



# PENSIONS DIGEST

Official Newsletter Of National Pensions Regulatory Authority (NPRAGhana)

Vol. 1

DECEMBER, 2020

Issue 4



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# The 3-Tier Pension Scheme Is Better For Ghanaian Workers

In 2008, a new pension law was passed to reform Ghana's Pension System. The new law introduced the contributory 3-Tier Pension scheme and the National Pensions Regulatory Authority (NPRA) establishment, amongst other provisions. This was geared towards ensuring the retirement income security of Ghanaian workers.

This resulted from severe public agitation of workers in 2004. Their demand at the time was for the government to place them on Cap 30, a scheme established by the Colonial Government under the Pensions Ordinance No. 42, Chapter 30 of 1950. This pension scheme was for the pensionable staff in the Civil & Public Service.

The workers complained about the disparity between the lump sum benefit paid by CAP 30 and the old SSNIT Scheme, PNDCL 247, considering the fact that the former is a non-contributory scheme but pays a higher lump-sum.

The 3-Tier Pension System introduction was to improve the income replacement ratio of pensioners on retirement by way of enhancing the

pension benefits of workers on retirement.

Pension systems are measured by their adequacies of providing enough income to the retired worker to live a decent life during retirement. It is generally assumed that workers' income needs on retirement were usually lower than when in active employment. It is explained to mean that expenses incurred during working life included commuting to work, cost of meals away from home, and expenses on office clothing, among others, are generally excluded from the expenses equation of those on retirement.

However, in the Ghanaian socio-economic environment, pensioners rather need more income to live a decent retirement life, as sighted in the report of 2006 the Presidential Commission on Pensions set up by the then President, John Agyekum Kufuor.

The Commission was, among other things, was to provide recommendations to the government on the urgent need to ensure a universal pension scheme for all employees in the country.

Based on the Commission's in-depth analysis of the key issues and socio-cultural environment, the Commission proposed the 3-tier pension system that is expected to provide adequate and sustainable retirement income.

## Adequacy test of the 3-tier Pension Scheme

An adequacy test was conducted on the 3-tier pension scheme. The result was such that, 11% contribution to the first tier mandatory scheme by a worker between 20 to 35 years could yield an income replacement rate of 43%-60%, assuming the worker is retiring at age 60 with the 5% mandatory 2nd tier contribution yielding 20%-25% of the contributor's income prior to retirement.

The 3rd tier provident fund scheme with a contribution rate of 5% to 10% is expected to yield 20%-40% of the contributor's income just before retirement. The result indicates that workers at retirement may get an income replacement of about 83% to 125%. This excludes the contributions in the personal pension scheme. Should the worker is able to contribute to the personal pension scheme, he or she would be earning far more income on retirement.

In 2020, ten years after implementing the Act 766, the NPRA conducted a simulation exercise on the benefits of Act 766 and the old SSNIT Scheme of PNDCL 247 to the organised labour and other stakeholders. It came out that the total benefits under the National Pensions Act, 2008 (Act 766) far outweighs the benefits under PNDCL 247. For instance, a worker who works for 35 years and retires at age 60 will get 60% income replacement under tier 1 of Act 766. Under PNDCL 247, the same worker will get 54.38% under PNDCL 247 for the payment of monthly pensions.

From all indications, the 3-Tier Pensions scheme is a better scheme compared to the old SSNIT scheme (PNDCL 247). The number of months of contributions as the qualifying condition has also been reduced from 20 to 15 years with an increase in guaranteed pension from 12 to 15 years giving more income to the worker.

This scheme is good for the Ghanaian worker and is capable of improving workers' future income security. There are, however, some teething problems which the NPRA, in collaboration with the government as well as other stakeholders as working hard to address.

The unflinching support from the labour front is critically essential. Such identified problems must not overshadow the importance and the benefits that are associated with the new pensions scheme in Ghana.

Ghanaians must support it and not let the teething problems outweigh the numerous benefits of the 3-Tier Pension Scheme. Together we can solve them for the good of workers in Ghana.



# NPRA Honours Former President Kufour



In 2004, Ghanaian public sector workers raised critical concerns over the inadequacies of pensions' level to sustain a respectable life.

Of particular concern to most of these workers was the low pensions received under the Social Security and National Insurance Trust (SSNIT) Pension Scheme compared to those still under Chapter 30 of the 1950 British Colonial Ordinances (Pension Ordinance No. 42), popularly known as CAP 30

Besides, pension schemes had their limitations as they failed to consider the plight of workers in the informal sector, who constitute the bulk (about 85%) of the working population of Ghana

The concern rose to a peak in agitation and protests by workers' organisations for the restoration of public service pensions to the level of the provisions which was available to some public officers under CAP 30, in place of the SSNIT system that was introduced in 1972 as the mandatory and universal pension scheme for all employees. CAP 30 is the pension scheme that was introduced in the colonial regime.

The then President of the Republic, John Agyekum Kufuor, deemed the workers' concerns as legitimate and essential to forestall peace and stability among the labor front and essentially towards the national economy's growth.

He then set up a Presidential commission whose recommendations brought about the 3-tier Pension Scheme under

Pensions Act 733. The Commission's recommendations saw the birth of the National Pensions Regulatory Authority (NPRA), which is mandated to regulate the country's pension industry.

On its tenth anniversary, the Management of the NPRA honoured the Ex-President for his foresight and commitment towards the development of the labour front in the country.

Management of the NPRA believes Mr. Kufuor left an indelible legacy that has benefitted and will continue to benefit millions of Ghanaians. The Three-tier pension scheme that he introduced, aiming at ensuring retirement income security for the Ghanaian worker, will forever be in his honour and of utmost benefit to generations to come.

The Management, led by its Chief Executive, Mr. Hayford Attah Krufi, presented a citation to the Ex-President at his residence. Making the presentation, Mr. Krufi praised the EX-President for standing

unique and tall in national development. He expressed the view that welfare and human development were so dear to Mr. Kufuor's heart. "You demonstrated beyond all reasonable doubt that the prosperity of Ghana's nationals was and still your primary concern," He noted

Mr. Krufi added that this show of passion, concern and care by the Ex-President vulnerable, the first-ever and the only Pensions Reforms (to date) in the country, was instituted.

Mr. Kufuor expressed his profound appreciation to the Authority for working diligently towards the dream he had for the country. He asked them to strengthen its pragmatic measure to ensure the steady growth and judicious use of pension funds.

He urged the Authority to intensify its sensitisation and education efforts for the public to understand and appreciate the crucial role pension funds play in national development. "Elsewhere around the world, pensions funds constitute a significant source of investment from the corporate world. "From all sources, even the government might borrow from the funds at a very low interest and that is how worth could also be created." He observed.

He called on the Authority to help inculcate into the people the habit of savings, adding that we live in a country where our saving habit should be a way of investment to improve the economy.

"We don't save much, so we don't have that fund or source of revenue to support investment, but the pension funds should be a significant source to lend to investors to grow the economy. The Ex-President reiterated.

He called on the Authority to work closely with Pensions Fund managers to do the right thing to keep pension funds safe for its purpose. "Pensions Fund Managers must not do the unacceptable thing of dipping hands into the fund if we really know the importance of the funds." Mr. Kufuor noted.

# President Launches Cocoa Farmers Pensions Scheme



The President, Nana Addo Dankwa Akufo-Addo, has launched the Cocoa Farmers Pension Scheme, which aims to guarantee a decent pension for cocoa farmers in Ghana to maintain a good standard of living after retirement.

The scheme fulfils a 36-year-old provision in Section 26 of the Ghana Cocoa Board (COCOBOD) Law 1984 (PNDC L.81) which mandates COCOBOD to establish a contributory insurance for Cocoa Farmers.

The scheme will see over one and half million cocoa farmers in the country to contribute to a pension scheme towards their retirement.

It enables the farmers to make voluntary contributions towards their retirement while COCOBOD makes a supplementary contribution on behalf of the farmers.

Addressing a large gathering of cocoa farmers to launch the scheme at the Jubilee Park, Kumasi in the Ashanti Region on Tuesday, 1st December 2020, President Akufo-Addo said the establishment of the pension scheme was not just in fulfilment of the legal mandate but in line with the plans to improve the living standards of cocoa farmers in Ghana.

The Ghana Cocoa Board (COCOBOD), he said, has maintained a farmer-focused approach to managing Ghana's cocoa sector, leading to the introduction of Productivity Enhancement Programmes (PEPs), along with other interventions to achieve greater efficiency while safeguarding the immediate and future welfare of cocoa farmers.

According to the President, the programmes would help place cocoa farmers in a better position to earn a decent living while actively farming and, secondly, to contribute to the Cocoa Farmers Pension Scheme for their retirement.

