PRESS CONFERENCE BY THE MANAGEMENT OF SSNIT TO ADDRESS RECENT ISSUES RAISED BY THE FORUM ON CALCULATION OF PAST CREDIT

Members of the SSNIT Executive Committee

Ladies and Gentlemen of the Media

Good Morning.

Thank you for honouring our invitation to today's press conference.

As you may be aware, there have been agitations from the FORUM for Public Sector Registered Pension Schemes (The FORUM) on issues regarding the computation of Past Credit in the past couple of weeks. The Trust has responded through some press releases. This press conference will hopefully bring more clarity and possibly some finality to the issues raised.

I will start with some background, shed some light on current happenings and close with the Trust's position on the matter.

1. The implementation of the three-tier pension scheme (Act 766), provided for the Trust (first tier operator) to pay monthly pensions and the second tier fund managers to pay lump sum which was being paid by the Trust under the Social Security Law (PNDCL 247). However, there were workers affected by the Act 766 who as at 31st December, 2009 (i.e. the eve of the implementation of Act 766), had contributed to the SSNIT Scheme. This meant they had contributed 17.5% of their salaries to SSNIT which was 4% more than the current 13.5%, out of which 2.5% is forwarded to the National Health Insurance Authority. This 4% of salaries accumulated

with interest from the dates on which the contributions were received by the Trust, up to 31st December 2009 (the eve of the implementation date of Act 766) is what is referred to as the Past Credit in Act 766. This Past Credit plus additional accrued interest from 1st January, 2010 till the date of retirement is what is paid to the Member by SSNIT as part of their lump sum. The rest of the lump sum is paid by the private Tier-2 fund managers.

2. Prior to the determination of the contribution rate for the 2nd Tier, actuarial estimates done by the Presidential Commission on Pension in conjunction with SSNIT and which was accepted in the Government white paper indicated that, if 4% of contributors' salaries were ceded out of the 17.5%, and 2.5% transferred to the National Health Insurance Scheme, the remaining 11% of the contributor's salary should be able to fund between 45%-50% of Pensions over a maximum period of 30 years.

3. This informed the decision to fix the 2nd Tier contribution rate from the total 17.5% of salaries that were coming to SSNIT at 4% and an additional 1% was added to be contributed equally by the employer and the worker, thus bringing the 2nd Tier total contribution to 5%.

4. The transitional provisions in section 94 of Act 766 state clearly the entities vested with the authority to determine the Past Credit as I have defined earlier, and how it should be done on the commencement of Act 766. Specifically, 94 (1) (d) of Act 766 states that "accrued or past service or past credits earned by every contributor to whom the new scheme applies in respect of the 25% lump sum benefit shall have the lump sum determined by a formula agreed between the Pension Reform Implementation Committee and the Trust based on actuarial assessment".

5. In accordance with section 94 (1)(d), the NPRA (which is the Successor of the Pension Reform Implementation Committee) and SSNIT (The Trust) held a protracted series of meetings, spanning over a period of approximately three years, to determine the formula for the Past Credit as at 31st December, 2009.

During these deliberations, SSNIT was asked to submit papers to the NPRA on how the Past Credit should be calculated for their review.

6. One such paper titled "Determination of Past Credits under Act 766 based on actuarial assessment" was submitted to the NPRA on 12th June, 2013. In that paper, a formula/ method for the computation of Past Credit as at the implementation date of Act 766 was proposed, as well as a formula for how such Past Credit, as determined, should accrue further interest from January 2010 up to the date of retirement of affected Members.

7. SSNIT was subsequently asked in a meeting held between NPRA and SSNIT on 24th March, 2015 at the NPRA Boardroom "to submit a report by 31st March, 2015 on live simulation exercise for the determination of the Past Credit to NPRA for onward transmission to the NPRA Board". In doing this exercise, the formula as proposed by SSNIT for the determination of Past Credit was to be used.

8. SSNIT complied and submitted a report to the NPRA titled "Analysis of Past Credit under Act 766." That paper contained again in Appendix (1), the formula for the computation of Past Credit as at the implementation date of Act 766 and outlined the method and steps that should be taken to arrive at the Past Credit amount as at 31st December, 2009. It went ahead to give examples of such calculations. That paper also contained a schedule of historical Government of Ghana Treasury Bill Rates that should be used as inputs to the formula.

In addition, SSNIT proposed a formula and method for how such Past Credit, as determined, should accrue further interest from 1st January 2010 up to the date of retirement, and went ahead to show examples on how such calculation was to be done.

