EVALUATION OF RETIREMENT SYSTEMS OF COUNTRIES WITHIN THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY

Country Profile: Namibia

OPM

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Table of contents

List of tables and figures

Abbreviations

ARVs	Antiretrovirals
FY	Financial Year
GIPF	Government Institutions Pension Fund
IMF	International Monetary Fund
IOPS	International Organisation of Pension Supervisors
ISSA	International Social Security Association
LFS	Labour Force Survey
MTEF	Medium-Term Expenditure Framework
NAD	Namibian Dollars
NAMFISA	Namibian Financial Institutions Supervisory Authority
OPM	Oxford Policy Management
RPF	Registrar of Pension Funds
SSW	Social Security Worldwide
WDI	World Development Indicators

1 Country and retirement system overview

Box 1.1 Country overview

Population 2008: 2.0 million (1% growth per annum)

Proportion of population above 65 – 2008: 4%

Proportion of population above 65 – 2030:

Proportion of population rural:

Life expectancy at birth: 47 (2008)

GDP per capita (current US$): $4,051 (2008)

Proportion of population below poverty line ($2/day):

Labour force: 493,449 (2006)

Labour force participation rate (% of population 15+): 54%

Unemployment rate: 37%

Employment in formal sector (% of total employment):

Employment in agriculture (% of total employment): 30% (2004 WDI) (23% in subsistence agriculture (LFS 2004)

HIV/Aids prevalence (% of population 15-49): 17.8% (2007)

Box 1.2 Retirement systems overview

Formal systems

Social assistance

Namibia has a universal, tax-funded old age pension paying N $450 (US$61) per month. This was established by the National Pensions Act (1992) and is administered by the Ministry of Labour and Social Welfare. This benefit is available to all Namibian citizens aged over 60, and the number of beneficiaries for 2009/10 was estimated at about 150,000, including disability beneficiaries (in 2005, coverage was estimated at 85% of the population aged over 65).

National social insurance

Although authorising legislation for a national pension fund already exists, it has not been operationalised and discussion of the establishment of such a social insurance fund is still taking place.

Civil service occupational schemes

The Government Institutions Pension Fund (a fully funded DB scheme) was established by the Pension Funds Act (1956). Its administrator is appointed by the trustees of the Fund. In 2008, there were 72,731 contributing members, and benefits were paid to 38,349 pensioners and survivors. Members' contributions are set at 7%, with employers contributing 16%. Retirement age is 60 years. The pension is calculated as 2.4& of the member's final salary, multiplied by the member's term of pensionable service.

Private occupational schemes and voluntary schemes

In addition, there are approximately 500 private occupational schemes and schemes for individuals, serving potentially as many as 50,000 members. These are governed by the Namibian Financial Institutions Supervisory Authority established by the NAMFISA Act (2001).

Informal retirement systems

Subbaroa (1998) has argued that, 'As with other countries of Africa, family and/or community-based informal sharing arrangements constitute the most pervasive safety net in the country'. The study could not access much further information in this regard or develop a more systematic summary of such informal mechanisms.

2 Country background

2.1 Demography

In 2008 Namibia had a population of approximately 2 million, growing at a rate of 1.0% per year according to the World Bank, with the World Population Prospects putting the growth rate higher at 1.7% over the period 2010 to 2015. Life expectancy at birth, impacted by the HIV pandemic, was estimated at 47 years (World Bank) with the World Population prospects indicating 62. The population aged 65+ comprised 4% of the population in 2008 (with those 60+ about 6% of the population) (World Bank Country Brief) and is expected to grow to about 5% of the population in 2030 (with those 60+ expected to grow to 8% of the population) (World Population Prospects). The UN estimate (World Population Prospects) the number of those aged 60 and older grow from 126,000 in 2010 to 239,000 in 2030.

2.2 Labour market

The most recent detailed labour market data for Namibia that could be sourced was from the 2004 Labour Survey (Institue for Public Policy Research 2010). The data shows a population aged 15 and older of 888,348, with a labour force of 493,329 and 393,880 people economically inactive. The number of employed was 385,329, and the number of unemployed was 108,120, giving an unemployment rate of 22% according to the standard definition. The World Bank estimated the unemployment rate at a much higher 37% in 2008, presumably according to the expanded definition of unemployment.

