Pensions and Social Security

ACTU 404

Lecture 3

History of Social Security and Pensions in Ghana

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HISTORY OF PENSIONS IN GHANA

MILESTONE 1 - Background

In pre-independence Ghana, there was neither a national nor a uniform Social Security Scheme in the country. However, there were public and private schemes, which catered for the income security of various categories of workers in the formal sector.

- In 1950, a public sector pension scheme popularly known as **CAP 30** emerged as a colonial legacy drawing its authority from the **Pensions Ordinance 42 of 1950** appeared as **Chapter 30 of the 1950 British Colonial Ordinance**, hence, the name **CAP (for Chapter) 30**. The Pension Ordinance 42 was promulgated in 1950 but took retroactive effect from January 1, 1946 for officers in the public service of the then government of the Gold Coast.
- CAP 30 is **a non-contributory pension scheme** established for workers categorized as **African Senior Civil Servants**
- The **CAP 30 Pension Scheme** was intended to be a reward from the Colonial Government to Civil Servants after a minimum of 10 years of loyal service at the voluntary age of 40 years or on the attainment of the compulsory retirement age of 50 years.
- It was not until 1955 that, with the promulgation of the **Teachers' Pension Ordinance** that certified teachers were included as African Civil Servants under the Pension Ordinance. Senior members or lecturing staff of the country's premier University, then the University of the Gold Coast, also had a Private Superannuation Scheme run by the University.

HISTORY OF PENSIONS IN GHANA

MILESTONE 2 - Establishment of Social Security Fund - 1965 (Social Security Act, 1965, Act 279)

In 1965, Parliament passed the **Social Security Act, 1965, Act 279** to establish a social security fund.

- **Contributions**
  - ✓ Contribution rate was **7.5%** and **15.0%** by the worker and employer respectively; Total Contribution was **22.5%**
  - ✓ Self-employed – **15.0%**
- **Benefits** provided:
  - **Superannuation**- a lump sum paid out to qualifying retirees
  - **Survivors and life insurance benefit**- paid to the nominated beneficiaries of a deceased member
  - **Invalidity Benefit** – when a member of the fund is rendered permanently invalid
  - **Sickness Benefit** – when the member is unable to earn an income due to sickness
  - **Emigration Benefit** – when the contributor emigrates permanently from Ghana

✓ Interim superannuation benefit for members aged 50 and 45 for men and women respectively

✓ Terminal benefits at the point of disengagement at age 60.

- **Membership**
  - Applicable to every employer of an establishment employing not less than five workers and to every worker employed therein.
  - A self-employed person may, at his own written request be enrolled as a member.

HISTORY OF PENSIONS IN GHANA

MILESTONE 2 - Establishment of Social Security Fund - 1965 (Social Security Act, 1965, Act 279)

- The scheme was managed by the then **Department of Pensions and National Insurance**.

- **Exemption from Tax:** No income tax was payable on any benefits by any member.

- **Existing Schemes**
  The existence of a pension, provident fund or gratuity scheme in respect of workers to whom the Act applied shall not exempt the employer of such worker or workers from the Act.

HISTORY OF PENSIONS IN GHANA

MILESTONE 3 – Social Security Decree, 1972, NRCD 127

In **1972**, the new government, the National Redemption Council (NRC) passed the **NRCD 127 to establish a body corporate, i.e. the Social Security and National Insurance Trust (SSNIT)** to administer the Fund.

The Social Security Fund established in 1965 was made to continue but was subjected to the provisions in the **NRCD 127**.

Provisions in the **NRCD 127** were as follows:

- ❖ **Establishment of a body corporate** known as Social Security and National Insurance Trust ("the Trust") to be responsible for the general administration of the Decree, administration & investment of the Fund and any regulations made.
- ❖ **Contributions**
  - ✓ Contribution rate was **5%** and **12.5%** by the worker and employer respectively; Total Contribution was **17.5%**
  - ✓ Self-employed – **12.5%**
- ❖ **Establishment of Board of Directors**

  A 10-member governing body called the Board of Directors was established under the Decree.
- ❖ **Membership**
  - ▪ Applicable to every employer of an establishment employing not less than five workers and to every worker employed therein , and also to every other employer and worker to whom the Social Security, 1965, Act 279 applied
  - ▪ A self-employed person may, at his own written request be enrolled as a member.

HISTORY OF PENSIONS IN GHANA

MILESTONE 3 – Social Security Decree, 1972, NRCD 127

❖ Categories that were exempt were:

- ✓ Members of the Armed Forces
- ✓ Members of the Police Service
- ✓ Members of the Prison Service
- ✓ Members of the National Fire service
- ✓ Foreigners in the Diplomatic Missions
- ✓ Senior members of the Universities and Research Institutes.

❖ **Benefits** provided:

- Superannuation
- Invalidity
- Survivors
- Emigration
- Sickness
- Unemployment (The required conditions for the administration of the benefit per NRCD 127, Section (40) (1) (f) was never prescribed.

✓ **Interim superannuation benefit** for members aged 50 and 45 for men and women respectively

✓ **Terminal benefits** at the point of disengagement at age 60.

❖ The Scheme was administered as a Provident Fund.

HISTORY OF PENSIONS IN GHANA

MILESTONE 3 – Social Security Decree, 1972, NRCD 127

- **Exemption from Tax**

  No income tax was payable on any benefits received by any member, his nominee or heir.

- **Existing Schemes**
  - The existence of a pension, provident fund or gratuity scheme in respect of workers to whom the Act applied shall not exempt the employer of such worker or workers from the Act.
  - In **1975 Pensions and Social Security (Amendment) Decree, 1975, SMCD 8** offered members of the Social Security who held pensionable office in the public service or police service the option to either continue with the Social Security Fund or opt out to have their pensions determined in accordance with any law relating to pensions applicable to them.

HISTORY OF PENSIONS IN GHANA

MILESTONE 4 – Social Security Law, 1991, PNDCL 247

In 1991, the Social Security Decree, 1972 NRCD 127 was reformed to convert the then provident scheme into a pension scheme under Social Security Law, 1991, PNDCL 247:

❖ **Contributions**

- ✓ Contribution rate was **5%** and **12.5%** by the worker and employer respectively; Total Contribution was **17.5%**
- ✓ Self-employed – **17.5**%.

❖ **Board of Directors**

Membership of the Board of Directors was increased to 14.

❖ **Membership**

- ✓ Every employer of an establishment and to every worker employed therein;
- ✓ Every other employer and worker to whom the Social Security Decree, 1972 (NRCD 127) applied immediately before the commencement of this Law, and;
- ✓ All self-employed persons, who opt to join the Scheme.
- ✓ Officers and men of the Armed Forces and such other officers were exempted

❖ **Contributions**

- ✓ Contribution rate was **5%** and **12.5%** by the worker and employer respectively; Total Contribution was **17.5%**
- ✓ Self-employed – **17.5**%.

HISTORY OF PENSIONS IN GHANA

MILESTONE 4 – Social Security Law, 1991, PNDCL 247

- **Benefits** provided:
  - Superannuation pension
  - Old-age lump sum
  - Invalidity pension
  - Survivors lump sum
  - Emigration benefit

  ✓ Early retirement pension (reduced pension) for members aged between 55 and 60 years.

  ✓ Persons working in hazardous employment were allowed to retire at age 55 with full pension.

  ✓ The law provided pension payments to members who met the eligibility conditions on retirement and also provided members the opportunity to opt for **25% of their lifetime guaranteed monthly pension payments** called the **25% lump sum** on retirement.

- **Exemption from Tax**

  No income tax was payable on any benefits received by any member, and his nominee.

- **Existing Schemes**

  The existence of a private or company pension, provident fund, superannuation scheme or gratuity scheme in respect of workers to whom this Law applies shall not exempt the employer of such worker or such workers from the provisions of the Law.

