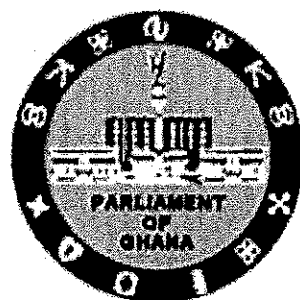


**IN THE SECOND SESSION OF THE EIGHTH  
PARLIAMENT OF THE FOURTH REPUBLIC OF  
GHANA**

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OSU ACCRA



**REPORT OF THE COMMITTEE ON EMPLOYMENT,  
SOCIAL WELFARE AND STATE ENTERPRISES ON  
THE CONSIDERATION ON THE 2023 ANNUAL  
BUDGET ESTIMATES OF THE NATIONAL PENSIONS  
REGULATORY AUTHORITY**



# REPORT OF THE COMMITTEE ON EMPLOYMENT, SOCIAL WELFARE AND STATE ENTERPRISES ON THE 2023 ANNUAL BUDGET ESTIMATES OF THE NATIONAL PENSIONS REGULATORY AUTHORITY

## 1.0 INTRODUCTION

The Budget Statement and Economic Policy of the Government of Ghana for the 2023 financial year was presented to Parliament on Thursday, 24<sup>th</sup> November, 2022, by the Hon. Minister for Finance, Mr Ken Ofori Atta, pursuant to Article 179 of the 1992 Constitution.

In accordance with Standing Orders 140(4) and 184 of the House, the Rt. Hon. Speaker referred the Annual Budget Estimates of the National Pensions Regulatory Authority to the Committee on Employment, Social Welfare and State Enterprises for consideration and report.

The Committee met on Friday, 9<sup>th</sup> December, 2022 and considered the Annual Estimates of the Ministry. Present at the meeting were the Hon. Minister for Employment and Labour Relations, Mr Ignatius Baffour Awuah and his Deputy, Mr Bright Wireko-Brobbe, the Chief Director, Heads of Agencies and Officials from the Ministry of Finance.

The Committee is grateful to the Hon Minister and his team for their co-operation and support. The Committee also expresses appreciation to the scheduled officers from the Ministry of Finance for being in attendance to assist the Committee to consider the Estimates.

## 2.0 REFERENCE DOCUMENTS

The Committee, in considering the Estimates, referred to the following documents:

- i. The 1992 Constitution of Ghana
- ii. The Public Financial Management Act, 2016 (Act 921)
- iii. The National Pensions Act 2008 (Act 766)
- iv. The Standing Orders of Parliament of Ghana (2000)
- v. The 2023 Budget Statement and Economic Policy of the Government of Ghana
- vi. The 2023 Programme Based Budget (PBB) Estimates of the National Pensions Regulatory Authority
- vii. The Report of the Committee on Employment, Social Welfare and State Enterprises on the 2022 Annual Budget Estimate of the Ministry of Employment and Labour Relations

### 3.0 CORE FUNCTIONS OF THE AUTHORITY

The National Pensions Regulatory Authority (NPRO) was established by the National Pensions Act 2008 (Act 766) to regulate and monitor the operations of the three-tier pension scheme and ensure the effective administration of all pensions in the country.

The functions of the Authority are spelt out in Section 7 of the National Pensions Act, 2008 (Act 766) as follows:

- Be responsible for ensuring compliance with this Act (Act 766);
- Register occupational pension schemes, provident funds and personal pension schemes;
- Issue guidelines for the investment of pension funds;
- Approve, regulate and monitor trustees, pension fund managers, custodians and other institutions that deal with pensions as the Authority may determine;
- Establish standards, rules and guidelines for the management of pension funds under this Act;
- Regulate the affairs and activities of approved trustees and ensure that the trustees administer the registered schemes;
- Regulate and monitor the implementation of the Basic National Social Security Scheme;
- Carry-out research and ensure the maintenance of a national data bank on pension matters;
- Sensitize the public on matters related to the various pension schemes;
- Receive and investigate complaints of impropriety in respect of the management of pension schemes;
- Promote and encourage the development of the pension scheme industry in the country;
- Receive, and investigate grievances from pensioners and provide for redress;
- Advise Government on the general welfare of pensioners;
- Advise Government on the overall policy on pensions in the country;
- Request information from any employer, trustee, pension fund manager or custodian, any other person or institution on matters related to retirement benefits;
- Charge and collect fees as the Authority may determine;
- Impose administrative sanctions or fines; and
- Perform any other functions that are ancillary to the object of the Authority.