Table 2.1 gives an indication of the employment status of employed individuals with the bulk of the employed being private (50.5%) and public sector (22.4%) employees with a significant proportion being in subsistence agriculture (9.3%), own account workers (9.7%) and unpaid family workers (4.3%).

Table 2.1 Namibia Labour Force Survey 2004: Status of the employed (percentage)

Employment status	*Namibia*			*Urban*			*Rural*		
	Total	*Females*	*Males*	*Total*	*Females*	*Males*	*Total*	*Females*	*Males*
	%	%	%	%	%	%	%	%	%
Subsistence/communal farmer (with paid employees)	2.3	1.3	3.1	0.3	0.3	0.2	5.1	2.7	6.8
Subsistence/communal farmer (without paid employees)	7.0	8.3	6.0	0.9	1.3	0.6	15.1	18.3	12.8
Other employer (with paid employees)	3.3	3.0	3.5	4.0	3.8	4.1	2.4	2.0	2.7
Other own-account worker (without paid employees)	9.7	12.2	7.8	8.2	9.4	7.3	11.7	16.2	8.5
Employee (government or parastatal)	22.4	23.7	21.3	27.9	29.6	26.6	14.9	15.3	14.7
Employee (private)	50.5	45.2	54.6	57.7	54.6	60.3	40.8	31.8	47.5
Unpaid family worker (subsistence/communal)	3.8	5.0	2.9	0.2	0.3	0.2	8.6	11.8	6.3
Other unpaid family worker	0.5	0.8	0.3	0.3	0.3	0.2	0.9	1.5	0.4
Others	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Not reported	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total	100	100	100	100	100	100	100	100	100

(Institute for Public Policy Research 2010)

2.3 Economy and finance

The 2009 World Bank Country Brief for Namibia indicates that:

"With a per capita income of about US$4,200 in 2008, it is classified as a lower middle-income country. Namibia has experienced steady growth, moderate inflation, strong external surpluses and low indebtedness over the past several years as a result of generally prudent fiscal policies, a stable political environment, a fairly developed infrastructure, and a strong legal and regulatory environment. The global economic crisis has thus far impacted Namibia principally through lower demand for its commodity exports, mainly diamonds, and slowdown of the South African economy". (World Bank 2009)

"Economic growth since independence has averaged 4.5% per annum, sufficient to increase per capita income in most years. Real GDP grew by 7.2% in 2006, 4.1% in 2007, and by 2.9% in 2008. Against the backdrop of the global economic crisis, GDP growth projection was lowered to 1 % in 2009 despite a large fiscal expansion proposed in the 2009/10 budget. The projection was downwardly revised to 0.5% because of the devastating floods earlier in the year." (World Bank 2009)

2.4 Socio-economic

Despite its solid economic growth (based on "sound economic management, good governance, basic civic freedoms and respect for human rights") it inherited severe social and economic imbalances from the apartheid area. This is seen in a low human development indicator ranking (129 out of 179 countries) with high inequality, declining life expectancy and a high level of unemployment (World Bank 2009).

The IMF points out that Namibia's high per capita income relative to other countries in the region is counterbalanced by unemployment (exceeding 30%), high inequality (with a Gini-coefficient around 0.6), poverty (more than 25% of the population), a high although declining HIV rate and low school enrolment (International Monetary Fund 2009). On a number of fronts good progress is being made, with about 80% of those in need of ARVs currently on treatment (International Monetary Fund 2009), access to basic education having become more equitable and primary health care coverage having become more widespread (World Bank 2009).

3 Formal retirement systems – Social Assistance

3.1 Legal and institutional

The social assistance benefit to the aged is provided for in the National Pensions Act of 1992 (Namibia 1992). The Act authorises the payments of pensions and supplementary benefits; spells out entitlement criteria and describes the process of application to a district pension officer; and arranges other matters such as cessation of payment of a pension and delegation of powers for administration. Most pensioners (85%) receive their money at a designated cash pay point, with the rest receiving it via a post office or bank (IOPS 2009). The 2009 MTEF reported that "the social assistance function was transferred to the Ministry of Labour and Social Welfare in the FY 2005/06 this included the National Division of social assistance. The regional officers transfer will take effect in 2009/10 …" It was also indicated that "efforts are underway to cooperate with Governors and regional Councillors in order to establish Payment Committees within the regions, in particular the constituencies, in order to assist with dissemination of information and resolve problems pertaining to non-payment of beneficiaries in respect of social grants" (Ministry of Finance 2009).

