

NATIONAL PENSIONS REGULATORY AUTHORITY



NPRA/GD/INV/02/16

GUIDELINES ON INVESTMENT OF PENSION SCHEME FUNDS

1. INTRODUCTION
2. LIMITATIONS AND PROHIBITIONS
3. SPREAD OF INVESTMENTS
4. PURCHASE OF SECURITIES THAT CARRY UNLIMITED LIABILITY
5. PERMISSIBLE INVESTMENT
6. COLLECTIVE INVESTMENT SCHEMES
7. ALTERNATIVE INVESTMENTS
8. INVESTMENT LIMITS
9. TEMPORARY VIOLATION
10. REPORTING INVESTMENT PERFORMANCE
11. REVIEW AND ENQUIRIES

TABLE 1 – INVESTMENT ALLOCATION MATRIX

1. INTRODUCTION

- 1.1. The purpose of these Guidelines is to guide investment of pension funds pursuant to the provisions of the National Pensions Act, 2008 (Act 766) as amended, and Occupational and Personal Pension Schemes (General) Regulations, 2011 (L.I. 1990). These Guidelines shall apply to tiers two and three pension funds.
- 1.2. In developing these Guidelines, the National Pensions Regulatory Authority (NPRA) has provided minimum standards aimed at achieving the following objectives:
 - a) ensure safety of assets and fair returns on the funds;
 - b) give contributors a range of investment options;
 - c) enhance the ability of trustees and fund managers to make sound investment decisions; and
 - d) create an environment that enables pension funds to impact positively on the Ghanaian economy.
- 1.3. These Guidelines are not intended to be all encompassing and shall be used with reference to the Act, the Regulations accompanying the Act, and other directives as may be issued by the NPRA.
- 1.4. Trustees, fund managers and relevant service providers shall at all times comply with governance principles and any other Guidelines approved by the NPRA from time to time.

2. LIMITATIONS AND PROHIBITIONS

- 2.1. Trustees and fund managers shall not violate the provisions in this section. They shall not:
 - a) breach the provisions under Sections 178 and 179 of the Act;
 - b) make any investment of pension funds that will result in the trustee, pension fund manager or scheme gaining management control of a company in which the investment has been made;
 - c) acquire any securities which are unpaid or partly-paid for except for purposes of entering into a Private Equity arrangement within the meaning of these Guidelines; and
 - d) enter into underwriting or sub-underwriting contracts in relation to the subscription or purchase of any investment, except for secondary offerings under arrangement(s) that require multiple underwriters.

- e) invest more than 5 percent of the pension funds in securities in any country other than Ghana. Such investment outside Ghana shall comply with Section 177 of the Act.

3. SPREAD OF INVESTMENTS

- 3.1. The total amount invested in securities and other permissible investments (excluding an investment permitted under Section 5.6 of these Guidelines) issued by any one person shall not exceed 10 per cent of the pension fund.
- 3.2. Not more than 10 per cent of the shares of a particular class, or the total amount of corporate debt securities, issued by one person may be acquired for the purposes of a pension fund.

4. PURCHASE OF SECURITIES THAT CARRY UNLIMITED LIABILITY

- 4.1. A trustee shall not invest pension funds in securities that carry unlimited liability.

5. PERMISSIBLE INVESTMENTS

- 5.1. Pension funds may be invested in:-
 - a) investments that satisfy the requirements of sub sections 5.2 to 5.6 of these Guidelines;
 - b) Collective Investment Schemes that satisfy the requirements of Section 6 of these Guidelines; and
 - c) Alternative Investments that satisfy the requirements of Section 7 of these Guidelines.

5.2. Government of Ghana Securities

- 5.2.1. Pension funds may be invested in Government of Ghana securities.
- 5.2.2. Government of Ghana securities shall include:
 - a) Treasury Bills;
 - b) Treasury Notes;

- c) Treasury Bonds (Including Infrastructure Bonds and Eurobonds); and
 - d) Any other securities issued by the Government from time to time.
- 5.2.3. Allocation for Government of Ghana securities shall have a balance between long term and short term securities. A minimum of 35% of a Scheme's investments in Government of Ghana Securities shall be invested in long-term securities.
- 5.2.4. For the purposes of this section, long term Government of Ghana Securities are securities with maturity of two (2) years or more at the time of purchase.

5.3. **Local Government and Statutory Agency Securities**

Pension funds may be invested in Local Government and Statutory Agency securities.

