

2019 Annual Report



SURVIVORS BENEFIT



What a beneficiary needs to claim a deceased member's pension fund:

- Proof of death (Death Certificate or Medical Certificate on the cause of death)
- Letter from employer (GES) stating that the member is deceased
- A valid national ID card of the survivor's beneficiary(ies)
- SSNIT card
- Passport
- Driver's License
- Voter ID card or National ID card
- Affidavit by head of family (confirming identities of dependents/beneficiaries)

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**GHANA EDUCATION SERVICE OCCUPATIONAL PENSION SCHEME
PARTICULARS OF SERVICE PROVIDERS/ADVISORS**

Advisor	Name	Location/Address	Phone Number	Email
Chairman	Nathaniel Otoo	1ST FLOOR SSNIT EMPORIUM, AIRPORT Accra	059 692 1135	info@gespensions.com.gh
Secretary	Okyeame Sarfo	1ST FLOOR SSNIT EMPORIUM, AIRPORT Accra	059 692 1135	info@gespensions.com.gh
Ghana Education Service (Sponsor)	Ghana Education Service Occupational Scheme	The Public Relations Unit, Ministry of Education K Block Ground Floor. Ministries – Accra, Ghana	030 268 3627	pro@moe.gov.gh
Pension Fund custodian	Prudential Bank Limited	8 John Harmond Street, JRing Road Central	0302 781197	Seth.Kyeremeh@prudentialbank.com .gh Mark.Eshun@prudentialbank.com.gh
Pension Fund manager(s)	Frontline Capital Advisors	No. 8 Out Link, Kuku Hill, Osu-Accra.	030 2784 177	info@frontlineadvisors.com
	Databank Asset Mgt Services Limited	61 Barnes Avenue, Adabraka	0302 610 610 (Ext 1818-20)	pensions@databankgroup.com
Administrator	GLICO Pensions Trustee Limited	Glico House # 47 Kwame Nkrumah Avenue P. O. Box GP 4251, Accra, Ghana Adabraka – Accra	030 2-246140, 264142	fsgrant@glicopensions.com btandoh@glicopensions.com
Auditor	KPMG	13 Yiyiwa Drive, Abelenkpe	030 2770 454	info@kpmg.com.gh
Independent Trustee	Petra Trust Company Limited	113 Airport West, Dzorwulu	024 243 5037	info@petratrust.com

**REPORT OF THE BOARD OF TRUSTEES
TO THE MEMBERS OF
GHANA EDUCATIONAL SERVICE OCCUPATIONAL PENSION SCHEME**

The Board of Trustees present their report together with the audited financial statements of the Ghana Education Service (GES) Occupational Pension Scheme (“the Scheme”) for the year ended 31 December 2019.

ESTABLISHMENT, NATURE AND THE STATUS OF THE SCHEME

The Scheme is a defined contribution scheme which provides lump sum benefits on retirement and such other ancillary benefits to members who meet the qualified conditions stipulated under the National Pensions Act, 2008 (Act 766) as amended.

The Scheme is a tax-exempt pension scheme under the National Pensions Act, 2008 (Act 766) and any amendments made to it thereafter. The Scheme’s activities are bound by provisions of the National Pensions Act, 2008, (Act 766), as amended. Regulations made under it, guidelines formulated and published and any board directives that may be issued from time to time as well as the governing rules of the Scheme.

Trustees are ultimately responsible for administration and management of the Scheme and their responsibility to the Scheme is established by a Trust Deed and Scheme Governing rules approved on September 1, 2016. The Scheme Governing Rules and Trust Deed both of which are subject to Act 766, form the basis of establishing the Scheme.

SCHEME MEMBERSHIP STATISTICS

Movement during the year

Description	Number at 1 January 2019	Joiners	Withdrawals	Number at 31 December 2019
Active Members	313,087	40,746	0	353,833

Summary Statistics

Description	Deferred Contributors	Transfer In	Transfer Out	Partial Withdrawals	Retirement (Statutory)	Retirement (Early)	Permanent Emigration	Incapacities Members	Death
Numbers	0	0	0	0	0	0	0	0	0

INVESTMENT REPORT

Statement of Investment Principles

We the Board of Trustees attest that the Scheme has been invested with the objective of obtaining safe and fair returns in accordance with National Pensions Act, 2008 (Act 766), National Pensions (Amendment) Act, 2014 (Act 883) and the Occupational and Personal Pension Schemes (General) Regulations, 2011.

Particulars of Investment Policy.

The provision of reasonable retirement benefits will require the achievement of investment returns that exceed inflation (as measured by the official Consumer Price Index) after allowing for fees and expenses. The safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The Board of Trustees will periodically establish benchmark yields for various categories of the Scheme’s investments

**REPORT OF THE BOARD OF TRUSTEES TO THE MEMBERS OF
GHANA EDUCATIONAL SERVICE OCCUPATIONAL PENSION SCHEME (CONT'D)**

INVESTMENT REPORT (CONT'D)

Investment Allocation

Asset Type	Maximum	Actual	Investment	2019	2018
	Allocation	Allocation	Income	Year End	Year End
	%	%	GH¢'000	Value	Value
Government Securities	75	84	459,272	2,913,654	511,348
Local Gov. and Sta. Agency	15	10	32,073	356,864	96,978
Corporate Bonds / REITs	35	1	7,087	35,602	29,000
Money Market	35	3	11,625	100,139	45,597
Quoted/Listed Equity	20	0.5	(1,687)	16,888	19,245
Open and Closed End Funds	15	1	4,437	31,320	27,889
Cash and Cash Equivalents	-	0.2	5,438	6,349	57,473
Total		100	518,245	3,460,816	787,530

FINANCIAL REVIEW (SCHEME REPORT)

The Statement of Changes in Net Assets Available for Benefits as presented on page 10 shows an increase in Net Assets available for Benefits for the year ended 31 December 2019 of GH¢ 449.1 million (2018: GH¢ 77.7 million) and the Statement of Net Assets Available for Benefits on page 9 shows the Scheme's Net Assets as at 31 December 2019 amounting to GH¢ 3.6 billion (2018: GH¢ 861.7 million).

Expenses

All expenses are charged against the Scheme. We confirm that expenses charged and deducted from the Scheme are those allowable under the National Pensions Act, 2008 (Act 766), as amended, guidelines on Fees and charges and any other directives issued by the Authority from time to time. Details of fees payable to and charged by all service providers are shown in Note 11 and 16 respectively.

