KINGS UNIVERSITY COLLEGE

# EXAMINING THE COVERAGE AND THE SUSTAINABILITY OF SOCIAL SECURITY AND NATIONAL INSURANCE TRUST

BRIGHT HAMMOND

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# EXAMINING THE COVERAGE AND THE SUSTAINABILITY OF SOCIAL SECURITY AND NATIONAL INSURANCE TRUST

BY

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**Dissertation submitted to the Kings University College in partial fulfilment of the requirements for the award of Master of Business Administration (Insurance and Risk Management Option)**

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# DECLARATION

## STUDENT'S DECLARATION

I hereby declare that this dissertation work is the result of my original work and that no part of it has been presented for a similar work in this university or elsewhere.

Signature…………………………………. Date…………………………………….

BRIGHT HAMMOND

## SUPERVISOR'S DECLARATION

I hereby certify that the preparation and presentation of this dissertation was supervised in accordance with the guidelines of dissertation laid down by the University of Cape Coast

Signature…………………………………. Date…………………………………….

**NICHOLAS BOTWE**

## ABSTRACT

The purpose of this study is to examine the coverage and the sustainability of social security and national insurance trust. The study used the purposive sampling method to choose a sample size of 127, 10 clients of SSNIT and 117 employees of SSNIT. Additional information was also received from the company's documents, magazines and journals as a source for secondary information.

The results of the study indicated that 74.6% of SSNIT staff thought that an increase in coverage would lead to the sustainability of the pension scheme. The study also revealed that 59.32 % of respondents believed that the major driver for pension schemes was retirement security. However, 36.4% of staff thought that SSNIT had to tackle a lot of its major challenges including the administrative bureaucracies that exist in the organization. The study therefore recommends the inclusion of the informal sector as a way of increasing coverage, adoption of new IT solution to handle SSNIT's data needs, and tax treatments in the form of tax deductibles for employers who pay SSNIT contributions.

## ACKNOWLEDGEMENTS

I am most grateful to my parents and all my colleagues who supported me in diverse ways. I appreciate the help from my supervisor, Nicholas Botwe for his prompt feedback and guidelines that has brought me to this far.

# DEDICATION

To my dear parents Mr and Mrs Hammond, My siblings Harriet, Felix, Ebenezer, Erica Hammond, and Stella Aggrey.

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# CHAPTER ONE

# INTRODUCTION

## Background of the Study

Over the years, concerns have been raised and agitations made by public servants over inadequacies of the level of pensions to sustain a respectable life for retired public servants. Of particular concern to most workers' groups has been the low pensions received by workers under the Social Security and National Insurance Trust (SSNIT) Pension Scheme compared to those still under Chapter 30 of the 1950 British Colonial Ordinances (Pension Ordinance No. 42), popularly known as CAP 30.

In addition, pension schemes that have been operated in the country so far have, beside their limitations, also failed to consider the plight of workers in the informal sector, who constitute the bulk (about 85%) of the working population in Ghana.

The concern rose to a peak in 1970 and resulted in agitation and protests by workers' organizations for the restoration of public service pensions to the level of the provisions still available to some public officers under CAP 30, in place of the SSNIT system that had been introduced in 1972 as the mandatory and universal pension scheme for all employees.

In recognition of the need for reforms to ensure a universal pension scheme for all employees in the country, and to further address concerns of Ghanaian workers, the Government in July 2004 initiated a major reform of the Pension System in Ghana.

The subject of pensions has generated a lot of interest worldwide and lots of research has been carried out on this topic. According to Stewart and Yermo (2009), Pension "is an agreement to pay someone a fixed sum of income regularly when the person retires from active work". The main motive behind these regular payments is to ensure that the retiree is still able to survive even though that individual is no longer working.

However, despite the essential role that pension schemes play in most countries, it covers a small section of the working masses with majority in the formal sector (Kpessa, 2011). According to Vos et al (2008) the way contributions are generated and collected is the reason for poorer coverage in developing countries. In such situations, for one to qualify for pension benefits, the person should have also made some payments to the scheme. Thus, the contributory approach easily leaves out the self-employed and workers in the informal sector for whom contribution is best feasible on voluntary basis.

Glaessner and Prieto (1998) identified that developing countries must be willing to dedicate much of its administrative resources to enforce compulsory contribution if they are to make strides in increased coverage. Enforcement is, however, easier to implement on big firms, since small firms fade easily into financial sector, while independent workers remain to a large extent out of reach in a good number of countries.

