



## **A GUIDE FOR SETTING UP EMPLOYER-SPONSORED OCCUPATIONAL PENSION SCHEMES**

This material has been prepared as an information guide to assist employers to create in-house schemes in full compliance of the Ghanaian pension regulatory framework.

**For more information**  
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## **Introduction**

Pension schemes have become an integral part of employee benefits package and employers have a major role to play in providing access and information on designated schemes and in remitting contributions. Pension schemes can provide your firm a competitive edge in attracting and recruiting highly skilled employees. Offering a pension arrangement for your employees also gives workers a sense that they have been recruited for a career, not just a job. In a nutshell, a well-structured pension arrangement should provide incentives for boosting your employee productivity and for building employee loyalty to your firm.

The Pension National Pensions Act (Act 766) has introduced a disciplined approach to investing towards retirement and must therefore be embraced by all workers and employers alike. As the regulatory guidelines and forms have been released, employers should begin to consider how they wish to arrange their employees' participation under the mandatory tier 2 and the voluntary tier 3. There are two broad approaches that can be adopted.

Small firms can create umbrella pension schemes under the sponsorship of their industry associations, or parent organizations. This way, the scheme will operate as non-for-profit trusts to run under a trust deed. Where this is not a visible option, employers should arrange to enroll their employees with corporate trustees. In selecting a corporate trustee scheme, consider factors such as expense ratio, product features, investment options, and the existence of efficient administration systems, strong internal controls and good corporate governance practices.

If your company employs many workers (more than 800) and has the requisite economies of scale, consider running your own scheme as it will offer you greater flexibility and management control. The operation of an employer-sponsored scheme requires careful structuring and design. Below are the statutory requirements for setting up a qualified occupational pension scheme under act 766.

### **1. Trust Deed and Scheme Rules**

The pension's law promotes the creation of trust-based schemes as opposed to contract-based schemes. Trust – based schemes are created by a Trust Deed document, essentially, a body of rules and regulations that governs the operation of a pension fund and the protection of the scheme the members. A trust deed embodies all the detailed provisions of the scheme and therefore no other reference can override the Trust Deed except legislative enactments or regulatory guidelines. Due to the importance of this document, it is necessary to seek

professional guidance on its preparation to ensure that it meets the requirements of the Pension’s Authority. A good Trust deed should feature provisions on **portability of accrued interest, vesting schedules, pension benefits, assignment of benefits, winding up, tax issues, and accounting and regulatory reporting requirements**. It is also necessary to disclose information on scheme expenses ratio, amendments to governing rules and additional voluntary contributions if available. If the membership of the scheme is not automatic for all employees, it will be necessary to spell out the rules governing membership and contribution rates agreed between the employer and the employees. Axis Pension Administration Services Ltd has standard scheme rule templates (tiers 2 and 3) that conform to the above requirements. You can adapt them for your scheme with a few modifications. **Contact us for a free template of the Trust Deed & Rules as well as the Scheme Brochure.**

## 2. Selection and Registration of Trustees

Trustees are a group of individuals appointed to have oversight responsibilities over the operations of a fund. They will hold the assets of the scheme, invest contributions, distribute returns and will also administer the payment of benefits. Trustees must be selected in accordance with the Trust Deed. You should also ensure that the composition of the board reflects all interests groups in the company and should include at least one independent Trustee. The employer should also include member – nominated trustees to consist of at least, one-third of the board. In doing this, the nomination process for selecting member-trustees must be democratic, and with criteria properly spelt out in the Trust Deed document.

### *Eligibility for Selection*

Applicant for appointment as Trustee must be legally resident in Ghana, must be of good behavior and must not have been convicted for fraud or dishonesty. They must also demonstrate adequate knowledge and understanding of the pension law, scheme documents and must not have any personal interests that conflict with the interest of the scheme.

