

A Guide for the Self-employed

**"Protection Against Economic Insecurity"
The Right to Social Security**

Everyone, as a member of society, has a right to social security and is entitled to realisation, through national efforts and international co-operation and in accordance with the organisation and resources of each State, of the economic, social, and cultural rights indispensable for his dignity and the free development of his personality.

Universal Declaration of Human Rights

Published by the National Social Security and Insurance Trust, 2005

Portions of this guide may be copied for educational and instructional use or for reviews, provided that the wording of any such portions so copied is reproduced exactly as it appears in the handbook, and the handbook is cited in acknowledgement.

2005 Edition

TABLE OF CONTENTS

DEDICATION	4
PREFACE	5
OUR SCHEME	6
WHO IS A SELF-EMPLOYED?	7
WHY WE HAVE SOCIAL SECURITY	8
HOW WE TAKE PART IN SOCIAL SECURITY	10
WHAT ARE THE DIFFERENT TYPES OF BENEFITS?	11
SUMMARY OF RIGHTS AND RESPONSIBILITIES	18
WHERE YOU CAN FIND NASSIT	19

DEDICATION

This guide is dedicated to all the hard working self-employed men and women of Sierra Leone.

PREFACE

Social Security is not social welfare. Welfare is charity, something someone gives us just because we need it, not because we have earned it. Social Security is insurance. We pay for it, and what we get out in benefits depends on how much we have paid in as contributions.

The Universal Declaration on Human Rights says we all have a right to social security. In many traditional societies social security is provided by an extended family that cares for its less fortunate members. In other societies social security is provided by a formal, state-sponsored insurance programme. In Sierra Leone we are fortunate to have both. In many instances the less fortunate are provided for by the family and the community on a more or less informal basis. But we also have in place a formal Social Security programme, NASSIT, designed as a safety net for people who need it, and paid for by those same people.

When we cannot work, we collect from the programme. Social Security thus insures us against the day when age, invalidity or death, prevents us from working.

Chapter 2, Section 3(a) of the Constitution states that "The State shall direct its policy towards ensuring that every citizen, without discrimination on any grounds whatsoever, shall have the opportunity for securing adequate means of livelihood as well as adequate opportunities to secure suitable employment." While we work, we contribute to Social Security.

OUR SCHEME

The National Social Security and Insurance Trust is a Statutory Public Trust, charged with the responsibility of administering Sierra Leone's National Pension Scheme. The Trust was established by the National Social Security and Insurance Trust Act No.5 of 20th July 2001 to provide retirement and other benefits to meet the contingency needs of workers and their dependants, and to provide for other related matters.

OUR MISSION

"To administer a Social Security Scheme that provides financial security to all employees in Sierra Leone in the form of old age benefits, Invalidity benefits and Survivors' benefits, based on social insurance principles"

OUR VISION

"The National Social Security and Insurance Trust will be the center of excellence in the area of providing Social Security Protection through promoting a culture of high quality performance among its staff."

COVERAGE

The Act establishing the Scheme compels certain categories of persons to register and become members of the Scheme. These are Employers and their Employees. There are, however, certain categories of persons for whom membership of the Scheme is not compulsory. These are:

- the **Self-employed**, a person who has no employer and those who are not in any formal employment
- those who were, but are no longer in, formal employment but wish to continue their membership

WHO IS A SELF-EMPLOYED?

The categories of self-employed persons include:

1. Professionals such as accountants, lawyers, doctors, architects, dentists, consultants, chemists and engineers;
2. Persons engaged in their own business in commerce or trade whether as directors, including owners, proprietors, including owners of shops, or who independently provide service of all kinds;
3. Farmers: agricultural or horticultural;
4. Fishermen;
5. Taxi-drivers;
6. Street vendors and traders;
7. Technicians and skilled workers-plumbers, electricians, shoemakers, carpenters, beauticians and barbers;
8. Tourism;
9. Housewives /husbands; and
10. Other persons who offer their skills and service for pay and are not subject to the general direction and control of the recipient of the service.