According to Barr and Diamond (2009), a chief objective of compulsory pension scheme is the decrease in poverty among the elderly. An accomplishment of systems with wide coverage has been lower poverty rates and the growth of coverage beyond urban employees was an imperative part of that achievement. But there is still the need for income-tested support for the elderly. Partial coverage can be found in countries with a young pension system and in developing countries with restricted institutional capability, a large informal sector, or both. However, it also comes from the fragmented careers even in countries with nearly full coverage.

According to (EEA, 2012), a major challenge to pension systems in all Member States is an ageing population. Unless people as they live longer, also stay longer in employment and set aside more for their retirement, the sufficiency of pensions cannot be assured as the necessary increase in expenses would be unsustainable.

Pension systems have had a difficult time of delivering on pension promises because of factors such as slow trade and industry growth, account deficits and debt burdens, financial instability and low employment. Contributing pension schemes are affected by falling asset value and smaller returns. (EEA, 2012).

It has therefore become more critical than ever to grow and put in place complete policies to acclimatize pension systems to changing economic and demographic situations.

The challenges are massive, but possible, provided the accurate policies are put in place. EEA (2012) insists that the sustainability and sufficiency in pension schemes is dependent on the degree of which they are buttressed by contributions, taxes and savings from people in service. Funding agreements, qualifying conditions and labor market requirements must be standardized such that a stable connection between contributions and benefits, and between the number of actively engaged contributors and the number of retired beneficiaries, can be achieved.

EEA(2012) several countries have significant capacity for improving the potential sufficiency and sustainability of their pension systems by raising employment rates, and this not just in the higher age group, but also for groups with lower employment rates such as women, migrants and youth. This study seeks to evaluate how the Social Security and National Insurance Trust (SSNIT) can expand its coverage of Ghana's pension scheme to ensure sustainability.

**Problem Statement**

In many countries, pension provision is covered by a mandatory public scheme (usually referred to as social security schemes), which is often supplemented by occupational pension schemes. The extent to which occupational pension schemes supplement public schemes varies substantially among advanced economies. In emerging economies, the access to any form of pension coverage among the working population is quite limited – only around 10 to 25 percent (Schwarz, 2003). Among public pension schemes, some are funded while others are unfunded and referred to as pay-as-you-go (PAYG) schemes. The current pension payments in Ghana are financed from contributions or payroll taxes paid by current employees. In such a situation, when the pension assets relative to gross domestic product (GDP) are low, it usually implies that a large share of pension liabilities is tied to future government tax revenues.

However, the provision of retirement security is without a doubt very crucial to most Ghanaians. Thus, Social Security and National Trust plays an important role in the life of a Ghanaian worker. The pension scheme in Ghana has been plagued with many challenges. The main challenge as captured in the Trust Medium-Term Plan (2010-2014) is the expansion of coverage under the scheme. Kpessa (2011) in a comparative analysis of pension reforms and challenges in Ghana and Nigeria, identified that "despite reforms over the years, the scope of coverage under the pension programme in both countries remains very limited, covering less than 20 percent of the working population in each country". With the pension reform having SSNIT with just 11% out of the current 18.5% contribution, (SSNIT, 2012) there is the need more than ever to evaluate how the increase in membership under the Trust can help SSNIT stay solvent.

Poor financial market returns and low long-term real interest rates in recent years have created challenges for the pension scheme (SSNIT). At the same time, lower payroll tax revenues in a period of high unemployment, and rising fiscal deficits as economic activity has fallen, are also testing the sustainability of pay-as-you-go public pension schemes. Amendments to pension accounting rules that require corporations to regularly report the valuation differences between their defined benefit pension assets and plan liabilities on their balance sheet have made employers more aware of the pension risk exposure. In the Ghanaian context, several reasons have been suggested for the unsustainability of the pension scheme. These range from poor management of the scheme, bad investment plans, and the high unemployment in the country. It is also suggested that adequate expansion of coverage under SSNIT could be an important factor to help sustain the scheme in the long run (Kpessa, 2011). This study sheds light on what effects these developments are having on the pension scheme, and also provides some estimates for the post-employment benefits that could be delivered by the scheme under different sets of assumptions. The paper concludes by providing some policy perspectives.

