



Promoting and Developing  
Social Security Worldwide.

## Case Study: Ghana

Seminar on Social Security in Times of Crisis:  
Impact, Challenges and Responses

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**TECHNICAL SEMINAR  
ON  
THE SOCIAL SECURITY SCHEME IN TIMES OF CRISIS:  
IMPACT, CHALLENGES AND RESPONSES**



**SOCIAL SECURITY AND NATIONAL INSURANCE TRUST**

**APRIL, 2009**



## Introduction

The Social Security Pension Scheme (SSPS or the Scheme) was established in 1991 under the Social Security Law PNDCL 247, under the trusteeship of the Social Security and National Insurance Trust (SSNIT). The predecessor of the SSPS was the Provident Scheme, established under the Social Security Act of 1965 (Act 279) and later the Social Security Decree of 1972 (N.R.C.D.127), as a Provident Scheme. The Scheme ran for twenty-five years until it was converted to a Social Security Pension Scheme on July 1st, 1991.

All contributions made to the Provident Scheme from 1965 to 1991 were given credits to join the newly established pension scheme. Exemptions were granted to the military, the police, the judiciary, universities and certain research institutions to remain under the "Pension Ordinance" (Cap 30) established in 1946 for officers in the Public Service of the Gold Coast.

The conversion of the Provident Scheme to a pension scheme was finally realized in 1991, twenty years after its conception. The major reason for the delay in conversion was the inadequacy of the lump sum payments, as a result of the high rate of inflation prevailing at the time.

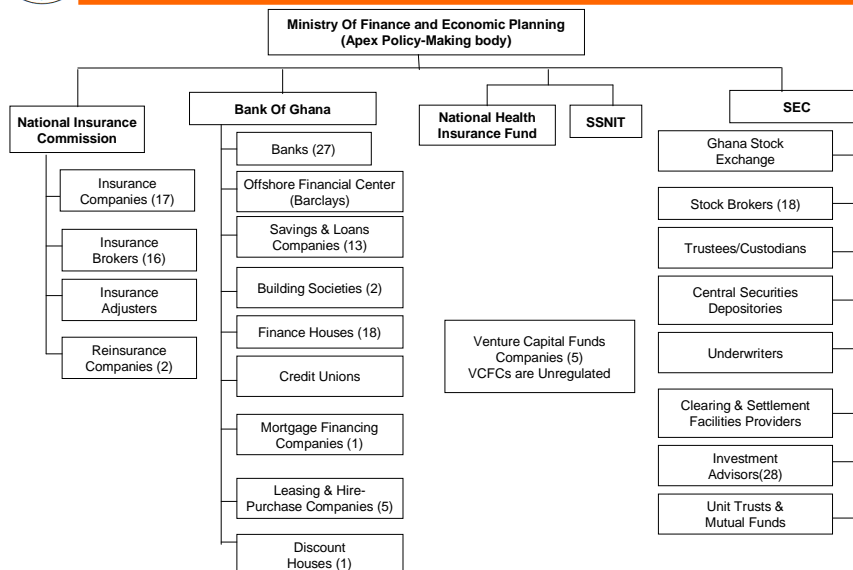
An old age pension is payable in full to a worker who: (1) retires, (2) has attained the pensionable age of sixty (60), and (3) has paid at least 240 months of contributions.

Contribution rates:

Employees:	5% of employees' pay
Employers:	12.5% of employees' pay
<b>Total Contribution Rate:</b>	<b>17.5% of employees' pay</b>



## The Capital Market- Policy & Regulatory Framework





## CURRENT STATE OF SSNIT

The Net Assets Statement of SSNIT from 2004-2009

Amounts in GHS million

	Beginning Balance	Contribution	Investment Income	Other Income	Benefits	General & Admin	Appreciation/Depreciation	Exceptional Item(NHIS)	Net Asset Value	Net Asset Value US \$'m
2004	634.13	169.91	63.34	1.22	(46.69)	(34.13)	137.02	(24.27)	900.52	99.73
2005	878.01	190.58	76.56	1.21	(63.02)	(40.01)	(86.80)	(27.23)	929.29	101.01
2006	929.20	286.79	125.62	3.42	(102.54)	(23.45)	3.92	(40.97)	1,181.99	128.04
2007	1,181.99	384.97	105.84	7.76	(143.34)	(30.48)	285.99	(55.00)	1,737.72	1,737.72
2008*	1,737.72	452.81	117.70	12.29	165.64	64.00	(9.95)	(64.69)	2,475.52	2,033.78