3.2 Eligibility, access and coverage

The Basic State Pension is payable to Namibian citizens aged 60 and older. It is a universal benefit with no means test. In 2005 the benefit was paid to approximately 100,000 beneficiaries compared to an estimated over 60 population of about 107,000. The 2009 Government MTEF stated that the "social grants" cater for 148,131 beneficiaries, which presumably include the disabled. More recent and up to date data about beneficiaries are awaited.

3.3 Financing

The benefit is funded from general government revenue. The actual expenditure on Social Pensions by the Department of Labour and Social Welfare on social pensions in 2007/08 was N$659,784,000 (Ministry of Finance 2009, Estimates of Expenditure). The administrative expenditure of the Directorate for Social Security and Welfare Affairs and Services (under which the social pensions resort) was about N$10 million which is unlikely to be the full administration cost as the unit is also responsible for other welfare benefits.

The most recent MTEF of the Government indicated that "the programme is thus aimed at achieving 95% coverage for social grants to all eligible Namibians. The actual benefit of N$450, which caters for over 148,131 beneficiaries... is projected to increase to the 165,000 mark in 2009/2010, 181,358 mark in 2010/2011 and 201,000 mark in 2011/2012." The expenditure estimates for the three years are N$890,339, N$866,713 and N$886,529. In the actual 2009/10 Budget N$878,433,000 was voted for social grants. (This can be compared to estimated expenditure for 2009/10 of N$25.4 billion which was estimated to be 36.4% of GDP. Social pensions will therefore cost approximately 3% of government expenditure in 2009/10 and 1% of GDP)

3.4 Contingencies covered

The Act makes provision for payments to the aged, the blind and the disabled persons. A disabled person is defined in the Act as "any person who is, owing to any physical or any mental disability, incapable to obtain from any employment or the practising of any profession or trade, or from the rendering of any service, the means needed to enable him or her to adequately provide for his or her own maintenance, and has attained the age of 16 years".

There is also provision for additional and supplementary allowances which are not defined in the Act.

3.5 Benefit type and levels

As of 2005 the basic state pension amounted to N$450 per month. The 2010 Medium Term Expenditure Framework for the Ministry of Labour and Social Welfare states that the benefit is still worth N$450. In 2010 the Ministry estimated that the national pensions grant currently amounts to 0.8% of GDP and has coverage of 85% of the eligible population (Namibia 2010).

3.6 Administrative cost

The Ministry of Labour through its Directorate of Social Welfare is responsible for the administration of the Old Age and Disability Grants. The Directorate has national staff support by regional staff (Namibia 2010, p2). Benefit payments are made through agents and 5 methods are currently in use:

- Cash payments at designated paypoints utilising biometrics for identification. This is managed through United Paymasters who was appointed in terms of a tender process for a three-year period
- Commercial banks – electronic transfer of funds (via First National Bank) to beneficiary bank accounts
- Nampost over the counter cash payments
- Deposit in to Nampost savings accounts
- Distribution via institutions for the elderly (namely old age homes, care units and community centres) which receive a cheque and pay sheet in order to distribute the benefits (Namibia 2010).

The Ministry incurs both direct costs (payment to agents) and indirect costs (cost of the government department) in administering the grants. Table 3.1 summarises the cost structure of using the different agents. What is striking is the variation in the cost per payment with cash payments through United Paymasters being nearly 3 times the cost of payment through Nampost and payment through banks being 13 times as expensive as payment through Nampost and more than 4 times the cost of a cash payment.