**Purpose of the Study**

The study seeks to examine the coverage and sustainability of Social Security and National Insurance Trust in Ghana particularly the informal sector. However, the research seeks to accomplish the following purposes;

- To ascertain the major challenges that confronts the Ghanaian Pension scheme in terms of coverage and sustainability.
- To assess whether increase in coverage can influence the sustainability of the scheme.

- To identify the effective and practicable means of increasing membership under the scheme so as to enhance the coverage and sustainability of the scheme particularly the informal sector.

**Research Objectives**

The objectives of research include the following:

- To ascertain the major challenges facing the Ghanaian Pension scheme with respect to coverage.
- To assess how increase in coverage can influence the sustainability of the scheme.
- To identify effective way of increasing membership under the scheme.

**Research Questions**

- What are the major challenges confronting the pension scheme in Ghana?
- What innovative measures can SSNIT adopt to enable it increase its membership significantly?
- How can increase in coverage influence sustainability of the scheme?
- What are the pragmatic and effective means of increasing the sustainability of the pension scheme?

**Significance of the study**

The need to address the topic of pension in Ghana and its sustainability can be seen in how it would eventually affect other issues in the country. An effective and sustainability pension system would improve poverty rate among the elderly and will also alleviate government cost so the money can be directed into other areas of importance (Kpessa, 2011).

The study would help to sensitize the stakeholders, governments, public servants and the general public on the inherent danger that could befall the Pension Scheme in Ghana.

The study would serve as a useful document to clearly identify the challenges that hinder coverage of the SSNIT pension scheme to a large portion of the working populace and help to develop better strategies to solve the problems.

This study would also help with policy decision making available findings of this paper to give insight to policy makers in the introduction of new ideas as a supplement to governmental policies to strengthen the pension system in the country.

Moreover, the study may further add to the body of knowledge on pension scheme in Ghana and help educate students and other researcher on the significance of pension in Ghana.

## Limitation of the Study

A number of limitations were identified in the study. Among them was the limited time frame to carry out the research study. Also the bureaucracy involved in getting some key information from the case study organization hindered the smooth continuation of the project work. Again, as a result of some financial constraints, the study could not cover a wider sample to make the result very representative of the total population. However, the results of the study from the sample will provide an insight as the problems militating against the increase in coverage of the scheme and can be applied nationally.

## Organization of the Study

This research shall be organized into five (5) chapters. Chapter one comprises of the introduction and background of the topic. In addition, this chapter looks at statement of the problem, research objectives, research questions, significance of the study, and organization of chapters.

In the second chapter, there is a review of existing literature and discussion on the various definition of pension and pension scheme, the types pension schemes, funding of pension schemes, benefits of pension schemes, challenges of pension schemes, the history of SSINT in Ghana; the formal establishment of National Social Security Pension Scheme; Pension Reforms in Ghana; coverage of SSNIT in Ghana, Financing of SNIT and the theoretical framework of pension schemes.

Chapter three presents the research design and the methodology which will be used in the study. This encompasses how the data needed for this study was collected, the use of a qualitative or quantitative methodology and details of the method used.

The fourth chapter concerns the data analysis, its interpretation and presentation of the results. That is the data collected is subjected to the types of analysis identified in chapter three (methodology). This chapter would be presented in tabular forms, graphical forms, and in writing to give reliable information to readers.

Finally, in chapter five, findings of the study have been elaborated and include the summary, conclusion and recommendations of the study.

# CHAPTER TWO

# LITERATURE REVIEW

## Introduction

Traditionally, welfare of the elderly was the role of the family unit. However as world population grew rapidly the issue of care for the elderly became a serious problem for the state. Various countries at different points in time could no longer provide the necessary support to the elderly because of improvements in medical care, standard of living, which increased the cost. This led to the creation of pension funds some which are among the largest financial institutions in many developing and developed countries.

## Historical perspective

Pension funds were started in 1875 in the United States of America by the American Express Company. Although established in the 1800's real growth in retirement programs came after world war two. The rapid growth was attributed to high-profit taxes imposed on corporations which encouraged some of them to establish pension plans; since the employer's contributions to qualified pension plans were not tax-deductible and therefore could be funded inexpensively.

Another factor that made the people in America conscious of the need to provide for their future economic security was the Depression of the 1930's. The depression swept away the life savings of millions of people and created a feeling of insecurity (www.investmentsandincome.com). Pension funds have existed in the United Kingdom since the early 1900's. Lloyd George, the Chancellor of the Exchequer under the government of Herbert Asquith introduced the very first state pension. To pay these pensions, he had to raise government revenues by an additional £16million per year. The 1909 budget known as the People's Budget included increases in taxation. It was originally designed to help the poor and payable by age 70 (http://www.incipit.co.uk/state-pensions).

