

# ***FDRE Private Organizations Employees Social Security Agency (POESSA)***

## **1. objectives**

To provide permanent employees of private organizations with reliable and sustainable social security and encourage personal savings among them

## **2. Legal and Policy Frameworks**

### **2.1 International**

- Ethiopia is a member the International Labour Organization and International Social Security Association. It is also signatory to their conventions
- Social Security is a human right
- Social Security is a poverty reduction strategy

### **2.2. National**

- The right to social security is stipulated in the FDRE Constitution article 90 (1)
- It is part of the country's Social Policy
- The rapid expansion of the private sector
- The Growth and Transformation Plan of the country

## **3. Principles**

- **The Insurance Principle:** Benefit sharing and risk pooling
- **The Portability of Rights:** an employee moving from government employment to private sector employment, from private sector employment to government employment or towards self employment will be entitled to social security provided by the scheme as long as he/she continues contribution to the fund
- **The Tri-partite leadership principle:** The scheme will be led by a board comprising representatives from the government, employers and employees.
- **The Mandatory Principle:** In accordance with legislation number 715/2003, all parties to whom the scheme is applicable must be members

#### 4. Private Organizations **required to be covered by the scheme**

- Organizations established prior to the enforcement of this legislation and did not provide their employees with provident fund or pension scheme
- **If the majority of the employees decide to be part of this scheme despite prior existence of a provident fund or pension scheme in the organization**
- Business, industrial, agricultural, construction, charity and social services organizations or any other legally formed private organizations or institutions established after the proclamation came in to effect will be part of this scheme. The scheme is not applicable on political and religious organizations.

#### 5. Private Sector Employees **required to be members of the scheme**

- All permanent employees and those hired with no limited amount of time in private organizations must be part of the scheme

## **6. Employees with right to join the scheme up on expressed consent**

- Employees in religious organizations
- Employees in political organizations
- Informal Sector Employees

## **7. Required Documents for registration to the scheme**

### **7.1. Private Organizations**

- Document of establishment and/or license of operation from relevant government body

### **7.2. Private Organization Employees**

- Personal and family records Form
- Letter of Employment
- Other relevant information necessary for registration

## **8. Updating information on Profile Changes**

- Liquidation, **assimilation**, separation, confiscations changes in name of the organization and etc.
- termination of employment, change in salary, marriage, divorce, children, the death of registered survivors of the employee in question and etc

## **9. Time Frame to submit registration and updated Profile Change documents**

- All registration and change documents need to be submitted to the agency within 60 days after the employee is hired or after the changes in question have occurred

**Notice:**

- Tax Identification Number must be presented when submitting registration and profile change documents
- Individuals who were employed by a private or government organization after entitlement to previous pension payment has been guaranteed, can continue to receive both their current salary and previous pension payment.
- A private organization employee who had become entitled to pension payment before retirement age and becomes re-employed in the private or government organization , will be entitled to pension that will consider his previous service combined with his current/future service years.
- Pension contribution to the scheme will commence on July 2011 (Hamle 2003 Ethiopian Calendar). Private organizations must make the contribution using forms available at tax collector offices where they pay their taxes as of August 2011 (Nehase 1, 2003)

**10. Amount of Pension Contributions**

Based on the gross salary of the employee

<b>Period</b>	<b>employees</b>	<b>Employers</b>	<b>Total</b>
<b>July 2011- June 2012</b>	<b>5%</b>	<b>7%</b>	<b>12%</b>
<b>July 2012- June 2013</b>	<b>6%</b>	<b>8%</b>	<b>14%</b>
<b>July 2013- June 2014</b>	<b>7%</b>	<b>9%</b>	<b>16%</b>

**As of July 2014, the employers' contribution will be 11%**

## **11. Modality of Pension Collection**

- The Ethiopian Customs and Revenue Authority (???) and Regional Revenue collection bodies have been given the mandate to collect pension contributions
- Private Organizations are required to deduct pension contributions from all employees up on paying salaries every month
- Private organizations must transfer monthly contributions by both employees and the organization to legally mandated bodies collecting pension contributions within 30 days of paying last month's salary

## **12. Documents that should accompany Pension Contribution Declaration**

### **12.1. Preliminary Document**

- Electronic and Hard copy document containing employees full name, Tax Payer Identification Number , Salary, employee-employer contribution, name of the employer and tax payer identification number

### **12.3 Document to be submitted monthly**

- Name of the private organization, Tax payer identification number , gross salary paid to all permanent employees, total amount of contribution of the employee, total amount of contribution by the organization and changes in salary or

- Employment and termination details of an employee accompanied by bank account number must be submitted

### **13. Benefits of the Pension Scheme**

- Old age pension
- Sickness pension
- Work injury pension
- Survivors pension

### **14. Benefit Amount**

#### **Old age and Sickness Benefits**

- For ten years of service, an employee is entitled to 30% of the average salary paid in the last 36 months of employment. An additional 1.25% will be added each year for service spanning more than ten years.

#### **Work Injury Benefits**

- Not considering service years and age, the injured will be entitled to 47% of his/her monthly salary received before the month during which the injury occurred

#### **Survivors Pension**

Out of the pension entitlement of the deceased:

- Spouse will be entitled to 50%

- Children will be entitled to 20%
- Parents will be entitled to 15%

**The Private Employees' Pension Scheme Proclamation entered in to force as of June \_\_, 2011.**

<b>Gross Salary</b>	<b>Service Year</b>	<b>Replacement rate</b>	<b>Pension due</b>	<b>Net Salary</b>	<b>Replacement</b>
800	20	42.5	340	671	50.63
1700	20	42.5	722.5	1358.5	53.18
2900	20	42.5	1232.5	2207	55.84
4200	20	42.5	1785	3058.5	58.36
5000	20	42.5	2125	3502.5	59.64
7100	20	42.5	3017.5	4780.5	63.12
10500	20	42.5	4462.5	6752.5	66.08
13200	20	42.5	5610	8318.5	67.44
15000	20	42.5	6375	9362.5	68.09
800	30	55	440	671	65.52
1700	30	55	935	1358.5	68.82
2900	30	55	1595	2207	72.27
4200	30	55	2310	3058.5	75.52
5000	30	55	2750	3562.5	77.19
7100	30	55	3905	4780.5	81.65
10500	30	55	5775	6752.5	85.52
13200	30	55	7260	8318.5	87.27

15000	30	55	8250	9362.5	88.15
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800	35	61.25	490	671	72.97
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1700	35	61.25	1041.25	1358.5	76.64
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2900	35	61.25	1776.25	2207	80.48
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4200	35	61.25	2572.5	3058.5	84.1
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5000	35	61.25	3062.5	3562.5	85.96
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7100	35	61.25	4348.75	4780.5	90.96
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10500	35	61.25	6431.25	6752.5	95.24
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13200	35	61.25	8085	6318.5	97.19
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15000	35	61.25	9187.5	9362.5	98.13
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800	42	70	560	671.5	83.39
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1700	42	70	1190	1358.5	87.59
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2900	42	70	2030	2207	91.95
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4200	42	70	2940	3058.5	96.12
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5000	42	70	3500	3562.5	98.24
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7100	42	70	4970	4780.5	103.9
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10500	42	70	7350	6752.5	108.84
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13200	42	70	9240	8318	111.03
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15000	42	70	10500	9362.5	112.14
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