He stated that the Cocoa Farmers Pension Scheme is historic in providing a safety net for cocoa farmers in the country and would guarantee a decent retirement income for cocoa farmers for life, as well as ensuring decent standards of living after retirement.

He entreated all cocoa farmers to sign on to the scheme to enjoy the complete set of benefits it offers.

The Chief Executive Officer of the National Pensions Regulatory Authority (NPRO), Mr. Hayford Atta Krufi, noted that the launching of the scheme is a dream that has taken so long a time to come true for the gallant cocoa farmers in the country.

He expressed the view that the scheme has been a long-time desire of the Ghanaian cocoa farmer, but it has taken the zeal, fortitude and enthusiasm of a President like Nana Addo Dankwa Akufo-Addo to roll it out.

“The scheme is timely and very much appropriate. Its importance to the socio-economic welfare of the cocoa farmer cannot be overemphasized. Its usefulness is also not in doubt. In fact, every person needs retirement income security for the future, even more so because youthfulness is not permanent.” He noted.

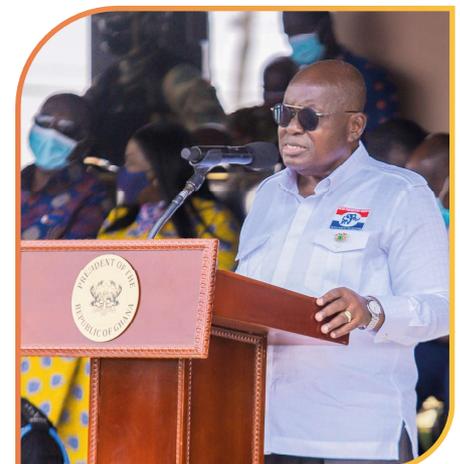
Mr. Krufi noted that every current employee, both in the informal and the formal sector, is a potential re-

tiree tomorrow. Therefore economic security in old-age is very much an integral part of every individual's well-being.

The Chief Executive of COCOBOD, Hon Joseph Boahen Aidoo, on his part, also called on cocoa farmers to sign on to the scheme and make the necessary contributions to ensure its success and, more importantly, to take full advantage of this opportunity to secure their future.

He also asked the farmers to cooperate with the officers from COCOBOD who have been tasked to collect their data for the Cocoa Management System (CMS), which will hold a robust database of all cocoa farmers in the country and track their contributions. The CMS, he added, will also facilitate the prompt payment of claims to beneficiary farmers.

He assured the farmers of COCOBOD's sustained commitment to making cocoa farming more financially profitable for farmers and encouraged the youth to also take up the cocoa farming business.



# National Pensions Regulatory Authority honours former CEOs and Staff



The National Pensions Regulatory Authority has honoured some former staff of the Authority during its 10th year anniversary dinner and awards night held at the Movenpick Hotel in Accra. This was part of the Authority's 10 years Anniversary celebration.

The Authority honoured two former board chairmen, five former CEOs, and six current staff who have worked with the Authority 10 years or above.

The two former board chairmen are Mr. Kwame Asante and Dr. Nii Kwaku Sowa, whose excellent leaderships were recognized during the formation stages of the Authority. Mr Asante was the first Board chairman of the Authority between 2009 and 2013 while Dr. Nii Kwaku Sowa was the Board Chair between 2013 and 2016.

The current board chairman of the Authority, Mr. Paul Simon Koranteng in presenting the award to their representatives congratulated them for the awards and said the awards is in recognition of their outstanding leadership and immense contributions towards the implementation of the 3-tier Pension Scheme.

The five former chief Executives

Officers who received the award are, Mr. Daniel Aidoo Mensah who was the first CEO of the Authority between 2010 and 2011 having served as a consultant to the Pension Reform Implementation Committee. Dr. Daniel Seddoh who was the CEO of the Authority between 2011 and 2012, H. E Sam Pee Yalley between 2012 and 2013, Mr. Laud Senanu, between 2013 and 2015 and Dr. Kofi Anokye Owusu-Darko between 2015 and 2017. The awards were presented to the former CEOs by the current CEO, Mr. Hayford Attah Krufi.

Despite their relatively short time at the Authority, their leadership had a huge impact on where the Authority has reach in its regulatory oversight in the pensions industry.

The six staff who were awarded also include, Mr. Enest Amartey-Vondee, Dir. Planning Research, Evaluation and Monitoring; Remeil Addo Akorli, Sr. Manager Licensing and Registration; Rashidatu Ibrahim, Sr. Manager IT; Frank Anderson, Ass. Manager, Corporate Affairs; Nii Amu Otu, Ass. Manager, Standard and Compliance and Richard Anim, a Driver. These staff have been with the Authority since its inception in 2010. They were awarded in appreciation of a decade of dedicated

service and invaluable contribution they have made to the National Pensions Regulatory Authority.

The Authority also recognized former President Kufuor, as the first president to initiate a major pension reforms which brought the Authority into existence as well as Dr. Thomas Ango Bediako of blessed memory who was the chairman of the Presidential Commission on Pensions and the Pension Reform Implementation Committee (PRIC).

They were scheduled to receive a special award in their honour for this major reform that has extended pension coverage to all categories of workers especially workers in the informal economy.

Despite the fact that, the 10th Anniversary activities were heavily impacted by COVID-19 pandemic, the Authority still saw the need to organized this event to appreciate the effort and service by awardees.

Present at the occasion include, Board Members of the Authority, representatives former President John Agyekum Kofuor, former CEOs of NPRA, staff of NPRA, Trustee Chamber, representatives of Trustees, Pension Fund managers and Pension Fund Custodians, SSNIT and other stakeholders.

# Making Pension Contributions Convenient For The Informal Sector

The debate on the definition of the informal economy is ongoing. According to Medina, Jonelis, and Cangul (2016), there is no standard definition of the informal economy in the literature. Terms such as shadow economy, black economy, and unreported economy have been used to define it. The Transition from the Informal to the Formal Economy Recommendation of the International Labour Organization describes the informal economy as all economic activities among workers and economic units that are not covered or are insufficiently covered by formal arrangements.

According to the recommended guidelines, employees, are considered to have informal jobs if their employment relationship is not subject to national labour legislation, income taxation, social protection, or entitlement to certain employment benefits (ILO 2018). World Development Report 2019 identifies a person as an informal worker if that person does not have a contract, social security, or health insurance and is not a member of a labour union (World Bank 2019).

The informal sector is characterized by, low income

and wages, little job security, no fringe benefits and no pensions nor provident fund contributions. The informal sector of Ghana comprises of the Small and Medium-scale Enterprises (SME's) such as the market women and men, fishermen and fishmongers, provision shop owners, mobile money vendors, truck pushers, hawkers, tailors and seamstresses, hairdressers, commercial drivers etc.

Over the years, the pension system in Ghana has been designed to target the formal sector workers with little or no focus on the informal sector workers of the economy. Since the establishment of SSNIT, pension contributions have been mandatory for formal sector workers such that they are mandated to contribute a percentage of their income to then SSNIT scheme. Although informal sector workers were allowed to join and contribute to the SSNIT scheme, the contribution arrangement under the PNDCL 247 was not favourable to them because their income levels vary each and every month, therefore, they require a flexible pension scheme that will allow them to contribute based on their varying income.

With the introduction of the 3-Tier pension scheme which was established by

the National Pensions Act, 2008 (Act 766) in 2010, the 3rd Tier personal and group personal pension schemes which are privately managed by Corporate Trustees have been specifically designed to meet the needs of the informal sector economy. The scheme is flexible which allows informal sector workers to contribute any amount favourable to them on a daily, weekly or monthly basis.

To safeguard these private pension schemes, The Act 766 introduced a tripartite arrangement which involves a Trustee, Pension Fund Manager and Pension Fund Custodian (Banks) in the management of pension contributions. The Trustee is responsible for performing administrative duties, the fund Manager is responsible for providing investment advice whereas the Custodian is responsible for receiving contributions and keeping custody of the funds.

This arrangement meant that for an informal sector worker who wishes to pay his/her contributions, that person will have to leave his/her business and walk to the banking hall to pay the contributions.

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# Making Pension Contributions Convenient For The Informal Sector *(Continued From Pg. 6)*

This became a huge challenge to both the contributor and the Trustee such that the market woman who has registered to contribute to the pension scheme felt very reluctant to leave her goods at the market, walk to the banking hall, form a long queue just to pay her pension contributions.