By 1936, active membership of private pension funds had risen substantially. This was associated with a shift in benefit design from defined contribution to final salary defined benefit (Avrahampour, 2006). An additional State Pension payable on top of the Basic State Pension was introduced and came into effect from April 1978. It was an earnings related pension. The Guarantee Minimum Pension was also introduced to provide guarantee with respect to the adequacy of pension funding.

By 1891, it was possible for people in Germany who were over 70 years of age to obtain an old age pension. The imperial insurance code in 1911 introduced additional benefits. A few decades later the pension scheme was reformed – specifically in 1957. The pay-as-you-go scheme was introduced as well as a pension formula which calculated the earnings during old age based on the earnings obtained during the years a person was in gainful employment. Further changes in 1970 allowed the self-employed, students and housewives to profit from pension cover (www.ansahl.com/Altersvorsorge/pension-scheme-FRG/German-History.html).

By an Act of Parliament in 1961, Nigeria established the National Provident Fund. It was set up to provide income loss protection for employees to meet the requirements of the International Labour Organization (ILO) Social Security (Minimum Standards Convention 102 of 1952. The National Provident Fund which initially covered only the private sector workers was converted to a limited social insurance scheme in 1993.The new scheme was administered by the Nigeria Social Insurance Trust Fund (NSITF). The institution is self-financing and sustains itself from revenue generated from its operations. It has branches covering all states.

In 2004, the Federal Government passed a law which assigned the administration, management, and custody of pension funds to private sector companies; that is private pension fund administrators and pension fund custodians. The Act mandated the Nigeria Social Insurance Trust Fund (NSITF) to set up its own pension fund administrator to compete with other fund administrators in the emerging pensions industry, and also to manage the accumulated pension funds of current NSITF contributors for a transitional period of five years. As a result the NSITF incorporated the Trust fund Pensions Plc as a pension fund administrator in collaboration with other institutional investors and social partners.

The pension scheme in Tanzania was established during the colonial era and covered only a few people who were in colonial employment. After independence, the new government introduced a number of policies and measures to reverse the situation that prevailed during the colonial era; a move that led to the establishment of statutory social security schemes.

The National Provident Fund was among those established by an Act of Parliament in 1964 and amended in 1975. It was again repealed and replaced by the National Social Security Fund Act of 1997. In all, there are five pension funds for various categories of workers in Tanzania. These are National Social Security Fund (NSSF), the Public Service Pension Fund (PSPF), the Parastatal Pension Fund (PPF), the Local Authorities Provident Fund (LAPF) and the National Health Insurance Fund (NHIF). About eighty – five percent of employees in the formal sectors are covered by one of these pension funds (http://www.tanzania.go.tz).

In Ghana as discussed earlier, SSNIT was established to administer the National Social Security Scheme in 1972. The institution administered as a provident fund until 1991 when this was converted into a pension scheme. A new reform bill has been passed which will allow the participation of private funds managers in the industry.

**Types of Pension Funds**

There are different types of pension funds depending on who instituted them and the benefits derived. The process that each type of pension fund uses to decide on policies relating to investing and financing etc is different from other competitors.

Pension funds can be classified as a defined benefit plan or a defined contribution plan. A defined benefit plan is a pension plan that defines a benefit for an employee upon retirement. The pension paid to the retiree under this plan is calculated taking into consideration certain factors such as the number of years a person works, the members salary at retirement, age at retirement and a factor known as the accrual rate.

Where the pension plan allows for early retirement, payments are often reduced to reflect the fact that retirees will receive pension payments for longer periods. A defined benefit plan may be funded or unfunded. A funded plan is one which invests the contributions of both employers and members towards meeting the benefits to be paid in later years. On the other hand, an unfunded defined benefit pension sets no assets aside for investments. The benefit is paid for by the pension sponsor as and when they fall due. Most state pensions in the world are unfunded with benefits directly paid out of workers contributions and taxes. In a defined benefit plan any investment risks or rewards are assumed by the sponsor and the individual takes no responsibility for it.