#### 4.0 REVIEW OF 2022 FINANCIAL PERFORMANCE

##### 4.1 Total Approved Budget for 2022

In the year under review, a total amount of Seventy-One Million, Nine Hundred and Fifty-Nine Thousand, Four Hundred and Sixty-Four Ghana Cedis (GH¢71,959,464.00.00) was approved for the operations of the National Pensions Regulatory Authority. The breakdown of the allocation of the Authority for the year 2023 in terms of cost centres, programmes and sources of funding is provided in Table 1.

*Table 1: 2022 Budgetary Allocations by Cost Centres and Sources of Funding*

| <b>COST CENTER</b>        | <b>2022 Approved Budget(IGF)<br/>(GH¢)</b> |
|---------------------------|--|
| <b>Compensation</b>       | 28,406,000.00                              |
| <b>Goods and Services</b> | 23,255,864.00                              |
| <b>Capex</b>              | 20,297,600.00                              |
| <b>Total</b>              | <b>71,959,464.00</b>                       |

*Source: Ministry's 2021 Presentation*

##### 4.2 Expenditure for 2022

The expenditure returns of the Authority for the year 2022 are provided in Table 2.

*Table 2: Expenditure and Releases*

| <b>Item</b>        | <b>2022 Approved Budget</b> | <b>Amt. Released/<br/>Generated</b> | <b>Expenditure</b>   | <b>Actual Payment</b> |
|--------------------|-----------------------------|-------------------------------------|----------------------|-----------------------|
| Compensation       | 28,406,000.00               | 26,220,762.00                       | 26,220,762.00        | 26,220,762.00         |
| Goods and Services | 23,255,864.00               | 22,659,326.00                       | 22,659,326.00        | 22,659,326.00         |
| Capex              | 20,297,600.00               | 20,297,600.00                       | 20,297,600.00        | 20,297,600.00         |
| <b>Total</b>       | <b>71,959,464.00</b>        | <b>69,177,688.00</b>                | <b>69,177,688.00</b> | <b>69,177,688.00</b>  |

*Source: Ministry of Employment 2023 Presentation*

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## 5.0 2022 PERFORMANCE AND OUTLOOK FOR 2023

During the review period, the National Pensions Regulatory Authority enrolled 476,213 persons from the informal sector representing 6.2 per cent of the workforce, onto the 3<sup>rd</sup> Tier of the 3-Tier Pension Scheme.

The Authority prosecuted all 69 recalcitrant employers who defaulted in honouring their obligation to their employees.

The Authority launched the Cocoa Farmers Pension Scheme and commenced pilot registration in August 2022.

In 2023, the Authority projects to increase enrolment in the 3<sup>rd</sup> Tier to 15 per cent of the workforce.

## 6.0 ALLOCATION FOR THE YEAR 2023

To implement its programmes and activities for 2023, a total amount of Ninety-Eight Million, Four Hundred and Sixty-One Thousand, Two Hundred and Ten Ghana Cedis (GHC98,461,210.00.00) have been allocated to the Authority. The breakdown of the allocation in terms of cost centers, programs, and funding sources is provided in Table 3 as follows:

*Table 3: 2023 Budgetary Allocations*

| Item               | IGF           |
|--------------------|---------------|
| Compensation       | 40,139,152.00 |
| Goods and Services | 48,321,039.00 |
| Capex              | 10,001,019.00 |
| Total              | 98,461,210.00 |

*Source: 2023 Budget and Economic Policy of the Government of Ghana*

## 7.0 OBSERVATIONS AND RECOMMENDATION

### 7.1 Budgetary Allocation to the Authority

The National Pensions Regulatory Authority has been granted a total budgetary allocation of GHC98,461,210.00.00 to implement its planned programmes and activities in 2023. Out of the total budgetary provision, an amount of GHC40,139,152.00 which translates to 40.7 per cent of the allocation, will be utilized for Compensation, whiles GHC48,321,039.00 constituting

49.07 per cent will be used to cater for Goods and Services. A total amount of GH¢10,001,019.00, which is 10 per cent of the allocation, will be applied to fund capital expenditure.

