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Insights

How the amendments to the Pension Law affect you

In December 2014, the Minister for Labor, who has oversight of the pensions sector, introduced in parliament, an amendment to the pension law of 2008, Act 766. This amendment has been passed, signed by the President and gazetted. It is therefore part of the law of the land. In this note, we highlight the major changes that we believe directly affect you and your organization.

Age of automatic exemption from the new law

The original pensions law (Act 766) exempted all employees who were 55 years or older on the date of commencement of the Act, from coming under the Act. If you were 55 and older as of January 1, 2010 you remained on the Social Security Law, 1991 (PNDC Law 247), unless you explicitly opted to come under the new Act. The amendment reduces the age of exemption from 55 years to 50 years and as a result, all those who were 50 and above on January 1, 2010 remain under The Social Security Law. If they have already made contributions to a tier 2 scheme under the Act, those contributions will be paid back to SSNIT, from whom they will collect their lump sum and regular pension on retirement.

Although the amendment still allows for exempted workers to opt for the Act, there is no clarity about how that will be implemented and the pensions regulator will have to create guidelines to cover this.

Payment of tier 1 benefits to non-Ghanaian members

Act 766 was silent on how benefits of expatriates would be treated when they permanently emigrated from Ghana. The amendment addresses this by providing for the payment of a lump sum to the emigrating expatriate. If the member is eligible for a pension, the present value of the pension will be paid to them as a lump sum. Otherwise, all the member's contributions will be returned to them with interest.

Reduction of minimum and maximum tier 1 pensions payouts

The amendment reduces the minimum pension to be received by the retiring member from 50% to 37.5% of the average annual salary for the three best years of a member's working life. The maximum pension is also reduced from 80% to 60%.

Self-employed persons older than the retirement age ineligible to join a personal pension scheme

There is also a change in the language of the age of eligibility for self-employed persons to join a personal pension scheme. We believe that the intent of the amendment was to restrict self-employed people who are older than the statutory retirement age of 60 years from joining a personal pension scheme. However, the language is unclear and will need to be clarified by the pensions regulator.

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