Survivors' Benefit

Q. What is Survivors' Benefit?

Answer

Survivors' Benefit is a one-time cash payment made to the surviving dependants of a member of the scheme under the following conditions:

- When the member dies before retirement; or
- When a pensioner (whether old-age or invalidity pensioner) dies before attaining age 72 years (under PNDCL 247) or 75 years (under Act 766).

Note: The survivors of the deceased must be dependants of the deceased and validly nominated as beneficiaries of the deceased or Court-approved beneficiaries (e.g. children not nominated but are covered under Children's, 1998 (Act 560)).

Note: The National Pension Act, 2008 (Act 766) Section 213 lists the members of family who can be nominated as beneficiaries.

Q. What are the Types of Survivors' Benefits?

Answer

Depending on the eligibility requirements met at the time of death, the beneficiaries of the deceased may be eligible for one of the following benefit payments:

- **Survivors Benefit I**
- **Survivors' Benefit II (return of contributions with interest)**

Q. What are the Eligibility Requirements?

Answer

(A) Survivors' Benefit I

A Survivors' Benefit I shall be paid to the beneficiaries of a:

(i) Deceased worker or contributor who has contributed to the scheme for a period of at least 12 months within the last 36 months prior to his/her death.

(ii) Deceased pensioner who dies before attaining the age of 72 years under PNDCL 247 and 75 years under Act 766.

Note: Survivors' of a deceased pensioner shall not be entitled to any Survivors' Benefit if the pensioner dies after attaining the age of 72 years under PNDCL 247 and 75 years under Act 766.

(B) Survivors' Benefit II (return of member's contributions with interest)

Where a worker dies without making at least twelve months contributions within the last 36 months prior to his/her death, a Survivors Benefit (i.e. a return of contributions with interest) will be paid to his/her beneficiaries.

Thus, Survivors' Benefit for purposes of benefit computations shall be classified as follows; namely:

- **Worker Death Survivors' Benefit**
- **Pensioner Death Survivors' Benefit**
- **Worker Death Survivors' Lump sum**

Q. Who is eligible to receive Survivors' Benefits?

Answer

Survivors' benefits shall be paid to one or more of the following in the order given:

- The surviving children
- The surviving spouse
- The surviving parents
- The designated beneficiaries

Q. How do I apply for Survivors' Benefits?

Answer

- Report the death of the member (contributor or pensioner) to the nearest SSNIT Branch with any of the following compulsory documents:

  (a) Primary evidence of death

  - A copy of Death Certificate
  - Letter from Employer in the case where the member dies in employment
  - Letters of Administration (LA) (if available)

  The following Secondary evidence of death <u>could be</u> accepted in addition to anyone of the listed Primary evidence of death.

  (b) Secondary evidence of death

  - Obituary/Poster
  - Affidavit from Chief of Village or Town/Religious Leader of the deceased member

- On receiving information of the death of a member including the evidence of death, SSNIT will conduct its investigations to ascertain the death and afterwards request the nominated and approved beneficiaries to apply for the benefit.

- Each of the approved beneficiaries may call at a SSNIT Branch to collect, complete and submit an Application Form to which he/she will attach the following:
  - *Two (2) recent passport-size photographs;*
  - *Children under 18 years shall be requested to submit an evidence of birth (e.g. Birth Certificate, Health weighing card)*
  - *A valid Bank Account Number that bears the beneficiary's name.*

- SSNIT will process the application and compute the Survivors' benefit. The Benefit amount shall be paid into the bank account of each approved beneficiary according to the approved percentage.

Q. How is the Survivors' Benefits calculated?

Answer

The Survivors' benefits are computed as follows:

A. Worker Death Survivors' Benefit

The Survivors' benefit (i.e. the lump sum benefit) is the present value of the member's pension for a period of 144 months under PNDCL 247 and 180 months under Act 766, using the prevailing Treasury bill rate or ten percent, whichever is the lower.

Procedure for Computing Worker Death Survivors' Benefit

Follow the five-step procedure to calculate the Worker Death Survivors' Benefit

STEP 1: Compute the Pension Right

Under PNDCL 247

- Where the member has contributed for a period of not less than 240 months prior to death, the member shall be entitled to a pension right 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 fails to 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 deceased 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 deceased fails to 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 death.

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 theAnnual 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.

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

STEP 5: Compute the Survivors' Benefit

Under PNDCL 247

Compute the present value of the member's pension for a period of twelve years (or 144 months), using the prevailing Treasury bill rate or 10% whichever is the lower as the discount rate.