Type	Maximum Rate	Actual Rate	2019	2018
			Amount	Amount
	%	%	GH¢'000	GH¢'000
NPRA Fees	0.33	0.33	9,383	1,732
Trustee (Administrator) Fees	1.33	1.27	36,037	6,979
Pension Fund Custodian Fees	0.28	0.17	4,851	1,154
Pension Fund Mgr. Fees	0.56	0.29	8,115	1,876
Audit Fees	-	-	118	35
Total			58,504	11,776

**REPORT OF THE BOARD OF TRUSTEES
TO THE MEMBERS OF
GHANA EDUCATIONAL SERVICE OCCUPATIONAL PENSION SCHEME (CONT'D)**

TRUSTEES

License number	Name	Position	Date of appointment	Date of exit
NPRA 17041	Nathaniel Otoo	Trustee	Jan-18	N/A
NPRA/ESOPS/12012/16055	Anna Pearl Akiwumi Siriboe	Member	Feb-16	N/A
NPRA 17044	Enoch H Cobbina	Member	Jan-18	Mar-19
NPRA/ESOPS/12012/16057	Abena Gyamera	Member	Feb-16	N/A
NPRA/ESOPS/12012/16062	Christian Addai-Poku	Member	Feb-16	N/A
NPRA/ESOPS/12012/16059	David Ofori Acheampong	Member	Feb-16	N/A
NPRA/ESOPS/12012/16059	Godfred Sepenu	Member	Feb-16	N/A
NPRA/ESOPS/12012/16060	King Ali Awudu	Member	Feb-16	N/A
NPRA/ESOPS/12012/16058	Seth Oduro Boadu	Member	Feb-16	Mar-19
NPRA/ESOPS/12012/	Augustine Saakuur Karbo	Member	Sep-16	N/A
NPRA/ESOPS/12012/	Kwamena Ahenakwa.Quarshie	Member	Feb-16	N/A
NPRA/ESOPS/12012/	Alexander Kwaku Agyei-	Member	Feb-16	N/A
NPRA/ESOPS/12012/	Anthony Boateng	Member	Feb-18	N/A
NPRA/ESOPS/12012/	Wihelmina Asamoah	Member	Apr-19	N/A
NPRA/ESOPS/12012/	Eric Kofi Agbe-Carbonu	Member	Apr-19	N/A
NPRA/CT/12001	Petra Trust Company Limited	Independent	Jul-16	N/A

STATUTORY REQUIREMENTS

The trustees of the Ghana Education Service (GES) Occupational Pension Scheme are required to comply with the requirements of the National Pensions Act, 2008 (Act 766), the National Pensions (Amendment) Act, 2014 (Act 883) and the Occupational and Personal Pension Schemes (General) Regulations, 2011(L.I.1990), Regulations made under it, Guidelines and Board directives that have been issued. The trustees monitored the various guidelines and related material published during the year by the National Pensions Regulatory Authority and other regulatory bodies, to ensure that the Scheme and its administration were in compliance. There was no change to governing rules of the Scheme during the year.

SUBSEQUENT EVENTS

Except for the event disclosed in Note 22, the Board of Trustees are not aware of any other matter or circumstances arising since the end of the financial year that requires adjustment or disclosure in the financial

AUDITOR

KPMG was appointed as the auditor of the Scheme on 24th July 2016 and have expressed their willingness to continue in office as Auditors of the Scheme.

ON BEHALF OF THE BOARD OF TRUSTEES

NATHANIEL OTOO
Trustee (Name)

Kofi Fynn
Independent Trustee (Name)

[Signature] 23/06/2020
Signature Date

[Signature] 23/06/2020
Signature Date

REPORT OF THE BOARD OF TRUSTEES
TO THE MEMBERS OF
GHANA EDUCATIONAL SERVICE OCCUPATIONAL PENSION SCHEME (CONT'D)

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Board of Trustees are responsible for the preparation of the financial statements that give a true and fair view of Ghana Education Service (GES) Occupational Pension Scheme, comprising the statement of net assets available for benefits at 31 December 2019 and the statements of changes in net assets available for benefits, movement in changes in net assets available for benefits and cash flows for the year ended 31 December 2019 and notes to the financial statements which includes a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, National Pensions Act, 2008 (Act 766), the National Pensions (Amendment) Act, 2014 (Act 883) and the Occupational and Personal Pension Schemes (General) Regulations, 2011 (L.I.1990). In addition, the Board of Trustees are responsible for the preparation of the Report of the Trustees.

The Board of Trustees are also responsible for such internal controls as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Trustees have made an assessment of the ability of the Scheme to continue as a going concern and have no reason to believe that the Scheme will not be a going concern in the year ahead.

The auditor is responsible for reporting whether the financial statements give a true and fair view in accordance with applicable financial reporting framework.

These financial statements:

- were approved by the Board of Trustees;
- are certified by the Board of Trustees to the best of their knowledge and belief to be correct;
- fairly represent the net assets of the Scheme at 31 December 2019 as well as the results of its activities for the year then ended; and
- are signed on behalf of the Board of Trustees by

NATHANIEL OTOO
Trustee (Name)

[Signature] 23/06/2020
Signature Date

Kofi Fynn
Independent Trustee (Name)

[Signature] 23/06/2020
Signature Date



INDEPENDENT AUDITOR'S REPORT

To the Members of Ghana Education Service (GES) Occupational Pension Scheme

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ghana Education Service (GES) Occupational Pension Scheme (“the Scheme”), which comprise the statement of net assets available for benefits at 31 December 2019, and the statements of changes in net assets available for benefits, movement in changes in net assets available for benefits and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 34.

In our opinion, these accompanying financial statements give a true and fair view of the financial position of Ghana Education Service (GES) Occupational Pension Scheme at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the manner required by the National Pensions Act 2008 (Act 766), the National Pensions (Amendment) Act, 2014 (Act 883) and the Occupational and Personal Pension Schemes (General) Regulations, 2011 (L.I.1990).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Scheme in accordance with the International Ethics Standards Board for Accountants’ *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Ghana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investment Income - Refer to Note 13 of the financial statements	
The key audit matter	How the matter was addressed in our audit
<p>Investment income mainly consists of interest income earned on government securities, corporate bonds and fixed deposits and fair value gains/losses on mutual funds and equity securities.</p> <p>The Scheme accounts for each investment income manually and its accuracy is dependent on the completeness and accuracy of the investment schedule.</p> <p>Due to the varied investments, the volume of transactions and the manual computations done to ascertain each investment income, there is a risk that the investment income may be erroneously computed.</p> <p>On account of the above, we considered investment income a key audit matter.</p>	<p>Our principal procedures included:</p> <ul style="list-style-type: none"> • Agreeing the elements of the investment schedule used in the computation of investment income to source documents. • Re-computing interest income and fair value gains/losses amounts to ensure their accuracy as well as the appropriateness of accounting treatment. • Re-computing the amortised transaction cost on secondary bonds over the term of each investment. • Evaluated the adequacy of the Scheme’s disclosures on investment income in the financial statements in accordance with the applicable financial reporting framework.