In a defined contribution plan, the contributions made by each member are paid into his or her individual account. The contributions are then invested on money markets and other viable sectors of the economy. The returns on the investment which may be positive or negative are also credited to the members account. Upon retirement therefore, the benefits are paid based on the sum accrued to the individual member.

Defined contribution plans have become widespread all over the world. In these plans, investments risks and rewards are assumed by the employee and not the sponsor. Many employers are avoiding the large expenses associated with using a defined plan and are instead offering a defined contribution plan to employees.

An occupation or employer pension is one created by an employer (company) for the benefit of its employees. Open pension funds support at least one pension plan with no restrictions on membership while a closed pension fund supports only pension plans that are limited to certain employees.

A public sector pension fund is regulated under public law while a private pension fund operates under private sector law. Public sector sponsored defined benefit plan covers employees working for federal states and local governments. Private sector sponsored pension plans are employment based plans established by firms such as IBM, General Motors and AT&T. Government-sponsored pension plans are countrywide, compulsory programs such as the social security system in the United States and the Canada and Quebec pension plans in Canada (Masulem and Palicios, 2003).

However, both the public and private sector pension plans are subject to the same financing, investment and organizational principles. It is process that each type uses to decide and implement its policies that differ. For example investment policy decisions for public sector plans are made at public forums while the same decisions for private sector plans are made behind closed doors by individuals with strong investment background.

**Features of Various Pension Funds**

"The publicly provided pension benefit in the United States, known as social security has a progressive benefit formula. There is also a means-tested top payment available for low income pensioners" (Whitehouse, 2007).

Whitehouse (2007) argues further that "The current normal retirement age in the United States is between sixty five (65) and sixty seven (67) years. Eligibility depends on the number of years of contribution, with a minimum requirement of 10 years. Early retirement is possible from age 62 but with lower benefit. The first $592 a month of relevant earnings attracts a 90 percent replacement rate. Earnings between $592-$3567 a month are replaced at 32 percent. The ceiling for contributions and benefits is $84,900 a year".

The United Kingdom has a two tier pension scheme as well as a large private pension sector. The two tier pension is made up of a flat rate basic pension and an additional earnings related pension. An income related pension targeted at helping the poorest pensioners was also introduced.

The pensionable age is sixty five (65) and people need to pay social security for approximately nine-tenths (44 years) of their working lives to qualify for state pension. There is a reduced pension available to those who do not meet the full condition. "The full basic state pension for a single pension was £3896 for the calendar year of 2002" (Whitehouse, 2007).

In Germany, the pensionable age is sixty five (65). One can retire at age sixty three (63) with thirty five years of contribution. Germany has a single tier pension. "A year's contribution at average earnings earns one point. Contributions are levied on monthly earnings between €325 and €4500 (2002 values). The floor and ceiling are equivalent to 12% and 163% of average earnings, respectively. The ceiling also applies to the number of points earned. Average covered earnings were €28,626 in 2002 equivalent to 86% of the earnings of the average production worker. For social assistance the benefit values is determined regionally. The government pays the health and long term care contributions of older social assistance recipients" (Whitehouse, 2007).

In Morocco, there are three separate schemes to cover civil servants, the military and other public sector workers. The pensionable age is sixty (60) years for both sexes. People who want to retire early can do so at age fifty five (55) but the employer must pay their pension between ages 55 and 60. Miners have a pension-eligibility age that is lower than sixty (60) years. To qualify for a pension, one must have contributed for 3,240 days.

(Touahri, 2008) said that "Morocco's pension system currently includes a number of funds. There is a fund for public workers in civil and military fields (Moroccan pension fund, or CMR); a fund for private sector workers (CNSS) complemented by a scheme managed by the CIMR (Moroccan inter professional pension fund); and an organisation for those on State contracts (RCAR). Added to this are the various internal funds owned by certain public enterprises such as ODEP, ONCF, OCP and others".

In Ghana, SSNIT operates a retired contribution plan with each member having a separate account. The scheme is financed by a combined contribution from employers and employees. Membership is compulsory for people who are not self-employed and work for companies or other employers and voluntary for the self-employed. It excludes members of the Armed forces, Diplomatic missions and Universities as these institutions have different schemes to cover the retirement needs of their members.

Currently the Trust pays old age pensions, invalidity pensions, survivors' benefits or health insurance benefits. The retirement age is between 55 and 60; one needs 180 months contribution to qualify for a pension. The lump sum is paid to members who would have qualified for a pension but did not meet the number of month's contribution required. The survivors benefit is paid to nominated or dependent members of the family of a deceased member who was receiving an invalidity or retirement pension or was still a contributing member before his or her death.