HISTORY OF PENSIONS IN GHANA

MILESTONE 4 – Social Security Law, 1991, PNDCL 247

- **Periodic Review of Pensions**

The Trust shall annually review the pension payment based on adjustment in salaries and wages of members.

MILESTONE 5

National Pensions Act, 2008, Act 766

Introduction

- The standardization of pension schemes in the country.
- Presidential Commission on Pensions was subsequently set up by the then President (H.E.) Mr. J.A. Kuffour in 2005.
- A bill was ultimately presented to parliament in 2008 and it resulted in the promulgation of the National Pensions Act, 2008, (Act 766).

HISTORY OF PENSIONS IN GHANA

MILESTONE 5 – National Pensions Act, 2008, Act 766

- The National Pensions Act, 2008, Act 766 established a contributory three-tier pension scheme consisting of the following:
  - ✓ A mandatory basic national social security scheme (called Tier-1).
  - ✓ A mandatory fully funded and privately managed occupational pension scheme (called Tier-2).
  - ✓ A voluntary fully funded and privately managed provident fund and personal pension scheme (called Tier-3).
- The basic national social security scheme operates under the Social Security and National Insurance Trust.
- The occupational pension scheme, provident fund scheme, personal pension scheme and other privately managed pension schemes are managed by trustees.

Key Features of the Three-Tier Pension Scheme

- **Contributions**
  - Employee - (**5.5%**) of employee's basic salary; Employer - (**13%**) based on employee's basic salary; Total Contribution is **18.5%**
  - The total of 18.5% is distributed as:
    - Tier-1 Mandatory Basic Social Security Scheme (SSNIT) – **13.5%** with **2.5%** going to the NHIS.
    - Tier-2 Second-Tier Mandatory Occupational Scheme – **5%**

HISTORY OF PENSIONS IN GHANA

MILESTONE 5 – National Pensions Act, 2008, Act 766

❖ **Tax Relief**

- Contributions up to 35% of payroll is tax exempt.

  Tax exemption is distributed as follows:

  - ✓ Tier-1 mandatory – 13.5% Tier-2 (mandatory) – 5.0% Tier-3 (voluntary) 16.5% (employer/employee)
  - ✓ Investment income is tax exempt.
  - ✓ Retirement (Pension) benefit is tax exempt.

❖ **Establishment of a Pensions Regulator**

Establishment of a National Pensions Regulatory Authority to regulate and monitor the operation of both Public and Private Pension Schemes to ensure the effective administration of pensions in the country.

The Act is in four major parts.

- **Part I** deals with the establishment of the three-tier pension system and the Pension Regulatory Authority.
- **Part II** outlines the provisions for the implementation and operation of the Basic National Social Security Scheme (Pillar One or SSNIT Pension Scheme).
- **Part III** covers the provisions for the operations of the Second and Third Tiers (Pillar Two and Pillar Three).
- **Part IV** of the Act 766, headed General Provisions considers relevant issues including the supervision, disclosure of information and dispute resolution for all the schemes.

Functions of the Authority

To achieve its object the Authority shall:

(a) be responsible for ensuring compliance with this Act;

(b) register occupational pension schemes, provident funds and personal pension schemes;

(c) issue guidelines for the investment of pension funds;

(d) approve, regulate and monitor trustees, pension fund managers, custodians and other institutions that deal with pensions as the Authority may determine;

(e) establish standards, rules and guidelines for the management of pension funds under this Act;

(f) regulate the affairs and activities of approved trustees and ensure that the trustees administer the registered schemes;

(g) regulate and monitor the implementation of the Basic National Social Security Scheme;

(h) carry-out research and ensure the maintenance of a national data bank on pension matters;

(i) sensitise the public on matters related to the various pension schemes;

(j) receive and investigate complaints of impropriety in respect of the management of pension schemes;

(k) promote and encourage the development of the pension scheme industry in the country;

(l) receive, and investigate grievances from pensioners and provide for redress;

(m) advise government on the general welfare of pensioners;

(n) advise government on the overall policy on pensions in the country;

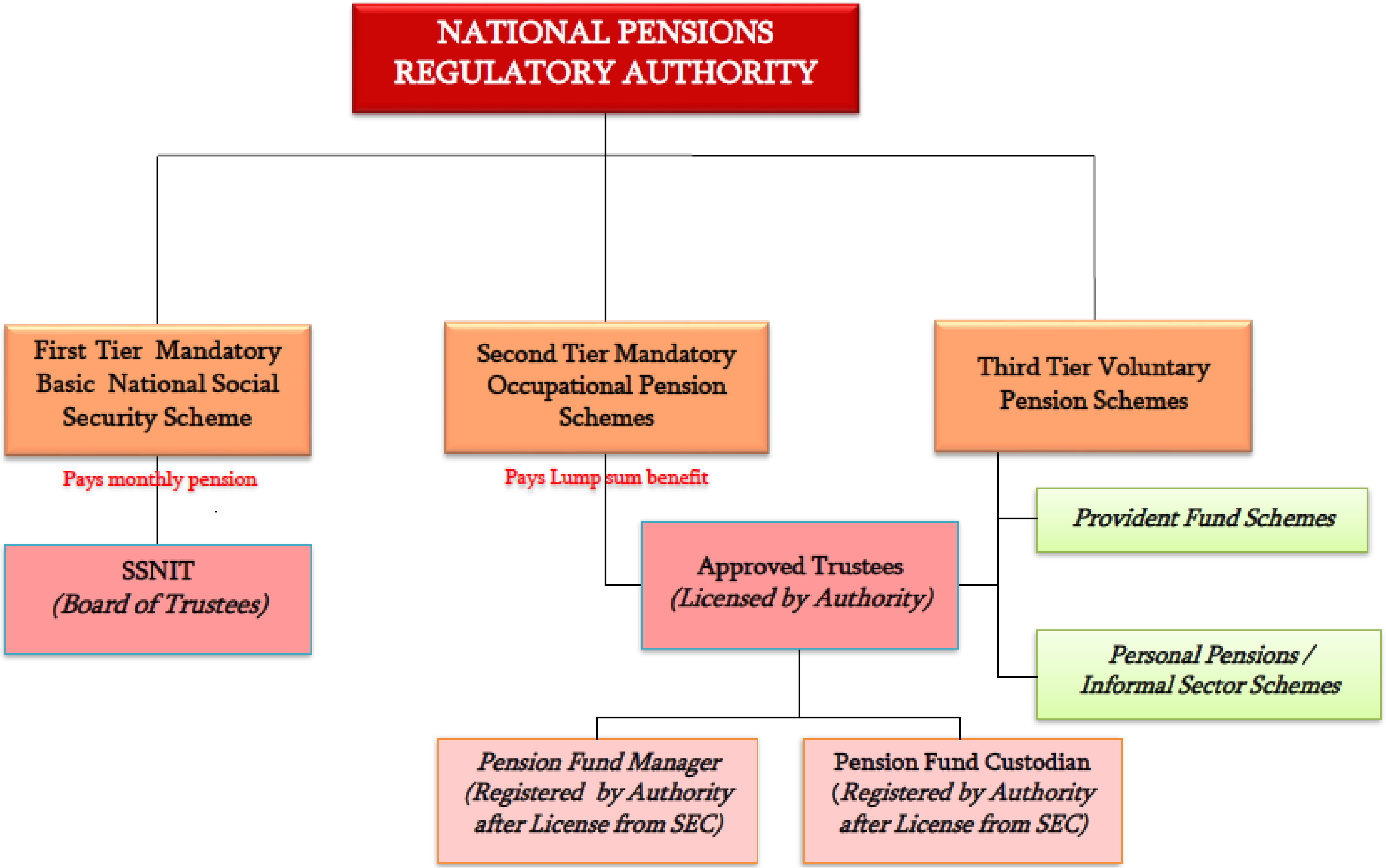
(o) request information from any employer, trustee, pension fund manager or custodian, any other person or institution on matters related to retirement benefit;

(p) charge and collect fees as the Authority may determine;

(q) impose administrative sanctions or fines; and

(r) perform any other functions that are ancillary to the object of the Authority.