INDEPENDENT AUDITOR'S REPORT

To the Members of Ghana Education Service (GES) Occupational Pension Scheme

Other Information

The Trustees are responsible for the other information. The other information comprises the Report of the Board of Trustees, Investment Report and Financial Review (Scheme Report) as required by the National Pensions Act 2008 (Act 766), the National Pension (Amendment) Act, 2014 (Act 883) and the Occupational and Personal Pension Schemes (General) Regulations, 2011 (L.I.1990) and the Particulars of Service Providers/Advisors and the Statement of Trustees Responsibilities but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Trustees for the Financial Statements.

The Trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the National Pensions Act 2008 (Act 766), the National Pensions (Amendment) Act, 2014 (Act 883) and the Occupational and Personal Pension Schemes (General) Regulations, 2011 (L.I.1990), and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

The Trustees are responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.



INDEPENDENT AUDITOR'S REPORT

To the Members of Ghana Education Service (GES) Occupational Pension Scheme

- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 82 of the Occupational and Personal Pension Schemes (General) Regulations, 2011 (L.I.1990)

Proper accounting records have been kept during the year ended 31 December 2019 in respect of the funds of the scheme, the scheme assets and financial transactions entered into in relation to the scheme.

Except for the Scheme exceeding the investment threshold in Government securities by 9%, the Scheme has complied with the requirements with section 35 of the Regulations with respect to prohibited investment practices and the Guidelines on investment of pension funds. The Scheme has complied with the requirements specified in the NPRA Guidelines

The engagement partner on the audit resulting in this independent auditor's report is Frederick Nyan Dennis (ICAG/P/1426).

KPMG

For and on behalf of:
KPMG: (ICAG/F/2020/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P O BOX GP 242
ACCRA

24 June

....., 2020

KPMG, a partnership established under Ghanaian law, is a member of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

A.K. Sarpong
D.S. Adoteye
K. Frempong-Kore
E. Addico

E.O. Asiedu
A.O. Akoto
F. Dennis
L. Amidu

N.D. Hartley
N.A. Aiywar
J. Coleman
K. S. Barrieh

**GHANA EDUCATION SERVICE OCCUPATIONAL PENSION SCHEME
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AT 31 DECEMBER 2019**

	Note	2019 GH¢'000	2018 GH¢'000
Assets			
Equity securities	9	16,888	19,245
Mutual fund investments	8	31,320	27,889
Investment measured at amortised cost	7	3,406,259	682,923
Due from board of trustees	6	-	544
Contribution receivable	10	85,847	25,303
Matured investment receivable	4	14,201	50,891
Bank balance	3	6,349	57,473
Total assets		<u>3,560,864</u>	<u>864,268</u>
Liabilities			
Other payables	11	7,801	2,527
Total liabilities		<u>7,801</u>	<u>2,527</u>
Total assets less liabilities		<u>3,553,063</u>	<u>861,741</u>
Represented by:			
Net assets available for benefits		<u>3,553,063</u>	<u>861,741</u>

The Financial Statements on pages 9 to 35 were approved by the Trustees on 23/06/2020 and were signed on its behalf by:

NATHANIEL STOO
Trustee (Name)

[Signature] 23/06/2020
Signature Date

Kofi Fynn
Independent Trustee (Name)

[Signature] 23/06/2020
Signature Date

The notes on pages 13 to 34 are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
AT 31 DECEMBER 2019

	Note	2019 GH¢'000	2018 GH¢'000
Dealings with Members			
Contributions	10	337,973	292,023
Transfers in:	15	1,904,243	157,668
Less: Benefits	12	-	(37)
Net additions from dealings with members		<u>2,242,216</u>	<u>449,654</u>
Return on investments			
Investment income	13	518,245	91,318
Add: Other income	14	-	1,881
		<u>518,245</u>	<u>93,199</u>
Less: Administrative expenses	16	(58,569)	(12,071)
Impairment of financial assets	19(ii)	(10,570)	(3,443)
Surplus for the year		<u>449,106</u>	<u>77,685</u>
Increase in Net Assets for the year		<u>449,106</u>	<u>77,685</u>
Net Assets for the year		<u>3,553,063</u>	<u>861,741</u>

The notes on pages 13 to 34 are an integral part of these financial statements.

STATEMENT OF MOVEMENT IN CHANGES IN NET ASSETS AVAILABLE
FOR BENEFITS AT 31 DECEMBER 2019

	Members' Fund GH¢'000	Income Surplus GH¢'000	Fair value reserve GH¢'000	Total net assets GH¢'000
Balance at 1 January 2018	305,659	28,062	1,084	334,805
IFRS 9 transition adjustment	-	681	(1,084)	(403)
Restated balance at 1 January 2018	305,659	28,743	-	334,402
<i>Transactions with scheme members</i>				
Contributions during the year	292,023	-	-	292,023
Transfer in	157,668	-	-	157,668
Benefit payments during the year	(37)	-	-	(37)
Total transactions with scheme members	449,654	-	-	449,654
<i>Comprehensive income for the year</i>				
Surplus for the year	-	77,685	-	77,685
Total comprehensive income for the year	-	77,685	-	77,685
Balance at 31 December 2018	755,313	106,428	-	861,741
Balance at 1 January 2019	755,313	106,428	-	861,741
<i>Transactions with scheme members</i>				
Contributions during the year	337,973	-	-	337,973
Transfer in	1,904,243	-	-	1,904,243
Total transactions with scheme members	2,242,216	-	-	2,242,216
<i>Comprehensive income for the year</i>				
Surplus for the year	-	449,106	-	449,106
Total comprehensive income for the year	-	449,106	-	449,106
Balance at 31 December 2019	2,997,529	555,534	-	3,553,063

The notes on pages 13 to 34 are an integral part of these financial statements.