To address this challenge, some Trustees adopted the agent collection method, whereby agents of the Trustee were deployed into the market to collect the contributions from members in the informal sector. These agents carried along with a portable printer whereby receipts were issued instantly to contributors and the funds electronically sent to the Custodian by the agents of the Trustee. The use of a portable printer and the issuance of instant receipts was a phenomenal idea which was embraced by many informal sector contributors but this proved to be costly to the Trustee. As more informal sector workers enrolled in the scheme, more agents had to be employed to meet the agent-contributor ratio. This approach also proved to be very risky because there could be an instance where monies received by agents would not be electronically

sent to the Custodian.

With the emergence of financial technologies especially mobile money and its acceptance by the Ghanaian population for financial transactions especially by the informal sector, many Corporate Trustees have taken advantage to collaborate with various telecommunication companies operating mobile money platforms to make it possible for members of their schemes to contribute through their mobile money platforms and also potential members to be registered through that same medium.

Mobile money holds great prospect for extending pension coverage to the informal sector. Statistics available indicate that about 60% of the workers in the informal sector use a mobile money platform through which they perform financial transactions on regular basis. The increasing acceptability and use of mobile money by the informal sector present an opportunity for financial inclusion. It has proven to be a reliable, secured and convenient way for workers in the informal sector to make pension contributions. In Kenya for instance, mobile money platform has been used successfully to extend

pension coverage to a large number of informal sector workers.

However, the use of mobile money comes with some burden with regards to fees associated with each transaction made.

In order to encourage the informal sector workers to use the platform and to make pension contribution attractive to them, it will be appropriate for the government through the National Communication Authority and other appropriate institutions to waive off the fees and charges associated with mobile money transaction towards pension contribution. Contributions to a personal or group personal pension scheme through a mobile money platform should be absolutely free from any charges. This will serve as an incentive for the informal sector worker to join and contribute to a pension scheme for old age income security.

## **CREDIT:**

**Ivan Ashley-Lawson**  
(Staff Of NPRA)

## PUBLIC SECTOR TIER 2 SCHEMES

**P**ublic sector schemes are Tier 2 Mandatory occupational pension schemes which have been registered for all Government of Ghana workers (Public Servants) who draw their salaries from the Controller and Accountant General's Department.

Five (5) 2nd Tier/Tier 2 Mandatory occupational pension schemes have been registered for these workers namely;

- Hedge Pension Occupational Pension Scheme
  - Health Sector Occupational Pension Scheme
  - Judicial Service Staff Occupational Pension scheme
  - Ghana Educational Service Occupational Pension Scheme
  - PSW Employees Occupational Pension Scheme
- Membership**
- Members of Civil and Local Government Staff

**Association of Ghana (CLOGSAG) are under Hedge Pension Occupational Pension Scheme with Hedge Pensions Trust as Scheme Administrator**

**•Members / Staff of Ghana Health Service are under Health Sector Occupational Pension Scheme with Enterprise Trustees Company Limited as Scheme Administrator**

**•Members / Staff of Judicial Service are under Judicial Service Staff Occupational Pension Scheme with United Pension Trustees Limited as Scheme Administrator**

**•Members / Staff of Ghana Education Service are under Ghana Education Service Occupational Pension Scheme with Glico Trustees Limited as Scheme Administrator**

**•Other Public Service Staff who are not members of any of the groups mentioned above but draw their salary from Controller and Accountant General are under PSW Employees Occupational Pension Scheme with General Trust Company Limited as Scheme Administrator**

**Below is a tabular representation of the various public sector schemes;**

No.	Name Of Sector	Name Of Scheme	Scheme Administrator	Contact Person	Contact
1	Civil and Local Government Staff Association of Ghana (CLOGSAG)	Hedge Pension Occupational Pension Scheme	Hedge Pension Trust Company Limited	Christabel Yalley	0202019457
2	Ghana Health Service	Health Sector Occupational Pension Scheme	Enterprise Trustees Company Limited	Dr. Derek Amoateng	0243148659
3	Judicial Service	Judicial Service Staff Occupational Pension scheme	United Pension Trustees Limited	Bossman Agyako	0244314480
4	Ghana Education Service	Ghana Educational Service Occupational Pension Scheme	Glico Pension Trust Limited	Nathaniel Nii Kwei Kuma Otoo	0202012425
5	Public Service	PSW Employees Occupational Pension Scheme	General Trust Company Limited	Cynthia Arthur	0506445203

# When I Met Mr. Adequate Two Weeks Before Retirement

I recently facilitated a Continuous Professional Development (CPD) program organised for members of one of the reputable professional bodies in Ghana on the topic, “Planning towards Retirement”. In the course of the program, I noticed an elderly man who continuously bowed his head at every eye contact with me. I could sense a feeling of uneasiness around this man: that feeling one gets when a sermon in church appears to have you as the target.

Immediately the program ended, the man (who for the purposes of this article I will call Mr. Adequate) walked to me and in a very low tone said to me, “Sir, please can I have one minute of your time for a quick conversation”. I was quite humbled to be called Sir by a man I saw not just to be older than me but from the modest manner in which he made his request.

With his hand grip to mine, he said, “Sir, I am a Director of Ministry (name withheld) and a member of the professional body (name withheld). I am due to retire in two weeks and have lived in a government bungalow for the past ten years which I will have to vacate in two weeks when I retire. I do not have any home of my own, please will my pension benefits under Tiers 1 and 2 be adequate to put up a decent home?”. The story hit me so hard and for a minute, I could not utter a word. I was completely shattered considering the age of the man and the fact that I had just facilitated a program that sought to educate and sensitize the participants on prudent steps that they ought to take to have a decent retirement. Admittedly, I struggled in my answers to Mr. Adequate because I could not imagine how one could think building a house will be

easy with pension benefits than the same from working income.

The above story may look more like a scene from a movie but this is the reality that confronts many of our brothers and sisters who have retired in recent times, in particular, the highly educated ones such as Mr. Adequate who we often assume to be among persons in better positions to plan well towards retirement. Lack of adequate preparation towards retirement have killed many before their time and others made paupers. Many people are under the erroneous impression that retirement income is adequately covered under the Tiers 1 and 2 of Ghana’s 3-Tier pension system and as such there is no cause for them to make additional arrangements towards retirement. More disturbing is the fact that many believe that the benefits envisaged under Tiers 1 and 2 are adequate such that they will be enough to provide requisite retirement income and also assist retirees put up decent homes in the manner contemplated by Mr. Adequate.

This impression, as aforementioned, is borne out of the fact that Tiers 1 and 2 are mandatory and therefore assumed by many to provide adequate income during one’s retirement. Although the adequacy of pension is relative to the circumstances of each one of us, it is not entirely accurate to suggest that the benefits envisaged under Tiers 1 and 2 will provide adequate income during one’s retirement life. In fact, the benefits under Tier 1 and 2 are expected to provide the basic income (safety net) required during one’s retirement life to essentially alleviate poverty in old age. This is consistent with the fact that mandatory pension schemes, by their nature, are not designed to overburden workers and employers

in terms of the contribution rates applicable. It is for this reason that contributions, to such schemes across the world, are mostly limited to a very small percentage of basic salaries to essentially provide the basic income required on retirement.

The National Pensions Act, 2008 (Act 766), as amended, in an attempt to address issues of retirement income adequacy, introduced Tier 3 as a voluntary scheme to provide additional income cover for workers when they retire. Therefore, for anyone to suggest that Tiers 1 and 2 benefits will be adequate on retirement can only result in that person asking questions similar to those asked by Mr. Adequate just two weeks prior to his retirement.

For many young workers, the story of Mr. Adequate may sound so remote, considering the fact that they have many more years left to work. What they fail to realise is the fact that every single day of their lives plays a very significant role in having a decent retirement. As the saying goes, time once lost is lost forever and a journey of a thousand miles begins with a step.

As you ponder over these wise says, remember that your retirement income security depends largely on the decisions you take with each GHS1 that you earn today. Don’t just expect adequacy, act it and enjoy a decent retirement. Take advantage of Tier 3 now to secure adequate retirement income.

## CREDIT:

**Hayford Amankwah**

*Snr. Manager,  
Standards & Compliance*



# Benefits And Qualifying Conditions Under The 3-Tier Pension Scheme

The National Pensions Act 2008 (Act 766) establishes the contributory 3-Tier Pension Scheme with the objective of ensuring retirement income security for Ghanaian workers. The scheme consists of 1st and 2nd Tier mandatory schemes and a 3rd Tier voluntary scheme. The 1st Tier, the Basic National Social Security Scheme (BNSSS), is a defined benefit scheme managed by SSNIT. The 2nd and 3rd Tier schemes are defined contribution schemes, privately managed by Trustees licensed by the National Pensions Regulatory Authority.

The Act provides some benefits that are paid to contributors and their beneficiaries under the 3-Tier Pension Scheme. These benefits include monthly pensions, lump-sum benefits, Survival benefit, invalidity benefit, emigration benefits, etc.

