



*IN THE SECOND SESSION OF THE SIXTH PARLIAMENT OF THE  
FOURTH REPUBLIC OF GHANA*

*REPORT OF THE JOINT COMMITTEE ON FINANCE  
AND EMPLOYMENT, SOCIAL WELFARE & STATE  
ENTERPRISES*

*ON THE*

*NATIONAL PENSIONS (AMENDMENT) BILL,  
2014*

**DECEMBER, 2014**



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**1.0 INTRODUCTION**

The National Pensions (Amendment) Bill, 2014 was presented to Parliament by the Hon. Minister of Employment and Labour Relations, Mr. Haruna Iddrisu and read for the first time on Tuesday 9<sup>th</sup> December, 2014. The Rt. Hon Speaker referred the Bill to the Joint Committee of Finance and Employment, Social Welfare & State Enterprises for consideration and report in accordance with Article 174 (1) of the 1992 Constitution and Order 169, 125 and 184 of the Standing Orders of the Parliament of Ghana.

Pursuant to the referral, the Joint Committee met and discussed the Bill and was assisted by the Hon. Minister of Employment and Labour Relations and his Deputy Mr. Haruna Iddrisu and Mr. Mohammed Baba Jamal Ahmed, the Director General of Social Security and National Insurance Trust (SSNIT), Mr. Ernest Thompson, official from the Ministry of Employment and Labour Relations, National Pensions Regulatory Authority (NPRA), SSNIT and the Attorney Generals' Department.

The Committee is grateful to the Hon. Minister and his Deputy and officials from the Ministry, SSNIT, NPRA and Attorney-Generals' Department for the assistance.

**2.0 REFERENCE**

The Committee guided in its deliberations by the following additional documents:

- The 1992 Constitution of Ghana;

- The Standing Orders of the Parliament of Ghana;
- National Pensions Act ,2008 (Act 766); and
- Memorandum from the Civil and Local Government Staff Association (CLOGSA)

### 3.0 **BACKGROUND**

Parliament in 2008 promulgated the National Pensions Act, 2008 (Act 766) to regulate the management and administration of pensions in the country. The Act among others; sets up a three-tier contributory scheme for workers in the formal and informal sector as follows:

- (a) a mandatory basic national social security scheme managed by the Social Security and National Insurance Trust (SSNIT) which is the first-tier;
- (b) a mandatory fully funded and privately managed occupational pension scheme, which is the second-tier; and
- (c) a voluntary fully funded and privately managed provident fund and personal pension scheme, which is the third-tier.

Under the Act, the National Pensions Regulatory Authority is mandated to oversee, regulate and monitor the operations of all pension schemes in the country. Five years after the operation of the Act, the National Pensions Regulatory Authority as well as the Social Security and National Insurance Trust have been confronted with operational and administrative challenges in relation to the first-tier scheme as regards the implementation for the computation of pensions, the age for exemption of persons from joining the new scheme as well as transitional provisions for the transfer of monies from Social Security and National Insurance Trust to the National Health Insurance Scheme.

It has therefore become necessary to amend the Act in order to facilitate a sustainable computation and payment of pensions to prevent a collapse of the first-tier pension scheme operated by the Social Security and National Insurance Trust.



### 3.0 **PURPOSE OF THE BILL**

The purpose of the Bill is to amend the National Pensions Act, 2008 (Act 766) to reduce the age for exemption from the first-tier scheme and to bring clarity to the role of Fund Managers and Trustees under the second tier scheme.

### 5.0 **PROVISIONS OF THE BILL**

The National Pension (Amendment) Bill, 2014 comprises 13 Clauses.

*Clause 1* amends section 55 of the National Pensions Act, 2008 (Act 766) to allow SSNIT charge administrative expenses incurred in the transfer of the two and a half per centum of the Social Security Contributions to the National Health Insurance Scheme

*Clause 2* amends section 60 of Act 766 by changing the age for exemption under the Act from fifty-five years to fifty years. The amendment therefore seeks to cover members of the scheme who were fifty years at the commencement of the Act but are disadvantaged in the computation of pensions.

*Clauses 3* amends section 64 of Act 766 to empower the Social Security and National Insurance Trust to prosecute employers who fail to pay contributions whilst *Clause 4* provides a new sub-section which seeks to re-introduce the payment of emigration benefits to encourage expatriates to enroll onto the first-tier.

*Clause 5* amends Section 77 of Act 766 to reduce the percentage for the calculation of pensions from fifty-percent to thirty-seven and a half percent and in respect of contributors who work beyond the minimum contribution period, the additional percentage to be added to their pension payment has been reduced from one and a half percent (1½%) to one point one two five percent (1.125%).