Table 3.1 Summary administrative costs of the Old age and disability grants in Namibia

Method	Cost
Cash	Registration: N$19.15 Single cash payment: N$13.29 (incl. VAT) Double cash payment: N$22.91 (incl. VAT)
Banks	N$65.00 per transfer
Nampost	Single payment: N$5.00 Double payment: N$10.00
Nampost Savings	Single payment: N$5.00 Double payment: N$10.00
Institutions	Do not receive any payment for the distribution due to the number of beneficiaries. (usually range from 3 – 5 beneficiaries per institution.

Information source: (Namibia 2010, p2.)

The administrative expenditure for 2007/08 of the Directorate for Social Security and Welfare Affairs and Services (under which the social pensions resort) was about N$10 million which is unlikely to be the full administration cost as the unit is also responsible for other welfare benefits. (Estimates of National Expenditure 2009). The overhead costs of the NPS are reputed to be high (IOPS 2009) and relate to payment at cash points and the geographical size of the country coupled with low population densities. The 2009/10 MTEF states that “service fees are also remitted to the NAMPOST and United Africa Paymasters for the payment of basic state grants to beneficiaries. Indicative amounts for the years the next three budget years of N$26,360; N$27,365; N$27,020 are given for the MTEF but these seem to be too low to account for the full cost of cash payments).

4 Formal retirement systems – National Social Insurance

The Social Security Act of 1994 (Namibia 1994) provides for the establishment of a Social Security Commission which currently focuses on employment related benefit funds and the establishment and management of a range of other funds: a Maternity Leave, Sick Leave and Death Benefit Fund, a National Medical Benefit Fund and a Development Fund (for the training of the unemployed). The currently implemented employment related benefit funds do not contain any retirement schemes, and although a National Pension Fund has been established in terms of the legislation, it has not yet been operationalised.

The establishment of a national social insurance fund for retirement benefits has been under discussion for a long time (Subbarao 1998) and the Social Security Commission is taking the process forward.

5 Formal retirement systems – Civil Service Occupational Schemes

5.1 Legal and institutional

The Government Institutions Pension Fund was established on the recommendation of the Public Service Commission with effect from 1 October 1989. it is established in terms of the Pension Funds Act, 1956 (Namibia 1956). The rules of the Fund (http://www.gipf.com.na/procedures.htm#1) were amended from 1 October 1999.

The Fund is a separate legal entity and the trustees appoint an administrator to administer the Fund.

5.2 Eligibility, access and coverage

Membership of the fund is a condition of service for every person who becomes an eligible employee. An eligible employee is defined as an employee in the services of the Government of the Republic of Namibia, or an employee of an institution or body established by or under law and which was declared to be a statutory institution.

In 2005 the GIPF had a membership of some 75,000. At that date the entire Pensions Industry in Namibia had a membership of about 123,000, meaning that GIPF represented a 61% share of the Namibian Retirement Funds Industry.

In the Annual Report for the year 2008 (the latest available), the number of contributing members increased by 263 from 72,108 to 72,371, compared to an increase of 1,834 members the year before. Over the same period the number of pensioners continued its strong growth trend, growing by 2,699 annuitants from 35,740 to 38,439 during the year under review. This represents 7.55% growth, compared to growth of 21.8% in the number of pensioners in the previous year.

5.3 Financing

The rules of the Fund dictate members' contributions of 7% of "pensionable emoluments". The employer must contribute to the Fund each month an amount equal to the balance of the cost of providing the benefit specified by the rules of the Fund, with this amount being determined by the Trustees in consultation with an actuary.

The members and their employers contributed N$1.07 billion to the GIPF during the year to 31 March 2008, compared to N$1 billion during the previous year. This increase of 6.41% compares favourably with the increase in membership numbers and the salary increases within the main contributing employer. The benefits paid during the period under review increased by 12.71%, from N$847.2 million to N$954.9 million as at 31 March 2008. In the 12 months to 31 March 2008, the GIPF recorded an increase in the fair value of its portfolio from N$33.6 billion to N$35.3 billion. The total return on investments for the review period was 5.4% after adjusting for contributions made to fund managers, compared with a return of 27.3% for the year ending 31 March 2007.

The Fund is fully funded.

5.4 Contingencies covered

The benefits comprise normal and early pension benefits, death, funeral, ill-health, disability and retrenchment benefits.