However, a contributor must meet specific withdrawal or qualifying conditions before he/she or their beneficiaries can claim any of these benefits.

## **1st - Tier Basic National Social Security Scheme**

Under the 1st Tier scheme, five key benefits are paid to contributors.

First and foremost is the superannuation benefits. By definition, this is the monthly pension paid to contributors on retirement.

To qualify for this benefit, the contributor must reach retirement age between 55 to 60 years and must have contributed for at least 180 months/15 years in aggregates. This benefit is guaranteed for 15 years but paid is for life should the person be alive after 15 years.

The second benefit under the Social Security and National Insurance Trust (SSNIT) scheme is the Old Age Lump Sum. This benefit is

paid to members who do not qualify for the monthly pension. The member should be aged between 55 and 60 years and must have contributed less than 180 months/15 years in aggregates at retirement to be eligible for these benefits. This means that if the person cannot contribute for 180 months or 15 years before retirement, they will be entitled to an old age lump sum, which is paid once.

The third benefit is the Invalidity Benefits. This is a monthly pension benefit paid to contributors who are medically declared incapacitated. To qualify for invalidity benefit, the member should make contributions of not less than 12 months in the last three years before the occurrence of the invalidity. The application must also be approved by a medical board set up by SSNIT before the benefits can be paid. This benefit is guaranteed for life. However, if the person recovers, he/she can re-join the scheme and continue to contribute.

Survivor's benefit is another benefit paid to survivors of a deceased member of the scheme. The qualifying condition is that the claimant or the beneficiary must duly be nominated by the deceased member. The claimant must have court judgment to be included in the beneficiary list of the deceased member.

Survivor's benefits are paid based on percentage distribution provided by the deceased member or in accordance with the Intestate Succession Act, 1985 (P. N. D. C. L. 111).

Last but not least benefit under the 1st Tier scheme is Emigration Benefit. This is a lump sum benefit paid to expatriates who worked in Ghana and have contributed to the 1st tier scheme.

The condition for claiming this benefit is that the expatriate must prove that he/she is permanently emigrating or has emigrated from Ghana.

## **2nd -Tier Mandatory**

### **Occupational/Work Based Pension Scheme**

As already indicated, the 2nd Tier is a mandatory scheme designed to pay lump-sum benefits to the scheme's members.

To claim the benefit, the member must satisfy any of the following conditions:

- The member must reach the retirement age between 55-60 years.
- The member must be age 50 years and prove that he/she is unemployed
- That the member has retired before age 50 in accordance with Terms and Conditions of his/her employment.

Other benefits paid under the 2nd Tier mandatory scheme include survivor's benefit, invalidity benefits, and emigration benefits. All these benefits are paid in the form of a lump sum.

The qualifying conditions are, however, the same as the conditions under the 1st Tier Scheme of the same benefits. The only difference is that the medical board to certify the invalidity is set up by the Authority in collaboration with the Ministry of Health.

## **3rd -Tier Provident Fund and Personal Pension Schemes**

Three schemes are run under the 3rd Tier Voluntary scheme. They include the provident fund, Group Personal Pension Schemes, and Personal Pension Schemes.

### **Provident Fund Scheme.**

Under the provident fund scheme, the key benefit paid to contributors is the lump sum benefit.

*Continued on Pg. 11*

# Benefits And Qualifying Conditions Under The 3-Tier Pension Scheme *(Continued From Pg. 8)*

The contributor can get access to the benefit in two ways. The first is at retirement and the condition is that the member must be on retirement. The second is withdrawals while still working. Although there is no specific condition for these periodic withdrawals, contributors who withdraw after ten (10) years of contribution or on retirement are exempted from tax.

Any withdrawal before the ten (10) years is subject to the appropriate income tax currently fixed at 15% of the amount withdrawn. The reason for the tax is that the contributor has already been given tax exemption on the amount contributed and the condition is to leave the funds for ten years untouched.

## **Group and Personal Pension Scheme**

This is an informal sector scheme

designed to provide pension benefits for contributors in that sector. Two accounts operate under this scheme, namely retirement account and savings account. It is from these accounts that the two main benefits, retirement benefits and lump-sum benefits, are paid to the contributors. Just like the 1st and 2nd tier schemes, the retirement benefit is paid monthly while the lump sum benefit is paid once from the savings account.

To qualify for these two benefits, the member must reach the retirement age, which is specified in the rules of the scheme, usually between 55- 60 years. Some may go beyond 60 years.

Other related benefits such as survivor's benefits, invalidity benefits, and emigration benefits all have the same withdrawal or qualifying conditions as in the case of the 1st and

2nd Tier schemes.

Members are, however, allowed to withdraw from the saving account before retirement. Withdrawal after five (5) years of contribution is exempted from tax.

## **Conclusion**

Every pension scheme is expected to provide benefits for some predetermined contingencies that may occur to the contributors of the scheme. Member or beneficiaries received these benefits after satisfying appropriate withdrawal conditions. The conditions are part of the controls to ensure that the scheme meets its objectives.

**CREDIT:**  
**Frank Anderson**  
*(Staff Of NPRA)*

## Npra Develops A New Strategic Plan For The Next 5 Years



The National Pensions Regulatory Authority (NPRA) is a statutory institution established by the National Pensions Act, 2008 (Act 766). The Authority commenced the implementation of the 3-Tier Pension Scheme in January 2010. The Authority is the first regulatory body established to provide regulatory supervision in Ghana's Pension sector

Its objective is to regulate and monitor the three-tier Pension Scheme operation and ensure effective administration of pensions. Throughout its operations, the Authority has always been guided by a strategic document that seeks to direct it at any given point in time.

In 2017, the National Pensions Regulatory Authority started implementing its current 5-year strategic

plan, which is expected to end in December 2021. The current strategic plan focused on improving financial independence, human capital development, effective regulation of the pensions industry, and education and sensitization.

To continue the tremendous progress and achievements made with the current strategic plan, the Authority has developed a new five-year strategic plan to be operationalized from 2022 to 2027.

The new plan is expected to focus on key thematic areas, such as increasing pension coverage, especially within the informal sector. The informal sector has seen a low pension penetration over the years, although the Authority has made some efforts in this direction.

The new plan will also focus on building on the progress made ineffective supervision and regulation through the development of a Risk-Based System, the development of human capital to build a robust regulatory institution as well as vigorous expansion across the country, among others.

The strategy took into consideration the involvement of critical stakeholders in the pension space, including organized Labor, Workers, Trustees, Pension Fund Managers and Custodians. The Authority will continue its consultative approach in ensuring the industry's involvement in its operations even as it seeks to develop the strategic documents.



# COVID-19 : Do's And Don'ts At The Workplace

## Do's



**Wear A Nose Mask**



**Wash Your Hands With Soap  
And Water Frequently.**



**Cough And Sneeze Into Your  
Elbow.**



**Keep A Minimum 1.5 Meters  
Distance From Colleagues.**



**Use Tissues once and Dispose  
in Closed Bins.**



**Do not touch Mouth, Eyes, Nose.**



**Do Not Shake Hands & No Hugs.**



**Stay Home, If ill**



**Do Not Use Crowded Lifts**



**Avoid Touching Office Surfaces**

## Dont's

# Newly Posted Nurses Educated On The 3-Tier Pension Scheme



**N**ewly trained professionals in the country have been urged to pay special attention to retirement planning when they begin their careers.

This is to help them plan for their future while in active service and cultivate the habit of saving towards dignified retirement and ensuring retirement income security.

The Sunyani Zonal Corporate Affairs Officer of the National Pensions Regulatory Authority (NPRA), Mr. Samuel Baffour Awuah, gave the admonition at an orientation program organized by the Sunyani Municipal Health Directorate for trainees and newly posted nurses in Sun-

yani in the Bono Region.

He explained how contributors could access their SSNIT and Enterprise Trustees member statements online and advised the nurses to periodically update their records with their service providers anytime their status change.

Awuah cautioned the participants to provide the correct date of birth and other personal details to their employers, Ghana Health Service and other service providers, especially SSNIT, to avoid difficulties when accessing their benefits in the future.

He highlighted the three-tier Pension Scheme components and encouraged the nurses to take advantage of the Person-

al Pension Scheme to make additional contributions to enhance their pension benefits to enjoy a decent retirement. He further took participants through the pension reforms, benefits associated with the various schemes and stressed the role of stakeholders, including SSNIT, Corporate Trustee, employers, and employees.

Madam Veronica Boatemaa, the Human Resource Manager at the Regional Health Directorate, advised the new nurses to continue seeking advice and information on a pension from the appropriate office and commended NPRA officials for the education described as useful.