*Clause 6* amends Section 81 of Act 766 to provide for members of the Basic National Social Security Scheme to furnish their employer with particulars concerning dependents of members who are entitled to receive the death benefits of that member.

*Clause 7* amends Section 83 of Act 766 to make it an offence for an employer who fails to pay contributions or a penalty imposed by the Social Security and National Insurance Trust for failure to pay contributions.

*Clause 8* amends Section 91 of Act 766 to empower SSNIT to request an employer to produce relevant documents and it must be complied with within seven days, whilst *Clause 9* amends Section 94 of Act 766 to provide for circumstances under which a member of the Social Security Scheme is entitled to reduced pension.

*Clauses 10 to 13* amend sections 100, 108, 109 and 120 of Act 766 respectively to make the existing provisions clearer.

*Clause 14* amends section 147 of Act 766 to draw a clear distinction between the functions of Trustees and Fund Managers

## **6.0 OBSERVATIONS**

### **6.1 *Urgency of the Bill***

Submitting on the urgency of the Bill, the Hon. Minister of Employment and Labour Relations informed the Committee that the Ministry/NPRA and the labour groups have realised that the initial age for exemption of fifty-five years under the Act has made pensioners worse off regarding their lump sum portions of their benefits compared to their counterparts who retire under PNDCL 247. The Minister explained that since the first beneficiaries under the scheme will be due for retirement in January 2015 there is an urgent need to amend the Act before January, 2015 to ensure equity in the pensions to be paid to contributors under the two Schemes.

Though the Committee was not too pleased with the short period it has to consider the referral, in view of the Hon Minister's explanation and the sensitive nature of pension matters to workers, the Committee opines that the Bill is of an urgent nature which must be taken under a certificate of urgency.

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## 6.2 *Legal Dispute between Labour and Government*

The Committee expressed concerns about the effect of the proposed amendments on the legal dispute between Government and Organised Labour currently before the Court. The Minister for Employment and Labour Relations however, explained that the proposed amendment does not in any way seek to prejudice the outcome of the matter before the Court. He indicated that labour was extensively consulted on the proposed amendments and they are in agreement with the proposal. He further explained to the Committee that the case in court was a disagreement over the management and administration of the second tier pension funds. The proposed amendment is accordingly restricted to issues regarding role clarity, changing the age for exemption from 55 year to 50 years and dealing with issues regarding equitable pension benefits under the two existing pension schemes. He explained that the proposed amendments in the Bill were carefully scrutinised to ensure that they do not prejudice the case in court.

## 6.3 *Comparison of Benefits of Members under Act 766 and PNDCL 247*

Allaying the Committee's fear that the benefits of employees would be significantly reduced with the amendment of section 77 by the substitution for "fifty per centum" in sub-section (2) of "thirty-seven and half per centum", officials from SSNIT and NPRA indicated that employees would not be worse off. According to them, the proposed amendment is rather about the sustainability of the scheme under the first tier. They explained that the provision was lifted from PNDCL 247 and with the ceding of 5% to the second tier and the increased cost of benefits under Act 766 the Scheme may collapse under the first tier if the amendment is not effected. **A detailed comparison of the benefits of employees under the two schemes is attached as appendix 1.**

## 7.0 **AMENDMENTS PROPOSED**

The Committee, after its deliberations proposed the following Amendments to the Bill:

- i. **Clause 2 – Amendment proposed** – Sub-clause 4, line 3 after "contributions" insert "and returns"
- ii. **Clause 12 – Amendment proposed** –, line 2, delete "(2)" insert "(1)"


- iii. **Clause 13 – Amendment proposed** – line 5, delete “ Authority” insert “Board”
- iv. **Clause 14 – Amendment proposed** – opening statement line 2 (a), insert “and  
(b) then provide for a new paragraph (b)  
  
(b) advise the Trustee on the investment of pension fund in different investments to minimize investment risks”.


**8.0 CONCLUSION**


The Committee upon a thorough examination of the Bill recommends to the House to adopt its report and take the National Pensions (Amendment) Bill, 2014 through all the stages in accordance with Article 106 (13) of the Constitution and Order 119 of the Standing Orders of the House.