MILESTONE 5 – National Pensions Act, 2008, Act 766



The Basic National Pension Scheme (Tier-1)
SSNIT Scheme

Object of the Trust

The object of the Trust is to operate the basic national social security scheme referred to as the social security scheme and other schemes as determined by law on the recommendations of the National Pensions Regulatory Authority.

Functions of the Trust

To achieve its object the Trust shall

a) Operate the basic national social security pension scheme and other schemes as may be prescribed by law;
b) Have a Fund into which shall be paid the contributions and any other moneys as may be required under this Act;
c) Be responsible for the general administration of the social security scheme and regulations made under it;
d) Ensure the provision of social protection for the working population for various contingencies including old age, invalidity and death;
e) Be responsible for the administration and investment of funds within the framework of general directives issued by the Board of Trustees and approved by the Authority;
f) Collaborate with other complementary social protection schemes in respect of specified operational and administrative functions to achieve efficiency, cost savings and avoidance of duplication of functions;
g) Have general control of the funds and investments of the social security scheme and the management of the Trust; and
h) Perform any other functions that are ancillary to the objects of the Trust.

The Basic National Pension Scheme (Tier-1)

Scheme Design

The Pension Scheme is a social insurance scheme based on the principles of:

- risk pooling,
- intergenerational transfer and;
- solidarity.

Financing Method

The scheme is partially funded and it adapts the scaled premium method of financing.

Governance

- ✓ Board of Directors under PNDCL 247 was replaced with Board of Trustees.
- ✓ The membership of the Board of Trustees was reduced to 13.

Membership

- ➢ Membership is mandatory for all employees with employer-employee relationship with identified employer.
- ➢ Expanded to include the Universities, Research Institutions, Police Service, Fire Service, Judges plus those previously catered for under Cap 30
- ➢ Membership of the self-employed is voluntary.
- ➢ The only persons expressly exempted by law are the Military.
- ➢ The minimum age at which a person may join the social security scheme is fifteen years and the maximum age is forty-five years.

The Basic National Pension Scheme (Tier-1)

Age Exemption

Members who were aged 55 years and above on implementation date of Act 766, (the age was reduced to 50 years and above under the National Pension Amendment Act, 2014, Act 883) were exempted and therefore made to receive benefits under PNDCL 247, unless they opted otherwise.

Contributions

- Under the National Pensions Act, 2008 (Act 766), a total worker-employer contribution rate of 18.5% is paid on behalf of the worker;
  - The worker contributes 5.5%
  - The employer pays 13% of the worker's wages

- The total contribution rate of 18.5% is distributed as follows:
  - 2.5% for the NHIS
  - 5% to the Second Tier (Pillar Two) Schemes, and
  - 11% for the operations of the SSNIT

- Maximum ceiling for contributions

  The Trust, in consultation with the Board of the Authority, will establish a maximum ceiling for contributions (i.e. the maximum salary on which contributions shall be paid).

The Basic National Pension Scheme (Tier-1)

Benefits

A member of the Scheme is guaranteed the following core benefits

- Superannuation Pension
- Invalidity Pension
- Old-Age lump sum
- Survivors lump sum
- Emigration benefit

Periodic Review of Pensions

The Trust shall annually review the pension payment which shall be indexed to wage inflation rates of active members or another rate determined by the Trust in consultation with the Board of the Authority.

Benefits under Tier-1

Defined Benefit (DB) pension formulas

A defined benefit (DB) pension scheme is one where the amount of pension is based on how many years of service/membership of a member under the scheme and the salary earned over the period.

Pension calculations are unique to each defined benefit (DB) plan. There are 3 main formula types, but there can be many variations to them.

1. Final Salary/Final average earnings
2. Career average earnings
3. Flat benefit

1.Final Salary/Final average earnings

"Final salary" refers to the employee's salary over some period close to retirement.
Final average salary varies from pension schemes to pension schemes. In most schemes, **a final average salary** is the average of the last (final) five years or three years of work (service). Other schemes use the three or five highest average salary, rather than the years at the end of the working career.

The pension formula of a final salary Scheme is of the form:

PENSION = PENSIONABLE PERIOD OF SERVICE X MUTIPLIER X FINAL AVERAGE SALARY

Pensionable Period of Service

"Service" refers to the number of qualifying years or months that an employee has worked for the employer (or has been an active member of the scheme). It may differ from actual service if the employee has spent some time working for the employer while not a member of the pension scheme.

Multiplier/Accrual Rate

- The Multiplier, is sometimes known by other terms, such as "accrual rate" or "crediting rate".
- The "multiplier" in the formula is used to determine the percentage of final average salary that will be received as a retirement benefit. The **accrual rate** varies from scheme to scheme. It is the rate at which a member builds up his/her pension benefits.
- The rate is normally expressed as a fraction (although some schemes show it as a percentage) such as $1/30^{th}$, $1/60^{th}$, $1/80^{th}$, $1/120^{th}$ etc. The *lower* the bottom number, the better the pension benefit
- The years of service times the multiplier is known as your "replacement rate," or the "pension right" or the percentage of the final average salary.

PENSION RIGHT = ACCRUAL RATE * PERIOD OF SERVICE

A typical multiplier is 2%. So, if you work 30 years, and your final average salary is GH₵75,000, then your pension would be 30 x 2% x GH₵75,000 = GH₵45,000 a year.

2. A career average pay formula

A career average pay formula provides a benefit similar to that provided under the final average pay formula, but the average is often created using the salaries for the entire period of time the member is covered by the scheme.

Career Average Revalued Earnings (CARE)

Career Average Revalued Earnings (CARE) scheme gives pensions based on averaged pensionable salaries throughout their working life. The pension is adjusted each year in order to maintain value. Adjustments are generally in line with either a prices index or an earnings index.

GENERAL PROCEDURE FOR THE COMPUTATION OF OLD-AGE MONTHLY PENSION

Key Parameters:

The amount of your monthly pension depends on the following:

- **Age at Retirement**
- **Total number of months of Social Security contribution payments.**
- **Earnings/Salaries on which contributions were paid**

GENERAL PROCEDURE FOR THE COMPUTATION OF OLD-AGE MONTHLY PENSION

STEP 1: Determine type of Retirement/Pension

- Compulsory Retirement entitles a member to a **Full pension.**
- Voluntary (Early) Retirement entitles a member to a **Reduced pension.**