The Committee was happy to note that the Authority, which has proven self-financing over the years, has been weaned off Government subvention. The Committee considers this development very positive and urges the Authority to sustain its self-financing efforts.

## **8.2 The Impact of the Debt Exchange Programme**

The Committee observed that the Government in negotiating with the International Monetary Fund (IMF) for a possible programme, has launched a debt restructuring programme under which existing domestic bonds are to be exchanged for new bonds maturing in 2027, 2029, 2032 and 2037. The Committee was informed that the debt restructuring exercise is to help put the country's debt on a sustainable path based on binding targets set by the IMF.

Consequently, the National Pensions Regulatory Authority (NPRA) was directed by the Ministry of Finance (Financial Stability Council) to perform stress tests on Private Pension Fund investments in GoG bonds (GH¢ 26.9 billion as at October 2022) over a five-year, seven-year, ten-year and fifteen-year period. The Committee noted that Tier 1 exposure is GH¢ 1,002,209,000 as at June 2022. The Stress Test on Corporate Trustees and the regulatory tools and policy arising out of the test are as follows:

### **a. Stress Test on Corporate Trustees**

Ten (10) out of the twenty-seven (27) Corporate Trustees have invested a total of GH¢ 49.7 million of their capital in 2 - 5-year GoG bonds. A conservative coupon rate of 20 per cent translates into GH¢ 9.9 million annually. This is additional income that Corporate Trustees rely on for their capital requirements and operational activities.

In 2022, seventeen (17) Corporate Trustees met the capital requirements. Ten were undercapitalized and are undergoing regulatory measures.

With the implementation of the zero coupons in 2023 under the proposed bond exchange, six (6) Corporate Trustees are expected to meet the capital requirement, with a total of 21 falling below the capital requirement. The year 2024 is expected to follow the same trend.

As part of the regulatory forbearance, therefore, the Regulator will introduce a one-year moratorium on minimum capital requirements for these Corporate Trustees, to help them meet their obligations.

Revenue loss of GH¢ 71.6 million to Trustees, including Corporate Trustees, for 2023 could be supported by the Ghana Financial Stability Fund (GFSF).

#### **b. Regulatory tool and policy actions**

- Monthly payment of contributions by the Government to SSNIT and Public Sector Workers' Schemes in 2023 and beyond.
- Ghana Financial Stability to cushion Schemes (approximately 3 billion in 2023) and Corporate Trustees (i.e., capital exposure to GoG bonds of GHS 49.7 million and coupon loss of GHS 9.9 million).
- Provision for unusual Provident Fund withdrawals estimated to be GH¢ 6.4 billion for Schemes/ contributors nearing their 10<sup>th</sup> year in 2023.
- Cash payment of earned coupon amount prior to the Bond Exchange programme.
- Constant engagement with the Ministry of Finance on Liquidity issues.
- Targeted stakeholder engagements (i.e., CAGD, Board of Trustees, Public Sector Schemes)
- Engagement of a consultant to help practicalise the valuation and standardisation of accounting treatment of revalued bonds of pension fund assets.
- Exploring ways to reduce the drawdown on Provident Fund withdrawals on or after ten years.
- Stakeholder engagement on moral suasion on Provident Funds (Voluntary Schemes).
- Waiver on enforcement of investment Guidelines.
- Review the 48-hour turnaround time on custody account cash balances.
- Investment assets swaps between Tier 2 and Tier 3 schemes.



- Moratorium on minimum capital requirement.
- Regular submission of reports on the liquidity management plan and recapitalization plan from regulated entities.

### **8.3 Assets Under Management**

The Committee was informed that there are five public sector pension schemes with a total Assets Under Management (AUM) of GH¢10.04 billion cedis. This constitutes 37.3 per cent of the total exposure to the GoG bonds. The schemes are the Health Sector, the Ghana Education Service (GES), the Judicial Service, and the Civil Servants who operate under Hedge Master Trust and the Public Sector Workers' Pension Scheme. The Committee was informed that the health sector currently has GH¢2.4 billion assets under management. The Public Sector Workers and the Ghana Education Service Workers control GH¢652 million cedis and GH¢5.7 billion Ghana Cedis, respectively. The Judicial Service Staff Occupational Pension Scheme has GH¢83 million, while the Civil Servants on the Hedge Master Trust Occupational Pension Schemes have GH¢1.03 billion.