A Street trader

WHY WE HAVE SOCIAL SECURITY

From before birth, through the golden years of retirement and beyond, your social security cares about you and your family

Social Security is our personal safety net

Each of us, from time to time, may find ourselves unable to support ourselves. We may be hurt on the job, become disabled and unable to work. When we find ourselves in such a situation, we need help. Under Social Security, we pay into an insurance programme while we can work, and collect benefits when we cannot work. That's what makes Social Security different from charity programmes; we pay for Social Security, so when we need help, we receive the help paid for by us.

Social Security relieves the burden on families

While every family would want to take care of their own, that's not always possible. There may not be enough income to support everyone. Social Security benefits paid to a member of the family who cannot work means that person will not have to depend on other members of the family, and that means a better life for everyone in the family.

HOW SOCIAL SECURITY WORKS

Social Security is social insurance. Just as we pay premiums to an insurance company to insure our vehicle or home against accident or fire, so we contribute to Social Security to insure our well-being in those times when we need help.

When we contribute to Social Security, the money goes into the Social Security Fund. Benefits, administrative expenses, and capital expenses are paid out from the Fund.

To keep premiums as low as possible, insurance companies invest part of their money, and the interest they earn on investments is added to the money collected in premiums. In the same way, Social Security invests part of the money that is in the Social Security Fund, but always makes sure that there is enough money in the Fund to pay benefits. There is an Investment Committee that advises the Board how the money should be invested so that it will be safe and earn more money for the Social Security Fund.

As long as we work, Social Security collects contributions from us. We pay contributions corresponding with the monthly income level we declare. The money from all the contributions goes into the Fund, and Social Security keeps records that show how much money has been paid into the Fund by each of us.

If we get sick or hurt while working, if we retire, or if because of sickness or injury we can no longer work, if we are insured by Social Security we may be able to collect a benefit. Most of the benefits are based on how long we

have been paying into the Social Security Fund and how much our contributions have been.

This is why it is important for each of us to be registered with Social Security, and to make sure we pay our contributions. Otherwise, we will have problems when the day comes that we need to collect a benefit from Social Security.



Fishermen

HOW WE TAKE PART IN SOCIAL SECURITY

1. REGISTRATION

The registration process for self-employed person requires that:

- a) All self-employed persons must complete two Registration Forms (SS 1A and SS 3).
- b) All completed Forms must be verified by a NASSIT Inspector or a senior NASSIT official.
- c) All verified self-employed persons will be issued an identification/temporary registration number.
- d) Verified self-employed persons will have their thumb impression captured, after which a permanent Social Security card will be issued to the employee.
- e) Where a person was formerly covered, he maintains his former Social Security Number.
- f) On registration, each member is issued a social security card with a unique social security number that is valid forever.

Once registered, it is expected that self-employed persons will contribute as long as they continue to perform their declared trade, business or profession.

2. CONTRIBUTIONS

The Social Security Scheme is contributory: it is financed from contributions by members. As a self-employed person, your monthly amount of contribution to be paid is 15 percent of your declared monthly income.

Payment of Contributions

Contributions are to be paid not later than fourteen (14) days after the end of each calendar month. Every self-employed person shall, within fourteen days after the end of each calendar month pay all contributions payable in respect of the month.

Contributions affect Benefits

Remember that Social Security is not charity, it is social insurance. All persons insured under Social Security, and earning money, pay into the Social Security Fund. These payments are our contributions, and Social Security uses our record of contributions to find out how much we can receive when we need to collect a benefit. How much you pay in depends on the monthly income

that you declare. Our contributions and our benefits are calculated according to the insured earnings.

3. BENEFITS

Self-employed members of the Scheme are entitled to a package of benefits, as prescribed by the NASSIT Act of 2001, in the event of Old age, Invalidity and Death. Essentially, NASSIT provides for a replacement of income lost on account of the above-mentioned contingencies.