### *Licensing Requirement*

The Pension Law permits only legally licensed persons to offer themselves for appointment as Trustees. Therefore, all prospective trustees must be registered with the National Pensions Regulatory Authority. Such applicants are required to fill “Application form for Approved Trustee” (NPRA/FM/IDT/01/11) and accompanied with a registration fee of GH¢500. Applicants will be required to submit their personal information, contact information, employment, criminal record and educational history on the form to be accompanied with photocopies of educational certificates and any National ID card. Trustees are also required to obtain a

performance guarantee to indemnify the scheme against acts of fraud, negligence or omissions leading to loss of money. Trustees are also required to obtain a performance guarantee to indemnify the scheme against acts of fraud, negligence or omissions leading to loss of money. For cost considerations, it is prudent to maintain a small board, of 5 or 7 members. Due to the fact that member-trustees serve in sacrificial capacity, it is essential for the employer to absorb the Trustee registration cost and the cost of professional indemnity insurance. This will serve to encourage many prospective applicants to volunteer to serve as Trustees.

The Trust Deed can be executed after the successful approval of all designated Trustees by the pension's authority.

### **3. Appointment of Service Providers**

Once a trust deed is executed, Trustees become responsible for the operation of their fund. Among the early decisions Trustees should take include the appointment of service providers namely; the pension fund manager, the Custodian and the unit holder administrator. Trustees should however ensure that the Fund Managers and Custodians are registered with the Pension Authority. Service level agreements are required to be signed with each of the service providers.

**The pension fund manager** assists the Trustees to maintain an investment policy and also advises trustees on investment matters. Other responsibilities of the fund manager includes issuing instructions on behalf of the Trustees to the Custodian for the settlement of trades, the keeping of investment transaction records and the production of periodic investment reports.

**The Custodian** holds the assets of the scheme including investments, cash, and other title documents. The Custodian is also responsible for transaction settlement, receipt of investment income such as dividends and interest and is also required to submit periodic reports to the Trustees.

**The Scheme administrator** is responsible for member record keeping, payment of benefits, preparation of scheme accounting and consolidated scheme reports and also supports with compliance and regulatory filings. In selecting the administrator, ensure that their systems meet the ICT requirement of the pension's authority.

### **4. Registration of scheme**

The registration of schemes with the regulator is the prerequisite for obtaining the tax relief. To ensure the successful registration of your scheme on first attempt, Trustees are advised to create a checklist of information to be submitted in the application. The application pack for

registering an occupation pension scheme (Tier 2) includes Scheme Information Form (NPRA/FM/PPS/01/11), Trustee Information Form (NPRA/FM/PPS/02/11), and Application Form for Occupational Schemes (NPRA/FM/PPS/05/11). If you intend to register a provident fund scheme (Tier-3), all forms remain relevant but for Form NPRA/FM/PPS/05/11 which you must replace with Employer Information form (NPRA/FM/PPS/03/11). The application must be accompanied with an application fee of GH¢1,500, an investment policy statement of your scheme, and a copy of your scheme rules Trust deed. Upon the successful registration of the scheme, you will be issued with a ***certificate of registration***.

## **5. Commencement**

Tax reliefs can only be obtained by applying to the Ghana Revenue Authority. Employers are therefore advised to apply for the tax relief on both employee contributions and employer contributions. Such applications must be supported with photocopies of scheme registration certificates. Trustees are similarly advised to apply for the scheme to be exempted from paying tax on investment income, capital gains and dividends. Once the scheme becomes tax exempt, you can start making contributions. The recommended arrangement is for the employers to remit contributions directly into the Custody bank account of the scheme latest by the 14<sup>th</sup> of the following month. Your finance office must ensure that the contribution list extract is made available to your scheme administrator before the actual payment is made.

## **6. About Axis Pension Administration Services Ltd**

Axis Pension Administration Services Ltd is a lead provider of cutting-edge administration and pension management services to third-party defined-contribution pension schemes in Ghana. Our primary goal is to deliver simple solutions to espouse best practices in the operations of pension schemes. To this end, we offer the following solutions:

- ✓ Scheme design and registration assistance to help employer-sponsored schemes get started on a solid foundation.
- ✓ Tailor-made Pension Administration Software (with full accounting, multi scheme, multi-employer and real-time reporting functionalities) for corporate Trustees.
- ✓ Scheme Hosting Solution (with fully deployed online administration software, database hosting and maintenance support) designed to assist self-administered employer-sponsored schemes meet the IT requirements of the Pensions Authority without incurring any software or hardware purchase cost.
- ✓ Third-party Administration services for large employer-sponsored and group schemes to help Trustees focus on the core business of their employers.