



IOPS Member country or territory pension system profile:

GHANA

Report¹ issued on September 2011, validated by the National Pensions Regulatory Authority (NPRA)
of Ghana

¹ *This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.*

GHANA



DEMOGRAPHICS AND MACROECONOMICS

| | |
|--|----------|
| GDP per capita (USD) | 1,293.02 |
| Total Population (000s) | 24,220 |
| Life Expectancy at Birth (years) for Men | 57.1 |
| Life Expectancy at Birth (years) for Women | 59 |
| Labour Force (000s) | 11,500 |
| Percentage 65 or older | 3.7 |
| Dependency Ratio ¹ | 90 |
| Statutory Pensionable Age - Men | 60 |
| Statutory Pensionable Age - Women | 60 |

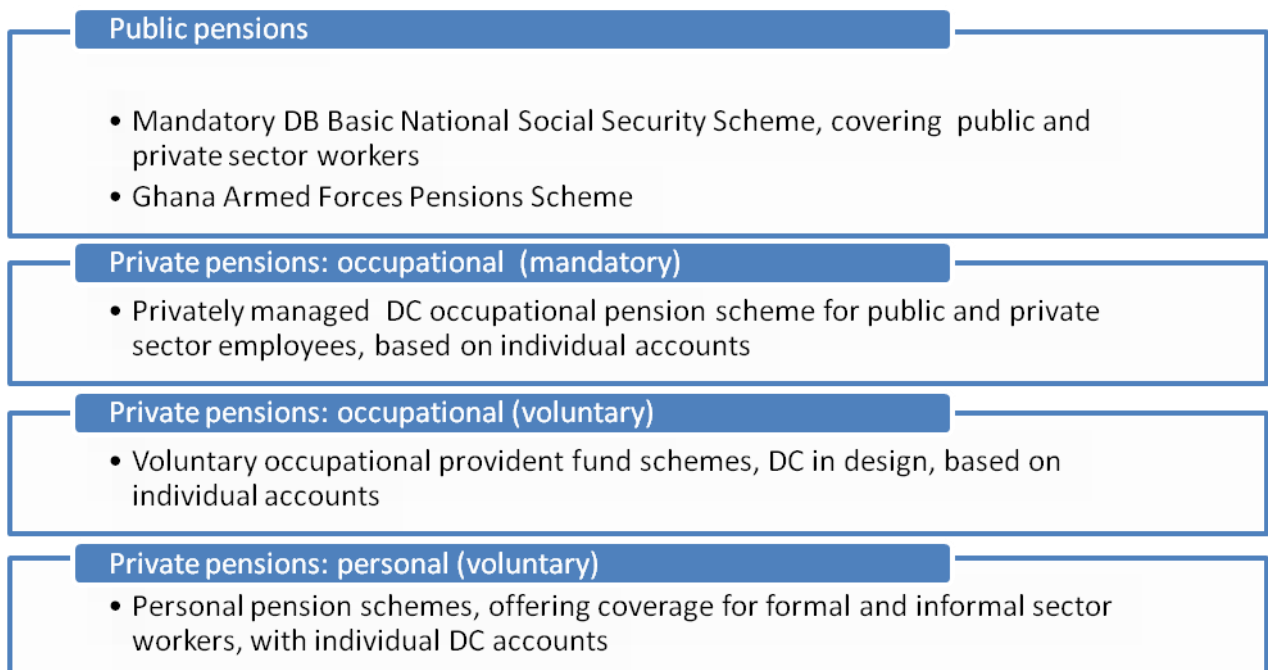
Data from 2010

1. Population aged 14 or younger plus population aged over 65 or older, divided by population aged 15-64.

Source: National Pensions Regulatory Authority

COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM



GHANA: PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

In recognition of the need for universal pension for all employees in the country, and ensuring retirement income security for Ghanaian workers, the Ghana Government implemented major pensions reform and passed a new pensions Act in the year 2008, the National Pensions Act, 2008 (Act 766).

As part of the reform initiatives, a new three-tier pension system was established for Ghana, comprising a new mandatory defined benefit Social Security Pension Scheme which was established to replace the existing Social Security Scheme managed by the Social Security & National Insurance Trust (SSNIT) for both public and private sector workers; a mandatory, privately managed defined contribution (DC) Occupational Pension Scheme; and a voluntary, privately managed defined contribution (DC) Provident Fund and Personal Pension Schemes which were also introduced to provide additional sources of retirement income.

The Armed Forces personnel are covered under a separate pensions arrangement.