TYPES OF OLD AGE RETIREMENT

Early Retirement

Voluntary

At any age from 55 years but below 60 years

Normal Retirement

Compulsory

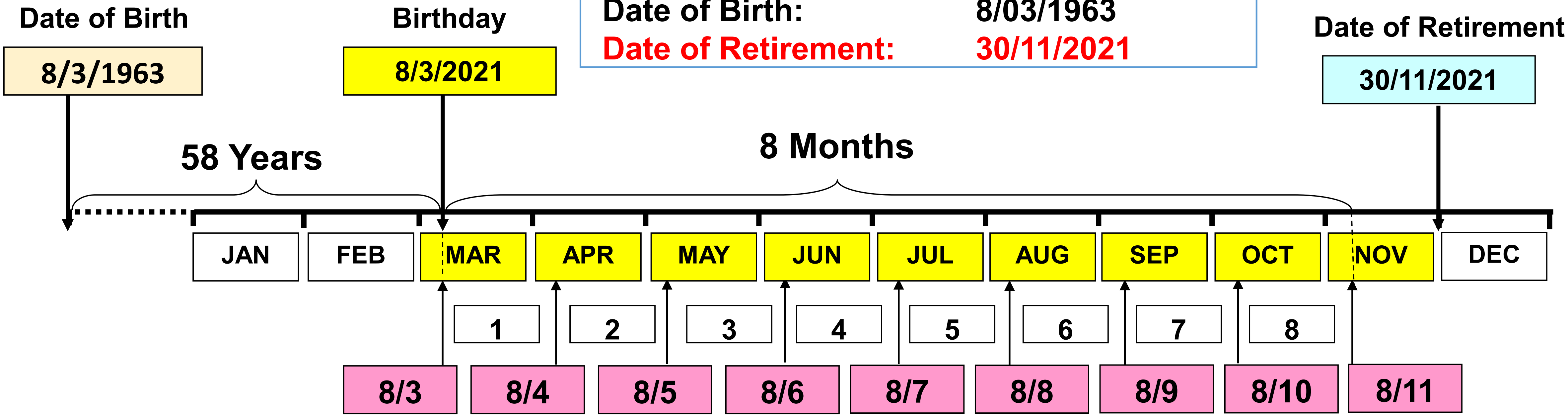
At age 60

(i) Determine the Age of the member at retirement expressed in years and months.

Age at Retirement = Date of Retirement - Date of Birth

EXAMPLE

Date of Birth:	**8/03/1963**
Date of Retirement:	**30/11/2021**



Age of Member = Date of Retirement – Date of Birth

= 30/11/2021 – 8/03/1963

= 58 years 8 Months

GENERAL PROCEDURE FOR THE COMPUTATION OF OLD-AGE MONTHLY PENSION

(ii) Determine the Early Retirement Factor (where applicable).

	Complete Months												
Complete Years	Age	0	1	2	3	4	5	6	7	8	9	10	11
	55	0.6000	0.6063	0.6125	0.6188	0.6250	0.6313	0.6375	0.6438	0.6500	0.6563	0.6625	0.6688
	56	0.6750	0.6813	0.6875	0.6938	0.7000	0.7063	0.7125	0.7188	0.7250	0.7313	0.7375	0.7438
	57	0.7500	0.7562	0.7625	0.7687	0.7750	0.7812	0.7875	0.7937	0.8000	0.8062	0.8125	0.8188
	58	0.8250	0.8312	0.8375	0.8437	0.8500	0.8562	0.8625	0.8687	0.8750	0.8812	0.8875	0.8938
	59	0.9000	0.9083	0.9167	0.9250	0.9333	0.9417	0.9500	0.9583	0.9667	0.9750	0.9833	0.9917
	60 OR >	1.0000											

- State the age at retirement in complete years and months. (e.g. **58 years 8 months**)
- Select the “complete years” part of the age at retirement from the row
- Select the “complete months” part of the age from the column
- The value in the cell where the selected row and column meet is the applicable **Early Retirement Factor** for the age (in complete years and months) at retirement.

If you retire at age 60 years or later your Monthly pension would not be subjected to an **Early Retirement** and your **Early Retirement Factor** would therefore be given a value of **1.0000** (one).

GENERAL PROCEDURE FOR THE COMPUTATION OF OLD-AGE MONTHLY PENSION

STEP 2: Compute Pension Right

You earn or accrue **pension credits** called "**PENSION RIGHT**" (*expressed as a proportion or a percentage*) for the number of months you have contributed to the scheme.

The Pension right determines the level of income replacement at retirement

- A pension right of **37.5%** (**0.375**) is earned if there are Social Security contributions payments for a minimum period of **180 months** in total.
- Every additional month of Social Security contribution payment over the minimum period of 180 months attracts an additional percentage of 0.09375% (or 0.0009375)
- The maximum pension right is **60% or 0.60** (which is equivalent to 420 months or 35 years of Social Security contribution payments).

PENSION RIGHT = 0.375 + [(Total number of months of contributions – 180) X 0.0009375]

Example

A member of the Scheme with date of birth as 20th April 1961 plans to retire at the end of April 2017. The total number of months of contribution payments totaled 272 months. Calculate the Pension Right for the member on retirement.

PENSION RIGHT = 0.375 + [(Total number of months of contributions – 180) X 0.0009375]

A Total number of 272 months of contributions payments (under ACT 766 would give a pension right value equal to:

PENSION RIGHT = 0.375 + [(272 – 180) X 0.0009375]

= 0.375 + [92 X 0.0009375] = 0.4613 or 46.13%

STEP 3: Determine the average of three best years' annual salaries

(A) Obtain the three best years' annual salaries as follows:

The Three Best Years' Annual Salaries (TBYAS) are determined from the Best 36 Months Average Monthly Salaries (AMS).

Salary1 = 1st Best Annual Salary

Obtained from Highest 12 Months Average Monthly Salaries

Salary2 = 2nd Best Annual Salary

Obtained from Next Highest 12 Months Average Monthly Salaries

Salary3 = 3rd Best Annual Salary

Obtained from Next Highest 12 Months Average Monthly Salaries

(B) The average of the three best years' annual salaries is computed as:

$$\textit{Average of three best years' annual salaries} = \frac{Salary1 + Salary2 + Salary3}{3}$$

SCENARIO 1

Where the Number of Months for the years with the Highest Average Monthly Salaries is 12

Example 1

Period	Number of Months	Total Salary GH₵
2014	12	1,480.75
2015	12	4,388.04
2016	12	2,907.72

Step (i) Compute the Average Monthly Salary for each year of contribution payments

Divide the **Total Salary** for each year by the corresponding number of months of contribution payments.

$$Average\ Monthly\ Salary = \frac{Total\ Salary\ for\ the\ year}{Number\ of\ months\ of\ contribution\ payments}$$

Period	Number of Months	Total Salary GH₵	Average Monthly Salary GH₵
2014	12	1,480.75	1,480.75/12 = 123.40
2015	12	4,388.04	4,388.04/12 = 365.67
2016	12	2,907.72	2,907.72/12 =242.31

Step (ii) Arrange the Average Monthly Salaries in descending order of magnitude.

Period	Number of Months	Total Salary GH₵	Average Monthly Salary GH₵
2014	12	1,480.75	**123.40**
2015	12	4,388.04	**365.67**
2016	12	2,907.72	**242.31**

Period	Number of Months	Total Salary GH₵	Average Monthly Salary GH₵	
2015	12	4,388.04	**365.67**	1
2016	12	2,907.72	**242.31**	2
2014	12	1,480.75	**123.40**	3

Step (iii) Obtain the Three Best Years' Annual Salaries

1st Best Annual Salary

a) Begin with the year with Highest Average Monthly Salary.

b) Write down the corresponding number of months of contribution payments

If the number of months of contribution payments obtained in (b) is equal to 12 then

Multiply the Average Monthly Salary for that year by 12 to obtain the 1st Best Annual Salary

1st Best Annual Salary = Average Monthly Salary X 12

[That is, where the number of months of contribution payments corresponding to the highest Average Monthly Salary is equal to 12 then the **Total Salary** for that year is the same as the **1st Best Annual Salary**]

Period	Number of Months	Total Salary GH₵	Average Monthly Salary GH₵
2015	12	4,388.04	**365.67**
2016	12	2,907.72	**242.31**
2014	12	1,480.75	**123.40**

1st Best Annual Salary = GH₵365.67 X 12 = GH₵4,388.04

2^{nd} Best Annual Salary

a) Move to the year with the next Highest Average Monthly Salary

b) Write down the corresponding number of months of contribution payments

If the number of months of contribution payments obtained in (b) is equal to 12 then

Multiply the Average Monthly Salary for that year by 12 to obtain the 2^{nd} Best Annual Salary