Section of participants at NPRA's 10th Anniversary Dinner & Awards Night



CEO of NPRA giving a speech at NPRA's 10th Anniversary Dinner & Awards Night



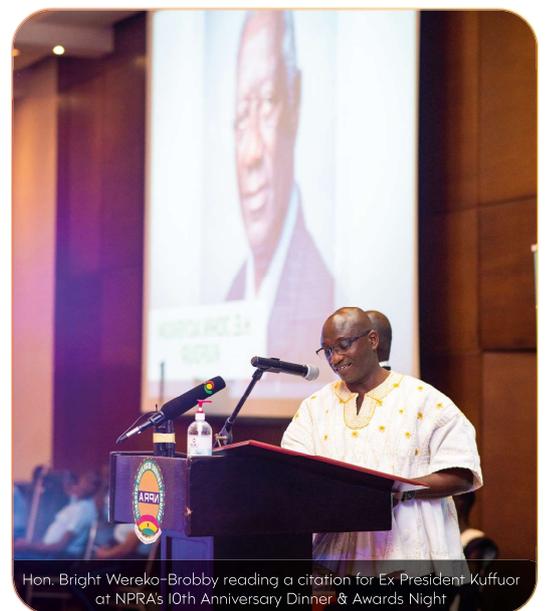
Section of participants at NPRA's 10th Anniversary Dinner & Awards Night



Awardees in a group picture with management of NPRA at NPRA's 10th Anniversary Dinner & Awards Night



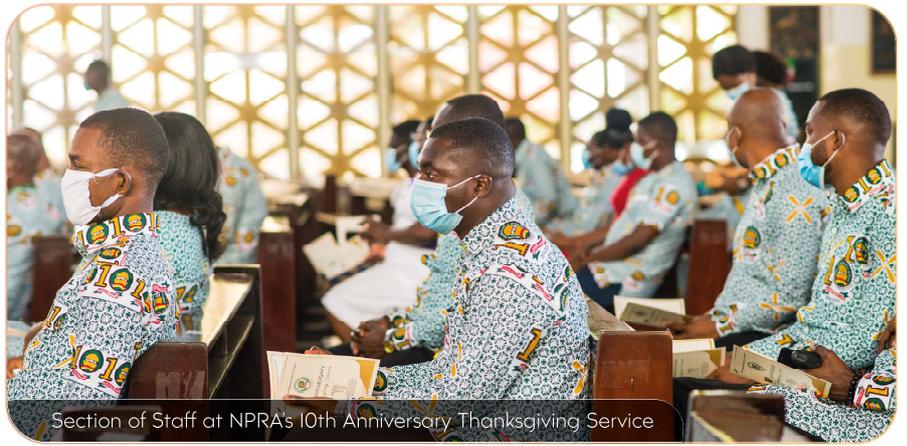
CEO of NPRA presenting an award to Sam Pee Yalley (former CEO of NPRA) at NPRA's 10th Anniversary Dinner & Awards Night



Hon. Bright Wereko-Brobby reading a citation for Ex-President Kuffour at NPRA's 10th Anniversary Dinner & Awards Night



Rev. Fr. Andrew Campbell giving a sermon at NPRAs 10th Anniversary Thanksgiving Service



Section of Staff at NPRAs 10th Anniversary Thanksgiving Service



Section of Staff at NPRAs 10th Anniversary Thanksgiving Service



Gospel Reading by Staff at NPRAs 10th Anniversary Thanksgiving Service



A group picture of management of NPRAs and invited guest at NPRAs 10th Anniversary Thanksgiving Service



A group picture of Board And Management of NPRAs with Rev. Fr. Andrew Campbell at NPRAs 10th Anniversary Thanksgiving Service

# Information on private Pensions Schemes

Ghana operates a contributory 3-Tier (3-Pillar) Pension Scheme. The private pension schemes (defined contribution plans) consist of a mandatory 2nd Tier Occupational Pension Scheme and a Voluntary 3rd Tier Provident Fund and Personal Pension Schemes. This section provides market information on the status of private pension schemes in Ghana.

## PRIVATE PENSION FUNDS & GDP ANALYSIS 2012 TO 2020Q2

Year	AUM Cedis	% of GDP	USD Rate	AUM Dollars
2012	805,111,125.18	1.07	1.90	429,742,697.46
2013	1,343,242,886.05	1.09	2.35	571,592,717.48
2014	2,581,508,054.00	1.66	3.21	804,208,116.51
2015	4,672,108,464.12	2.59	3.81	1,226,275,187.43
2016	6,792,946,261.68	3.16	4.17	1,629,003,899.68
2017	11,023,178,469.40	4.29	4.50	2,449,595,215.42
2018	13,013,606,576.00	4.33	4.90	2,655,838,076.73
2019	17,363,269,255.74	5.02	5.69	3,051,541,469.73
2020 (Q1)	18,319,572,964.18	5.30	5.72	3,202,722,546.19
2020 (Q2)	19,380,481,949.81	5.03	5.77	3,358,835,693.21
2020 (Q3)	20,646,957,006			

## PROVISIONAL CUSTODIAN RANKING (Market Share in Percentages) Q1 - Q3 2020

Custodian	Q1	Q2	Q3
Prudential Bank	24.35	24.23	23.88
Standard Chartered Bank	14.57	14.23	14.33
Cal Bank	11.36	11.52	11.75
Stanbic Bank	10.2	10.30	10.37
Republic Bank	9.96	10.13	10.20
Fidelity Bank	9.94	9.98	9.96
Ecobank	8.10	8.08	8.16
Zenith Bank	6.78	6.67	6.84
Agricultural Development Bank	1.76	1.77	1.79
Guarantee Trust Bank	1.52	1.52	1.15
Ghana Commercial Bank	0.70	0.83	0.84
First Atlantic Bank	0.52	0.51	0.50
Universal Merchant Bank	0.15	0.15	0.15
Societe General Bank	0.06	0.06	0.06
Consolidated Bank	0.02	0.02	0.02

# Information on private Pensions Schemes

(Continued From Pg. 16)

Fund Custodians Ranking based on AUM as at 30th September, 2020

No.	Pension Fund Custodian	No. of Schemes	Total Asset Size	Tier 2	Tier 3
1	Prudential Bank	7	4,930,626,792.64	4,892,042,102.26	38,584,690.38
2	Standard Chartered Bank	25	2,959,079,249.54	2,597,496,608.73	361,582,640.81
3	Cal Bank	20	2,425,208,823.72	2,252,026,321.94	173,182,501.78
4	Stanbic Bank	20	2,140,579,941.47	644,751,998.79	1,495,827,942.68
5	Republic Bank	41	2,106,511,883.51	929,295,094.32	1,177,216,789.19
6	Fidelity Bank	29	2,055,958,514.46	1,808,399,339.54	247,559,174.92
7	Ecobank	45	1,685,129,862.60	686,633,986.45	998,495,876.15
8	Zenith Bank	27	1,412,854,731.10	868,246,915.14	544,607,815.96
9	Agricultural Development Bank	5	370,075,513.78	222,391,297.53	147,684,216.25
10	Guarantee Trust Bank	5	236,620,377.81	118,124,745.07	118,495,632.74
11	Ghana Commercial Bank	6	173,718,898.64	12,584,113.32	161,134,785.32
12	First Atlantic Bank	3	102,772,368.06	101,524,495.10	1,247,872.96
13	Universal Merchant Bank	2	31,865,888.76	31,865,888.76	0.00
14	Societe General Bank	1	11,593,921.47	11,593,921.47	0.00
15	Consolidated Bank	5	4,360,238.96	2,800,973.44	1,559,265.52
TOTAL			20,646,957,006.52	15,179,777,801.86	5,467,179,204.66



# NPRA Climax The 10th Anniversary Celebration With Thanksgiving Service



The National Pensions Regulatory Authority has climaxed its 10th Anniversary celebration with a thanksgiving service at the Christ The King Cathedral Church in Accra.

The Thanksgiving Service was to thank God for seeing the Authority through 10 years of implementing the 3-Tier Pension Scheme.

In a sermon by the Parish Priest of Christ the King Cathedral, Very Rev. Father Andrew Campbell, he admonished Management and staff of the Authority to be humbled by their positions as public officers and must work in the interest of workers and the country. He said the country needs honest people to work for it to develop and progress.

He also emphasised that workers are expecting to work

and retire in anticipation of receiving their retirement benefits. Therefore, the Authority must ensure that their contributions are well managed to pay what is due them on retirement.

The Rev. Father urged Management and staff of the Authority to be transparent and work to protect workers' interests.