\* Estimated actual

\*\*Projected

2007 from Audited Financial Statement

### Growth in contributors and Pensioners of SSNIT

	Contributors		Pensioners	
	Number (Thousand)	Rate of Growth	Number (Thousand)	Rate of Growth
2004	1,068.55	7.03%	63.03	4.13%
2005	1,444.49	35.18%	68.93	9.35%
2006	1,211.62	-16.12%	73.31	6.36%
2007	1,230.81	1.58%	80.95	10.42%
2008*	1,207.25	-1.91%	90.98	12.38%
<b>Average</b>		<b>4.45%</b>		<b>47.31%</b>

2008\* excludes contributors from the public sector



## Selected Macroeconomic Indicators in Ghana (2000 to 2008)

All Figures in %	2001	2002	2003	2004	2005	2006	2007	2008**
<b>Real GDP Growth</b>	4.2	4.5	5.2	5.8	5.9	6.4	6.3	6.2
Agriculture (Growth rate)	4	4.4	6.1	7.5	4.1	4.5	4.3	4.9
Industry (Growth rate)	2.9	4.7	5.1	5.1	7.7	9.5	7.4	8.3
Service (Growth rate)	2.9	4.7	5.1	5.1	7.7	9.5	7.4	8.3
<b>Average Growth (All Sectors)</b>	<b>4</b>	<b>4.6</b>	<b>5.3</b>	<b>5.8</b>	<b>6.2</b>	<b>6.8</b>	<b>6.6</b>	<b>6.7</b>
<b>Inflation</b>								
Annual average	32.9	14.8	26.7	12.6	14.4	10.5	10.6	16.5
End of period	21.3	15.2	23.6	11.8	14.9	10.9	10.2	18.1
<b>Government Revenue (% of GDP)</b>								
Total Revenue	18.1	17.9	20.8	23.8	24.9	23.5	18.7	27.9
Tax Revenue	17.2	17.3	20.2	21.7	22.1	21.4	17	24.98

*Source: Budget Statement 2009 \*\* Budget Projected Outturn figures. \* Economic Intelligence Unit*



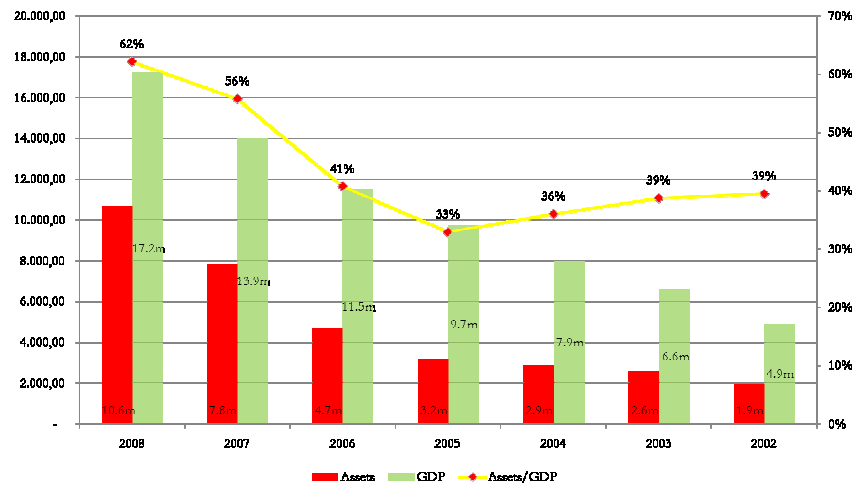
## Macroeconomic Statistics

	2008 Target	2008 Actual	2009
GDP growth rate	7.0%	6.2%	5.9%
Average Inflation Target	7.0%	16.5%	15.3%
End-of-period rate of inflation	6.0% - 8.0%	18.1%	12.5%
Overall Budget Deficit	4.0% of GDP	11.5% of GDP	9.4% of GDP
International reserves	3months Import cover	1.8months import cover	More than 2 months import cover

Source: Budget Statement and Economic Policy of the Government of Ghana for the 2009 financial year



## Growth in Assets in the Ghanaian Banking Industry(2002-2008)





## CREDIT GROWTH IN GHANA

All Amounts are in GHS ' billion

	2005	% Change	2006	% Change	2007	% Change	2008
<b>BoG</b>	0.81	34.57%	1.09	25.7%	1.37		
<b>DMBs</b>	1.79	40.78%	2.52	65.28%	4.2	42%	5.96
<b>SSNIT</b>	0.56	21.43%	0.68	-45.59%	0.37	146%	0.91
<b>RCBs</b>	0.15	33.33%	0.20				
<b>NBFIs</b>	0.19	0.00%	0.19	-26%	0.14		
<b>Total</b>	<b>3.50</b>	<b>33.71</b>	<b>4.68</b>		<b>*6.08</b>		