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

<i>(All amounts are in thousands of Ghana cedis)</i>	Note	2019 GH¢'000	2018 GH¢'000
Cashflows from operating activities			
Surplus for the year		449,106	77,685
Adjustments for:			
Investment income	13	(518,245)	(91,318)
Other income	14	-	(1,881)
Impairment of financial assets	19	10,570	3,443
		(58,569)	(12,071)
Changes in			
Due from the board of trustees	6	544	(544)
Other payables	11	5,274	972
		(52,751)	(11,643)
Interest received on investments measured at amortised cost	7	422,981	79,417
Interest received on call accounts	13	5,438	1,378
*Dividend received	13	670	207
Net cash received from operating activities		<u>376,338</u>	<u>69,359</u>
Cash flows generated from investing activities			
Purchase of investments measured at amortised cost	7	(1,142,700)	(590,748)
Purchase of mutual fund investments	8	(5,000)	(24,300)
Purchase of equity securities	9	-	(13,705)
Proceeds from sale of investments measured at amortised cost	7	157,040	157,561
Cash received from matured investments		44,118	-
Proceeds from sale of mutual fund investments	8	6,006	-
Transaction costs paid	7	(41,402)	(4,172)
Net cash flows used in investing activities		<u>(981,938)</u>	<u>(475,364)</u>
Cash flows generated from financing activities			
Contributions received	10	277,429	286,802
Transfer received	15	277,047	157,668
Benefit paid	12	-	(37)
Net cash from financing activities		<u>554,476</u>	<u>444,433</u>
Net (decrease)/increase in cash and cash equivalents		(51,124)	38,428
Cash and cash equivalents at beginning of the year		57,473	19,045
Cash and cash equivalents at end of period	3	6,349	57,473

* Dividend received for 2018 excludes share dividend of GH¢ 899,000.

The notes on pages 13 to 34 are an integral part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1 SCHEME INFORMATION

Ghana Education Service is the sponsor of the Ghana Education Service (GES) Occupational Pension Scheme. As at the date of reporting, the number of members of Ghana Education Service (GES) Occupational Pension Scheme was 353,833 (2018: 313,087). The Scheme is a tax exempt approved plan under the National Pensions Act 2008 (Act 766), as amended by the National Pensions Act, 2014 (Act 883) and it is registered with the National Pensions Regulatory Authority (NPRA). Member and Employer contribution vary among participating employers.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and with requirements of the Pensions Act, 2008 (Act 766), the National Pensions (Amendment) Act, 2014 (Act 883) and the Occupational and Personal (General) Regulations, 2011 (L.I.1990).

The financial statements have been prepared on the historical cost basis except for instruments that are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Scheme's accounting policies.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.2 Functional currency

Items included in the financial statements of the Scheme are measured using the currency that best reflects the primary economic environment in which the Scheme operates ("the functional currency"). The financial statements are presented in Ghana cedi ("the presentation currency"), which is the functional currency of the Scheme. All amounts presented in Ghana cedis are rounded to the nearest thousands except where otherwise indicated.

2.3 Contributions

Contributions are recognized in the period in which they fall due. The Contributions are in compliance with rates as per the National Pensions Act, 2008 (Act 766), the National Pensions (Amendment) Act, 2014 (Act 883) and the Occupational and Personal Pension Schemes (General) Regulations, 2011 (L.I.1990) and the Scheme Governing Rules.

2.4 Transfers

Transfers are recognised in the period in which members join from other schemes.

2.5 Benefits

Benefits are recognized in the period in which they fall due. Benefits represent all valid benefit claims paid/payable during the year in compliance with the National Pensions Act, 2008 (Act 766), the National Pensions (Amendment) Act, 2014 (Act 883) and the Occupational and Personal Pension Schemes (General) Regulations, 2011 (L.I.1990) and the Scheme Governing Rules.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Income from investments

- i. Interest income is recognised for all interest-bearing instruments using the effective interest method. Interest income includes coupons earned on fixed income investments and accrued discount and premium on treasury bills and other instruments (see Note 2.7.4).
- ii. Dividends are recognised as income in the period in which the right to receive payment is established. Fair value gains or loss on financial instruments measured at fair value through profit or loss are recognised as income in the period in which the gain or loss arises (see Note 2.7.2).
- iii.

2.7 Financial assets and financial liabilities

2.7.1 Recognition and initial measurement

The Scheme recognises deposits with financial institutions and loans and borrowings on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Scheme becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for a financial asset or financial liability not measured at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

2.7.2 Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL. Financial assets are not reclassified subsequent to their initial recognition, unless the Scheme changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Scheme may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Scheme may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2019 (CONT'D)

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Financial assets and financial liabilities (cont'd)

2.7.2 Classification and subsequent measurement (cont'd)

Business model assessment

The Scheme assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Scheme's management; the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation; but as part of an overall assessment of how the Scheme's stated objective for managing the financial assets is achieved and how cash flows are realised.

Classification and subsequent measurement

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Scheme's continuing recognition of the assets.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Scheme's continuing recognition of the assets.

Financial assets that are managed and whose performance is evaluated on a fair value basis, which include underlying items of participating contracts, and financial assets that are held for trading are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time -e.g. if there are repayments of principal.

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs) as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Scheme considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Scheme considers:

Assessment whether contractual cash flows are solely payments of principal and interest (cont'd)

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Scheme's claim to cash flows from specified assets - e.g. non-recourse asset arrangements; and
- features that modify consideration of the time value of money - e.g. periodic reset of interest rates.

A prepayment feature is consistent with the 'solely payments of principal and interest' criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, for a financial asset acquired at a premium or discount to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant on initial recognition.

Subsequent measurement and gains and losses

Classification	Measurement
Financial assets at FVTPL	Measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit or loss, unless they arise from derivatives designated as hedging instruments in net investment hedges.
Financial assets at amortised cost	Measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.
Financial liability at amortised cost	Measured at amortised cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

2.7.3 *Offsetting*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when and only when, the Scheme currently has a legally enforceable right to set off the amounts and it intends either to settle on a net basis, or to realise the assets and settle the liability

2.7.4 *Interest income and expense*

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a Scheme of similar transactions.

Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Financial assets and financial liabilities (cont'd)

2.7.4 Interest income and expense (cont'd)

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial asset's, adjusted for any loss allowance.

The gross carrying amount of a financial asset is its amortised cost before adjusting for any loss allowance.