To successfully implement nation-wide pension reforms, the Government, through the National Pensions Regulatory Authority, has initiated dedicated public education and training programmes on the new pension law and its regulations and issued special guidance/support materials for ministries, departments and other statutory bodies on their role in the pension reform.

Key features of the Basic National Social Security Scheme:

The new Basic National Social Security Scheme is an earnings-related, publicly-managed, defined benefit and partially funded scheme. Participation in the Scheme is mandatory for public and private sector workers and is optional for workers aged 55 or older at the moment of implementation of the new system. Special transitional arrangements were made for public sector employees moving into the new programme. Self-employed can join the scheme on a voluntary basis.

The minimum age to join the new social security scheme is 15 years and maximum age is 45 years for first time contributors.

Under the new pension programme, employees are contributing 5.5 per cent of their basic salary, while employers contribute 13 per cent of payroll. Of the total 18.5 per cent of contributions, 13.5 per cent is directed to the Basic National Social Security Scheme (of which 2.5 per cent is transferred to finance the National Health Insurance Scheme) and 5 per cent to the mandatory occupational pension scheme. Persons participating in the Basic National Social Security Scheme on voluntarily basis, contribute 13.5 per cent of their declared income. Minimum contribution is 13.5% of the approved monthly equivalent of the national daily minimum wage.

The Basic National Social Security Scheme provides old-age, invalidity and survivors benefits to all contributors meeting specific qualifying conditions.

Old-age retirement benefits are paid from age 60 (compulsory retirement age) with at least 15 years of contribution. Workers in hazardous occupations (e.g: underground mine, steel workers, etc.) are entitled to receive full retirement benefits starting from age 55.

Old-age retirement and invalidity benefits are paid as monthly pensions.

Early retirement is permitted from age 55 with at least 15 years of contributions, but it goes with a reduced pension. A member, who has contributed less than 15 years to the scheme, is entitled to receive in a lump sum amount equal to the contributions made, with an interest of 75 per cent of the prevailing government Treasury bill rate on the total contributions.

Retirement benefit is equal to 50 per cent of the worker's average annual earnings of the 3 best income years. Pension accrues at an annual rate of 1.5 per cent of average earnings or 0.125 per cent of average earnings for each month of contributions exceeding 15 years contribution period.

The minimum monthly pension is currently set at 45.06 Ghana Cedis. The maximum monthly pension must not exceed 80 per cent of average earnings of the top 5 per cent contributing members.

Tax is not payable by employees or employers in relation to the contributions made to the social security scheme and the benefits received under the programme.

Old-age, invalidity, survivors benefits are not payable abroad.

The first tier basic national pension scheme is being managed by a restructured SSNIT.

PRIVATE OCCUPATIONAL MANDATORY

NEW MANDATORY OCCUPATIONAL PENSION SCHEME

The mandatory Occupational Pension Scheme was established to complement retirement benefits provided under the SSNIT scheme. The programme is a defined contribution (DC) scheme in design, based on individual accounts, and is privately managed by trustees licensed by the National Pensions Regulatory Authority with the assistance of pension fund managers and custodians registered by the Authority, and licensed by the Securities & Exchange Commission of Ghana.

The scheme allows for full and immediate vesting rights.

1. Coverage

Participation in the occupational pension scheme is mandatory for all workers employed in the formal sector.

2. Contributions

Of the total 18.5 per cent of contributions from Employer/Employee, an employer must transfer 5 per cent to the mandatory occupation pension scheme (whiles the remaining 13.5 per cent is paid to the basic social security scheme).

Minimum contribution is set at 5 per cent of the approved monthly equivalent of the national daily minimum wage.

3. Benefits

Retirement benefits are paid mainly in a form of lump sum, while annuities could also be purchased with retirement savings.

Members are allowed to use their future lump sum benefits as collateral to secure mortgages to acquire their first residence before reaching the statutory retirement age

Members are entitled to receive their full accrued retirement benefits when the compulsory retirement age of 60 is attained. Full retirement benefits can also be paid/received as a lump sum to unemployed

or self-employed persons at age 50; and also in case when member is emigrating permanently from the country; or on medical grounds, or when certified invalid, or on the death of a member of the scheme.

Early retirement is allowed at age 55 after the person has contributed for 15 years or 180 months to the scheme.

On the termination of employment, a member can transfer the accrued benefits to another pension scheme in accordance with the rules governing the present scheme.

4. Fees

N/A

5. Taxation

Taxation of employers/members' contributions:

Members' and employers' contributions are tax-exempt.

Taxation of investment income:

Investment income, including capital gains from the investment, is tax exempt.

Taxation of benefits:

Retirement (pension) benefits are tax exempt.