\*Total credit exclusive of Rural & Community Banks

Source: BoG and SSNIT Budget



## Pension Reform In Ghana

### Preamble:

#### 1950 – The Pension Ordinance No.42 (CAP 30)

- Established a Pension Scheme for public servants in the Gold Coast

#### 1965 – Social Security Act 1965 (ACT 279)

- Enacted to create a contributory Social Security Fund for payment of superannuation, invalidity, survivor and other Pension Benefits for workers

#### 1972 – The Social Security Decree (N.R.C.D. 127)

- Repealed ACT 279 and established SSNIT to administer a Social Security Fund for Ghana

#### 1991 – The Social Security Act, 1991 (PNDC Law 247)

- Was promulgated to transform the 1972 Scheme from Provident Fund to a defined benefit scheme

#### 2006 – Government White Paper on the report of the Presidential Commission on Pensions (W.P. No. 1/2006)

- Commissioned tasked to make appropriate recommendation for sustainable Pension Scheme that will ensure retirement income security for workers with special reference to the public sector
- Primary recommendation of the commission was for the creation of a new contributory **Three-Tier Pension System** to replace existing parallel pension schemes of CAP 30 and the Social Security Pension Scheme.

In 2008, the National Pensions Act, 2008 was enacted to provide for Pension Reform in Ghana by the introduction of a contributory 3-tier pension scheme, establishment of a National Pensions Regulatory Authority to:

- Oversee the administration & management of registered pension schemes and trustees
- Establish a Social Security & National Insurance Trust to manage the basic national social security for the 1<sup>st</sup> tier
- Provide for related matters

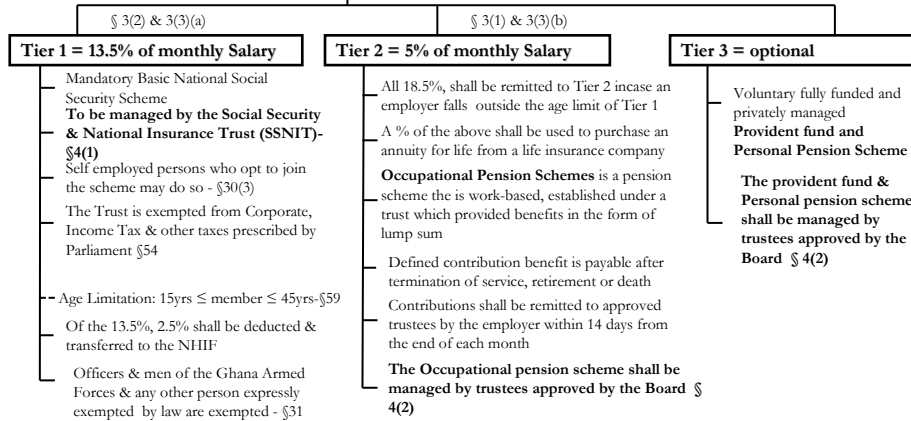


## The National Pensions Act, 2008

### National Pension Regulatory Authority (11 Board Members - §8(1))

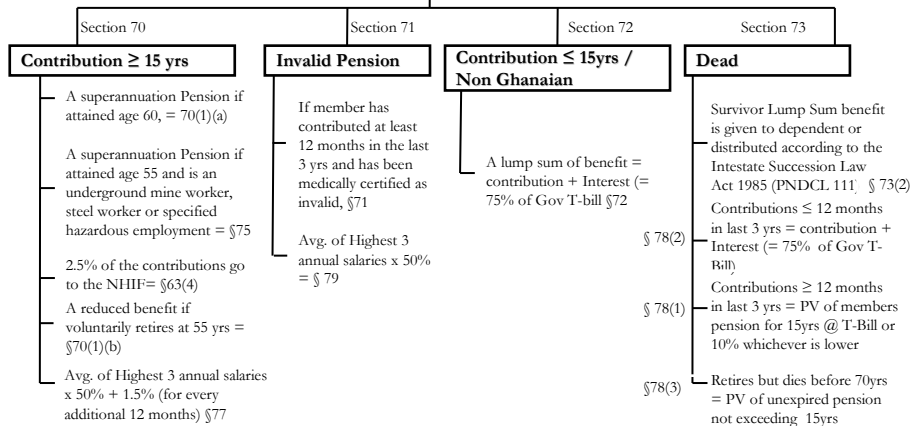
Object is to regulate & monitor the scheme & ensure effective administration of pension in Ghana § 6  
Chairperson shall be appointed by President § 8(2)  
Tenure of office= 3 yrs for 2 terms § 9(1) except for CEO §9(2)