5.5 Benefit type and levels

A member may retire when he/she reaches the normal retirement age (60 years or for specific classes as determined in the Public Service Act, 1995, or as approved by the Prime Minister on recommendation of the Public Service Commission). The pension is calculated as 2.4 percent of the member's final salary, multiplied by the member's term of pensionable service. Provision is also made for early retirement (from age 55), with a reduction in benefits of 0.25 percent for every complete month terminated prior the normal retirement age, early ill-health retirement and early retirement in other circumstances.

The rules provide for benefits in the case of death prior to retirement or while on a disability pension (a lump sum equal to twice the annual emoluments, a spouse's pension – 40% of the member's pension, and 10% for each qualifying child) and in the case of death after retirement (a spouse's pension equal to 50% of the member's pension).

A funeral benefit is payable at the rate of N$5,000 for a deceased member, N$5,000 for a qualified spouse and lower amounts for qualifying children depending on age.

If a member becomes totally and permanently disabled as a result of disease or illness, to the extent that such member can no longer pursue his/her own or a similar occupation for which he/she would be qualified by his/her training and experience, a disability income benefit equal to 75% of the member's pensionable emoluments at date of disablement shall be payable. This reduces after 24 months to 50% except in certain cases.

5.6 Preservation, withdrawal and protection of rights

On withdrawal the member can elect to get a withdrawal benefit (calculated on the basis of average earnings over the period of employment and the rate of contribution) or to preserve funds in the GIPF or another approved pension or provident fund. If a member elects to preserve his or her benefits in the fund, they will receive a deferred pension which is based on the actuarial reserve of the member.

5.7 Administrative cost

The total market value of the investments of the Fund as at 31 March 2008 was N$35,283,017,000. Table 5.1 provides the statement of changes in funds and reserves in 2007 and 2008.

Table 5.1 GIPF: Changes in funds and reserves in 2007 and 2008

	2008 N$'000	2007 N$'000
Contributions received	1,072,402	1,007,793
Net investment income	1,666,739	7,204,754
Other income	15,021	13,312
Less:		
Administration expenses	-75,033	-65,764
Net income before transfers & benefits	**2,679,129**	**8,160,095**
Transfers and benefits	-954,891	-847,190
Transfers from other funds	27	19
Transfers to other funds	-32,330	-
Transfers applied for and not yet approved	-32,330	-
Benefits	-922,588	-849,209
Net income after transfers & benefits	**1,724,588**	**847,209**
Funds and reserves		
Balance at beginning of year as restated	33,393,506	26,080,601
Balance at end of year	**35,117,744**	**33,393,506**

Source: Annual Report of the GIPF for 2008

In 2008 administration expenses were equal to about 7% of contributions.

5.8 Financial and social sustainability

The most recent actuarial valuation of the Fund estimated liabilities at N$19,338 billion while the assets of the Fund were valued at N$21.630 billion, leaving an actuarial surplus of N$2,292 billion. The funding level of the Fund increased marginally from 111.1% to 111.9% for the year to March 2008. The key conclusions and recommendations of the independent actuaries were:

- that the Fund is fully funded;
- that the required total contribution rate to fund future benefits in terms of the rules is 34.1%, implying a shortfall in contribution of 11.1%;
- that the current employer contribution rate be maintained until a separate risk reserve account is set up, and that any contribution increases be phased in;
- that the current asset mix is adequate for the nature of the current liabilities.

The contribution shortfall suggested in these conclusions is based on very conservative investment return assumption of 12% per annum. A sensitivity analysis performed by the actuaries indicates that a 13% return would reduce the contribution shortfall from 11.1% to 5.6%.

On the basis of these recommendations the Fund concluded that “immediate action is not necessary” but that it intends to “monitor the position very closely over the next two years, especially given the severe turmoil in financial markets”

6 Formal retirement systems – Private Occupational Schemes and Voluntary Schemes[1]

6.1 Legal and institutional

Private occupational funds and other retirement funds are regulated according to the Pension Funds Act, 1956, by the Namibian Financial Institutions Supervisory Authority. The authority was set up under the Namibia Financial Institutions Supervisory Authority Act, 2001 (Namibia 2001).

