IOPS COUNTRY PROFILE: NAMIBIA

Demographics and Macroeconomics

GDP (million NAD)	**178,677**
GDP per capita (NAD)	**72,664**
2018 Population (000s)	**2 414**
Labour force (000s)	**1090**
Employment rate	**66.6%**
Population over 65 (000s)	**103**
Dependency ratio	**69%**
Repo rate / Prime rate	**3.75% / 7.50%**
1 USD rate 6.01.2021	**NAD 15.02**

Data from 2019 Bank of Namibia (BON) Annual report; Namibia Statistics Agency – 2018 Labour force survey

NAMIBIA: COUNTRY PENSION DESIGN

Structure of the Pension System

Public pensions

- Universal social pension
- Government Institutions Pension Fund, covering civil servants and is a DB plan

Private pensions: occupational (voluntary)

- Pension fund, established on a trust basis
- Provident fund, established on a trust basis
- Can be DB or DC

Private pensions: personal (voluntary)

- Open pension plans: retirement annuity funds

Source: OECD Global Pension Statistic.

NAMIBIA: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The National Pension Scheme (NPS), known as the Universal Pension Scheme, is a social pension, which provides a flat-rate benefit, is non-contributory and non-taxable and payable regardless of other income. As of 2019, NAD 1300[1] in monthly benefits were provided to around 100,000 pensioners. The pension is payable to all resident Namibian citizens (who are not outside the country for more than 6 months) above the age of 60. The pension is funded from government taxation. Most pensioners (85%) receive their money at a designated cash pay point, with the rest via a post office or bank account. The overhead costs of the NPS are said to be relatively high.

The Government Institutions Pension Fund (GIPF) covers civil servants. This is a fully funded, Defined Benefit (DB) scheme and is the largest pension fund in the country with assets of NAD 111bn (2020) – or 82% of total pension assets in the country as at 31 March 2020.

OCCUPATIONAL / VOLUNTARY

Coverage

Around 258,531 workers are covered by taxable, contributory schemes.
Employers, singly or as a group of related employers (i.e. subsidiary and associated), may on a voluntary basis establish complementary occupational pension plans for their employees. Registered trade unions, or a group of such trade unions, that have been recognized by an employer or employers' organization may also establish pension plans for their members.

Occupational pension plans may be based on a collective bargaining agreement. Once an occupational pension plan has been established, membership is compulsory for employees of the sponsoring employer(s). Age limits for joining are common and must, if applied, be defined in the fund rules. Pension plans usually cover only permanently employed persons. Minimum and maximum age limits for membership are usually 18 and 65, although the maximum age may go up to 70. Generally, persons employed on a fixed-term contract are excluded from coverage, as they are not deemed employees but rather contractors in terms of the Labour Act. In such a case the conditions of employment may stipulate that the person should be a member of the retirement annuity plan of his or her choice or the employer makes provision for a gratuity (lump sum) payment in lieu of a pension. Self-employed persons and covered employees who wish to provide for additional retirement income may participate in retirement annuity funds.

As an alternative to pension plans, provident funds may be established by employers. Pension and provident funds are organized on a trust basis with at least 50% of the board being elected by fund members.

Contributions

Employee and employer contributions are established in the fund rules and to some extent in the employer contract. Employer contributions are compulsory and established in plan rules – usually 16% for DC plans (DB according to funding requirements).

[1] As of 6 January 2021, USD 1 = NAD 15.02

Benefits

DB or DC plans may be established (most are DC). Provident funds are DC in nature and provide a choice between a lump sum and an annuity (or both). Accrual rates for DB Provident funds are not statutory but the average plan provides benefits of 2.4% x final gross pensionable salary x number of years of service. One-third of the pension may be paid as a lump sum. DC plans may pay out 100% as a lump sum or the capital can be used to purchase an annuity from a life insurance company. The retirement age is between 55-70 and set by the plan rules (which also establish whether early retirement is allowed).

Taxation

Employee contributions are tax deductible up to NAD 40,000 a year. Employer contributions are tax deductible up to 10% of the approved remuneration for the year (in practice 20%). Investment income is tax exempt. One-third of the pension benefit can be paid as a lump sum tax free, with the two-thirds remainder is only taxable if the aggregate value of the annuity exceeds NAD 50,000 (at marginal tax rates between 18-35%).

PERSONAL VOLUNTARY

Insurers and fund administrators may establish open pension plans (umbrella funds) and offer them to employers. Employers who affiliate their employees to such a plan are referred to as participating employers. These plans are nearly always non-occupational plans and are retirement annuity funds where the assets of the plan comprise insurance policies that must be underwritten by a registered insurer. It is not yet a requirement that fund administrators must be approved by the Namibia Financial Institutions Supervisory Authority (NAMFISA).

MARKET INFORMATION

Occupational voluntary

Around 82 private pension funds currently operate in Namibia. Total assets as at 31 March 2020 amounted to NAD 135 bn, or 75% of GDP. Most funds are small and are administered by external fund administrators that provide basic recordkeeping as well as more specialized legal and actuarial services. There is also a small number of pension funds that are administered and insured by life insurance companies. These funds have total assets of NAD 20 billion that are included with insurance company assets in published statistics. The remaining NAD 24 billion was held by various smaller funds, the bulk of which are based on defined contribution plans. The average size of private pension funds is less than NAD 15.8 million. However, several plans belong to umbrella funds in an attempt to lower operating costs and enhance investment performance.

Plan assets may be invested up to 55 per cent in the Common Monetary Area (which includes South Africa, Lesotho and Swaziland) as well as outside the Common Monetary Area with the authorization of the Central Bank. 45 per cent of plan assets must be invested in Namibia (though this rule is implemented flexibly to include the dual listed equities on the Namibia Stock Exchange (NSX) as local assets which has allowed diversification). Pension funds invest heavily abroad given the lack of domestic investment opportunities and due to strong links with South African financial institutions. Recent allocations suggest that about 40-60 percent of assets are invested in equities and unit trusts, whilst holdings of government bills and bonds have fluctuated between 10 and 20 percent.

There are no legal limits on management fees or administrative costs, but the regulator may intervene if the costs are out of the ordinary.

POTENTIAL REFORM

Currently only around 6% of Namibia's population is over 60. This is expected to rise in the coming decades with the current old age dependency ratio measured at 7.5% as at 2018. The government recognizes that existing pension arrangements are not well suited to an ageing population. Reforms to make the system more redistributive are therefore being considered.

The National Pensions scheme has been proposed. The Social Security Commission is currently investigating the structure and form of the scheme. It is envisaged that the scheme will be redistributive by replacing a larger % of lower income workers' wages.

REFERENCE INFORMATION

KEY LEGISLATION

1992: National Pensions Act
2000: Basic State Grants Act
2001: Namibia Financial Institutions Supervisory Authority Act
1981: The Income Tax Act
1956: The Pension Funds Act

KEY REGULATORY AND SUPERVISORY AUTHORITIES

The Namibian Financial Institutions Supervisory Authority (NAMFISA), a public body under the auspices of the Ministry of Finance, is tasked with the responsibility of registering and regulating non-banking financial institutions. It is a non-profit making body and its operational budget is financed through levies charged on supervised institutions.

Namibia Financial Institutions Supervisory Authority
http://www.namfisa.com.na