PRIVATE OCCUPATIONAL VOLUNTARY

PROVIDENT FUND SCHEMES

1. Coverage

Provident Fund Schemes offering defined contribution benefits can be established by the employer for its employees on a voluntary basis. Contributions are made to the employees' individual accounts.

2. Contributions

Contribution rate is usually defined in the rules governing provident fund.

Employer contributions can be subject to specific vesting rules. In case an employee leaves the working place before the end of the vesting period, part of employer contributions could be forfeited.

3. Benefits

Old-age retirement benefits are paid in the form of a lump sum at retirement.

Provisions in relation to withdrawal before retirement are usually defined in the rules governing the provident fund.

Prior to reaching retirement age, part of the accrued benefits could be withdrawn in accordance with the rules governing the pension scheme. For instance, a member who has not attained the retirement age may withdraw all or part of the accrued benefits from the scheme after ten years from the date of first contribution.

4. Fees

N/A

5. Taxation

Taxation of members' contributions:

Tax-exempt to a certain amount (maximum tax exemption limit is set for contributions of 16.5 per cent paid by employee and/or employer, participating in mandatory occupational scheme. However, for contributors not participating in the mandatory scheme, maximum tax exemption limit is set at 35 per cent.)

Taxation of employers' contributions:

Tax-exempt to a certain amount (maximum tax exemption limit is set for contributions of 16.5 per cent paid by employee and/or employer, participating in mandatory occupational scheme. However, for contributors not participating in the mandatory scheme, maximum tax exemption limit is set at 35 per cent.)

Taxation of investment income:

Tax-exempt

Taxation of benefits:

Tax-exempt

PRIVATE PERSONAL VOLUNTARY

PERSONAL PENSION SCHEMES

Voluntary Personal Pension Schemes can be established allowing individuals to make additional contributions to enhance their savings for retirement.

Voluntary pension arrangements are also designed for informal sector employees, representing around 85 per cent of the Ghanaian labour force, which are not covered by any of mandatory pension schemes. Informal sector employees can participate as a part of organised groups and establish/join a Group Personal Pension Scheme or on an individual basis by joining a Personal Pension scheme. Informal sector contributors will be able to open two accounts: 1) retirement account to provide retirement benefits and 2) a personal saving account which allows withdrawals before retirement for education or business purposes.

1. Coverage

Formal and informal sector workers can participate in voluntary personal pension arrangements.

2. Contributions

Contribution rate is usually defined in the rules governing the pension scheme.

3. Benefits

After reaching the statutory retirement age of 60, entire accrued benefits are paid as a lump sum.

A member who has not attained the retirement age may withdraw all or part of the accrued benefits from the scheme after ten years from the date of first contribution, for contributors in the formal sector, and five years for contributors in the informal sector. Persons in the informal sector not covered

by any mandatory pension schemes are required to purchase an annuity to receive monthly (or quarterly) pensions, and the remaining balance on the retirement account is paid as a lump sum.

4. Fees

N/A

5. Taxation

Taxation of members' contributions:

Tax-exempt to a certain amount (maximum tax exemption limit is set for contributions of 16.5 per cent paid by employee and/or employer, participating in mandatory occupational scheme. However, for contributors not participating in the mandatory scheme, maximum tax exemption limit is set at 35 per cent.)

Taxation of investment income:

Tax exempt

Taxation of benefits:

Tax exempt

REFERENCE INFORMATION

- Key Legislation

1950: The British Colonial Ordinance (Pension Ordinance N.42) established and governed the operation of the pension scheme for civil servants ("CAP 30 Pension Scheme");

1972: The Social Security Decree, NRCD 127, established the Social Security and National Insurance Trust (SSNIT) to administer Ghana's mandatory national pension scheme;

1991: The Social Security Law (PNDC Law 247)

2008: The National Pensions Act (Act 766), provides a legal framework for the operation of the new contributory three-tier pension system in Ghana; the law also establishes the creation of the National Pensions Regulatory Authority to oversee the administration and management of the composite pension system.

- Key Regulatory and Supervisory Authorities

The National Pensions Regulatory Authority (NPRA), the newly established authority regulates and supervises both public and private pension schemes in the country. In addition the NPRA also approves and licenses trustees and registers/monitors pension fund managers, custodians and other services providers operating under private pension systems. The Authority also advises the Government on overall pension matters in Ghana. (<http://npa.gov.gh/site/>)

National Insurance Commission, licenses life-insurance companies offering annuities under voluntary pension schemes. (<http://www.nicgh.org/live/en/>)

Securities and Exchange Commission of Ghana, licenses pension fund managers and custodians operating under the mandatory and voluntary private pensions schemes. (<http://www.secghana.org/>)