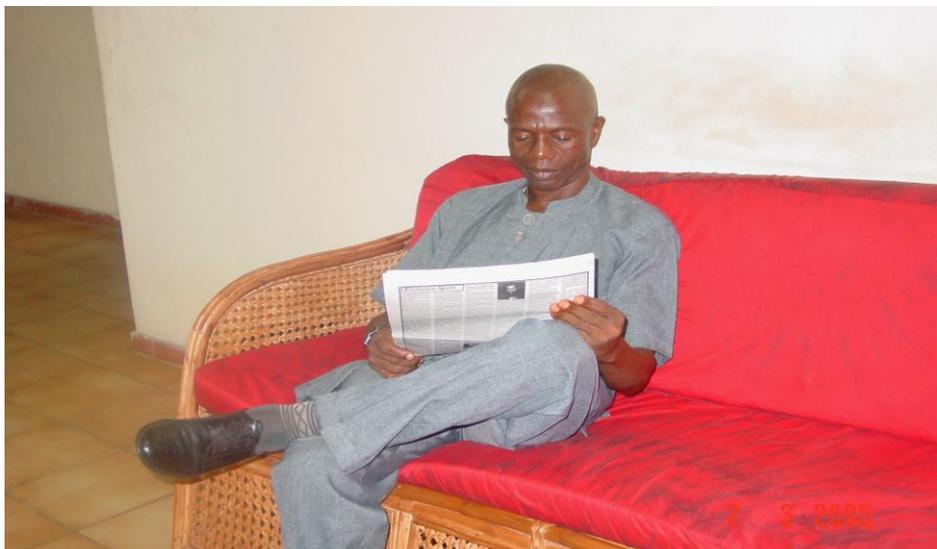
What are the different types of Benefits?

The Scheme provides benefits to self-employed members in respect of:-

- ✚ Old age gratuity and Old age pension
- ✚ Reduced or Early Retirement pension
- ✚ Retirement grant
- ✚ Invalidity pension
- ✚ Invalidity grant
- ✚ Survivors' pension
- ✚ Survivors' grant

OLD AGE PENSION AND GRATUITY

- a) You must be at least 60 years old (which is the National Retirement Age);
- b) You must have made a minimum contribution of 180 months in aggregate;
- c) A minimum contribution or credit of 180 months gives a pension right of 30%, and every additional year attracts an additional 2% per month.



Old Age Pension and Gratuity

How is the Full Old age pension calculated?

Step 1. Take the average of your best five (5) years

For example: Add your best five years earnings and divide the total by five (5)

$$\frac{A+B+C+D+E}{5} = X$$

X = average of five best years earnings

Step 2. Divide the average you got in Step 1 by 12 to get a monthly rate

Step 3. If the qualifying condition of 180 months (15 years) was met, monthly pension payments start at 30 percent of the monthly rate in Step 2.

Step 4. For any additional year worked, we add 2 percent to the pension amount derived in Step 3.

How is the Old age gratuity calculated?

A lump sum equal to twelve months of initial pension derived above is payable as gratuity on the 60th birthday of the member.

REDUCED OR EARLY RETIREMENT PENSION

This is paid to a contributor who retires before the National Retirement Age. However the following conditions must be met before any payment is made:-

- ✚ the member must be 55 years and above but below 60 years;
- ✚ he must have made a minimum contribution or earned credit of 180 months.

The pension right will be reduced by 4% for every year below age 60.

The monthly pension for an Early Retirement shall be computed using the formula below:

Age	55	56	57	58	59
%	20	16	12	8	4

How does a member apply for an Old age pension?

- ✚ An application for old age pension shall be made three months prior to the date of retirement of the member;
- ✚ Such application shall be made on the SS 5A form

However, three months before the retirement age of 60, NASSIT will send a form to the member to confirm details on the database. The form must be endorsed and returned quickly so that payment is made on the 60th birthday of the member.

RETIREMENT GRANT

This is paid to a member who has reached the retirement age but has not made the minimum contribution period of 180 months.

Those who cannot make the minimum contributory period have an option:

- To make up for the shortfall in the number of years, credits can be purchased based on the number of years needed to make the minimum qualifying period.