The Namibia Financial Institutions Supervisory Authority Act establishes the Namibia Financial Institutions Supervisory Authority (NAMFISA) to supervise non-banking financial institutions, and regulates its structure and powers.

The Pension Funds Act provides for the registration and supervision of pension funds by the Registrar of Pension Funds (RPF), including both defined benefit and defined contribution plans. The RPF is the Chief Executive Officer of the NAMFISA. The Act authorizes the Minister of Finance to make regulations with regard to all matters required to be prescribed or permitted under the Act. (ISSA, SSW)

Pension plans are implemented through the establishment of pension or provident funds that are independent legal entities separate from the sponsoring employer(s) or appointed fund administrators. Pension and provident funds may not carry out any other business than the business of the pension or provident fund.

Pension and provident funds must be governed by a Board of Trustees consisting of at least four members, at least 50 per cent of whom must be elected by the fund members, who are legally defined as the class of persons for whose benefit the fund has been established, including current pensioners. In the case of umbrella plans, which are in most cases non-occupational funds, the governing board consists mainly of representatives of the underwriter with no members' representation.

The Namibia Financial Institutions Supervisory Authority (NAMFISA) has prescribed fit and proper requirements for the purposes of board representation. It is obligatory for boards to avoid conflicts of interests in decision making.

The procedure for the election and the powers of the board must be regulated in the fund rules. The NAMFISA may authorize a fund to have a smaller board, if having four members would be impractical or unreasonably expensive, on the condition that the fund members retain the right to elect at least 50 per cent of the board members. (ISSA SSW)

The IMF reported in 2009 that: "the capacity of the Namibia Financial Institutions Supervisory Authority (NAMFISA) is increasing, but the authorities recognize the need for further improvement. A new law to consolidate regulation of nonbank institutions and clearly define NAMFISA's supervisory authority is expected to be approved by the end of 2009. NAMFISA has also introduced regular standardized reporting for pension funds and insurance companies that should help address deficiencies in data collection and monitoring and is implementing a risk-based auditing system." (International Monetary Fund 2009)

[1] The section relies heavily on summary international descriptions from IOPS and ISSA.

6.2 Eligibility, access and coverage

Membership is part of the employment relationship or voluntary.

In 2003, Genesis Analytics reported as follows about pension fund numbers: "Since independence, the total number of registered pension funds has grown from 179 (as at end of 1992) to 477 at the end of the 2000/2001 financial year. At the end of the same period, the total assets figure of the industry was about N$12.7 billion (approximately 45% of GDP) of which private pension funds contributed N$3bn (25%) and the Government Institutions Pension Fund (GIPF) about N$9.7bn (NAMFISA data). Other large pension funds include: Rossing Retirement Fund, Napotel, Transnamib Retrenchment Fund, NDC-Amcom, Local Authorities Retrenchment Fund, Standard Bank of Namibia and the University of Namibia Fund (According to NAMPS about 30,000 individuals (3% of the adult population) had access to a personal pension fund in 2001. The total membership (active as well as pensioners) at the end of the 2000/2001 financial year was about 150,000" (Genesis Analytics 2003).

6.3 Financing

Employee contributions

All plans: Employee contributions must be defined in the fund rules within the limits defined by tax legislation. Usually it is seven per cent of pensionable salary, which includes basic salary, housing and motor vehicle allowances. The maximum tax free contribution is NAD40,000 per tax year regardless of whether the contribution is to a single plan or to several plans

Employer contributions

All plans: Normally employer contributions are compulsory and must be defined in the plan rules within limits defined by tax legislation.

In defined contribution plans, employers contribute a specified rate of the pensionable salary of members, usually 16 per cent. The pensionable salary includes basic salary, housing and motor vehicle allowances.

In defined benefit plans, employer contributions depend on funding requirements. The required employer contribution rate is usually recommended by an actuary every three years to ensure that the fund meets its liabilities.

The tax regime is: contributions exempt (up to a NAD40,000 limit), investment income exempt and retirement income taxable.

6.4 Contingencies covered

Pension plans: Normally, pension plans are established by individual employers and may be either defined benefit or defined contribution. These plans provide retirement, survivor, death and disability benefits.