9. Specifically, the proposed formula for the computation of the Past Credit as at 31st December, 2009 dealt with two issues:

i. The percentage of annual salary that was to be used (being 4%) and the interest rate that should be applied to those contributions up to 31st December, 2009 (being 50% of prevailing Treasury Bill rates at the time the contributions were received, compounded annually). This proposal of 50% of the prevailing Treasury Bill rates was consistent with section 34(1) (b) of PNDCL 247 for returning contributions to a Member who has not qualified for pension, as was the case for the Members to whom this Past Credit applied.

ii. Regarding the interest rate to further accumulate the Past Credit as determined, from 1st January, 2010 up until retirement, SSNIT proposed 50% of the prevailing Treasury Bill rates.

10. The NPRA after thorough consideration of all the deliberations that had taken place, and a thorough study of all the papers and correspondences that had been submitted on this subject that had dragged on from 2010 to 2015 wrote a letter (NPRA/SSNIT/14/28/15) to SSNIT on 9th September, 2015 to bring closure to this matter. In that letter, the NPRA stated that "The National Pensions Regulatory Authority (NPRA) agrees of the method/formula you proposed in your report to the NPRA titled "Analysis of Past Credit under Act 766". The NPRA went on to summarize that "the formula for determination of the Past Credit shall be based on 4% of the Members' annual salary, accumulated from the date the Member joined the SSNIT Scheme to the implementation date of the National Pensions Act, 2008, Act 766 (i.e. 1st January, 2010).

Members of the Press, the only issue on which the NPRA did not agree with SSNIT, was the interest rate which should be used to further accrue the determined Past Credit from 1st January, 2010 till the date of retirement. SSNIT had proposed 50% of the Treasury Bill rate and the NPRA suggested 75% of the Treasury Bill rate as indicated in their letter and I quote, "the applicable interest rate for the accumulation of the determined Past Credit (for any Member) after 31st December 2009, shall be equal to 75% of Treasury Bill rate". SSNIT agreed to this and went ahead to programme its OBS Software to accommodate the use of 75% of the prevailing Treasury Bill rate to further accumulate the determined Past Credit up to the date of retirement and SSNIT went ahead to re-compute the additional interest earned on determined Past Credits using the newly agreed 75% of prevailing Treasury Bill rates and paid the difference to members who had retired and had been paid their a ccumulated Past Credits. The NPRA has at all times been aware of this implementation (the computation of Past Credit as at 31st December, 2009 and its further accumulation to the date of retirement) and payments were made to affected Members who retired.

11. A Ministerial Committee was formed in September, 2017 to resolve outstanding issues relating to transfer of funds from TPFA 2 to the four public sector occupational pension schemes and one of the terms of reference for the Committee was to "discuss and make recommendations on the issue of Past Credit"

    After the Ministerial Committee had completed its work, a communique dated 24th November 2017, (titled: Communique on the Report of the Ministerial Committee on outstanding issues relating to Tier-two Pension Funds for Public Sector Workers), which was signed by the Minister for Finance and the Minister for Employment and Labour Relations on behalf of Government and Mr. Isaac Bampoe Addo and Dr. Justice Yankson on behalf of the FORUM was issued. The following recommendations regarding Past Credits were made:

i. "That the formula for computation (captured in the findings under Past Credits) as agreed between NPRA and SSNIT should be accepted by all parties."
ii. "That Past Credit earned as at 31st December 2009 should in the interim remain with and be managed by SSNIT".
iii. "That Past Credit computed for each contributor as at 31st December, 2009 be shown on members' statement of account generated by SSNIT not later than 31st March, 2018".
iv. "Effective 1st January, 2010, the prevailing 91-day Treasury Bill rate should be used to compute interest on the Past Credits every quarter and same made available to the Member on his Statement of Accounts."
v. "That no Administrative Charges shall be charged by SSNIT on the Past Credit whilst same remains with them".

12. By appending their signatures to this Communique, all parties (including the FORUM) had accepted the formula for computation of the Past Credits. SSNIT was asked to implement these recommendations.

Management of SSNIT in consultation with the Board of Trustees of SSNIT agreed to the recommendations and has implemented same. This revision of the interest rate used to accrue the determined Past Credit from 75% of the Treasury Bill rate (as had been previously agreed) to 100% of the prevailing Treasury Bill rate increased SSNIT's Past Credit liability from GHS 1.3 billion to GHS 2.98 billion representing an additional liability of GHS 1.6 billion. SSNIT informed the NPRA in a letter dated 18th July, 2019 that the SSNIT Board had approved the revision.

13. Prior to the agreement by the SSNIT Board, SSNIT, NPRA, the FORUM and the Ministry of Employment and Labour Relations held a series of meetings in which the FORUM demanded that the Agreement as signed be implemented in its totality and this was exactly what the SSNIT Board subsequently agreed to.