However, if the member does not wish to purchase credit, then he will be entitled to a **lump sum payment**.

How much is the lump sum payment given as retirement grant?

Step 1. Take the average monthly earnings for all the years worked

Step 2. Multiply that average by the constant factor 1.5 to get the monthly amount

Step 3. Multiply the monthly amount derived in Step 2 by the number of years you have contributed

INVALIDITY PENSION

What is Invalidity?

This is when a determinable physical or mental impairment prevents a member or contributor from engaging in any meaningful gainful employment.

The member must have an extreme impairment which makes him permanently unable to do the work he did previously or to engage in any other gainful employment.



Invalidity Pension

How can a member be entitled to an Invalidity pension?

For a member to qualify for an Invalidity pension, the following conditions must be met:-

- ✚ You must have contributed for a minimum period of 60 months of which twelve (12) months' contribution must have been paid during the last thirty-six months preceding the commencement of invalidity;
- ✚ You must have been declared permanently and totally incapable of further employment by a qualified and recognized medical officer and certified by the Medical Board.

How is Invalidity pension calculated?

After the Medical Board has certified a member invalid, the Invalidity pension will be calculated as follows:-

- a) Number of months of contributions or credit earned;
- b) Difference between the year of invalidity and national retirement age (60 years). The difference is divided by 2 (two).

- c) Pensions are then calculated based on the number of years derived from (b) above

When does an Invalidity pension cease?

The entitlement to an Invalidity pension shall cease on the following conditions:

- a) If the Medical Board determines that the member is no longer invalid;
- b) If the Invalid member commences work other than work which is determined by the Medical Board as beneficial for rehabilitation purposes;
- c) When the Invalid member reaches age 60, at which point it is converted into an Old age pension.

INVALIDITY GRANT

If a member does not meet the minimum contribution requirement of sixty (60) months before becoming invalid, a lump sum, which is 1.5 times the average monthly earnings times the number of years contributed, is paid as Invalidity grant to that member.

SURVIVORS' PENSION

Who is a Survivor or Dependant?

A survivor or dependant is:-

- ✚ a spouse;
- ✚ a dependent child under 18 years, if not in formal education;
- ✚ a dependent child under 23 years, if in formal education;
- ✚ more importantly, a dependant's name must have been listed as such on the registration (SS 1A) form or Data Update (SS1C) form.



Survivors' Pension

What are the qualifying conditions?

- ✚ The deceased must have been in receipt of, or entitled to, an old age or invalidity pension, or
- ✚ The deceased must have contributed for a minimum period of sixty (60) months, twelve (12) of which must be within the last thirty-six (36) months preceding death.

How much does a Survivor receive as pension?

A survivor shall receive pension for a period of time as stated below:

- a) A spouse or spouses shall receive 40% of the deceased's pension (distributed equally) until death or until new co-habitation or re-marriage;
- b) The child/children shall receive 60% of the deceased's pension until:
 - i) 18 years, if not in formal education, or
 - ii) 23 years, if in formal education
- c) An invalid dependent child shall receive the pension until death, or according to the Act governing the Scheme, he is no longer invalid.

SURVIVORS' GRANT

This is a lump sum paid to survivors when the deceased member did not meet the qualifying conditions for the payment of a pension.

What happens if the deceased member has no dependant?

In the event where a deceased member does not have any spouse or dependent child,

- a) a lump sum equivalent to twelve months' pension will be paid to any surviving parent who is either on pension or in employment;
or
- b) a lump sum equivalent to twenty-four months' pension will be paid where the surviving parent is not on pension or in employment.

How do you apply for a Survivors' pension?

An application for survivors' pension is made on the SS 5B Form. The applicant should produce the death certificate of the deceased member; or in the absence of a death certificate, a letter from the Local council confirming death of the member.

How is the pension paid?