Pension plans are implemented through the establishment of a pension fund.

Provident plans: Employers may establish provident plans that are defined contribution and provide a choice between a lump sum and an annuity on retirement, death or disability. Provident plans are implemented through the establishment of a provident fund.

Umbrella plans: Pension and provident plans may be established and offered to employers by insurers or fund administrators and are usually multi-employer plans. These plans are implemented through pension or provident funds.

6.5 Benefit type and levels

Benefit structure - formula

All plans: Defined benefit or defined contribution. The majority of plans are defined contribution.

In defined benefit plans, there is no statutory accrual rate. This is normally built into the benefit formula. An average plan provides benefits of 2.4 per cent final gross pensionable salary times the number of years of pensionable service (usually with no maximum limit on years). The pensionable salary includes basic salary, housing and motor vehicle allowances. It is possible to commute up to one-third of the pension to a lump sum payment.

In defined contribution plans, retirees may choose between receiving their total accumulated capital as a lump sum and using all or part of the accumulated capital to purchase an annuity from an approved long-term insurance company.

Pensions may either be paid directly by the fund or through annuity policies purchased from long-term insurance companies approved by the Registrar of Long-Term Insurance.

Occupational pension plans are not integrated with social security benefits.

Benefit adjustment

All plans: No legal rules. Benefits are usually adjusted in line with inflation. The decision to adjust benefits is at the discretion of the fund board based on the opinion of the actuary and the financial position of the fund.

Survivor: There is a legal requirement to provide survivor benefits and these benefits are usually insured separately. Survivor benefits may be paid as annuities or lump-sum payments.

The plan member may nominate a beneficiary. The governing board of the fund must trace the nominated beneficiary (or other dependants if none are nominated) within one year of the benefit falling due.

In defined benefit plans, a spouse's pension is provided, usually determined as a percentage of the deceased member's old-age pension that would have accrued by normal retirement age.

In defined contribution plans, a lump sum benefit of the deceased member's annual salary is provided.

Disability: There is no legal requirement to provide disability benefits, but most plans offer them.

Disability benefits are insured separately and are usually equal to a percentage of the member's salary at the onset of disability. In such cases, income replacement insurance may become applicable until the member reaches normal retirement age.

6.6 Preservation, withdrawal and protection of rights

There are no legal rules governing this.

Vesting depends on fund rules. Vesting rules are typically applied in defined benefit plans and usually apply only in relation to employers' contributions as a result of the varying funding requirements.

In defined contribution plans, employees usually have vested right to their own contributions plus accrued interest. In some plans, vesting rights apply in respect of both employee and employer contributions minus administrative charges.

On terminating employment before employer contributions are vested, employees usually receive a withdrawal benefit which consists of their own contributions plus investment returns. In some defined contribution plans, a proportion of the employer contributions may be included in the refund.

Preservation - portability - transferability

All plans: Upon termination of employment before retirement, members may, subject to plan rules, transfer their accrued rights to the pension plan of the new employer. Where the plan of the new employer does not accept transfers, members may preserve their contributions in the plan of the former employer, if the plan rules so permit, or transfer their accrued rights to a retirement annuity fund or to a preservation fund, which may be used to preserve accrued benefits until retirement.

In defined benefit plans, the transfer value is generally the member's actuarial reserve determined by an actuary. In defined contribution plans, the transfer value equals the value of the member's share in the fund.

Transfers must comply with tax legislation in order to be tax-exempt, which implies that they are, in most cases, carried out with the approval and under the supervision of the Commissioner of Inland Revenue.

Protection of assets

Pension fund assets must be held separately from those of the sponsoring or participating employers. Insolvency of the employer does not have any impact on the fund unless there is a shortfall that the employer must cover. Fund members have a preferential call on the employer's estate.

Financial and Technical Requirements - Reporting

All plans: Actuarial valuations are required every three years, or as required by the Namibia Financial Institutions Supervisory Authority (NAMFISA). Financial statements of the fund must be sent to the NAMFISA on a yearly basis.