The NPRA responded in a letter dated 18th September, 2019 acknowledging the SSNIT Board's decision and added that, and I quote, "the Board of the Authority finds the implementation date of 1st January, 2010 for the computation of accrued interest on the Past Credit as undesirable, considering the fact that the said date does not account for interest earned on contributions received prior to 1st January, 2010." Ladies and gentlemen, this statement is factually incorrect because to determine the Past Credit as at 31st December, 2009, the 4% of salaries has to accumulate interest from the date of contribution till the date of determination of the Past Credit (31st December, 2019) and this was communicated severally to the NPRA in various documents as I have already mentioned as being 50% of the prevailing Treasury Bill rate compounded annually, in accordance with section 34 (1) (b) of PNDCL 247.

The NPRA further directed that "the 91-day Government of Ghana Treasury Bill Rate applicable should be compounded quarterly from the year of first contribution till the date of payment".

This directive sought to overturn what has already been lawfully determined by the bodies vested with the authority to do so, as per section 94(1) (d) of Act 766. This matter had already been closed and communicated to SSNIT by NPRA in their letter dated 9th September, 2015 as I've already mentioned.

14. Ladies and Gentlemen, SSNIT has also pointed out to the Authority that:

i. The said directive is contrary to section 94 (1) (d) of Act 766.
ii. The said directive also ignored the fact that the formula agreed for calculating the Past Credit as at 31st December, 2009 was arrived at, after several deliberations between SSNIT and NPRA who were authorized by law to do so.
iii. The formula includes the interest applicable to all members under PNDCL 247 and was in accordance with the Scheme rules and the Scheme funding principles applicable to all members under PNDCL 247.
iv. The details and analysis of the Past Credit were duly submitted to NPRA including simulation figures of the Past Credit based on the formula for computation of the Past Credit up to 31st December, 2009.
v. The formula for computation of the Past Credit at the implementation date of Act 766 was submitted to NPRA in a paper entitled "Analysis of Past Credit Under Act 766" and that such formula is detailed on Page 15 of that paper.
vi. NPRA in their letter (NPRA/SSNIT/14/28/15) to SSNIT dated 9th September, 2015 stated that the Authority "agrees of the Method/Formula you proposed in your Report to the NPRA titled 'Analysis of Past Credit Under Act 766'."
vii. The said directive also failed to provide any actuarial justification as required by law in determining the Past Credit.

Let me emphasise, ladies and gentlemen, that should this directive, which is not in accordance with Act 766 be implemented, the Trust's Past Credit liability will increase to a whopping GHS 5.87 billion as at October 2019 representing an increase of GHS4.5 billion over what the liability was before the revision that was accepted in the communique was implemented.

The effect of this directive will put the whole SSNIT Scheme into financial crisis mode from 2022 as the fund ratio will drop from 3.1 to 0.3. This will affect the long-term sustainability of the Scheme.

The SSNIT Board has met and thoroughly considered the illegal directive from NPRA and notes that SSNIT is unable to implement the directive in the NPRA's letter dated 18th September, 2019 because of the reasons cited earlier and same has been communicated to the NPRA.

Subsequent to that communication, the SSNIT Board and the NPRA Board met on 19th November, 2019 (and by the way Labour is ably represented on both boards) to discuss the matter and the NPRA has requested SSNIT to produce an actuarial valuation of the Scheme by 3rd December, 2019 for their consideration.

15. Ladies and Gentlemen, let me emphasize that

i. Management of the Trust is currently using 100% of the prevailing 91-day Treasury Bill rate to compute interest on the Past Credits every quarter from 1st January, 2010 in consonance with the Agreement by the Ministry of Employment and Labour Relations, the Ministry of Finance, NPRA, SSNIT and the FORUM, and same has been made available to Members on their Statements of Account.
ii. The Trust is fully committed to implementing Act 766 and the Agreement reached by all parties (including the FORUM) and WILL accurately and promptly pay all benefits due Members as and when they retire. In doing so, the Trust will always be guided by the long-term sustainability of the Scheme.
iii. The SSNIT Scheme is a social protection scheme and will at all times protect the welfare of its Members and NOT cheat them.
iv. Let me also state that the Agreement/Communique signed should be accepted by all parties and SSNIT is committed to do so and I call on members of the FORUM to respect the Agreement they have signed.
v. I want to assure all workers, especially members of the SSNIT Scheme, that the Trust is committed to the smooth implementation of Act 766 in its entirety and will pay Past Credit with accrued interest in accordance with the law and the Agreement reached by the Trust, the Government (represented by the Ministries of Employment and Labour Relations and Finance), NPRA and Labour.

I thank you for your attention.