Classification	Measurement
Financial assets not credit-impaired on initial recognition	<p>If the financial asset is not credit-impaired, then interest income is calculated by applying the effective interest rate to the gross carrying amount of the asset. When calculating the effective interest rate, the Scheme estimates future cash flows considering all contractual terms of the asset but not ECL.</p> <p>If the financial asset has become credit-impaired subsequent to initial recognition, then interest income is calculated by applying the effective interest rate to the amortised cost of the asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.</p> <p>Interest income is calculated by applying a credit-adjusted effective interest rate to the amortised cost of the asset. The credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.</p>
Financial liabilities	<p>Interest expenses are calculated by applying the effective interest rate to the amortised cost of the liability. When calculating the effective interest rate, the Scheme estimates future cash flows considering all contractual terms of the liability.</p>

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest revenue on financial assets not measured at FVTPL and other finance costs presented in profit or loss include interest on financial assets and financial liabilities measured at amortised cost and debt investments measured at FVOCI calculated on an effective interest basis.

2.7.5 Impairment

The Scheme measures loss allowances at an amount equal to lifetime ECL, except in the following cases,

- debt securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Financial assets and financial liabilities (cont'd)

2.7.5 Impairment (cont'd)

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date.

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Scheme is exposed to credit risk.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses and are measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls i.e. the difference between the cash flows due to the entity in accordance with the contract
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

Credit-impaired financial assets

At each reporting date, the Scheme assesses whether financial assets measured at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Scheme on terms that the Scheme would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In assessing whether an investment in sovereign debt is credit-impaired, the Scheme considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessments of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- the international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms, including an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

2.7.5 *Impairment (Cont'd)*

Presentation of loss allowances in the statement of financial position

Loss allowances for ECL are presented as follows:

- financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets; and

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Scheme determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Scheme's procedures for recovery of amounts due.

2.7.6 *Derecognition*

Financial assets

The Scheme derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Scheme neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amounts at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. The cumulative gain or loss on equity investments designated as at FVOCI is not reclassified to profit or loss.

The Scheme enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Scheme neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Scheme continues to recognise the asset to the extent of its continuing involvement determined by the extent to which it is exposed to changes in the value of the transferred asset.

If the terms of a financial asset are modified, then the Scheme evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

2.7.6 *Derecognition (Cont'd)*

If a financial asset measured at amortised cost is modified but not substantially, then the financial asset is not derecognised. If such a modification is carried out because of financial difficulties of the borrower then the gain or loss is presented together with impairment losses; in other cases, it is

Financial liabilities

The Scheme generally derecognises a financial liability when its contractual obligations expire or are discharged or cancelled. The Scheme also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Notwithstanding the above, when, and only when, the Scheme repurchases its financial liability and includes it as an underlying item of direct participating contracts, the Scheme may elect not to derecognise the financial liability. Instead, the Scheme may elect to continue to account for that instrument as a financial liability and to account for the repurchased instrument as if it were a financial asset and measure it at FVTPL. This election is irrevocable and is made on an instrument-by-instrument basis.

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

2.8 Expenses incurred in managing investments

Expenses in respect of the management of investments are recognised as incurred.

2.9 Administration expenses

An expense is recognised if it is probable that any future economic benefit associated with the item will flow to or from the Scheme and the item has a cost or value that can be measured with reliability. Expenses incurred in the administration of retirement Scheme are recognised in the statement of comprehensive income in the reporting year to which they relate.

In the event that an expense has not been paid at the end of a reporting year the liability will be reflected under the accounts payable note. If the expense was paid in advance or overpayment occurred, the applicable amount will be disclosed under the accounts receivable note.

2.10 Member individual Fund benefit accounts

Member Fund credits reflected on the statement of net assets includes the member's opening balance (prior year closing balance), monthly contribution and the monthly rate of investment return allocated for the current year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 New Standards and Interpretations issued not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Scheme has not early adopted the new or amended standards in preparation of these consolidated and separate financial statements. At the date of authorisation of the financial statements of Ghana Education Service (GES) Occupational Pension Scheme for the period ended 31 December 2019, the following Standards and Interpretations were in issue but not yet effective:

Effective for the financial year commencing 1 January 2019

- *Amendments to References to Conceptual Framework in IFRS Standards*
- *Definition of Material (Amendments to IAS 1 and IAS 8)*
- *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*

Amendments to References to Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance were unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

Although we expect this to be rare, some companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

The Company is yet to assess the effect of the standard on its financial statements.

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

2.11 New Standards and Interpretations issued not yet adopted (cont'd)

Definition of Material (Amendments to IAS 1 and IAS 8) (cont'd)

The Board has also removed the definition of material omissions or misstatements from *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*.

The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

The Scheme is yet to assess the effect of the standard on its financial statements.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Amendments to IFRS 9, IAS 39 and IFRS 7 have now been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform. The amendments are effective from 1 January 2020. Early application is permitted.

The Scheme is yet to assess the effect of the standard on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)

3 BANK BALANCE

	2019	2018
	GH¢'000	GH¢'000
Balances with bank	6,349	57,473

4 MATURED INVESTMENT RECEIVABLE

	2019	2018
	GH¢'000	GH¢'000
Gross amount due	26,737	51,445
Impairment allowance	(12,536)	(554)
	<u>14,201</u>	<u>50,891</u>

This balance represent investments which matured during the year for which the Scheme is yet to be settled by issuers of the financial instruments.

5 OTHER RECEIVABLE

	2019	2018
	GH¢'000	GH¢'000
Gross amount due	6,668	6,668
Write-off	(6,668)	(6,668)
	<u>-</u>	<u>-</u>

Other receivable relates to penal interest charge of 3% on late contribution payments receivable from the employer per the requirements of the Pension Act (ACT 766). As at 31 December 2019, the amount due is deemed not to be collectible hence written off.

6 DUE FROM BOARD OF TRUSTEES

Due from board of trustees represent advances made by Scheme to members of the board excluding the Independent Trustee.

