



UNIFICATION OF PENSIONS

The NPRA shall ensure that pension schemes in the country are unified in accordance with regulations made under the National Pensions Act, 2008 (Act 766). The new pensions law has made provision for a transitional period of four years for the existing CAP 30 and similar pension schemes to be unified, after which such schemes will be phased out.

SOCIO-ECONOMIC IMPACT

While the main beneficiaries of the new pension scheme will be members of the workforce as intended the introduction of the scheme will also have a positive impact on the Ghanaian economy. A major contribution of the pension scheme is the availability of a pool of long-term funds for investments, which will contribute immensely to national economic development.

The new scheme will also ensure improved living standards of the elderly; financial autonomy and independence of retirees; and the promotion of growth and development of the capital, mortgage and insurance markets.

It is envisaged that the new 3-Tier Pension Scheme will enhance pension benefits and increase the retirement income security of workers in both the formal and informal sectors.

ROLE AND RESPONSIBILITIES OF EMPLOYERS

- Employers are responsible for arranging for their employees to join a scheme under the mandatory 2nd tier by setting up an Employer Sponsored Scheme, or by joining a Master Trust Scheme which is open to multiple employers.
- Employers are responsible for maintaining up-to-date records on social security contributions and payments made on behalf of employees.
- Employers may also make deductions for provident fund and or personal pension schemes on behalf of employees.
- Employers shall also provide Trustees and other service providers with the necessary information to enable them carry out their duties.

ROLE AND RESPONSIBILITIES OF EMPLOYEES

- Employees must endeavour to collect contribution statements regularly to check for anomalies i.e. non-payment or under-payment of contributions, variations in social security number, names etc.
- Employees must enquire about scheme contribution arrangements with their employers.
- Employees must also know how much they are contributing to the mandatory schemes.
- Employees must update their records regularly for accuracy.

For Further Information, Contact:

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The New 3-Tier Pension Scheme for Ghana



Ensuring Retirement Income Security

BRIEF ON THE NATIONAL PENSIONS REGULATORY AUTHORITY AND THE NEW CONTRIBUTORY 3-TIER PENSION SCHEME

INTRODUCTION

The Parliament of Ghana in October 2008 passed a new pensions law which established a Contributory 3-Tier Pension Scheme to replace the previous Social Security, CAP 30 and related schemes. The implementation date for the new scheme was 1st January 2010.

THE AUTHORITY

The National Pension Act, 2008 (Act 766) established the National Pensions Regulatory Authority (NPRA) to regulate and monitor the operations of the scheme and ensure effective administration of all pensions in the country.



THE NEW PENSION SCHEME

The new 3-Tier Pension Scheme comprises two mandatory schemes and a voluntary scheme as follows:-

FIRST TIER

Mandatory Basic National Social Security Scheme, which incorporates an improved system of SSNIT benefits, mandatory for all employees in both the private and public sectors;

SECOND TIER

Occupational or Work-Based Pension Scheme, mandatory for all formal sector employees but privately managed, and designed primarily to give contributors higher lump sum benefits than previously available under the SSNIT pension scheme; and

THIRD TIER

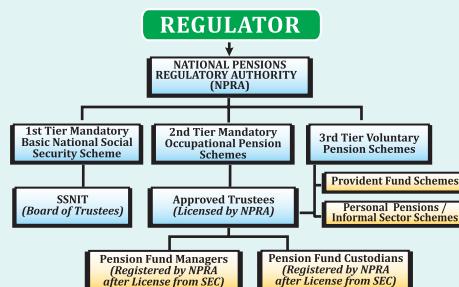
Voluntary Provident Fund and Personal Pension Schemes, supported by tax incentives, targeting workers in the informal sector and also designed to provide additional funds for formal sector workers, who want to make voluntary contributions to enhance their pension benefits.



MANAGEMENT OF THE SCHEMES

The mandatory first tier Basic National Social Security Scheme is managed by SSNIT, which is undergoing restructuring to strengthen its operations.

The mandatory second tier and the voluntary third tier schemes are privately managed by Trustees licensed by the NPRA and supported by registered Pension Fund Managers and Pension Fund Custodians. The diagram below provides additional information on the operations of the schemes.



A SPECIAL PENSION SCHEME FOR THE INFORMAL SECTOR

Provision has been made in the third tier voluntary Personal Pension Schemes, to cater for the peculiar needs of workers in the informal sector of the economy who constitute about eighty-five percent (85%) of workers in the country.

This means that farmers, fishermen, market women and traders, drivers and other self-employed can now participate in a pension scheme, which will take care of them in their old age.

The design of the new pension scheme will ensure that workers in the informal sector just like their counterparts in the formal sector also receive monthly pensions, as well as lump sum benefits when they retire.

BENEFITS OF THE NEW SCHEME

Benefits of the new pension scheme include the following:

- Reduction of the qualifying contribution period from 20 years to 15 years.
- Increase in annuity period from 12 years to 15 years.
- Tax benefits:- Contributors are entitled to up-to 35% tax exemption (conditions apply).
- Members can also use their future lump sum under the second tier to secure a mortgage for their **primary residence**.
- Contributors can transfer their accrued benefits from one scheme to another as they change employment.
- Member involvement in the management of the schemes.