2^{nd} Best Annual Salary = Average Monthly Salary X 12

[That is, where the number of months of contribution payments corresponding to the second highest Average Monthly Salary is equal to 12 then the **Total Salary for that year** is the same as the **2^{nd} Best Annual Salary**]

Period	Number of Months	Total Salary GH₵	Average Monthly Salary GH₵
2015	12	4,388.04	**365.67**
2016	12	2,907.72	**242.31**
2014	12	1,480.75	**123.40**

2^{nd} Best Annual Salary = GH₵242.31 X 12 = GH₵2,907.72

3^{rd} Best Annual Salary

a) Move to the year with the next Highest Average Monthly Salary

b) Write down the corresponding number of months of contribution payments

If the number of months of contribution payments obtained in (b) is equal to 12 then

Multiply the Average Monthly Salary for that year by 12 to obtain the 3^{rd} Best Annual Salary

3^{rd} Best Annual Salary = Average Monthly Salary X 12

[That is, where the number of months of contribution payments corresponding to the third highest Average Monthly Salary is equal to 12 then the **Total Salary for that y**ear is the same as the **3^{rd} Best Annual Salary**]

Period	Number of Months	Total Salary GH₵	Average Monthly Salary GH₵
2015	12	4,388.04	**365.67**
2016	12	2,907.72	**242.31**
2014	12	1,480.75	**123.40**

3^{rd} Best Annual Salary = GH₵123.40 X 12 = GH₵1,480.75

STEP 3: Determine the average of three best years' annual salaries

(A) Obtain the three best years' annual salaries as follows:

Salary1 = 1st Best Annual Salary = GH₵4,388.04

Salary2 = 2nd Best Annual Salary = GH₵2,907.72

Salary3 = 3rd Best Annual Salary = GH₵1,480.75

(B) The average of the three best years' annual salaries is computed as:

$$\textit{Average of three best years' annual salaries} = \frac{Salary1 + Salary2 + Salary3}{3}$$

Average of Three Best Years' Annual Salaries = $\frac{[4{,}388.04 + 2{,}907.72 + 1{,}480.75]}{3}$

= GH₵2,925.50

SCENARIO 2

Where the Total Number of months for the years with the Highest Average Monthly Salaries is less than 12 Months

Step (i) Compute the Average Monthly Salary for each year of contribution payments

Divide the Total Salary for each year by the corresponding number of months of contribution payments.

$$Average\ Monthly\ Salary = \frac{Total\ Salary\ for\ the\ year}{Number\ of\ months\ of\ contribution\ payments}$$

Example 2

Period	Number of Months	Total Salary GH₵	Average Monthly Salary GH₵
1999	9	173.67	173.67/9 = 19.30
2000	12	368.77	368.77/12 = 30.73
2001	12	371.72	371.72/12 =30.98
2002	12	1,165.04	1,165.04/12 = 97.09
2003	12	1,480.75	1,480.75/12 = 123.40
2004	4	969.25	969.25/4 = 242.31
2005	6	2,194.05	2,194.05/6 = 365.67

Step (ii) Arrange the Average Monthly Salaries in descending order of magnitude.

Period	Number of Months	Total Salary GH₵	Average Monthly Salary GH₵
1999	9	173.67	**19.30**
2000	12	368.77	**30.73**
2001	12	371.72	**30.98**
2002	12	1,165.04	**97.09**
2003	12	1,480.75	**123.40**
2004	4	969.25	**242.31**
2005	6	2,194.05	**365.67**

Period	Number of Months	Total Salary GH₵	Average Monthly Salary GH₵	
2005	6	2,194.05	**365.67**	1
2004	4	969.25	**242.31**	2
2003	12	1,480.75	**123.40**	3
2002	12	1,165.04	**97.09**	4
2001	12	371.72	**30.98**	5
2000	12	368.77	**30.73**	6
1999	9	173.67	**19.30**	7

Step (iii) Obtain the Three Best Years' Annual Salaries

1st Best Annual Salary

a) Begin with the year with Highest Average Monthly Salary.
b) Write down the corresponding number of months of contribution payments

If the number of months of contribution payments obtained in (b) is less than 12 then

Obtain the Additional Number of Months required to make up the 12 Months from the period with the next highest Average Monthly Salary, ……and move to the period with the next highest Average Monthly Salary till you can make up the 12 months.

NB: Where the additional number of months required to make up the 12 months from a period is less than the number of months of contribution payments for that period; write down the remainder number of months of contributions after the selection for subsequent use in the calculation of the 2nd Best Annual Salary.

Period	Number of Months		Total Salary GH₵	Average Monthly Salary (AMS) GH₵
2005	6 √	**1st 12 months**	2,194.05	365.67
2004	4 √		969.25	242.31
2003	~~12~~ = 2 √	R 10	1,480.75	123.40
2002	12		1,165.04	97.09
2001	12		371.72	30.98
2000	12		368.77	30.73
1999	9		173.67	19.30

1^{st} Best Annual Salary

c) Multiply each of the number of months selected to make up the first 12 months by the corresponding Average Monthly Salaries.

d) Add up the results obtained in (c) to obtain the **1^{st} Best Annual Salary**

Period	Number of Months		Total Salary GH₵	Average Monthly Salary (AMS) GH₵
2005		6 X	2,194.05	365.67
2004		4 X	969.25	242.31
2003	R10	2 X	1,480.75	123.40
2002	12		1,165.04	97.09
2001	12		371.72	30.98
2000	12		368.77	30.73
1999	9		173.67	19.30

1^{st} Best Annual Salary **= [2005 $_{AMS}$ X 6] + [2004 $_{AMS}$ X 4] + [2003 $_{AMS}$ X 2]**

= [365.67 X 6] + [242.31 X 4] + [123.40 X 2]

= GH₵3,409.66 = [Salary1]

2nd Best Annual Salary

a) Continue from the year where the 1st Best Annual Salary was obtained

b) Write down the corresponding number of months of contribution payments

Where the number of months of contribution payments for the period (year) in (b) is less than 12 or there is a remainder number of months from the previous calculation (i.e. the 1st best annual salary).

Obtain the <u>Additional Number of Months required to make up the 12 Months</u> from the period with the next highest Average Monthly Salary, ……and move to the period with the next highest Average Monthly Salary till you can make up the 12 months.

***NB:** Where the additional number of months required to make up the 12 months from a period is less than the number of months of contribution payments for that period; write down the remainder number of months of contributions after the selection for subsequent use in the calculation of the 3rd Best Annual Salary.*

Period	Number of Months	Total Salary GH₵	Average Monthly Salary (AMS) GH₵
2005		2,194.05	365.67
2004		969.25	242.31
2003	R 10 √	1,480.75	123.40
2002	~~12~~ = 2 √ **2nd 12 months** R 10	1,165.04	97.09
2001	12	371.72	30.98
2000	12	368.77	30.73
1999	9	173.67	19.30

2^{nd} Best Annual Salary

c) Multiply each of the number of months selected to make up the second 12 months by the corresponding Average Monthly Salaries.

d) Add up the results obtained in (c) to obtain the **2^{nd} Best Annual Salary**

Period	Number of Months		Total Salary GH₵	Average Monthly Salary (AMS) GH₵
2005			2,194.05	365.67
2004			969.25	242.31
2003		R10 X	1,480.75	123.40
2002	R10	2 X	1,165.04	97.09
2001	12		371.72	30.98
2000	12		368.77	30.73
1999	9		173.67	19.30

2^{nd} Best Annual Salary $= [2003_{AMS} \times 10] + [2002_{AMS} \times 2]$

$= [123.40 \times 10] + [97.09 \times 2]$

= GH₵1,428.18 = [Salary2]

3rd Best Annual Salary

a) Continue from the year where the 2nd Best Annual Salary was obtained

b) Write down the corresponding number of months of contribution payments

Where the number of months of contribution payments for the period (year) in (b) is less than 12 or there is a remainder number of months from the previous calculation (i.e. the 2nd Best Annual Salary).