7 INVESTMENTS AT AMORTISED COST

2019

	Government Securities GH¢'000	Corporate Bonds GH¢'000	Fixed Deposits GH¢'000	Total GH¢'000
At 1 January 2019	608,326	29,000	45,597	682,923
Purchases at cost	1,006,263	24,654	111,783	1,142,700
Transfer in	1,627,196	-	-	1,627,196
Matured investments	(100,073)	-	(56,967)	(157,040)
Matured investment receivable	-	(19,410)	-	(19,410)
Interest charged	491,345	7,087	11,625	510,057
Interest received	(403,941)	(6,838)	(12,202)	(422,981)
Transaction cost	41,402	-	-	41,402
Impairment release	-	1,109	303	1,412
At 31 December 2019	<u>3,270,518</u>	<u>35,602</u>	<u>100,139</u>	<u>3,406,259</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)

7 INVESTMENTS AT AMORTISED COST (CONT'D)
2018

	Government Securities GH¢'000	Corporate Bonds GH¢'000	Fixed Deposits GH¢'000	Total GH¢'000
At 31 December 2017	185,727	19,920	81,073	286,720
IFRS 9 transition adjustment	-	(336)	(68)	(404)
Purchases at cost	442,930	28,930	118,888	590,748
Matured investments	(41,061)	(2,320)	(114,180)	(157,561)
Matured investment receivable	(449)	(17,132)	(33,864)	(51,445)
Interest charged	72,260	4,810	14,048	91,118
Interest received	(55,171)	(4,181)	(20,065)	(79,417)
Transaction cost	4,090	82	-	4,172
Impairment	-	(773)	(235)	(1,008)
At 31 December 2018	<u>608,326</u>	<u>29,000</u>	<u>45,597</u>	<u>682,923</u>

8 MUTUAL FUNDS

	2019 GH¢'000	2018 GH¢'000
At 1 January	27,889	2,078
Purchases	5,000	24,300
Disposals	(6,006)	-
Fair value gains	4,437	1,511
At 31 December	<u>31,320</u>	<u>27,889</u>

Analysis of market value of investments held in mutual funds is as follows

	2019 GH¢'000	2018 GH¢'000
HFC Unit Trust	1,344	1,200
Stanlib Cash Trust	1,385	1,205
Stanlib Income Fund Trust	14,645	9,998
Databank Money Market Fund	-	5,386
Investcorp mid-tier Investment Fund	6,220	5,258
EDC Balanced Fund	4,940	4,842
EDC Ghana Fixed Income Unit Trust	2,786	-
	<u>31,320</u>	<u>27,889</u>

Analysis of fair value gains on investments held in mutual funds is as follows

	2019 GH¢'000	2018 GH¢'000
HFC Unit Trust	144	159
Stanlib Cash Trust	179	169
Stanlib Income Fund Trust	2,147	698
Databank Money Market Fund	621	386
Investcorp mid-tier Investment Fund	962	258
EDC Balanced Fund	98	(159)
EDC Ghana Fixed Income Unit Trust	286	-
	<u>4,437</u>	<u>1,511</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)

9 EQUITY SECURITIES

	2019 GH¢'000	2018 GH¢'000
At 1 January	19,245	8,436
Purchases	-	13,705
Bonus issue	-	899
Fair value gains	(2,357)	(3,795)
At 31 December	<u>16,888</u>	<u>19,245</u>

Analysis of market value of investments in equity securities is as follows;

	2019 GH¢'000	2018 GH¢'000
Financial Sector	9,068	9,071
Oil and Gas Sector	1,245	2,207
Manufacturing Sector	1,733	2,503
Telecom Sector	<u>4,842</u>	<u>5,464</u>
	<u>16,888</u>	<u>19,245</u>

Analysis of fair value gains/ (loss) on investments in equity securities is as follows;

	2019 GH¢'000	2018 GH¢'000
Financial Sector	(3)	(2,648)
Oil and Gas Sector	(962)	(225)
Manufacturing Sector	(770)	(1,199)
Telecom Sector	<u>(622)</u>	<u>277</u>
	<u>(2,357)</u>	<u>(3,795)</u>

10 CONTRIBUTIONS AND CONTRIBUTION RECEIVABLE

	2019 GH¢'000	2018 GH¢'000
At January 1	25,303	20,082
Contribution during the year	337,973	292,023
Contribution received	<u>(277,429)</u>	<u>(286,802)</u>
At December 31	<u>85,847</u>	<u>25,303</u>

11 OTHER PAYABLES

	2019 GH¢'000	2018 GH¢'000
NPRA fees payable	959	637
Fund administrator fees payable	1,214	849
Fund manager fees payable	1,567	468
Fund custodian fees payable	937	424
Independent trustee fees payable	403	79
Board of trustees fees payable	2,297	-
Audit fees payable	118	35
Other payables	<u>306</u>	<u>35</u>
	<u>7,801</u>	<u>2,527</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)

12 BENEFIT PAYABLE

	2019	2018
	GHC'000	GHC'000
At January 1	-	-
Benefit expense	-	37
Payments	-	(37)
At December 31	-	-

13 INVESTMENT INCOME

	2019	2018
	GHC'000	GHC'000
Interest on government securities	491,345	72,259
Interest on corporate bonds	7,087	4,811
Interest on fixed deposits	11,625	14,048
Fair value gains on mutual funds	4,437	1,511
Fair value loss on equity securities	(2,357)	(3,795)
Interest on call account	5,438	1,378
Dividend income	670	1,106
	518,245	91,318

14 OTHER INCOME

Other income relates to penal interest charge of 3% on late contribution payments receivable from the employer which were paid later than the regulatory payment date which is the 14th day of the subsequent month per the requirements of the Pension Act (ACT 766). The table below shows the breakdown;

The amount for other income receivable for the year ended 31 December 2019 has not been recognised in the financials as its not probable that the cash flow is receivable to the Scheme.

Month	2019 Data received	Number of days overdue	Contribution due	Penal Interest
			GHC'000	GHC'000
December 2018	14/01/2019	0	25,303	0.0
January 2019	28/02/2019	14	27,027	378
February 2019	11/04/2019	28	27,284	764
March 2019	08/05/2019	24	27,162	652
April 2019	29/05/2019	15	27,575	414
May 2019	10/07/2019	26	28,810	749
June 2019	06/08/2019	23	28,476	655
July 2019	10/09/2019	27	29,029	784
August 2019	08/10/2019	27	27,977	671
September 2019	12/11/2019	24	28,786	835
October 2019	02/01/2020	29	29,437	1,384
November 2019	03/02/2020	47	28,215	480
Total				7,766

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)

14 OTHER INCOME (CONT'D)

2018				
Month	Date received	Number of days overdue	Contribution due GH¢'000	Penal Interest GH¢'000
January 2018	19/02/2018	5	22,082	110
February 2018	23/03/2018	9	21,564	194
March 2018	26/04/2018	12	24,687	296
April 2018	23/05/2018	9	23,829	214
May 2018	28/06/2018	14	23,771	335
June 2018	24/07/2018	10	23,343	233
July 2018	24/08/2018	10	25,020	250
November 2018	24/12/2018	10	24,910	249
Total				1,881

15 TRANSFERS

	2019 GH¢'000	2018 GH¢'000
Capital portion	1,627,196	157,668
Interest portion	277,047	-
	1,904,243	157,668

During the year the Scheme received a total transfer of GH¢ 1.9 billion from the National Pension Regulatory Authority. These transfers were partly settled by bonds (GH¢ 1.6 billion) and partly by cash (GH¢ 0.3 billion). These were transfers from the Temporary Pension Fund Account.