The Chief Executive Officer of the Authority, Mr. Hayford AttahKrufi, who read the 1st reading from Colossians 3:12-17, in a short statement, was grateful to God for guiding the Authority through its decade of operations since its establishment in 2010. He said the Authority was established to ensure that workers received their pension benefits when they are due and that the Authority will not relent on its effort of ensuring that it

is achieved.

The parish Priest Very Rev. Father, Andrew Campbell, blessed the Board and Management of the Authority and asked for God's guidance and wisdom as they continue to steer the affairs of the Authority to achieve the purpose for which it was established.

Pension industry players, including SSNIT, Trustees, Pension Fund Managers, and Custodians, gave solidarity messages to the Authority and promised to work with the Regulator for the growth of the pensions industry.

The Thanksgiving Service was attended by the Board, Management and staff of the Authority, former Chief Executives Officers of the Authority, Pension Service providers, among many others

# The Benefits Of Registering Voluntary Scheme Under The National Pensions Act, Act 766

The National Pensions Act 2008 (Act 766) establishes the 3-Tier Pension Scheme to replace the old Social Security and National Insurance Trust (SSNIT) pension scheme and other public pension schemes. This was as a result of pension reforms embarked on by the Government to ensure income retirement security for Ghanaian workers.

The 3-Tier Pension Scheme consists of 1st and 2nd Tier mandatory schemes and a 3rd Tier voluntary scheme. The 1st Tier, the Basic National Social Security Scheme (BNS-SS), is a defined benefit scheme designed to pay monthly pension and other benefits to retired workers and a survivor nominated by a deceased contributor. This scheme is managed by SSNIT.

The 2nd Tier mandatory scheme is designed to pay only a lump-sum benefit, which was hitherto paid under the old SSNIT pension scheme as the 25% lump sum. This is a defined contributory scheme and is privately managed by Trustees licensed and regulated by the National Pensions Regulatory Authority (NPRO).

These Trustees work with Pension Fund Managers who act as investment advisors and Custodians in managing the scheme. Under this system, the quantum of the benefits paid to members depends largely on contributions and investments' returns.

The 3rd-Tier voluntary scheme comprises a provident fund scheme, group and personal pension schemes. The provident fund scheme is designed to provide an opportunity for formal sector workers to make additional contributions to enhance their retirement income. The group and personal pension scheme are designed primarily to provide formal pension scheme arrangements for the informal sector worker who has over the years had no opportunity to do so.

Formal sector workers can also contribute under the personal pension schemes and the 1st, 2nd Tier schemes, as well as the provident fund scheme.

Under the 3-tier pension scheme, companies and institutions are required by law to register their 2nd-Tier Mandatory Occupational Pension Scheme with the National Pensions Regulatory Authority (NPRO); likewise, companies, institutions and groups operating any scheme that falls under the 3rd Tier voluntary scheme are expected to register the scheme with the Authority and operate in accordance with the provisions of the Pensions Act 2008, (Act 766).

Registering a voluntary pension scheme with the Authority would provide some benefits to the contributors of the scheme, be it a provident fund scheme or group or personal pension scheme.

The following are some of the benefits to be derived from registering a provident fund scheme with the Authority;

## **Tax Benefits**

Every scheme that is registered and operates under the pensions act is entitled to some tax exemption percentage. A formal sector worker who contributes to the first two mandatory schemes already has 5.5% of his/her pensionable salary treated as tax-exempt. The employer gets 13% of the declared income or revenue. However, the law provides up to 35% tax exemption for contributors in the formal and informal sectors.

Therefore contributors in the formal sector who have registered their provident fund schemes with the Authority are eligible for the remaining 16.5% tax exemption.

With the commencement of the 3-tier pension scheme, some companies have set up provident funds

schemes while others are amending their scheme rules to take advantage of the tax benefits. In most cases, the tax benefit is shared between the employer and the employee, where both parties contribute to the scheme.

In the case of registered group or personal pension schemes for the informal sector workers and other self-employed persons, contributors are entitled to the entire 35% tax exemption. Therefore any self-employed person who contributes to a registered pension scheme would enjoy 35% tax-free.

## **Oversight Regulatory**

### **Authority**

Unlike in the past, where there was no supervisory body to oversee the operations of both public and privately managed pension schemes, Act 766 has established the National Pensions Regulatory Authority to supervise and regulate all pension schemes in the country.

It is an open secret that most of the existing schemes face some challenges, mainly due to undue influence from the employers or the controller of the employer (Shareholders, etc.) as to where to invest the scheme funds. Other challenges include payment of contributions and benefits as well as general management of the scheme.

The National Pensions Regulatory Authority is mandated to supervise and monitor all registered schemes to ensure that the employer, the Trustees, the Pension Fund Manager, the Custodian and all the other service providers appointed to provide services for the scheme comply with the provision of the law, regulations, guidelines and the rules of the scheme. This will ensure to ensure transparency in the management and safety of the scheme assets.

*Continued on Pg. 20*



# The Benefits Of Registering Voluntary Scheme Under The National Pensions Act, Act 766 *(Continued From Pg. 19)*

The law also mandates the Authority to apply appropriate sanctions against anyone whose acts contravenes the law to ensure that members' interests are held high in every decision concerning the scheme.

## **Transfer of Accrued Benefits**

According to the law, members of an Occupational Pension Scheme, registered Provident Funds Scheme can transfer their accrued benefit from one registered scheme to another. For instance, in a formal sector where an employee ceases to be a worker of a company, the employee has the option to transfer his/her accrued benefit from the company's Occupational Pension Scheme or registered Provident Fund to another registered scheme of the company that he/she has gain employment. The worker may also have the option to leave the accrued benefit with his/her previous scheme in accordance with the scheme rules, especially in the case where the worker has not gotten employment.

The Regulations of the new scheme provide that if an employee decides to transfer the benefits, the new employer with his Trustees should make the necessary arrangements with the previous employer and its Trustees to complete the transfer.

In the case of the self-employed in a personal pension scheme, the law allows the member to transfer his/her benefits to another registered personal pension scheme of his choice. The employee does not incur any expenses in the transfer.

Member representation on the management of pension schemes

Before implementing Act 766, most of the privately managed schemes are managed by persons/institution appointed by the em-

ployer with no employee consultation or representation. Therefore workers usually do not participate or have a say in the management of the scheme. The scheme is most often under the influence of the employer, and members are expected to go along with every decision taken by the employer or his appointees on the management of the scheme.

It is worth noting that Act 766 requires every registered scheme to have at least one-third of its Trustees as member-nominated Trustees.

This means that some of the Board of Trustees of the scheme shall be the contributors or their representatives. The members' involvement will ensure a balanced representation in the management of the schemes, which will build confidence and a sense of ownership on the part of the contributors.

## **Securing Collateral Security**

One of the unique features of the 3-tier pension scheme is the opportunity to use the accrued benefit of both the 2nd and 3rd tier schemes to secure a mortgage for the acquisition of a primary house. This is the first time such provision has been made in any pension scheme in the country. This is expected to help many middle- and low-income earners to their own houses before they retire, especially workers in the public sector. The law also allows members of registered provident funds schemes to assigns their benefits for any intended purposes or create a charge against it. However, this is subject to the rules of the scheme.

It is essential to mention that although withdrawal of benefits due to enforcement of charges with respect to the Provident Fund scheme is taxable, securing a mortgage with the members' accrued benefits is

tax-exempt.

Professional management of schemes

Pension schemes, including and provident fund schemes registered under Act 766, are managed by professionals who have experience in pensions, investment, finance, and other fields required by the law.

Before the commencement of the 3-tier pension scheme, most existing Provident Funds schemes were managed and administered by people with little or no required knowledge and experience.

However, with the introduction of Act 766, every scheme is required by law to be administered by Trustees. The Trustees work with the Pension Fund manager and the custodian, who are also professional institutions mandated by law to provide services to the Trustee in administering the scheme effectively.

Members, therefore, get access to the professional management of the schemes to achieve good investment returns to meet the scheme objectives and to ensure the safety of the scheme's assets.

These advantages and many others in the pensions law are all geared towards ensuring the safety of the scheme assets to ensure that the ordinary contributor receives his/her benefits when due and to avoid the situation where the employer has undue influence on the management of the scheme which in most cases affects the scheme members.

**CREDIT:**  
**Frank Anderson**  
*(Staff Of NPRA)*

## Retirement Planning; Why Awareness is a MUST

As with every year, people will get new jobs, marry (or re-marry), graduate from school, give birth, get promotions from work place, change jobs and retire. Every day of the year would be a retirement day for somebody. It is very common in my field of work to see individuals who simply did little or no preparation towards their retirement. They become frantic when the time approaches and are seen desperately negotiating for re-engagement contracts and even go as far as reduction of ages to keep them working longer. These are usually well-meaning citizens who worked very hard from their younger working days but got caught pants down. It can happen to anybody.