Obtain the Additional Number of Months required to make up the 12 Months from the period with the next highest Average Monthly Salary, ……and move to the period with the next highest Average Monthly Salary till you can make up the 12 months.

Period	Number of Months	Total Salary GH₵	Average Monthly Salary (AMS) GH₵
2005		2,194.05	365.67
2004		969.25	242.31
2003		1,480.75	123.40
2002	R10 √	1,165.04	97.09
2001	~~12~~ = 2 √ } **3rd 12 months** R10	371.72	30.98
2000	12	368.77	30.73
1999	9	173.67	19.30

3rd Best Annual Salary

c) Multiply each of the number of months selected to make up the third 12 months by the corresponding Average Monthly Salaries.

d) Add up the results obtained in (c) to obtain the **3rd Best Annual Salary**

Period	Number of Months		Total Salary GH₵	Average Monthly Salary (AMS) GH₵
2005			2,194.05	365.67
2004			969.25	242.31
2003			1,480.75	123.40
2002		R10 X	1,165.04	97.09
2001	R10	2 X	371.72	30.98
2000	12		368.77	30.73
1999	9		173.67	19.30

3rd Best Annual Salary = **[2002 $_{AMS}$ X 10] + [2001 $_{AMS}$ X 2]**

= [97.09 X 10] + [30.98 X 2]

= GH₵1,032.86 = [Salary3]

STEP 3: Determine the average of three best years' annual salaries

(A) Obtain the three best years' annual salaries as follows:

Salary1 = 1st Best Annual Salary = GH₵3,409.66

Salary2 = 2nd Best Annual Salary = GH₵1,428.18

Salary3 = 3rd Best Annual Salary = GH₵1,032.86

(B) The average of the three best years' annual salaries is computed as:

$$\textit{Average of three best years' annual salaries} = \frac{Salary1 + Salary2 + Salary3}{3}$$

$$\textbf{Average of Three Best Years' Annual Salaries} = \frac{[3{,}410.06 + 1{,}428.18 + 1{,}032.86]}{3}$$

= GH₵1,957.03

STEP 4: Compute the Annual Pension

Compute your Annual Pension using the formula below.

Annual Pension = Average of three best years' annual salaries
X Pension Right
X Early Retirement Factor

STEP 5: Determine the Monthly Pension

Divide the Annual Pension by 12 to obtain the Monthly Pension

Old-Age Retirement Monthly Pension

Worked Example

A member who has contributed for a period of 300 months plans to retire at age 56 years 2 months under Act 766 with the following three best annual salaries of GH₵60,000, GH₵58,000 and GH₵44,000. Calculate the monthly pension.

STEP 1: Determine type of Retirement/Pension

(i) **Determine age at retirement** expressed in years and months

The member's age at retirement is 56 years 2 months

(ii) **Select Type of Retirement**

The member plans to retire at the age of **56 years 2 months** and therefore constitute an early retirement.

An early retirement entitles the member to a **Reduced Pension** OR a reduction in the monthly pension

The applicable **Early Retirement Factor** at age 56 years 2 months is **0.6875**

Worked Example

The applicable **Early Retirement Factor** at age 56 years 2 months is **0.6875**

		Complete Months											
Complete Years	Age	0	1	2	3	4	5	6	7	8	9	10	11
	55	0.600	0.6063	0.6125	0.6188	0.6250	0.6313	0.6375	0.6438	0.6500	0.6563	0.6625	0.6688
	56	0.6750	0.6813	0.6875	0.6938	0.7000	0.7063	0.7125	0.7188	0.7250	0.7313	0.7375	0.74375
	57	0.7500	0.7562	0.7625	0.7687	0.7750	0.7812	0.7875	0.7937	0.8000	0.8062	0.8125	0.81875
	58	0.8250	0.8312	0.8375	0.8437	0.8500	0.8562	0.8625	0.8687	0.8750	0.8812	0.8875	0.89375
	59	0.9000	0.9083	0.9167	0.9250	0.9333	0.9417	0.9500	0.9583	0.9667	0.9750	0.9833	0.9917
	60 OR >	1.0000											

Worked Example

STEP 2: Compute the Pension Right

A Total number of months of contributions of 300 (under Act 766) would give a pension right value equal to:

PENSION RIGHT = 0.375 + [(300 – 180) X 0.0009375]

= 0.375 + [120 X 0.0009375] = 0.4875 or 48.75%

STEP 3: Determine the average of three best years' annual salaries

(A) The three best years' annual salaries given are:

[Salary1]: *GH₵60,000*

[Salary2]: *GH₵58,000*

[Salary3]: *GH₵44,000*

(B) The average of the three best years' annual salaries is computed as:

$$\textit{Average of three best years' annual salaries} = \frac{Salary1 + Salary2 + Salary3}{3}$$

$$\textit{Average of three best years' annual salaries} = \frac{60{,}000 + 58{,}000 + 44{,}000}{3} = 54{,}000$$

STEP 4: Compute the Annual Pension

Compute your Annual Pension using the formula below.

Annual Pension = Average of three best years' annual salaries
X Pension Right
X Early Retirement Factor

Annual Pension = 54,000X 0.4875 X 0.6875 = GH₵18,098.44

STEP 5: Determine the Monthly Pension

Divide the Annual Pension by 12 to obtain the Monthly Pension

Monthly Pension = Annual Pension/12 = 18,098.44/12 = GH₵1,508.20

The Monthly Pension is GH₵1,508.20

Invalidity Pension

Invalidity Pension is a monthly cash benefit paid to a member of the Scheme who can no longer work due to a disease, an illness or a disablement of a permanent nature.

Qualifying Conditions

- A member must be declared permanently invalid and incapable of securing any gainful employment by a certified Medical Practitioner and also certified by the SSNIT Medical Board.
- A member should have made a minimum contribution to the Scheme for a period of not less than 12 months within the last 36 months prior to the incidence of invalidity.

A member of the scheme can qualify for an invalidity pension at any age.

Computation of invalidity pension

Key Parameters:

- Actual **total number of months** of Social Security contribution payments to the scheme prior to the incidence of invalidity.
- **Earnings/Salaries** on which contributions were paid

Where the member has contributed for a period of not less than 180 months, the member shall be entitled to a pension right (or pension credit) equivalent to that of the Old-age retirement pension.

PENSION RIGHT = 0.375 + [Total number of months of contributions - 180] x 0.0009375

Where the member does not satisfy the minimum contribution period of 180 months the member shall be given a pension right of **37.5% or 0.375** (i.e. the minimum pension right).

Where person is subsequently certified by the SSNIT MEDICAL Board to have fully recovered and that the person has not attained the compulsory retirement age of 60 years that person may rejoin the scheme.

Example – Invalidity Pension

Example

A member aged 37 years 5 months is declared invalid by the SSNIT Medical Board. The member has contributed for a period of 140 months with the following three best annual salaries of GH₵60,000, GH₵58,000 and GH₵44,000. Calculate the Invalidity Monthly Pension.

Note:

it is being assumed that the member has already contributed for at least 12 months within the last 36 months prior to the incidence of invalidity.

STEP 1: Calculate the Pension Right

Where the total number of months of contributions is less than 180 Months, the member is given a Pension Right of **37.5% or 0.375.**

A Total number of months of contributions of **140** (under PNDCL 247) would give a pension right of **37.5%**

STEP 2: Determine the average of three best years' annual salaries

(A) The three best years' annual salaries given are:

[Salary1]: *GH₵60,000*

[Salary2]: *GH₵58,000*

[Salary3]: *GH₵44,000*

(B) The average of the three best years' annual salaries is computed as:

$$\textit{Average of three best years' annual salaries} = \frac{Salary1 + Salary2 + Salary3}{3}$$

$$\textit{Average of three best years' annual salaries} = \frac{60{,}000 + 58{,}000 + 44{,}000}{3} = 54{,}000$$

STEP 3: Compute the Annual Pension

Compute your Annual Pension using the formula below.

