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GESOPS NEWSLETTER

CHANGES IN THE PENSIONS LAW, PNDC 247 TO ACT 766 AS AMENDED IN 2014 (ACT 833)

The National Pensions Act, 2008 (Act 766) as amended brought about pension reforms in Ghana. It introduced a Three Tier Contributory Pension Scheme which was implemented effective January 1, 2010.

Per Section 3(a) of the Pensions Act (ACT 766 as amended), thirteen and half percent (13.5%) of a member's pension contribution goes to the first-tier, which is a mandatory pension scheme managed by the Social Security and National Insurance Trust (SSNIT), and five percent (5%) is contributed into a second-tier mandatory occupational pension scheme, in the case of the Ghana Education Service, managed by GES Occupational Pension Scheme (GESOPS). The difference between PNDC Law 247 and Act 766 primarily is the percentage that goes towards the mandatory pension contributions.



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Our Pensions, Our Future

ACT 766 allows members to join a voluntary tier three scheme and contribute up to 16.5% of their basic salaries

Changes in the New Act

1. The National Pensions Regulatory Authority is the body mandated by

law to regulate pensions in Ghana

2. SSNIT is no longer the only institution mandated by law to manage pension funds. Licensed Trustees are also permitted to manage pension funds, tiers 2 & 3.

3. Under PNDC Law 247, a member made a mandatory monthly contribution of 17.5% towards his or her pensions managed by SSNIT

4. With Act 766, a member contributes 18.5%, out of which SSNIT receives 13.5% and GESOPS receives 5%.

5. Persons who were 50 years and below as at January 1, 2010 by law, were permitted to join the new 3 tier pension scheme. This means that members who were 50 years old and above as of 1st January

2010 are exempted from the Three-Tier Pension Scheme but remain under PNDC Law 247.

6. Upon retirement, retirees on ACT 766 would be paid monthly pension benefits by SSNIT and a lump sum by GESOPS; whereas those on PNDC Law 247 would receive their monthly pension rights and lump sum from SSNIT

7. Furthermore, ACT 766 allows members to join a voluntary tier three scheme and contribute up to 16.5% of their basic salaries without it being taxed

8. Thus, ACT 766 allows members to contribute up to 35% of their basic salaries towards their pensions as compared to PNDC Law 247 that allowed 17.5%.

Definitions

i. Tier 1 - mandatory 13.5%

ii. Tier 2 - mandatory 5%

iii. Tier 3 - voluntary up to 16.5% of basic salary.