Under the new three-tier system which became operational on 1st January, 2010 SSNIT now manages the first tier. The second and third tier will be privately administered by approved Trustees licensed by the National Pensions Regulatory Authority. The Trustees will appoint pension fund managers who will be required to achieve the best returns on the funds within specific investment parameters set by the Trustees.

**Investments of Pension Funds**

Pension funds invest in capital markets to make profit. They need a future economic recovery that lasts and as such most of them invest for the long term. In many countries pension fund resources are the domestic sources of long term capital. Initially the pension funds are channeled into safe investment areas. As the funds mature some turn towards "alternative investment vehicles, which in general have had better returns than pension fund portfolios, albeit with greater risk" (Vives,1999).

Vives (1999) noted that "The case of Chile, with its longer history, is illustrative of the possible evolution as funds mature and tends toward riskier portfolios, even within the very conservative limits set by regulations. At the beginning, most assets were invested in essentially risk free securities, as is the current case in Mexico. As time went by and capital markets developed, funds started to invest in mortgage bonds and corporate securities, to the point that in 1994 these represented a proportion similar to public securities."

In the United Kingdom pension plans have increased their investments in hedge funds by significant proportions since the year 2006. They often outperform the broad stock market by wide margins. The pension funds in Canada, Portugal, Holland, Switzerland, the United States and many others have also invested in hedge funds for profit. "Though estimates vary, up to 20% of European and American pension funds and 40% of Japanese pension funds are thought to invest in hedge funds" (Stewart, 2007).

"Two prime examples: As of January 2, 2009, the two largest (United States) government pension funds investing in hedge funds were the California Public Employees Retirement System with a total market value of $188 billion and the Ontario Teachers' Pension Plan with $108 billion in net assets" (Agarwal, 2010).

Other pension funds have taken to socially responsible investments and invest in areas like the energy sector. These are investment strategies that seek to maximize both financial return and social good. They have the potential to yield the higher returns than those earned from investments in capital markets. "Pension Danmark and PKA, two of Denmark's biggest pension funds, acquired a 50 per cent stake in the Anholt wind park to be built by Dong Energy, the Danish utility, off the country's north-east coast. The deal highlights growing interest in the investment opportunities surrounding renewable energy as well as the increasing importance of pension funds as a source of funding for the sector. Claus Stampe, chief investment officer of Pension Danmark, says green energy infrastructure is becoming an attractive asset in an era of low fixed income returns and volatile equity markets. Mr. Stampe says average annual returns from Anholt are expected to be at least double current Danish bond yields of just above 3 per cent over the wind farm's 20-year lifespan" (Ward, 2011).

In March 2009, the Danish labour market pension scheme, ATP invested $400 million in the Hudson Clean Energy fund adding that investment in clean energy could grow to 2 to 3 percent of the portfolio. Denmark has been involved in clean energy research and technical development and its wind turbine technology is highly rated and used all over the world (www.reuters.com).

About 7 per cent of Danish teachers' pension fund Learners Pension was invested in forestry by the last quarter of 2009; this is expected to produce a stable annual return of 10 per cent.

(Inderst, 2009) explains that "Pension funds are increasingly moving into new asset classes in a search for yield. Infrastructure is a type of investment being frequently discussed, given its potential to match long-term pension assets and provide diversification. Previously, pension funds exposure to infrastructure has been via listed companies, or via real estate portfolios. However, some larger funds globally are beginning to invest via private equity funds, or occasionally even directly. Australian, Canadian and Dutch pension funds may be considered leaders in this field".

Inderst (2009) opined that in Canada, the Ontario Municipal Employees Retirement System (OMERS) has several billions of Can$ invested in infrastructure through its subsidiary Borealis Infrastructure set up in 1998. The big US pension, CalPERS, adopted a new investment policy in 2008 with a target of 3% allocation of assets, or US$ 7.2bn in infrastructure. Other US pension funds with infrastructure allocations or intentions include CalSTERS, the Washington State Pension Plan, Alaska Permanent Fund Corporation, Oregon PERD, and the World Bank. In the UK, a number of big pension funds have announced going into infrastructure in recent years: USS, BT, RailPen".