### **8.4 Establishment of Regional Offices**

The Committee commended the Authority for establishing regional offices in the country. Currently, the Authority has offices in Sunyani, Tema, Takoradi and Tamale. During the year under review, the Authority opened another regional office in Koforidua in the Eastern region. The Committee believes that decentralizing the operations of the Authority will go a long way to provide easy access to fund managers and individual beneficiaries to services rendered by the Authority.

The Committee, therefore, called on the Authority to establish offices in other regions of the country, including Upper East and Upper West regions.

The Authority informed the Committee that to ensure visibility, they are liaising with the Regional Coordinating Council for land acquisition as the Authority seeks to acquire their own property instead of renting offices across the country.

The Committee, however, cautioned the Authority to be mindful of the current economic crisis and be guided by the principles of efficiency, effectiveness, and value for money as they seek to embark on an expansion drive. For instance, instead of establishing offices in all 16 regions, the country can be grouped into zones as a cost-cutting measure.

## 8.5 Unification of Pensions

The issue of unification of pensions for all the security agencies in the country was raised during the consideration of the Estimate. The Committee observed an unfair treatment in the application of pensions among the security agencies. While the officers of the Military, the Police and other security agencies benefit from CAP 30 pension, officers of the National Fire Service and the Prisons Service had been excluded. The Committee believes that the situation is unfair to officers of the National Fire Service and the Ghana Prison Services who also face similar risk as their counterpart in the other security agencies.

The Committee was informed that subsection (2) of section 213 of Act 766 mandates the Board of the National Pensions Regulatory Authority to ensure unification of all pension schemes and the full operationalization of the Three-Tier Pension Scheme for all public sector workers, excluding the Ghana Armed Forces.

The Committee noted that despite the establishment of a Technical Committee on the Unification of Pensions to develop the required technical instruments for the unification process, officers in the Military, the Police Service, and other Security and Intelligence Agencies continue to benefit from CAP 30, while officers in the National Fire Service and Prisons Service who faced the same or similar risks just as their counterparts in the other security services, are treated the same way as other public sector workers. This situation the Committee believes is unfair to the Officers in the National Fire Service and the Ghana Prisons Service.

The Committee was informed that the Ministry of Employment and Labour Relations and the Authority intending to address the discrepancy in administration of pensions in the security agencies introduced the National Pension (Amendment) Bill, 2021 that seeks to provide pension unification of all the security agencies. As a first step, this Bill seeks to amend the National Pensions Act, 2008 (Act 766) to exclude all the security services from the pension unification process envisaged under section 213 of Act 766.

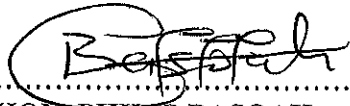
The Committee encouraged the Ministry of Employment and Labour Relations and the National Pensions Regulatory Authority to quicken the process towards pensions unification in order to streamline the pensions in the security agencies. The Committee further recommended the establishment a separate pension scheme for all the security agencies in the country.


## 9.0 CONCLUSION AND RECOMMENDATION

The National Pensions Regulatory Authority (NPRA) was established by the National Pensions Act 2008 (Act 766) to regulate and monitor the operations of the three-tier pension scheme and ensure the effective administration of all pensions in the country. The Authority regulates all the pension schemes and works with trustees, employers, pension specialists and business advisers, giving guidance on what is expected of them.

In furtherance to the above, the Committee recommends that the House adopt its report and approve the sum of **Ninety-Eight Million, Four Hundred and Sixty-One Thousand, Two Hundred and Ten Ghana Cedis (GH¢98,461,210.00.00)** to enable the Authority to implement its programmes and activities for the 2023 financial year.

Respectfully submitted

  
.....  
**HON. PHILIP BASOAH**  
**CHAIRMAN, COMMITTEE ON**  
**EMPLOYMENT, SOCIAL WELFARE**  
**AND STATE ENTERPRISES**

  
.....  
**INUSAH MOHAMMED**  
**CLERK, COMMITTEE ON**  
**EMPLOYMENT, SOCIAL WELFARE**  
**AND STATE ENTERPRISES**