Respectfully Submitted

  
HON. JAMES KLUTSE AVEDZI  
(CHAIRMAN, FINANCE COMMITTEE)

  
HON. JOSEPH Z. AMENOWODE  
CHAIRMAN, COMMITTEE ON  
EMPLOYMENT, SOCIAL WELFARE  
& STATE ENTERPRISES

  
ROSEMARY ARTHUR SARKODIE (MRS)  
(CLERK, FINANCE COMMITTEE)

  
MS. ANITA QUARREY-PAPAFIO  
CLERK, COMMITTEE ON  
EMPLOYMENT, SOCIAL WELFARE &  
STATE ENTERPRISES

*December, 2014*



**APPENDIX 1 - Comparing Benefits of Members Under PNDL 1247 and ACT 766**

Ref	AGE	NO. MONTHS	ACT 766					PNDL LAW 247					DIFFERENCE (A)-(B)
			Monthly Pension	PV(Monthly Pensions)	PAST CREDIT	TIER 2 BENEFITS	TOTAL BENEFITS (A)	Monthly Pension	PV(Monthly Pensions)	25% LUMP SUM	TOTAL BENEFITS (B)		
A	50	428	2,406.26	223,920.79	10,705.91	12,365.24	246,991.94	2,210.76	184,988.72	61,662.78	187,199.48	59,792.46	
B	50	389	2,689.77	250,302.96	7,045.26	34,570.53	291,918.75	2,407.10	201,417.76	67,139.25	203,824.86	88,093.90	
C	50	498	3,418.97	318,160.42	8,604.90	37,497.01	364,262.33	3,418.97	286,087.54	95,362.40	289,506.51	74,755.83	
D	50	412	5,372.61	499,961.26	17,836.91	68,284.68	586,082.85	4,862.55	406,881.42	135,627.14	411,743.97	174,338.88	
E	50	431	5,944.48	553,178.07	13,473.94	64,408.33	631,060.34	5,789.36	484,433.55	153,110.07	490,222.91	140,837.43	
F	51	404	173.26	16,123.13	1,045.59	2,751.39	19,920.11	170.84	14,295.30	4,765.08	14,466.14	5,453.97	
G	51	287	98.19	9,137.47	240.28	1,446.20	10,823.95	86.57	7,244.00	2,414.67	7,330.57	3,493.38	
H	51	347	112.99	10,514.59	1,045.98	916.35	12,476.92	101.03	8,454.15	2,818.05	8,555.18	3,921.74	
I	51	262	108.66	10,111.64	907.79	1,523.90	12,543.32	95.13	7,960.15	2,653.50	8,055.28	4,488.04	
J	51	257	194.62	18,111.03	530.30	2,723.96	21,365.29	170.14	14,236.84	4,745.61	14,406.98	6,958.32	
K	52	313	213.59	19,876.33	1,021.49	2,357.69	23,255.51	189.55	15,860.71	5,286.90	16,050.26	7,205.25	
L	52	275	191.77	17,845.84	838.98	2,749.75	21,434.58	189.59	15,864.51	5,288.17	16,054.11	5,380.47	
M	52	274	201.33	18,735.62	985.34	2,503.77	22,224.72	198.99	16,650.81	5,550.27	16,849.80	5,374.92	
N	52	485	209.32	19,478.52	2,019.10	2,620.22	24,117.84	204.23	17,089.12	5,696.37	17,293.35	6,824.48	
O	52	466	244.16	22,720.93	1,018.35	2,725.81	26,465.09	225.14	18,838.95	6,279.65	19,064.09	7,401.00	
P	53	254	144.71	13,466.53	1,100.96	2,397.63	16,965.13	126.39	10,575.88	3,525.41	10,702.27	6,262.86	
Q	53	297	291.18	27,096.73	990.04	373.55	28,460.33	289.56	24,229.66	8,076.55	24,519.23	3,941.11	
R	53	343	445.56	41,462.65	912.13	3,723.82	46,098.61	298.56	24,982.17	8,327.39	25,280.73	20,817.88	
S	53	334	340.28	31,665.37	2,326.34	3,196.92	37,188.62	303.42	25,389.51	8,463.17	25,692.93	11,495.69	
T	53	455	505.70	47,059.08	1,846.01	5,987.92	54,893.02	304.65	25,492.19	8,497.40	25,796.84	29,096.18	
U	54	509	933.33	86,853.61	2,165.04	5,481.90	94,500.56	933.33	78,098.10	26,032.70	79,031.44	15,469.12	
V	54	418	1,031.31	95,971.12	3,118.13	7,442.24	106,531.49	934.32	78,180.84	26,060.28	79,115.16	27,416.33	
W	54	474	864.98	80,493.02	3,404.50	6,317.32	90,214.84	858.22	71,812.87	23,937.75	72,671.09	17,543.75	
X	54	459	1,032.41	96,073.46	3,916.96	7,355.68	107,346.11	998.53	83,553.89	27,851.30	84,552.42	22,793.68	
Y	54	276	1,159.62	107,911.54	6,216.20	10,586.02	124,713.76	1,019.35	85,295.32	28,431.77	86,314.67	38,399.09	

