KPMG

Guidelines on Expatriates' Registration

for and Participation in Ghana's Pension Scheme

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Background

It is mandatory for every employer to make pension contributions on behalf of their expatriate employees in Ghana. Expatriates are guaranteed recovery of their contributions once they demonstrate that they are emigrating permanently from Ghana, whether or not the minimum pension contribution period of 15 years or the retirement age of 60 years is met.

Exemption from participation/contributions is available to expatriates who reside and are employed in Ghana for period not exceeding 36 months and can show proof of membership of a scheme in another country.

Background

The National Pensions Regulatory Authority (NPRA) was established by the National Pensions Act, 2008 (Act 766) to oversee the administration and management of registered pension schemes and trustees of registered schemes. A person employed in Ghana is required to make monthly pension contributions to a pension scheme on or before the 14th day of the month following the month in which the deductions are made.

Contributing to a Three-Tier Pension Scheme

Act 766 established a contributory three-tier pension scheme consisting of:

a) A mandatory Basic National Social Security scheme, managed by the Social Security and National Insurance Trust (SSNIT) – Tier 1;

b) A mandatory fully-funded and privately-managed occupational pension scheme – Tier 2;

c) A voluntary fully-funded and privately-managed provident fund and personal pension scheme – Tier 3.

Employers are required to remit a total of 18.5 percent made up of 13 percent from the employer and 5.5 percent from the employee on the salary (base pay) of the employee, irrespective of whether or not the salary is actually paid to the employee. The amount is remitted into the Tier 1 and Tier 2 schemes. At the point of payment into the respective schemes, the total of 18.5 percent is split into:

a) 13.5 percent to Tier 1 where SSNIT ultimately retains 11 percent and remits 2.5 percent to the National Health Insurance Authority as National Health Insurance Levy; and

b) the remaining 5 percent into the Tier 2 scheme.

With regards to the voluntary fully-funded and privately-managed provident fund and personal pension scheme (Tier 3), contributions may be made by the employer or employee only, or jointly by both the employer and employee at a maximum contribution of 16.5 percent of the employee's base pay.

Ability of Expatriates to Recover Paid-in Contributions upon Departure from Ghana

In the past, expatriates who had completed their assignments in Ghana found it difficult to recover their pension contributions, as many of them emigrated from Ghana before meeting the minimum contribution period of 15 years or retirement age, to be entitled to benefits.

To address this, the NPRA, on 18 June 2013, issued a publication that directed that the full amount of the expatriates' social security contributions be made into Tier 2 in order to make the pension fund easily accessible by the expatriates when their assignments in Ghana end.

This position was not welcome by most employers. Given the operational challenges under the terms of Act 766 on the accessibility of expatriates to their contributions, the National Pensions (Amendment) Act, 2014 (Act 883) was passed. This was to provide guidance on payment of benefits to expatriates that are emigrating or have permanently emigrated from Ghana as stipulated under Section 4 of Act 883.

Section 4 of Act 883 provides that an expatriate who is emigrating permanently will receive a lump-sum payment from SSNIT. It further clarifies that any expatriate who meets the conditions for payment of the mandatory pension contributions will be paid the present value of the contributions as a lump-sum benefit. On the other hand, any expatriate emigrating from Ghana who does not qualify for the payment of the mandatory pension contribution will be paid his or her contribution, with interest. The interest rate will be determined at 75 percent of the interest on the 91-day government treasury bill. Where the expatriate has contributed only to Tier 2 and Tier 3 schemes, he or she would be entitled to the total benefits upon emigration.

The coming into effect of Act 883, therefore, supersedes NPRA's publication requesting expatriates to contribute their entire contributions to the Tier 2 scheme. Hence, employers are required to contribute to both Tier 1 and Tier 2 schemes for their expatriate employees. Expatriates who are above 45 years of age, however, are required to make the total contribution into the Tier 2 scheme.

New Guidelines in March 2017 and Exemptions for Expatriates

The NPRA in March 2017 issued new guidelines which became effective from 7 April 2017. The guidelines sought to provide direction on expatriates' registration for the pension scheme in Ghana. The guidelines provide, amongst others, an exemption to the expatriate from contributions to the pension scheme in Ghana if he or she resides and is employed in Ghana for a period not exceeding 36 months and has shown proof of membership of a pension scheme of another country.

Where an Exemption Is Granted

The NPRA shall issue an exemption certificate for a Tier 2 scheme (managed by private fund managers) to an expatriate worker who has demonstrable evidence of belonging to a pension scheme in another country and is on a short contract of employment in Ghana. SSNIT - the entity responsible for the management of the Tier 1 scheme - shall issue an exemption certificate to an expatriate worker exempting him or her from contributing to the Basic National Social Security scheme.

Further clarity was obtained by KPMG in Ghana on some provisions concerning the exemption available to expatriates. We summarise below, the responses received from the NPRA:

a) The contract of employment will serve as the basis for determining the 36 months in granting the exemption.

b) The guidelines do not take retrospective effect.