

# GHANA

## COMPOSITION OF GROUP

JOSEPH POKU	- SSNIT; GHANA (HEAD)
MARTIN AFLO	- NPRA; GHANA
JAMES BLANGO	- NASSIT; SIERRA LEONE
VICTOR SAMAI	- NASSIT; SIERRA LEONE
NYA TWAYEN	- NASSCORP; LIBERIA
ANEEKA RAHMAN	- WORLD BANK; BANGLADESH
ASHIQ AZIZ	- WORLD BANK; BANGLADESH

# DEMOGRAPHIC CHARACTERISTICS

- **Population**  
25,009,153 (December 2013 estimate;  
Females- 50.5% Male- 49.5%)
- **Population growth rate**  
2.1% (2013 est.)
- **Birth rate**  
16.03 births/1,000 population (2013 est.)
- **Death rate**  
7.53 deaths/1,000 population (2013 est.)
- **Infant mortality rate**  
39.01 deaths/1,000 live births (2013 est.)
- **Life expectancy at birth**  
*total population:* 65.46 years (2013 est.); 66 years  
*male:* 64.48 years (2013 est.); 66 years  
*female:* 66.48 years (2013 est.); 67 years (2013 est.)
- **Total fertility rate**  
Fertility rate declined from 3.99 (2000) to 3.28 (2010) with 2.78 in Urban region and 3.94 in rural region



# ECONOMIC CHARACTERISTICS

- **Currency** Cedi (GH¢)
- **Fiscal year** Calendar year 1 January to 31 December
- **GDP** \$117 billion (2014 estimate, PPP)
- - \$70 billion (2014 estimate, nominal)
- **-GDP growth** 8.5% (Q3 – 2013)  
8.2% (2012 est.)
- **-GDP per capita** \$6,850 (2014 estimate, PPP)  
\$3,500 (2014 estimate, nominal)
- **GDP by sector** Services: 50.6% (2013);  
Industry: 28.1% (2013);  
Agriculture: 21.3% (2013)
- **Population below poverty line** 3% (2013 est.)
- **Labor force** 12.83 million (2012 est.)
- **Labor force by occupation** Services: 28% (2011 est.); Industry: 20% (2011 est.); Agriculture: 52% (2011 est.)
- **Average gross salary** c29,669.16 / \$10,483.8 (per year)
- **Average net salary** c2,472.43 / \$873.65 (per month)
- **Inflation** 17% - 18% (March 2016)



# Description of Ghana's Existing Pension System Before Reforms

- **Old Scheme (PNDCL 247) established in 1991 managed by SSNIT**
  - Mandatory Defined Benefits Contributory Scheme
  - Contribution Rate of 17.5% (12.5% Employer, 5% Employee) with 2.5% transfer to Health Insurance Scheme
  - Minimum number of months to Qualify is 240 with Replacement Rate of 50%
  - 1.5% Annual Accrual Rate up to a Maximum of 80% Replacement Rate
  - Retirement age is 60 years for both male and female
  - Early Retirement Starts at 55 years with 60% of the Replacement Rate increasing by 7.5% per year up to 59 years

# Description of Ghana's Existing Pension System Before Reforms Cont'd

- Provides for Old Age and Invalidity Pension and Survivors Lumpsum
- 12 years guaranteed Pension Period Plus Life Pension
- Option for 25% Lumpsum Payment for Old age Retirement and Invalidity Pensions
- Survivors Lumpsum Benefits for Death in Service and Pensioner death before age 72 years
- Old age Lumpsum Benefit for contributions less than 240 months
- Annual Indexation linked to contributor Wage Growth Rate
- Minimum Pension
- Coverage is 10-13%
- Valorized on TBYAS

# Description of Ghana's Existing Pension System After Reforms

- **New Scheme (Act766) effective January, 2010**
- Three-Tier Scheme:
  - 1. Mandatory Defined Benefits Contributory Scheme (1<sup>st</sup>-Tier)**
    - Total Contribution Rate of 18.5% (13% Employer, 5.5% Employee)
    - 13.5% to 1<sup>st</sup>-Tier (2.5% to Health Insurance Scheme)
    - Minimum number of months to Qualify is 180 with Replacement Rate of 37.5%
- 1.125% Annual Accrual Rate up to a Maximum of 60% Replacement Rate
- Retirement age is 60 years for both male and female
- Early Retirement Starts at 55 years with 60% of the Replacement Rate increasing by 7.5% per year up to 59 years

# Description of Ghana's Existing Pension System After Reform Cont'd

- Provides for Old Age and Invalidity Pension and Survivors Lumpsum
- 15 years guaranteed Pension Period Plus Life Pension
- No Option for 25% Lumpsum Payment for Old age Retirement and Invalidity Pensions
- Survivors Lumpsum Benefits for Death in Service and Pensioner death before age 75 years
- Old age Lumpsum Benefit for contributions less than 180 months
- Annual Indexation linked to contributor Wage Growth Rate
- Minimum Pension

# Description of Ghana's Existing Pension System after Reform Cont'd

- **2. Mandatory DC Scheme (2<sup>nd</sup> Tier)**
- Contribution Rate of 5%
- Privately Managed
- Lumpsum Benefit
- It's Portable and can be used as Collateral for Primary Mortgage
- **3. Voluntary DC Scheme (3<sup>rd</sup> –Tier)**
- Contribution Rate of up to 16.5%
- Privately Managed
- Lumpsum Benefit
- 29 companies, 76 Fund Mgrs, 17 Custodians, 256 Schemes



# Reform Needs

- The Need for a Collection Agent for the 2<sup>nd</sup> and 3<sup>rd</sup> Tier DC Schemes
- The need to Embark on Aggressive campaign to Expand Coverage
- Trustee Education
- Financial Independence of the Regulator
- Robust ICT for all the 2<sup>nd</sup> and 3<sup>rd</sup> tier Schemes for Efficient Data Collection and Administration



# Reform Challenges

- Current System Involves both New Entrants and Existing Members
- Reduction in Contributions, Increase in Guaranteed Period, Reduction in Qualifying Period
- Existence of Temporal Pension Fund Account (TPFA)
- Security of Tenure of the Regulator

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# Enabling Conditions

- The Existing Infrastructure of SSNIT could be used by the Collection Agent
- Positive Return outlook for the Economy
- Robust Legal System with Options of Alternative Dispute Resolution
- Vibrant Pension Regulator



# Reform Objective

- Wider Coverage
- Efficiency in Data Collection and Administration
- Improve Sustainability of the 1<sup>st</sup> Tier
- Enhance Benefits for 2<sup>nd</sup> and 3<sup>rd</sup> Tier Schemes



# Reform Options

- Tier 2 and 3 Benefits to be used to Purchase Annuities
- Social Pension Scheme for Seniors
- Survivors Pension for Surviving Spouse



# Reform Strategy

- To involve Labour Unions in the negotiations
- Employers to be brought on board
- Involve journalists in the sensitization campaign
- The General Population Education



# Conclusion

- Successful efforts that helps in achieving Wider Coverage of the current system;
- Efficiency in Data Collection and Administration where the branch network of SSNIT is used;
- Improve Sustainability of the 1<sup>st</sup> Tier:  
Possibility of Increasing the Contribution Rate
- Enhance Benefits for 2<sup>nd</sup> and 3<sup>rd</sup> Tier Schemes
- Survivors Pension for Surviving Spouse