do payments continue after death?

Answer

- The pension stops when an invalidity pensioner dies.
- However;

  Under PNDCL 247

  If the pensioner dies, before reaching the age of 72 years, the remaining monthly pension payments up to age 72 years is commuted to a lump sum (cash).

  Under Act 766

  If the pensioner dies, before reaching the age of 75 years, the remaining monthly pension payments up to age 75 years is commuted to a lump sum (cash).
- The commuted cash amount is paid as a lump sum (one-time payment) to the pensioner's beneficiaries.

Example 1:

A member aged 56 years 2 months is declared invalid by the SSNIT Medical Board. The member has contributed for a period of 250 months with the following three best annual salaries of GH₵60,000, GH₵58,000 and GH₵44,000. Calculate the Invalidity Monthly Pension.

(i) Under PNDCL 247

(ii) Under Act 766

Note: *it is being assumed that the member has already contributed for at least 12 months within the last 36 months prior to the incidence of invalidity.*

STEP 1: Calculate the Pension Right

Under PNDCL 247

A Total number of months of contributions of 250 (under PNDCL 247) would give a pension right value equal to

PENSION RIGHT = 0.50 + [Total number of months of contributions - 240] x 0.00125

PENSION RIGHT = 0.50 + [250 - 240] x 0.00125 = 0.5125 or 51.25%

Under Act 766

A Total number of months of contributions of 250 (under Act 766) would give a pension right value equal to:

PENSION RIGHT = 0.375 + [Total number of months of contributions - 180] x 0.0009375

PENSION RIGHT = 0.375 + [250 - 180] x 0.0009375= 0.440625 or 44.0625%

STEP 2: Determine the three best years' annual salaries

The three best years' annual salaries given are:

[Salary1]: *GH₵60,000*

[Salary2]: *GH₵58,000*

[Salary3]: *GH₵44,000*

The average of the three best years' annual salaries is computed as:

Average of three best years' annual salaries = $\frac{Salary1 + Salary2 + Salary3}{3}$

Average of three best years' annual salaries = $\frac{60{,}000 + 58{,}000 + 44{,}000}{3} = 54{,}000$

STEP 4: Compute the Annual Pension

Multiply the Average of the three best years' annual salaries by the Pension Right

Annual Pension = Average of three best years' annual salaries X Pension Right

Under PNDCL 247

Annual Pension = 54,000X 0.5125 = GH₵27,675.00

Under Act 766

Annual Pension = 54,000X 0.440625 = GH₵23,793.75

STEP 5: Determine the Monthly Pension

Divide the Annual Pension by 12 to obtain the Monthly Pension

$$\textit{Monthly Pension} = \frac{\textit{Annual Pension}}{12}$$

Under PNDCL 247

Monthly Pension = GH₵27,675.00/12 = GH₵2,306.25

Under **PNDC Law 247** the member can opt for a 25% Lump sum and thereafter receive a residual monthly pension:

(i) 25% Lump sum amount

The 25% Lump sum amount of the monthly pension of **GH₵2,306.25** at a discount rate of 10% is calculated as follows:

25% Lump Sum = 0.25 X 83.67653 X Monthly Pension

25% Lump Sum = 0.25 X 83.67653 X GH₵2,306.25 = GH₵48,244.75

(ii) Residual Monthly Pension

The monthly pension amount of **GH₵2,306.25** gives a residual monthly pension of:

Residual Monthly Pension = 0.75 X Monthly Pension

Residual Monthly Pension = 0.75 * 2,306.25 = GH₵1,729.69

Under Act 766

Monthly Pension = GH₵23,793.75/12= GH₵1,982.81

Example 2:

A member aged 37 years 5 months is declared invalid by the SSNIT Medical Board. The member has contributed for a period of 140 months with the following three best annual salaries of GH₵60,000, GH₵58,000 and GH₵44,000. Calculate the Invalidity Monthly Pension.

(i) Under PNDCL 247

(ii) Under Act 766

Note: it is being assumed that the member has already contributed for at least 12 months within the last 36 months prior to the incidence of invalidity.

STEP 1: Calculate the Pension Right

Under PNDCL 247

Where the total number of months of contributions is less than 240 Months, the member is given a Pension Right of **50%.**

*A Total number of months of contributions of **140** (under PNDCL 247) would give a pension right of **50%***

Under Act 766

Where the total number of contributions is less than 180 Months, the member is given a Pension Right of **37.50%.**

A Total number of months of contributions of 140 (under Act 766) would give a pension right of **37.5***%*

STEP 2: Determine the three best years' annual salaries

The three best years' annual salaries given are:

[Salary1]: *GH₵60,000*
[Salary2]: *GH₵58,000*
[Salary3]: *GH₵44,000*

The average of the three best years' annual salaries is computed as:

Average of three best years' annual salaries = $\frac{Salary1 + Salary2 + Salary3}{3}$

Average of three best years' annual salaries = $\frac{60{,}000 + 58{,}000 + 44{,}000}{3} = 54{,}000$

STEP 3: Compute the Annual Pension

Multiply the Average of the three best years' annual salaries by the Pension Right

Annual Pension = Average of three best years' annual salaries X Pension Right

Under PNDCL 247

Annual Pension = 54,000X 0.500 = GH₵27,000.00

Under Act 766

Annual Pension = 54,000X 0.375 = GH₵20,250.00

STEP 4: Determine the Monthly Pension

Divide the Annual Pension by 12 to obtain the Monthly Pension

$$\textit{Monthly Pension} = \frac{\textit{Annual Pension}}{12}$$

Under PNDCL 247

Monthly Pension = GH₵27,000.00/12= GH₵2,250.00

Under **PNDC Law 247** the member can opt for a 25% Lump sum and thereafter receive a residual monthly pension:

(i) 25% Lump sum amount

The 25% Lump sum amount of the monthly pension of **GH₵2,250.00** at a discount rate of 10% is calculated as follows:

25% Lump Sum = 0.25 X 83.67653 X Monthly Pension

25% Lump Sum = 0.25 X 83.67653 X GH₵2,250.00 = GH₵ 47,068.05

(ii) Residual Monthly Pension

The monthly pension amount of **GH₵2,250.00** gives a residual monthly pension of:

Residual Monthly Pension = 0.75 X Monthly Pension

Residual Monthly Pension = 0.75 * 2,250 = GH₵1,687.50

Under Act 766

Monthly Pension = GH₵20,250.00/12 = GH₵1,687.50