Section 1 establishes the contributory 3-tier pension scheme



## Amended SSNIT Pension Scheme Benefits

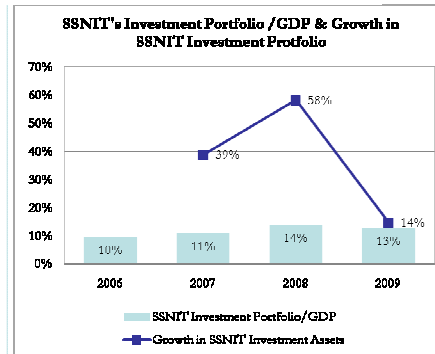
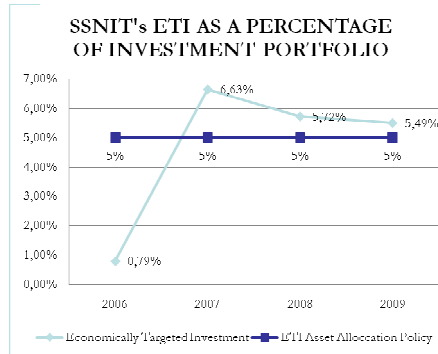
### Classes of Benefits





## Role of SSNIT Pension Scheme In Protecting The Vulnerable

Allocation of 5% of SSNIT's Portfolio to Economically Targeted Investments (ETI)



	2006	2007	2008	2009*
Economically Targeted Investment (GHS m)	8.69	100.92	137.56	151.31
ETI Expenditure (USD)	9.38	104.03	111.42	107.16

\*2009 Figures are projected

	2006	2007	2008	2009*
SSNIT Investment Portfolio (GHS m)	1,097.15	1,521.54	2,406.78	2,755.53
GDP (GHS m)	11,490.00	13,976.70	17,211.70	21,404.30
SSNIT Investment Portfolio/GDP	10%	11%	14%	13%
Growth in SSNIT Investment Assets	-	39%	58%	14%

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## The SSNIT Levy of 2.5% to NHIS

The Government of Ghana in 1993, established the National Health Insurance Scheme to provide affordable Basic Healthcare services to Ghanaian residents especially the poor and vulnerable. This replaced a pay-as-you-go system referred to as the "cash-and-carry" system. Funding for the programme was through a National Health Insurance Levy and a SSNIT Levy of 2.5% of workers' pay.

	SSNIT Levy to NHIS (GHS m)	USD Equivalent
2005	299.3	327.8
2006	48.9	52.8
2007	55.6	57.3
2008	64.7	52.4
2009	84.1	56.1
<b>Total</b>	<b>552.6</b>	<b>546.4</b>

The cumulative transfer to the National Health Insurance Fund has immensely contributed to the provision of basic healthcare to all Ghanaian children under the age 18, and indigenes individuals over the age of 70 who do not pay any premiums towards their healthcare. As of 2008, the had registered approximately 12 million Ghanaian residents with 9.38 million residents utilizing it. As this is a statutory allocation, the Pension scheme will continue to alleviate poverty through this intermediation.

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## Benefits Under The Pension Reform Act

The new Pension Reform Act passed by the Government of Ghana in 2008, provides for 3 separate benefits to contributors of Social Security Pension Scheme.

- 1. Provision of Basic superannuation**
  - Reduction of contribution period from 240 months to 180 months
  - Full Benefits was increased from 50% of the average of the three highest earning to 80% (additional 1.5% for each year of contribution after minimum threshold of 50 years of contribution.
- 2. Provision of Healthcare Premium for all Contributors to the Social Security Pension Scheme (this benefit meant that all contributors**
  - Which provides healthcare to the family of 1.2 million contributors of the Scheme
- 3. Occupational Scheme: This is a new provision under the Pension Reform Act which provides for lump sum benefits to contributors after attaining the age of 50 years.** The scheme is funded with 5% of workers contribution.
  - This Scheme will provide approximately USD 150 million annually to Fund Managers in the country which will provide medium to long-term intermediation.

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## Intermediation Through SSNIT Portfolio

The SSNIT Pension Scheme through it's Asset Allocation continues to provide :

- Student's Loans to tertiary Students in the country with a portfolio of GHS 193.9 million
- Credit Extension to Small and Medium size Enterprises (SMEs) through it's corporate loans,
- Provision of Student Hostels

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