- 5.3.1. Local Government and Statutory Agency securities shall include:
- a) Municipal and Local Government Bonds;
 - b) Infrastructure Bonds;
 - c) Cocoa Bonds/Bills; and
 - d) Any other securities issued by a Local Government or Statutory Agency from time to time.
- 5.3.2. Reference to municipal and local Government securities shall be deemed to refer to securities issued by a Municipal Financing Authority as may be set up by law and shall not include securities issued by individual Local Government entities.

5.4. **Corporate Debt Securities**

- 5.4.1. Pension funds may be invested in debt securities issued by corporate entities if the securities:
- a) have the following provisions or features:
 - i. clearly defined term and maturity dates;
 - ii. periodic and terminal pay-out provisions; and
 - iii. interim, terminal and contingent redemption features, except in the case of zero coupon and convertible bonds.;
 - b) are listed on an approved stock exchange, or if unlisted, are privately issued and rated Investment Grade by a credit rating

agency licenced by the Securities and Exchange Commission;
and

c) are issued in accordance with the laws of Ghana.

5.4.2. For the purposes of this section, corporate debt securities include, but are not limited to, the following in so far as they fall within the meaning of sub-section 5.4.1 of these Guidelines:

- a) Debentures;
- b) Notes;
- c) Redeemable Cumulative Preference Shares;
- d) Mortgage Backed Securities;
- e) Commercial Paper; and
- f) Infrastructure Bonds.

5.4.3. Corporate debt securities shall not include bank securities.

5.5. Equities

5.5.1. Pension funds may be invested in ordinary shares and non-redeemable preference shares of listed companies if:

- a) the company has made taxable profits and paid dividends or issued bonus shares for at least one (1) in the five (5) years preceding the investment of the funds, and
- b) the issuing company's shares are listed and quoted on an approved stock exchange.

5.6. Bank Securities and other Money Market Securities

5.6.1. Pension funds may be invested in bank securities such as Fixed Deposits, Negotiable Certificates of Deposits (NCDs) and Bankers Acceptances, issued by any bank.

5.6.2. Pension funds invested under sub section 5.6.1 shall not be continuously rolled over, except once with any bank. For purposes of the aforementioned, a bank shall qualify to receive Pension funds for purposes of investment in bank securities (as previously invested) only after one week of the expiration of the second investment so rolled over.

5.6.3. Pension funds shall not be placed in bank securities of a particular bank if the total amount so placed would be more than 10 per cent of the shareholders' funds of the bank.

6. COLLECTIVE INVESTMENT SCHEMES

- 6.1. For the purpose of this section, Collective Investments Schemes (CIS) shall include:
- a) Unit Trusts;
 - b) Mutual Funds; and
 - c) Exchange Traded Funds.
- 6.2. Pension funds may be invested in a Collective Investment Scheme (CIS) authorized by the Securities and Exchange Commission in accordance with the Securities Industry Law.

7. ALTERNATIVE INVESTMENTS

- 7.1. For the purpose of these Guidelines, Alternative Investments shall include:
- a) Real Estate Investment Trusts or Funds;
 - b) Private Equity Funds; and
 - c) External Investment in securities.
- 7.2. Pension funds may be invested in Real Estate Investment Trusts or Funds, subject to the following requirements:
- a) the Real Estate Investment Trusts or Funds complies with all relevant provisions under the Act, any Regulations and other directives as may be issued by the NPRA;
 - b) the Real Estate Investment Trusts or Funds complies with all requirements prescribed by the Securities and Exchange Commission;
 - c) the company managing the Real Estate Investment Trusts or Funds has a minimum of five years' continuous experience managing the assets of third parties;
 - d) the face value of the issue is not less than Ten Million Ghana Cedis (as adjusted from time to time by the NPRA); and
 - e) any other requirements prescribed by the NPRA.

7.3. Pension funds may be invested in Private Equity (PE) Funds, subject to the following requirements:

- a) PE fund shall be registered with the Securities Exchange Commission;
- b) The PE Fund shall have an offering document that states the investment objectives and strategy as well as disclosures of pricing of underlying assets and other documents including the annual financial statements (where applicable) audited by a reputable firm of chartered accountants; and full disclosure of all risk factors in its offering document;
- c) The PE Fund shall have satisfactory pre-defined liquidity/exit routes such as Initial Public Offers; Dividends; industry trade sales; and use of buy-out instruments;
- d) The PE Fund shall be managed by a Fund Manager or Investment Advisor licenced by the Securities and Exchange Commission;
- e) The key Principals of the PE Fund Manager shall each have at least five (5) years of experience in investment and management of third party assets, or relevant project management experience in sectors of the economy in which the PE Fund shall invest, out of which two years shall be PE investment experience. An exit of key principals during the investment period shall be notified to the NPRA;
- f) The PE fund shall have one or more multilateral and bilateral development finance institutions as co-investors, failing which the PE fund manager shall retain minimum investment of 1% of the PE;
- g) Investments in the PE shall comply with such directives as NPRA may from time to time issue; and
- h) The PE shall be pre-approved by the NPRA for purposes of investment of pension funds.