Annual Pension = Average of three best years' annual salaries X Pension Right

Annual Pension = 54,000X 0.375 = GH₵20,250.00

STEP 4: Determine the Monthly Pension

Divide the Annual Pension by 12 to obtain the Monthly Pension

$$\text{Monthly Pension} = \frac{\text{Annual Pension}}{12}$$

Monthly Pension = GH₵20,250.00/12 = GH₵1,687.50

Tiers 2 & 3 Schemes

Tier 2

- A mandatory contributory scheme with monthly contributions of 5% on the basic salary of all employees.
- Tier 2 is a defined contribution scheme and contributions are fully tax- exempt and are privately managed by National Pensions Regulatory Authority (NPRA) licensed service providers.
- The scheme will pay out a lump-sum benefit to individuals upon retirement, which is comprised of all contributions made under the scheme plus all returns earned on their contributions.
- There are two types of Tier 2 schemes: **Employer Sponsored Scheme (ESS)** and **Master Trust Scheme (MTS).**
- If the membership of the scheme is limited to the employees of a specific company, it is deemed to be an Employer Sponsored (ESS).
- On the other hand, if membership of the scheme is opened to employees of different companies, the scheme is referred to as a Master Trust Scheme (MTS).

"Occupational pension scheme" means a pension scheme that is work-based, established under a trust which provides benefits based on a defined contribution formula in the form of a lump sum.

a) payable on termination of service, death or retirement, or in respect of persons covered under section 58 of this Act; and

b) payable to or in respect of other persons specified under the second tier of the Scheme as provided for under section 1 of this Act.

Tier 3

- An optional contributory scheme with monthly contributions of up to 16.5% of the employee's basic salary on the basic salary of all employees and informal sector workers.
- Tier 3 is also a defined contribution scheme and is privately managed by NPRA licensed service providers.
- The contributions for Tier 3 are also tax exempt. If an individual has been in the scheme for 10 years or more, he or she will receive all contributions made under the scheme in addition to all returns earned on their contributions at the time of exit.
- In the event of an exit prior to the contributor's tenth anniversary, a marginal tax rate of 15% will be applied to the contributor's total redemption amount.

"**Provident fund scheme**" means a scheme governed by a trust to which a contributor or the contributor's employer or both contribute to a pension scheme which provides benefits based on a defined contribution formula

(i) To provide for the payment of lump sum benefits to the members of the scheme when they reach the retirement age, or any other prescribed event occurs in relation to them; or

(ii) In the case of members who die before reaching that age or before the occurrence of such an event, provides for the payment of those benefits to the personal representatives or beneficiaries of the estates of those members.

"**Personal pension scheme**" means any pension scheme to which the contributor contributes personally to provide benefits based on a defined contribution formula in the form of pensions or otherwise, payable on death or retirement to or in respect of persons covered under section 107 of this Act or their beneficiaries.

A personal pension scheme applies to individuals:

(a) who want to <u>make voluntary contributions to enhance their pension benefits outside the mandatory schemes</u> and <u>any provident fund scheme</u>, and

(b) In the informal sector who are not covered by any retirement or pension scheme under the mandatory part of the three-tier pension scheme.

Management of the Tiers 2 & 3 schemes

The management of the Tiers 2 & 3 schemes is entrusted to different service providers with varied roles to ensure transparency and efficiency in the management of the schemes. NPRA is the apex/regulatory body and there are three main types of service providers:

- ✓ **The Trustee -** Occupational pension schemes, Provident fund schemes, Personal pension schemes and other Privately-managed pension schemes shall only be managed by trustees licensed approved by the Board
- ✓ **The Pension Fund Manager -** Pension funds shall be managed by pension fund managers registered by the Board.
- ✓ **The Custodian -** Pension fund assets shall only be held by pension fund custodians, referred to as custodians

THE ROLE OF THE TRUSTEE

- The Trustee is a company or an individual licensed by the NPRA, with the overall responsibility for the administration and management of the Tier 2 and Tier 3 schemes.
- The Trustee is separate from the Fund Manager and the Custodian.
- The Trustee is an independent third party, responsible for ensuring that the investment objectives of the contributors are adhered to.
- Trustees are mandated by Act 766 to register pension schemes and appoint pension fund managers, custodians and other service providers to assist them to manage the schemes.
- The Trustees are to ensure that proper accounting records and a members' register are kept, that all service providers comply with regulatory requirements, and that transfer and payment requests are processed.
- Trustees do not have access to pension funds.

Functions of a Trustee – Act 766, Section 121

A trustee licensed under this Act shall, in addition to other duties imposed by a trust deed, perform the following functions:

a) Secure scheme registration;

b) Appoint pension fund managers, custodians and other service providers and ensure their compliance with regulatory requirements or guidelines;

c) Maintain investment policy statements and internal control procedures that may be prescribed by the Board;

d) Ensure that the investment of funds of the scheme is diversified to minimise investment risk;

e) Act as a provident trustee in financing relationship with its members;

f) Discharge the duties of a trustee;

g) Process transfer and payment requests as contained in the trust;

h) Keep proper accounting records and a members' register;

i) Prepare and lodge annual audited financial statements, scheme and investment reports and other relevant records that the Board may require; and

j) Perform other functions as may be directed by the Board.

THE ROLE OF THE PENSION FUND MANAGER

- The Pension Fund Manager is licensed by the Securities & Exchange Commission (SEC) and registered by the NPRA. The Fund Manager is independent of the Trustee and the Custodian.
- The Fund Manager makes investment decisions as guided by the NPRA and mandated by the Trustee.
- The Fund Manager maintains records and statements of account on transactions related to the pension funds and assets, and reports monthly to the Trustee and quarterly to both the Trustee and the NPRA.
- The Fund Manager does not have direct access to pension funds and assets.

Functions of Pension Fund Managers – Act 766, Section 121

147. A pension fund manager shall perform the following functions:

a) Invest pension funds and assets in accordance with the provisions of this Act;

b) Invest the funds in different investments to minimise investment risks whilst achieving the best return within specific investment activities set by trustees;

c) Maintain books of account on transactions related to pension funds invested;

d) Submit its activities to inspections in the discharge of duties of trustees;

e) Submit records and reports that the Board may require; and

f) Perform other functions that the Board may prescribe that are incidental to the performance of its functions.

THE ROLE OF THE CUSTODIAN

- The Custodian is licensed by the Securities & Exchange Commission (SEC) and registered by the NPRA.
- The Custodian receives contributions of the scheme from Employers and is responsible for the safe keeping of the pension fund and assets. Payments from the scheme's account are for the direct settlement of transactions and the payments of claims.
- The only payment made directly from the Custodian to Trustees, Fund Managers and other service providers are for the payment of their fees.
- The Custodian is independent of the Trustee and the Pension Fund Manager.
- They maintain records and statements of account on transactions related to the pension funds and assets, and report monthly to the Trustee and quarterly to both the Trustee and the NPRA.