Survivors' Benefit = Annuity Factor X Monthly Pension

$$\textbf{Annuity Factor} = \frac{\left[1 - \left(1 + \frac{Discount\ \ Rate}{12}\right)^{-144}\right]}{\frac{Discount\ \ Rate}{12}}$$

Annuity factor value for a period of 144 months at a discount rate of 10% is 83.67653

$$\textbf{Annuity Factor} = \frac{\left[1 - \left(1 + \frac{0.1}{12}\right)^{-144}\right]}{\frac{0.1}{12}} = 83.67653$$

Survivors' Benefit = 83.67653 X Monthly Pension

Note: Please note that in computing Survivors' Benefits under PNDCL 247 the deceased member is deemed not to take the 25% lump sum but a full pension.

Under Act 766

Compute the present value of the member's pension for a period of fifteen years (or 180 months), using the prevailing Treasury bill rate or 10% whichever is the lower as the discount rate.

Survivors' Benefit = Annuity Factor X Monthly Pension

$$\textbf{Annuity Factor} = \frac{\left[1-\left(1+\frac{Discount\ Rate}{12}\right)^{-180}\right]}{\frac{Discount\ Rate}{12}}$$

Annuity factor value for a period of 180 months at a discount rate of 10% is 93.05744

$$\textbf{Annuity Factor} = \frac{\left[1-\left(1+\frac{0.1}{12}\right)^{-180}\right]}{\frac{0.1}{12}} = 93.05744$$

Survivors' Benefit = 93.05744 X Monthly Pension

B. Pensioner Death Survivors' Benefit

The Pensioner Death Survivors Benefit is computed as the present value of the unexpired pension of the deceased not exceeding 144 months under PNDCL 247 and 180 months under Act 766 *using the prevailing Treasury bill rate or ten percent, whichever is the lower.*

Procedure for Computing Pensioner Death Survivors' Benefit

Follow the five-step procedure to calculate the Monthly Pension

STEP 1: Determine the Age at Death of the Pensioner

Determine the age of the pensioner in complete years and months (rounded to the nearest whole month at time of death

Age of Pensioner at Death = Date of Death - Date of Birth

STEP 2: Determine the Monthly Pension

The last Monthly Pension being paid to the Pensioner at the time of death is used.

STEP 3: Calculate the period of Unexpired Pension Payments

Calculate the number of Months of Unexpired Pension Payments at the time of death of the Pensioner.

a. *If a Pensioner dies at any age up to 60 years (in the case of early retirement or invalidity pension) the Number of months of unexpired pension shall be given the value 144 (under PNDCL 247 and 180 (under Act 766).*

PNDCL 247: **Number of Months of Unexpired Pension = 144**
Act 766: **Number of Months of Unexpired Pension = 180**

b. **PNDCL 247**

If a Pensioner dies at any age above the exact age of 60 years but less than the exact age of 72

Number of Months of Unexpired Pension
= Number of Monthly Pension Payments remaining up to the Exact Age of 72

c. **Act 766**

If a Pensioner dies at any age above the exact age of 60 years but less than the exact age of 75

Number of Months of Unexpired Pension
= Number of Monthly Pension Payments remaining up to the Exact Age of 75

STEP 4: Compute the Survivors' Benefit

The present value of the member's pension for the unexpired period (in months), using the prevailing Treasury bill rate at the time of death or ten percent, whichever is the lower.

Survivors' Benefit = Annuity Factor X Monthly Pension (at time of death)

Annuity Factor $= \dfrac{\left[1-\left(1+\dfrac{Discount\ Rate}{12}\right)^{-unexpired\ \ period}\right]}{\dfrac{Discount\ Rate}{12}}$

Note: It must be noted that the smaller the discount rate the larger the Annuity factor and the larger the discount rate the smaller the Annuity factor.

Note: Due to the inconsistencies of the 91-day Treasury bill rates, a discount rate of 10% has been used since 1991.

STEP 5: Deduct Extra Pension Paymens (if any)

Deduct EXTRA PENSION PAYMENTS made since the Death of the Pensioner from the Survivors' Benefit obtained in STEP 4, if any.

C. Worker Death Survivors' Lump sum

The Survivors' benefit is a lump sum amount equivalent to the total contributions plus the interest on the contributions computed at the prevailing Government Treasury bill rate.

Applicable Interest Rates

Under PNDCL 247

The interest is computed using one-half of the prevailing 91-Day Government Treasury bill rates.

Under Act 766

The interest is computed using three-quarters of the prevailing 91-Day Government Treasury bill rates.

Procedure for Computing Worker Death Survivors' Lump sum

The methodology for the computation of the Survivors' Lump sum is as follows:

(i) *Accumulate each contribution payment using the applicable interest rate up to the month of last contribution payment prior to death.*

(ii) *Sum up the **Accumulated amount** for each contribution payment to obtain the **Survivors' Benefit** (i.e. the Lump Sum).*

Survivors' Lump sum = Sum of Accumulated value of Contribution Payments

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Q. How is the Survivors' Benefit distributed to Beneficiaries?