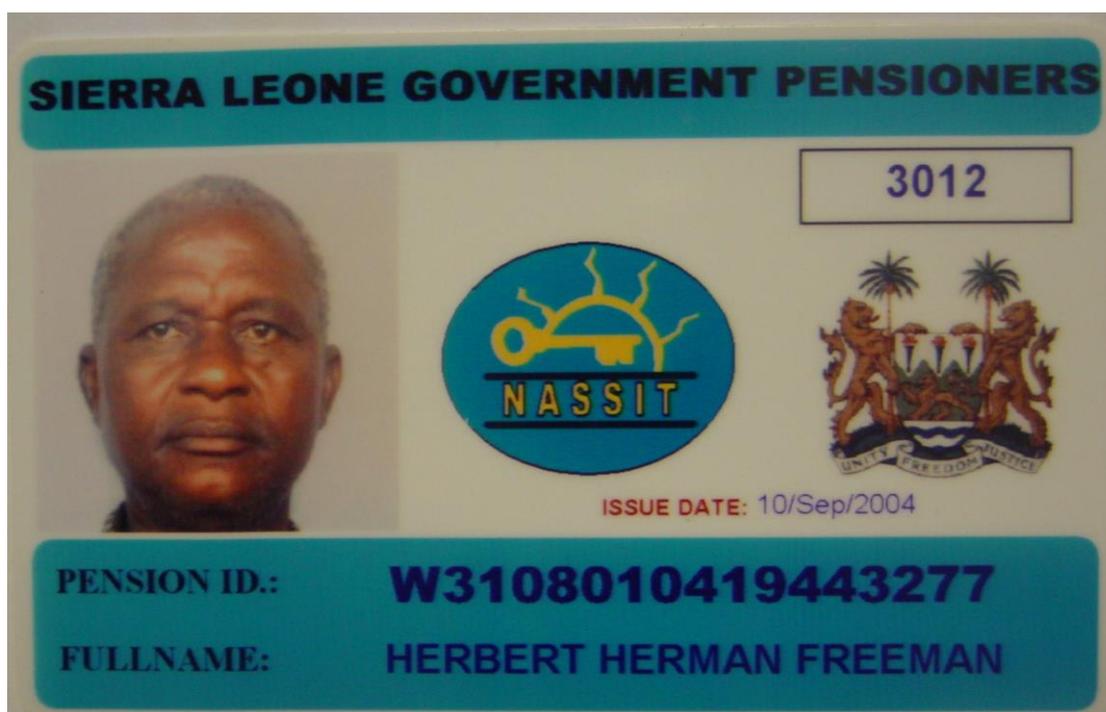
With the consent of the beneficiaries, the pension will be paid (in cash or cheque) either directly to the beneficiary or to a bank account.

In all cases, survivors' pension is paid only to the person(s) entitled to it, except that:

- a) a pension on behalf of an under-age child may be paid to a parent or guardian caring for the child and with whom the child is staying, or
- b) a person may be appointed through the Ministry of Social Welfare, Gender and Children's Affairs, on behalf of a child without a parent or guardian, or wherein such parent or guardian is not using the pension for the child's welfare.

SUMMARY OF RIGHTS AND RESPONSIBILITIES

1. Register to get your Social Security card, providing all relevant information.
2. A member is expected to keep only one Social Security Number throughout his working life to ensure that all credits are made to single record.
3. Pay Social Security contributions regularly after the end of each month.
4. Inform NASSIT immediately you stop being self-employed.
5. Make your claim within the prescribed time set by the Social Security Act.
6. Collect and read Social Security literature.
7. Check your contributions history from time to time.
8. Present all required documents for your claim; this speeds up the process.



WHERE YOU CAN FIND NASSIT

1. **Freetown**
 - a) **Head Office:** 35A Lightfoot Boston Street, Tel: 225365/220246
 - b) **Western Region:** Pension House, 30 Howe Street; Tel: 290443/292235
 - c) **NDB Building,** Siaka Stevens Street
2. **Northern Region:** 27A Lady's Mile, Makeni; Tel: 076-649-043
3. **Southern Region:** 11 Bojon Street, Bo; Tel: 032-320-260
4. **Eastern Region:** 2 Sahara Street, Kenema; Tel: 032-420-518