8. INVESTMENT LIMITS

- 8.1. A maximum of 60% of pension funds may be invested in securities issued by the Government of Ghana;
- 8.2. A maximum of 15% of pension funds may be invested in local Government and Statutory Agency securities.

- 8.3. A maximum of 35% of pension funds may be invested in corporate debt securities.
- 8.4. A maximum of 35% of pension funds may be invested in bank securities and other money market securities.
- 8.5. A maximum of 20% of pension funds may be invested in the ordinary shares and non-redeemable preference shares of companies quoted on an approved stock exchange, of which no more than 10% of the shareholders' funds of any one corporate entity may be purchased by an approved trustee or pension fund manager.
- 8.6. A maximum of 15% of pension funds may be invested in Collective Investment Schemes (CIS). Not more than 5% of the value of pension fund, shall be invested in any CIS established by any one corporate entity.
- 8.7. A maximum of 15% of pension funds may be invested in Alternative Investments (AI). Not more than 10% of pension funds, shall be invested in any AI sub-asset class except external investment which shall be a maximum of 5%.

9. TEMPORARY VIOLATION

In the event a scheme temporarily violates any limit(s) imposed by these Guidelines as a result of asset revaluation, market appreciation or any other event, the Scheme's trustees and fund managers shall take the necessary steps to rebalance the scheme's portfolio of pension funds within sixty (60) days of the occurrence. Pending the rebalancing no further purchases of securities within the relevant asset class shall be made except under long term Government securities where additional securities ought to be purchased. If the rebalancing is not attained by the 60th day, the trustees and fund managers shall immediately notify the NPRA.

10. REPORTING INVESTMENT PERFORMANCE

In reporting investment performance, trustees, fund managers and relevant service providers shall comply with the Global Investment Performance Standards or such Reporting Standards as prescribed by the NPRA.

11. REVIEW AND ENQUIRIES

These Guidelines shall be subject to review by the NPRA. All Enquiries regarding these Guidelines shall be directed to the:

**Chief Executive Officer,
National Pensions Regulatory Authority,
P. O. Box GP 22331, Accra.**

Website: www.npra.gov.gh

Email: info@npra.gov.gh

Telephone: (302) 968692 / 968693

Location: Onwona House, Kanda Highway, opposite Accra High School.

Table 1
INVESTMENT ASSETS ALLOCATION

ASSET CLASS	MAX ALLOCATION	PER ISSUER	PER ISSUE
Government of Ghana Securities: a) Treasury Bills b) Treasury Notes c) Treasury Bonds (Including Infrastructure Bonds & Eurobonds)	60%		Min. of 35% in long dated securities applicable
Local Government and Statutory Agency Securities: a) Municipal and Local Government Bonds b) Infrastructure Bonds c) Cocoa Bonds/Bills	15%	Max. 5%	Max. 5%
Corporate Debt Securities: a) Debentures b) Notes c) Redeemable Cumulative Preference Shares d) Mortgage Backed Securities e) Commercial Paper f) Infrastructure Bonds	35%	Max. 5%*	Max. 5% * Rated Investment Grade if unlisted
Ordinary Shares / Non – Redeemable Preference Shares	20%	Max. 5%	Max. of 10% of shareholders' funds of any one corporate entity.
Bank Securities and Other Money Market Securities: a) Fixed Deposits b) Negotiable Certificates of Deposits (NCDs) c) Bankers Acceptances.	35%	Max. 5%	Max. of 10% of the shareholders' funds of the issuer Bank. Roll over permitted once. A one (1) week "cooling off" period is required.
Collective Investments Schemes (CIS): a) Unit Trusts b) Mutual Funds c) Exchange Traded Funds	15%	Max. 5%	
Alternative Investments*: a) Real Estate Investment Trusts/Funds b) Private Equity Funds c) External Investment in securities *NB: Each sub-asset class is restricted to a maximum of 10% except for External Investment which shall be limited to a maximum of 5%.	15%		