Answer

For each nominated beneficiary/dependant the computed benefit (i.e. Survivors' Benefit) shall be distributed as follows:

Benefit due Beneficiary = Percentage Awarded Beneficiary X Survivors' Benefit

(a) *Where no nomination was made or the nomination made is found to be invalid by the Trust, the lump sum (Survivors' Benefit) shall be distributed to the dependants in accordance with the applicable laws (e.g. Intestate Succession Act, 1985 (PNDCL 111), Children's Act. 1998, (Act 560)).*

(b) *Where a deceased member failed to nominate a surviving spouse and/or children as beneficiaries, the spouse and children may apply to the court for a variation of the nomination to include them.*

Example 1

A member who has contributed to the scheme for a period of 250 months dies aged 56 years 2 months with the following three best annual salaries of GH₵60,000, GH₵58,000 and GH₵44,000. Calculate the Survivors' Benefit:

(i) Under PNDCL 247

(ii) Under Act 766

NB: It is being assumed that the member has already contributed for at least 12 months within the last 36 months prior to death.

STEP 1: Determine the Pension Right

The member died aged 56 years 2 months and whilst working (i.e. before retirement) and therefore constitute a **Worker Death Survivors' Benefit.**

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 prior to the death 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

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

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

PNDCL 247: *The Monthly Pension is* **GH₵27,675.00/12 = GH₵2,306.25**

ACT 766: *The Monthly Pension is* **GH₵23,793.75/12 = GH₵1,982.81**

STEP 5: Compute the Survivors' Benefit

The Survivors' Benefit is computed as follows:

Survivors' Benefit = Annuity Factor X Monthly Pension

Under PNDCL 247

Annuity factor value for a period of 144 months at a discount rate of 10% is **83.67653**

Thus, the present value of the member's monthly pension of ***GH₵2,306.25*** *for a period of twelve years (or 144 months), at a discount rate of 10% is calculated as follows:*

Survivors' Benefit = 83.67653 X GH₵2,306.25 = GH₵192,979.00

Under Act 766

Annuity factor value for a period of 180 months at a discount rate of 10% is **93.05744**

Thus, the present value of the member's monthly pension of **GH₵1,982.81***for a period of twelve years (or 180 months), at a discount rate of 10% is calculated as follows:*

Survivors' Benefit = 93.05744 X GH₵1,982.81 = GH₵184,515.22

Example 2

A pensioner with date of birth 25th December 1953 retired on 25TH December 2013 and died on 27th March 2015 after receiving his monthly pension amount of GH₵1,000. Calculate the Survivors' Benefit:

(i) Under PNDCL 247
(ii) Under Act 766

This is a Pensioner Death Survivors' Benefit

STEP 1: Determine the age at death of the pensioner

The age of the pensioner in complete years and months at time of death is 62 years 3 months.

STEP 2: Determine the Monthly Pension

The Monthly Pension being paid to the Pensioner at the time of death has been given as:

Monthly Pension = GH₵1,000

STEP 3: Calculate the period of Unexpired Pension Payments

Under PNDCL 247

The number of Months of Unexpired Pension Payments at the time of death of the Pensioner is given as:

Number of Months of Unexpired Pension

= Number of Monthly Pension Payments remaining up to the exact Age of 72

Number of Months of Unexpired Pension = [(Age 72 – Age 63) X 12] +9 months in Age 62

Number of Months of Unexpired Pension = [9X12] + 9 =117

Under Act 766

The number of Months of Unexpired Pension Payments at the time of death of the Pensioner is given as:

Number of Months of Unexpired Pension

= Number of Monthly Pension Payments remaining up to the exact Age of 75

Number of Months of Unexpired Pension = [(Age 75 – Age 63) X 12] +9 months in Age 62

Number of Months of Unexpired Pension = [12 X 12] + 9 =153

STEP 4: Compute the Survivors' Benefit

Compute *the present value of the member's pension for the unexpired period (in months), using a 10% discount rate.*

Survivors' Benefit = Annuity Factor X Monthly Pension (at time of death)

Under PNDCL 247

A discount rate of 10% gives an Annuity factor for a period of **117 months** as

Annuity Factor = $$\frac{\left[1-\left(1+\frac{0.1}{12}\right)^{-117}\right]}{\frac{0.1}{12}}$$ = **74.55368**

*Thus, the present value of the member's monthly pension of **GH₵1,000** for the unexpired period of 117 months at a discount rate of 10% is calculated as follows:*

Survivors' Benefit = 74.55368 X GH₵1,000 = GH₵74,553.68

Under Act 766

A discount rate of 10% gives an Annuity factor for a period of **154 months** as

Annuity Factor = $$\frac{\left[1-\left(1+\frac{0.1}{12}\right)^{-154}\right]}{\frac{0.1}{12}}$$ = **86.56925**

*Thus, the present value of the member's monthly pension of **GH₵1,000** for the unexpired period of 154 months at a discount rate of 10% is calculated as follows:*

Survivors' Benefit = 86.56925 X GH₵1,000 = GH₵86,569.25