**The major cause of this situation is mostly the lack of awareness and the necessary knowledge in planning for retirement.**

The essence of retirement planning is to be able to maintain a financial status relatively comparable to that of pre-retirement life.

### Retirement is Closer than We Think

Retirement is always seen to be far off and so planning is often shelved until the time is agonizingly close. **It must be**

**noted that the subject of pensions is naturally an obscured subject even for finance and banking minds.** Therefore, people go through the phases of their working life, totally oblivious of the applicable planning tools that makes one's retirement reasonably comfortable.

Travelling along the working life, we are very likely to keep pushing retirement planning into the 'future'. The future is only for retirement not for planning. The planning is needed now, because retirement is always much closer than we think. Many persons near retirement would mostly confirm that they didn't know how the last 10-15 years of their work life whisked past.

**Retirement Planning begins with the awareness of the need to plan and the options available.**

Individuals should do their best to seek the necessary basic knowledge. Companies try to help by organizing such sessions for staff. However due to varying reasons, they come too in late when the persons have a couple of months or a year to retire. In almost all situations where we have held such sessions for persons nearing retirement the common feedback we get is, 'we should have heard this

10 years ago'.

### Real Stories

This is a real story I recently encountered in my line of business. I met this woman who is currently in her seventies and therefore could not actively trade like before. Auntie Adwoa (name replaced) traded successfully and made good money from her trade. It was enough to build her a four-bed house furnished to very high standards. She was able to sponsor two of her three (3) children abroad and they are doing great for themselves. However her financial provision is not as she expected. Her original intention was to get one of her children to run the business in her old age. Life's turn of events did not permit that to happen. Attempts to engage both family members and non-relations have not worked out.

The business slid into loss year on year until it became necessary to sell off the business. It was once a very lucrative business in the central Accra district but could no longer hold her plans. Her children fully support her financially but that was not her initial plan. She tells me that sometimes she feels like a burden on her children.

*Continued on Pg. 22*



# Retirement Planning; Why Awareness is a MUST

(Continued From Pg. 21)

She feels quite bad, everything she needs has to come from her children. For someone who has seen money before, she has to cut a huge chunk of her preferences as she knows it will be too much of a financial burden on her children. Fortunately, she put up a house with the late husband. Therefore, she only relies on friends and family for her basic needs. Her case is not a bad case as such as there are much worse ones.

There is nothing wrong with children taking care of parents in retirement, but for someone who once was independent and had a career or a business they would wish to reasonably fend for themselves with family provisions only coming in to support. Her case is classic of one who intended to use her business as her pension but might not have been fully aware of the risks inherent in her retirement options. In the time of her active working life, a contribution into a pension fund (if available) would have been of help.

Again, in one of my sessions I met a retiree who still had to work actively to take care of himself in his old age. After a little discussion, it became evident he could have done a few things even with the last 4-5 years leading to his retirement if he had known what I

was sharing with him. He got into that situation due to lack of awareness in planning for retirement. After retirement he lost some bargaining power and so had to accept anything given him by an agency. He left his elderly wife and last child in Ashanti region to the Northern region where he got the job posting. He wished he lived with them in his retirement because his job took him out of home a lot. There was a tinge of tear in his eyes. I felt quite bad for him.

## Other Stories

There many more of such stories but time and space would not permit their sharing. In fact, it is not just about the size of a person's current income or wealth, but how that income is used to provide for a long-term financial provision in retirement. You are not expected to be an expert in retirement and investment issues, however some basic knowledge is required whether you are in the formal or informal sector.

We should not just have a beautiful career or business and just sit by for time to take us into retirement. There might be some regrets if nothing is actively done by way of seeking the basic relevant knowledge and applying them to plan for retirement. What is more, Ghana's 3-tier

pensions has also joined the ranks of pension structure of countries where individuals must take charge of their own future.

**There are some opportunities in there, but we need to be aware of them.**

The developments in the banking and investment sectors should not be a scare. The pension sector held its mettle well enough against those storms.

It is therefore expected of everyone who would retire one day to be actively interested, to get some basic information that would help to take the necessary steps towards an appreciably good retirement. A successful retirement planning starts with getting the right knowledge at a much earlier time in your working life. Seek for it now!

*“An investment in knowledge pays the best interest”,  
Benjamin Franklyn*

## CREDIT:

**Yaw Antwi**

(Pensions Expert)



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## Pension funds returns ride out the negative impact of COVID-19

Despite the uncertain situation caused by the coronavirus pandemic (COVID-19), AFAP SURA has reported that pension funds have recovered their yields, to the point of surpassing the profitability seen before the worldwide spread of the virus.

While there is no consensus on the short- and medium-term effects of COVID-19, it is estimated that the pandemic will cause a fall of the global GDP in 2020, with a negative impact in the first quarters of the year. Several analysts argue that there will be an economic upturn once the pandemic is over, although there is no consensus among experts as to whether this will start already in the second quarter or whether the effect may drag on a little longer.

After very sharp falls, international markets gave some evidence of recovery in early April, as a result of the significant fiscal and monetary measures announced by the United States, Europe and emerging countries.

This resulted in stabilization in the values of the assets of emerging countries and in their currencies, although maintaining a high degree of volatility and uncertainty.

Amid the uncertainty, in the last 36 months, the system's average Pension Savings Fund (PSF) has had a 4.36% annual gross return in Re-adjustable Units (RU) in its Accumulation Sub-Fund and 3.54% in its Retirement Sub-Fund, according to the latest report of the Central Bank of Uruguay (BCU) for the June closing.

In the last twelve months, the Accumulation Sub-Fund yielded 16.18% in nominal terms and for its part, the Retirement Sub-

Fund yielded 13.87%; both are well above inflation and the average wage rate in the same period, thus generating a very good return on the savings of future pensioners in the individual capitalization regime.

“As of May, we have seen a significant recovery that positions us at an annual return rate higher than pre-COVID rates,” pointed out Santiago Hernández, AFAP SURA's Investment Manager. With this recovery, the pension fund manager is optimistic about the current economic outlook for investments, mainly because of the bullish bonds resulting from the drop in the country risk, together with a reduction of international rates.

The Pension Savings Fund (or FAP, for its Spanish acronym) of the AFAP system (which consists of the Accumulation sub-fund and the Retirement sub-fund) accumulates about \$14.5 billion (about 25% of Uruguay's GDP) and corresponds to the pension savings of nearly 1.5 million Uruguayans (1,450,670 participants).

In the long-term fund, i.e., the Accumulation Sub-Fund, there has been an increase in the weight of portfolio availability; when June closed, 15% was being kept in cash and equivalents versus the 10% kept at the beginning of the year. Likewise, broken down by rate of investment, 47% is in debt securities linked to the Uruguayan government, 22% in alternative products linked to the local production system, mainly financial trusts and corporate negotiable bonds, and about 12% in structured products exposed to the international market.

“This diversification, together with some flexibility to actively manage and adapt to circum-

stances, helps offset the market swings (up and downs),” Hernández said.

While the pandemic creates uncertainty about the fate of the international market, Hernández noted that AFAP SURA is adopting all the precautions to take good care of clients' funds. “About 5% of the funds are in 'stand by', not invested, and we analyze the situation every day to spot the best options,” he said, as he explained how the Fund cares about clients and the Company's search to provide them with higher returns.

Hernández noted that there is a feeling that risk is now lower. However, we must be cautious not only because of what is happening in the world with the economic consequences of the pandemic but also because of the political aspects linked to tensions between the United States and China, as well as the upcoming elections in the US.

With this scenario, Hernández argues that although the future of the economy is still unknown, markets are presenting a “V” recovery. “Unlike other crises, the root cause of this situation was health-related, and its subsequent economic impact has affected the financial system as a result,” he added.

However, the CPA indicated that the U.S. Federal Reserve System (the FED) will do everything in its power to avert a financial crisis, and thus prevent the closure of companies. “This further reinforces the idea that the investment market will recover in the short term,” he concluded.

Source: [www.sura-am.com](http://www.sura-am.com)



# Licensed Corporate Trustees As At Dec 2020

(Licenses Are Valid Until 31<sup>st</sup> July, 2021).