In case the fund becomes financially unsound, the NAMFISA may place it under curatorship with a view to protecting the rights of their members. The curator (i.e. the statutory manager) is expected to restore the financial soundness of the fund or liquidate it if doing so is not possible.

Standards for service providers

All plans: Auditors must be independent and registered under the Public Accountants and Auditor Act. The auditor has access to all books, vouchers, accounts and other documents pertaining to the fund and must certify in writing the result of each audit.

Fees

All plans: No legal rules.

6.7 Administrative cost

The governing board may decide to manage the fund's assets in-house or contract out to asset managers registered with the Namibia Financial Institutions Supervisory Authority (NAMFISA) under the Stock Exchanges Control Act.

Up to 65 per cent of plan assets may be invested in the Common Monetary Area, which includes South Africa, Lesotho and Swaziland, and up to 30 per cent may be invested outside the Common Monetary Area, with the authorization of the Central Bank. At least 35 per cent of plan assets must be invested in Namibia.

Funds are generally prohibited from investing in high risk financial instruments. Restrictions on self-investment in the sponsoring employer also apply.

In case of in-house asset management, the board generally determines the portfolio composition. If asset management is contracted out to an asset management company, the portfolio composition is determined by an investment mandate concluded between the fund and the asset manager, taking into accounts the limits and restrictions imposed by regulations.

The IMF reported in 2009 that “the government is considering modifications to the tighter domestic investment requirements introduced for pension funds and life insurance companies in 2008 to address market uncertainty about their interpretation. The new regulation, which was to be phased-in over five years beginning in 2009, limits dual-listed companies (largely traded in South Africa) to a maximum of 10 percent of local assets and requires a minimum of 5 percent of total assets to be invested in unlisted Namibian companies. The previous regulation permitted investment in dual-listed companies to be counted toward the 35 percent domestic investment requirement, with no required minimum investment in unlisted companies. The authorities consider the revision an important step to help channel high domestic savings to support economic growth. They indicated that the previous regulation was not working as envisaged, given that the domestic investment requirement was mostly met through investment in dual-listed companies that also trade in South Africa, and that they considered the revision a relatively modest change with a sufficient phase-in period.” (International Monetary Fund 2009)

7 Informal retirement systems

Subbaroa has indicated that "As with other countries of Africa, family and/or community-based informal sharing arrangements constitute the most pervasive safety net in the country". Part of the evidence for this lies in Household structure, with Subbaroa indicating that from the Household Income and Expenditure Survey (1993-94), "over 50 percent of households are extended families; and about 10 percent of households have non-relatives as household members." He notes that an important function performed by extended families "is taking care of children usually by grand-parents while parents are either away in urban areas in income-earning activities, or are AIDS-affected. Disabled children are especially looked after by grandparents." (Subbarao 1998)

Subbaroa also makes the following pertinent points:

- While no monetary value can be placed on this function, it is worth stressing that in its absence the overall poverty situation, especially of children, would have been much worse.
- An analysis of coping strategies in two drought-prone areas during the 1992 drought suggests that the informal support systems are not robust or resilient to drought conditions (T. Naeraa et. al., 1993). This is not a surprising finding, since all households in a given region face declining incomes under drought conditions, thus restricting the scope for informal sharing (especially of food). In a drought situation, not only do formal cash transfers (especially social pensions) assume critical importance, but more frequently these are converted into informal transfers through a redistribution within households. Grandparents spending their pension on school fees of grandchildren is one such common redistributive practice within households. Paradoxical as it may appear, in a drought situation, the most vulnerable households are those without any single vulnerable group (such as the elderly).
- Some of the informal transfers are reciprocal -- gifts at weddings, contributions to the cost of funerals, and interest-free loans from relatives and neighbors. T. Naeraa *et. al.* note that in eastern Caprivi, every month or so a family member would send the needy family money or food such as a bag of maize meal. Unfortunately, the totality of informal transfers are not captured in the Household Income and Expenditure Survey (1993-94). However, it is possible to document the role of *one* major informal transfer, viz., remittances received from family members employed in the formal economy. The Household Survey confirms the role of cash remittances (Table 1). A higher proportion of urban households (6 percent) depended mainly on cash remittances than rural households (3 percent). (Subbarao 1998)

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