16 ADMINISTRATIVE EXPENSES

	2019 GH¢'000	2018 GH¢'000
NPRA fees	9,383	1,732
Fund manager fees	8,115	1,876
Fund custodian fees	4,851	1,154
Fund administrator fees	11,625	2,309
Independent trustee fees	3,030	315
Board of trustees fees	21,382	4,355
Audit fees	118	35
Brokerage fees	65	295
	58,569	12,071

17 RELATED PARTY TRANSACTIONS

The following transactions between the employer and the Scheme occurred during the year: Total contributions and receivable from the employer to the Scheme towards members' retirement amounts to GH¢338 million (2018: GH¢292 million) and GH¢85.8 million (2018: GH¢25.3 million) respectively (Refer to note 10 of the financial statements).

During the year of no amount (2018: GH¢37,439) was paid as benefits (refer to note 12 of the financial statements). Transactions with and balance due from/to Board of Trustees have been disclosed in Note 16, 6 and 11 respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

18 CAPITAL RISK MANAGEMENT

The capital of the Scheme is represented by the net assets available for benefits. The amount of net assets available for benefits can change significantly on a monthly basis, as the benefit is subject to monthly contributions from existing and new members; and withdrawals by members who qualify under National Pensions Act, 2008 (Act 766), the National Pension (Amendment) Act, 2014 (Act 883) and the Occupational and Personal (General) Regulations, 2011 (L.I.1990). The Scheme's objective when managing capital is to safeguard the Scheme's ability to continue as a going concern in order to provide benefits for members and maintain a strong capital base to support the development of the investment activities of the Scheme.

In order to maintain or adjust the capital structure, the Scheme's policy is to monitor the level of monthly contributions and redemptions relative to the assets it expects to be able to liquidate. The Trustees monitor capital on the basis of the value of net assets attributable to members.

19 FINANCIAL RISK MANAGEMENT

Overview

The Scheme has exposure to the following risk arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

i Risk management framework

The Board of Trustees has overall responsibility for the establishment and oversight of the Scheme's risk management framework.

The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the Scheme does not hedge any risks.

Risk management is carried out by the fund manager under policies and guidelines approved by the Trustees. The Trustees, through the standards and procedures aims to develop a disciplined and constructive control environment, in which all Trustees understand their roles and obligations.

The Trustees are responsible for monitoring compliance with risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Scheme.

ii Credit risk

Credit risk is the risk that a counter-party to a financial instrument will fail to discharge an obligation, and cause the Scheme to incur a financial loss. The Board of Trustees monitor financial asset balances on an ongoing basis with the result that the Scheme's exposure to impairment is not significant.

The Scheme's assets are only invested through fund managers who are registered and domiciled in Ghana. The Scheme's investment mandate stipulates that the fund manager should monitor the risks associated with the Scheme's investments on a regular basis.

Credit risk is managed by the Scheme's outsourced fund managers by investing in well-researched institutions and within the parameters of the investment mandate. The fund manager must report quarterly on the steps taken to identify and manage the credit risk, in terms of the Scheme's investment

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)

19 FINANCIAL RISK MANAGEMENT (CONT'D)

ii Credit risk (Cont'd)

Exposure to credit risks

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2019 GH¢'000	2018 GH¢'000
Government Securities	3,270,517	608,326
Corporate Bonds	35,602	29,000
Fixed Deposits	100,140	45,597
Equity securities	16,888	19,245
Mutual fund	31,320	27,889
Contribution receivable	85,847	25,303
Matured investment receivable	14,201	50,891
Bank balances	6,349	57,473
Due from Board of Trustees	-	544
	3,560,864	864,268

No collaterals are held for any of the above assets. No impairment allowance is provided on equity securities and mutual funds. These financial assets are measured at fair value through profit or loss.

	2019 GH¢'000	2018 GH¢'000
At 1 January	8,634	5,191
Charge for the year	10,570	3,443
Write-off	(6,668)	-
At 31 December	12,536	8,634

2019

	Matured investments receivable GH¢'000	Investments at AMC GH¢'000	Other receivables GH¢'000	Total GH¢'000
At 1 January	554	1,412	6,668	8,634
Charge/(release for the year)	11,982	(1,412)	-	10,570
Write-off	-	-	(6,668)	(6,668)
At 31 December	12,536	-	-	12,536

2018

	Matured investments receivable GH¢'000	Investments at AMC GH¢'000	Other receivables GH¢'000	Total GH¢'000
At 1 January	-	-	4,787	4,787
Charge for the year	554	1,008	1,881	3,443
IFRS 9 transition adjustment	-	404	-	404
At 31 December	554	1,412	6,668	8,634

iii Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in raising funds to meet commitments associated with financial instruments. According to the investment mandate, the Scheme invests primarily in marketable securities and the other financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Scheme's policy is to maintain sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests as specified in the rules of the Scheme.

Exposure to Liquidity risk

Exposure to liquidity risk is as follows

2019	Contractual inflows / (outflows)					
	Carrying amount	Total	0 – 6 months	6 - 12 months	1 - 5 years	Over 5 years
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Government securities	3,270,517	7,053,835	289,035	391,318	3,577,030	2,796,452
Corporate bonds	35,602	60,328	3,559	4,700	52,069	-
Fixed deposits	100,140	107,435	81,308	-	26,127	-
Contribution	85,847	85,847	85,847			
Bank balance	6,349	6,349	6,349			
Matured investment receivable	14,201	14,201	14,201			
Total assets	3,512,656	7,327,995	480,299	396,018	3,655,226	2,796,452
Other payables	7,801	7,801	7,801	-	-	-
Net liquidity	3,520,457	7,335,796	488,100	396,018	3,655,226	2,796,452

2018	Contractual inflows / (outflows)					
	Carrying amount	Total	0 – 6 months	6 - 12 months	1 - 5 years	Over 5 years
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Government securities	608,326	953,532	112,874	47,267	685,104	108,287
Corporate bonds	29,000	55,765	2,970	2,970	49,825	-
Fixed deposits	45,597	47,383	42,743	4,640	-	-
Contribution	25,303	25,303	25,303			
receivable						
Bank balance	57,473	57,473	57,473			
Due from board of trustees	544	544	544			
Matured investment receivable	50,891	50,891	50,891			
Total assets	817,134	1,190,891	292,798	54,877	734,929	108,287
Other payables	(2,527)	(2,527)	(2,527)	-	-	-
Net liquidity	814,607	1,188,364	290,271	54,877	734,929	108,287

iv Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices or market interest rates.