Functions of Custodians - Act 766 Section 156

A pension fund custodian shall

a) Receive contributions remitted by the employer under this Act on behalf of the trustees;

b) Notify the trustee within forty-eight hours of the contributions from an employer;

c) Hold pension fund and assets in trust for members;

d) Settle transactions and undertake activities related to the administration of pension fund investments including the collection of dividends and related activities;

e) Report to the Board on matters related to the assets being held on behalf of a trustee at periodic intervals that the Board may determine;

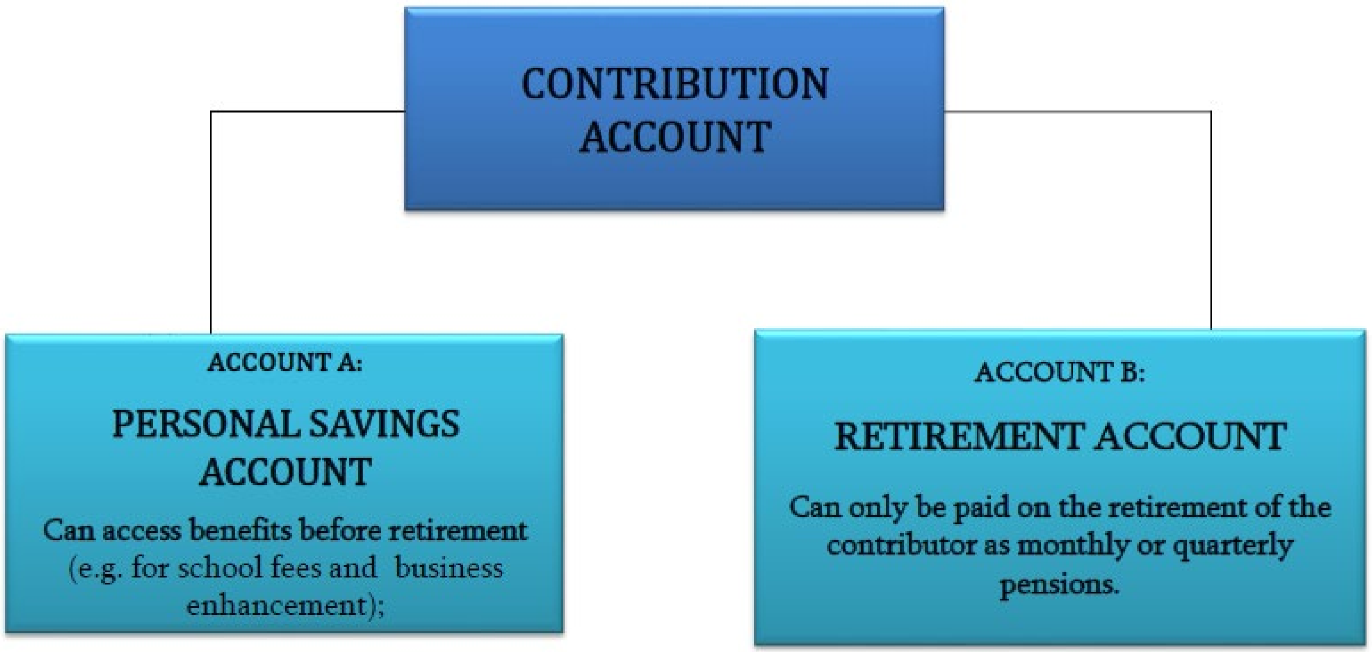
f) Undertake statistical analysis on the investments and returns on investments with respect to pension funds in their custody and provide data and information to the trustee and the Board;

g) Execute in favour of the trustee, relevant proxy for the purpose of voting in relation to the investments; and

h) Perform other functions as may be directed by the Board.

Special Pension Scheme for the Informal Sector (section 109)

Provision has been made in the 3rd Tier voluntary Personal Pension Scheme to cater for the peculiar needs of workers in the informal sector of the economy in terms of how much they can contribute and also the benefits are structured to meet their short term and retirement needs.



Investment of Pension Fund

A trustee or pension fund manager shall invest pension contributions received in order to obtain safe and fair returns on the amount invested.

Permitted investments

Subject to guidelines that the Board may issue, pension fund and assets shall be invested in any of the following:

i. Bonds, bills and other securities issued or guaranteed by the Bank of Ghana or the Government of Ghana;

ii. Bonds, debenture, redeemable preference shares and other debt

iii. instruments issued by corporate entities and listed on a stock exchange registered under the Securities Industry Act, 1993, (P.N.D.C.L. 333)

iv. Ordinary shares of limited companies listed on a Stock Exchange and registered under the Securities Investment Act 1993 (P.N.D.C.L. 333) with good records, declared and paid dividends in the preceding five years;

v. Bank deposits and bank securities;

vi. Investment certificates of closed-end investment fund or hybrid investment funds listed on a Stock Exchange registered under the Investments and Securities Industry Act, 1993 (P.N.D.C.L. 333) with a good record of earning;

vii. Units sold by open-end investment funds or specialist open-end investment funds listed on the stock exchange recognised by the Board;

viii. Bonds and other debt securities issued by listed companies;

ix. Real estate investment; and

x. Other forms of investment, that the Board may determine.

CAP 30
SCHEME

CAP 30 SCHEME

- The CAP 30 was in chapter 30 of the British Colonial Government order established in 1946.
- It was set up to provide pension for pensionable officers in the civil service and members of the Armed forces in the British West African Colonies.
- The national Pensions Act 2008 defines the scheme as " a pension scheme operated under the Pensions Ordinance No.42 Chapter 30 of 1950 for :
- Pensionable public servants in civil and other public service who have been in service before 1st January 1972
- Public servants who have been exempted by law from participation in the Social Security Pension Scheme.eg. Judicial Service, Fire Service Prison Service etc.

Financing

Initially it was non contributory. By 1972 civil servants and teachers were required to pay 5% of their salaries into the scheme. It was also funded by the state from the consolidated fund.

Qualification for the CAP 30 scheme:

Initially pensionable person should have had 10 years of continuous service and aged between 45 and 55. Due to increase life expectancy this has increased to 60 years.

GHANA UNIVERSITIES SUPERANNUATION SCHEME (GUSS)

- The scheme was started at the time of the British Colonial Government , when the University of Gold Coast was formed.
- It was to established to attract and maintain high quality staff. Unlike the CAP 30 this was a contributory scheme.
- Until 1976 every member of staff in the universities qualified to be in the scheme. After 1976, it became limited to only Senior members of the university.

Qualifying conditions of the GUSS scheme

1. Must be a senior member of any of the public universities.
2. If you join before 2000 you contribute for a minimum of 10years. After 2000 you contribute for a minimum of 15 years.
3. Must attain the age of 50years for voluntary retirement.
4. Must qualify for a statutory retirement at age 60 years.
5. Must contribute 10% of your basic monthly salary into the scheme,

Financing of the GUSS scheme

- It is a contributory defined benefit scheme. The scheme is financed by 10% employee monthly contributions, 12.5% monthly employers contributions (government subvention) and returns of fund investments.
- The Total fund of 22.5% is invested in equities and fixed incomes

Management of GUSS scheme

It is managed currently by the independent universities via a board with a chairperson appointed by the VC.

Benefits under GUSS

1. **Refund** - This a one tax- free cash lump sum that is paid out to members who may not satisfy the qualifying conditions. Refund is made up of the number of years they have contributed plus accrued interest
2. **Gratuity** - one off tax free cash lump sum that is paid to qualified members who retire voluntarily at 50 and statutorily at 60.
3. **Pension** - Monthly income paid to retired senior members until death.

On or before retirement, " members shall opt for “any one of the following benefits.

- ❖ Full pension
- ❖ Reduced Pension and Gratuity

Full Pension
A full pension shall be calculated at the rate of one-four hundred and eightieth part of terminal salary for each completed month of service (subject to a maximum of 480 months) .

Reduced Pension plus Gratuity
A gratuity shall be calculated at the rate of one-quarter of full pension multiplied by twenty. A reduced pension shall be the equivalent of three-fourths of full pension,

Eligibility for Benefits under the Scheme

To be eligible for pension under the GUSS, an employee ought to have been a member of the scheme for a minimum of ten (10) continuous years and to have contributed to it . Furthermore, the member who opts for an endowment policy or a double endowment policy should have complied with rule 9 above.

END