No.	Name Of Service Provider	License Number	Physical Address	Contact Person	Telephone Numbers
1	Daakye Pension Trust Limited	CT13008	3rd Floor Vodafone Building ABC, Junction Achimota	Theophilus Twum	0302-408444 0248-059380
2	NTHC Trustees Limited	CT12014	Martco House, Adabraka, Accra	Barbara Assan	0242-142387
3	Secure Pensions Trust Limited	CT12006	91 OSU Badu Street, West-Airport, Accra	Nancy Amorkor Armah	0302-771248
4	Negotiated Benefits Trust Company Limited	CT12012	Emerald House, Roman-Ridge, Accra	Paul Afena	0266-085929
5	Axis Pension Trust Limited	CT12009	# 4 Ibadan Avenue, East - Legon, Accra	Louisa Siaw	0209-735358
6	Enterprise Trustees Limited	CT12007	Advantage Place, Mayor Rd, Ridge West, Accra	Theresa Aggrey	0248-488152
7	Metropolitan Pensions Trust Limited	CT12002	Metropolitan House 81 Taboon Link, North Ridge, Accra	Josephine Amartey-Vondee	0207-758603
8	Petra Trust Company Limited	CT12001	113, Airport West Dzorwulu, Accra/ 217 Osu Badu Street, Dzorwulu	Doris Forson	0242-435037
9	Kimpton Trust Limited	CT13007	136 La-Bawaleshie road, American House Bridge, East Legon, Accra	Laud Cobby Odonkor	0244-992142
10	Pensions Alliance Trust Limited	CT12003	Hse. No. 3, 55A Kakramadu Link East Cantonments, Accra	Ras Boateng	0556-590401 0509-044013
11	Broadview Trust Limited	CT13006	Akuaba Estate, Spinteex Road, No. 1 Efua Crensil House	Eugenia Otweaemma	0245-122785
12	People's Pension Trust Limited	CT16001	No. 5 Sam Nujoma Road, North Ridge, Accra	Alphonse Abosti	0508-704636
13	Prestige Pension Trust	CT15002	No. C707/3 Asylum Down, Accra	Nii Okai Adams	0244-211282
14	Old Mutual Pensions Trust Ghana Limited	CT12004	No. 4 Dr. Paul Acquah Street, Airport Accra	Sena Nyame	0501-609146 0303-968667
15	Best Pensions Trust limited	CT15003	E. Plaza, 2 Osubadu Street, Dzorwulu, Accra	Isaac Azoska	0560-027403
16	United Pension Trustees Limited	CT12008	Vanguard House, Independence Avenue, Accra.	Shamira Nasiru	0506-405173
17	Qlac Financial Trust Limited	CT14001	1st Floor of Centenary House, Tetteh Quarshie Circle	Damian Yelbonkang Zaato	0244-339210
18	General Trust Company Limited	CT12010	141/21 Saflo Link, Abelemkpe Accra	Bernard Acquaye	0543-445524
19	First Merit Trust Limited	CT17001	House No. 18 Dzworwulu Crescent, Accra	Evans Narh Nyakotey	0303-972082 0501-619879
20	Glico Pensions Trustee Company Limited	CT12011	47 Kwame Nkrumah Avenue, Accra	Leticia Mavis Amoah	0501-260873
21	Stallion Trust and Administration Ltd	CT12013	3rd Floor Gulf House, Tetteh - Quarshie Interchange, Accra	Charles Osei- Akoto	0244-611002
22	Hedge Pensions Trust	CT12015	National Secretariate CLOGSAG Ministries Stadium Road Accra	Christabelle Yalley	0202-019457

# Questions And Answers

**1. What is the total contribution from the Employer and the employee into the 1st and 2nd Tier Mandatory Schemes of the 3-Tier Pension Scheme, and how is it different from what existed under the old SSNIT scheme?**

*Ans. The total contribution from the employer and the employee under the 1st & 2nd Tier Scheme is 18.5% and is distributed as follows:*

## New Scheme (Act 766)

Employer	-	13%
Employee	-	5.5%
		-----
		18.5%

## Old SSNIT Scheme

(PNDCL247)

Employer	-	12.5%
Employee	-	5%
		-----
		17.5%

**1. What is the contribution rate into the 1st Tier Basic Scheme?**

*Ans. The contribution rate into the 1st-Tier scheme is 13.5%. However, 2.5% is remitted to National Health Insurance Scheme (NHIS), leaving 11% in the Basic Scheme to invest for contributors, which would be paid as a monthly pension on retirement.*

**2. How many years should a contributor contribute to qualify for full pension benefits under the 1st Tier scheme?**

*Ans. To qualify for full/monthly pension benefits, one must contribute to the 1st Tier for a minimum period of fifteen (15) years or 180 months in aggregate, whether the contributor retires at the compulsory age of sixty (60) years or the voluntary age of fifty-five (55) years and above.*

**3. What is the contribution rate of the 2nd Tier occupational pension scheme?**

*Ans. 5% of the total contribution of 18.5% goes into the occupational pension scheme.*

**4. How can a first-time contributor who is more than 45 years and less than 50 years join the 3-Tier Pension Scheme?**

*Ans. Such workers can participate in the 3-tier pension scheme by joining the 2nd tier occupational pension scheme – all their contributions of 18.5% would be paid into the 2nd tier occupational pension scheme.*

**5. What kind of benefits will those who contribute 18.5% to the occupational pension scheme receive?**

*Ans. Such people will receive a 25% lump sum of their total accrued benefits, and the remaining 75% will be used to buy an Annuity from an approved Insurance Company.*

**6. Under what condition is emigration benefit paid to a member/contributor?**

*Ans. Emigration benefit is paid to a foreigner who has made less than 180 months (15 years) contributions under the 1st –Tier Scheme and has not reach retirement age but intends to leave Ghana permanently.*

**7. What kind of benefits will those who contribute the total 18.5% into the occupational pension scheme receive?**

*Ans. Such people will receive 25% lump sum of their total accrued benefits and the remaining*

**8. What would happen to the contribution of a worker who under the Occupational Pension Scheme or Provident Fund Scheme has changed employment?**

*Ans. The National Pension Act, 2008 (Act 766) has made a provision for workers to transfer their accrued contributions to the*

*scheme of their new employer. This allows the worker to carry along his/her accrued benefits as he/she continues to change employment.*

**9. Can employees keep their 2nd Tier contributions with their previous employers' trustees while contributing under a new employer?**

*Ans. Yes, but it is subject to the regulations/rules of the scheme in question.*

**10. How do I join a pension scheme as a Self-Employed Person?**

*Ans. You can join the Mandatory 1st & 2nd Tier Schemes as a Voluntary contributor. Equally, you can join the Voluntary 3rd Tier as a member of a group or as an individual. As a group, you have to register your pension scheme with the NPRA and choose your own trustees, and as an individual, you can join any personal pension scheme registered by any corporate trustee licensed by NPRA.*

**11. At what rate should the informal sector worker/Self-employed person s also contribute to the Group and Personal Pension Schemes?**

*Ans. Since the source of income of informal sector workers is irregular, the individual contributor determines the amount he or she wants to contribute to the scheme in accordance with the rules and regulations of the scheme. It is not fixed like that of the formal sector workers.*

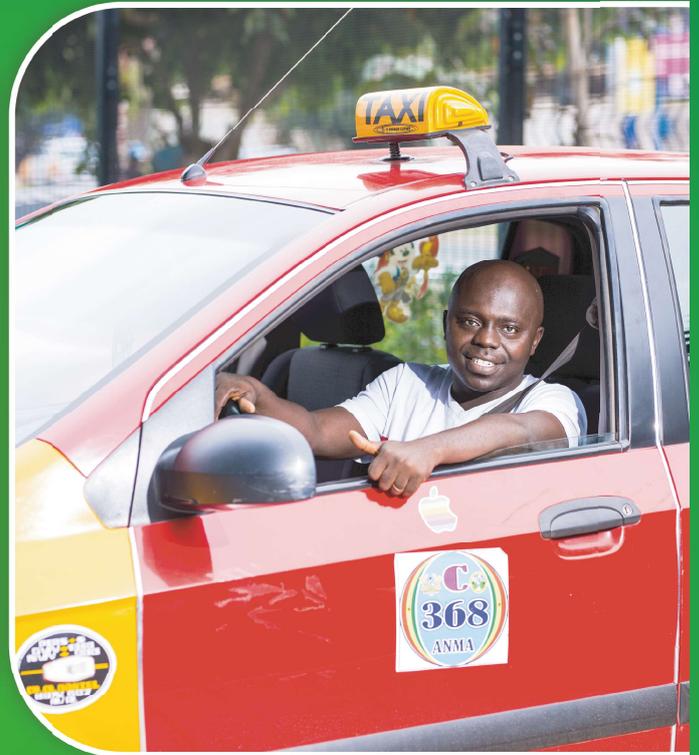
**12. At what rate should the informal sector worker/Self-employed person s also contribute to the Group and Personal Pension Schemes?**

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# NATIONAL PENSIONS REGULATORY AUTHORITY (NPRA)

## PLAN YOUR RETIREMENT



ARE YOU IN THE INFORMAL SECTOR?  
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