The Board of Trustees meet at quarterly intervals to discuss the investment policy of the Scheme and to monitor the asset allocation and performance of the fund managers. At these meetings the current investment performance as well as the future economic climate is discussed.

The Scheme has investments in various investment portfolios thereby reducing the market risk. Fund managers are also appointed to monitor the Scheme's investments and to provide expert advice to the Board of Trustees. Investment in equities and mutual funds are valued at fair value and therefore susceptible to market fluctuations.

Investment measured at amortised cost also expose the Scheme to interest rate risk. Investments are managed with the aim of maximising the Scheme's returns while limiting risk to acceptable levels within the framework of statutory requirements.

Interest rate risk

Interest rate risk comprises interest price risk that results from investing at fixed rates and the interest cash flow risk that results from investing at variable rates. The board of trustees are responsible for setting the overall duration and interest management targets. The Scheme's objective is to manage its interest rate exposure through careful investment profiling and use of heterogeneous investing sources.

As at the reporting date, the interest rate risk profile of the Scheme's interest bearing financial instruments was:

	2019 GH¢'000	2018 GH¢'000
Government Securities	3,270,517	608,326
Corporate Bonds	35,602	29,000
Fixed Deposits	<u>100,140</u>	<u>45,597</u>
	<u>3,406,259</u>	<u>682,923</u>

The Scheme does not account for any fixed-rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the reporting date does not affect profit or loss.

A change of 1% in interest rates would have increased or decreased equity by GH¢34.1 million (2018: GH¢6.8 million)

Other market price risk

The Scheme is exposed to equity price risk, which arises from equity securities measured at fair value through other comprehensive income held for dividend and capital gains and mutual funds measured at fair value through profit or loss held for capital gains.

The board of trustees monitors the proportion of equity securities and mutual funds in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the board of trustees.

The primary goal of the Scheme's investment strategy is to maximize investment returns to improve its returns in general.

iv Market risk (Cont'd)

As at the reporting date, the other market price risk profile of the Scheme's investment was:

	2019	2018
	GHC'000	GHC'000
Mutual fund	31,320	27,889
Equity securities	<u>16,888</u>	<u>19,245</u>
	<u>48,208</u>	<u>47,134</u>

Sensitivity Analysis – Price risk

A 5% increase or decrease at reporting date in the prices of equity and mutual funds would have the following impacts.

	Increase	Decrease	Increase	Decrease
	2019		2018	
	GHC'000	GHC'000	GHC'000	GHC'000
Profit or Loss /Equity	<u>2,410</u>	<u>(2,410)</u>	<u>2,357</u>	<u>(2,357)</u>

Solvency risk is the risk that the investment returns on assets will not be sufficient to meet the Scheme's contractual obligations to members. Continuous monitoring by the board takes place to ensure that appropriate assets are held where the Scheme's obligation to members are dependent upon the performance of specific portfolios and that a suitable match of assets exists for all other liabilities.

Legal risk

Legal risk is the risk that the Scheme will be exposed to contractual obligations which have not been provided for. Legal representatives of the Scheme monitor the drafting of contracts to ensure that rights and obligations of all parties are clearly set out.

a Fair value measurement

Valuation models

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under IFRS 13 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. This level includes listed equity securities and debt instruments.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets.
- quoted prices for identical or similar assets or liabilities in inactive markets.
- input other than quoted prices that are observable for the asset or liability;
- input that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the Scheme.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Accounting classification and fair values

The following table shows the carrying amount and fair values of financial instruments including their levels in the fair value hierarchy. It does not include fair value information for financial instruments not measured at fair value if the carrying amount is an approximation of fair value.

2019	Amortised Cost GH¢	Fair value through profit or loss GH¢	Fair value GH¢	Level 1 GH¢	Level 2 GH¢	Level 3 GH¢
Financial assets measured at fair value						
Mutual fund	-	31,320	31,320	-	31,320	-
Equity securities	-	16,888	16,888	16,888	-	-
Total	-	48,208	48,208	16,888	31,320	-

Financial assets measured at fair value						
Government securities	3,270,517	-	3,197,017	-	3,197,017	-
Corporate bonds	35,602	-	34,597	-	34,597	-
Total	3,306,119	-	3,231,614	-	3,231,614	-

2018	Amortised Cost GH¢	Fair value through profit or loss GH¢	Fair value GH¢	Level 1 GH¢	Level 2 GH¢	Level 3 GH¢
Financial assets measured at fair value						
Mutual fund	-	27,889	27,889	-	27,889	-
Equity securities	-	19,245	19,245	19,245	-	-
Total	-	47,134	47,134	19,245	27,889	-

Financial assets measured at fair value						
Government securities	608,326	-	405,904	-	405,904	-
Corporate bonds	29,000	-	26,837	-	26,837	-
Total	637,326	-	432,741	-	432,741	-

20 TAX

Under Section 89 (1) of the National Pensions Act, 2008 (Act 766), the Scheme is exempt from income

21 COMMITMENTS AND CONTINGENCIES

As at the date of reporting, there were no outstanding commitments or contingencies.

22 EVENTS AFTER REPORTING PERIOD

On 30 January 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of a novel coronavirus, which originated in December 2019 in Hubei province, China. The WHO declared the coronavirus outbreak to be a pandemic on 11 March 2020 in recognition of its rapid spread across the globe, with over 150 countries, including Ghana and other African countries, now affected.


The outbreak of COVID-19 and the necessary containment measures, which include travel bans, quarantines and social distancing protocols, have resulted in disruption to business and economic activity globally. At the date of authorization of the financial statements, the Ghana Education Service Occupational Pension Scheme is operating as normal. The ultimate severity of the COVID-19 outbreak is uncertain at this time and therefore we cannot currently assess the impact it may have on the Scheme's future operations. The Scheme will continue to closely monitor the spread of COVID-19 and assess its impact on the business.

No other events have occurred since the end of the reporting period that would have had a material effect on the financial statements or require disclosure.



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