Argentina, Columbia and Chile allow their pension funds to invest in infrastructure projects. “Pension fund managers in those countries are able to participate in infrastructure development programs and public services only indirectly by purchasing paper issued by specialized infrastructure investment funds (Vives, 1999). According to Vives, the investments in infrastructure provide higher returns for the pension funds than what is obtained by portfolios. Although the higher returns are achieved in the long run, pension funds can wait for them to mature because their liabilities are for the long term.

The Social Security and National Insurance Trust over the years has been involved in the real estate’s sector. From their 2009 annual report, SSNIT also invests in the manufacturing sector, hospitality industry, services, the banking industry, other financial houses, private equity funds, economically targeted investments and listed equities.

**Performance of Pension Funds**

Pension funds all over the world usually invest in equities. When the stock markets are doing well pension funds tend to post strong results. In Ghana SSNIT has invested in majority of the companies listed on the stock exchange. Pension funds rank among the largest institutional investors in developed countries by assets under management. Recent years have witnessed the creation of new public pension funds in several countries, and the modernization of existing ones in others, with special emphasis placed on upgrading their investment policy framework and strengthening their governance structure.

Over 10 years to December 2009, pension funds in most industrialized countries posted varied results. Pension funds in the United Kingdom made good returns in some years and not so good returns in others. Majority of the United Kingdom’s pension funds posted double-digit investment returns for the year 2009 but the results were not that positive between the years 2005 and 2008. In 2008, the average UK pension fund achieved a weighted average return of -13.6% ( http://bnymellon.mediaroom.com). Irish pension funds lost 30% of their value in 2008. The world's largest pension scheme is the Japanese Government retirement pension plan and it posted positive results at the end of March 2004. The Japanese public pension fund is said to be worth $379bn and has more assets than the total GDP of Switzerland. However during the period when the Japanese economy witnessed economic stagnation, the government pension fund scheme suffered serious setbacks as resources continued to diminish, in direct relation to the weakness in the Japanese stock markets (www.hedgeco.net). In 2008, most pension funds in the United States lost some value with a number of them posting poor results. The retirement savings account alone lost US$2trillion in 2008.

The global financial crises hit the economies of nations across the world hard with pension funds in different countries coming out as major casualties. However, Germany seemed to have escaped these losses. They did so by investing a higher proportion of their pension funds in bonds. In Africa, Nigeria's pension fund also lost a significant portion of its value. In an article on the allafrica.com website entitled Nigeria: Pension Asset and Global Meltdown dated 6th April, 2009 Abubakar Buba states that"In Nigeria, 7% of the total contribution to the Retiree Savings Account (RSA) which stood at N471.77 billion was lost due to crash in the equities market. Pension Fund Asset which had accumulated to an estimated value of N1.1 trillion as at December 2008 was ordinarily supposed to call for celebration for all stakeholders in the pension industry including the apex regulatory body but, the meltdown ensured they never did. In addition, RSA investment in equities which was 15.93% in 2007 crash landed to 9.52% as at the end of December, 2008. Unlike

Germany, Nigeria had only about 32% of its total pension funds invested in Federal Government securities/bonds and 11% in real estate".

There have been reports of inadequate returns generated from the investments of Ghana's pension funds. In February 2010, SSNIT was reported to be making low returns on monies invested with only six out of forty companies the Trust had invested in being able to declare and pay dividends as of 2004. An article written by Frank Dewotor of the data bank group under the caption "Towards a Sustainable National Pension System" also buttressed the fact that the returns on investments were unsatisfactory. He stated that "Other problems include SSNIT's record of investing in many projects that have yielded negative real returns over the years due to political interference, lack of competition and probably inadequate investment expertise at SSNIT." The nine-member Presidential Commission on Pensions also dis discovered that the SSNIT Pension Scheme had been mismanaged through, "reckless investments which have undermined the profitability and utility of the Fund and the Scheme. SSNIT in its present form will have to change. The governance has to change" (Ghanaweb.com). This was Thomas AngoBediako, Chairperson of the Commission, speaking at an Editors Forum in Accra. Many other people have expressed similar opinions on the organizations investments.

**Impact of Pension Funds on Society**

Pension funds have been set up in many countries to provide support for members of society who have suffered some disability or became too old to work and therefore are threatened by economic deprivation and sometimes even social isolation. The payments received by pensioners help them to meet their needs a take care of children who may not have reached a mature age to enable them gain employment by the time the parent retires.

This support to families through social systems prevents the breakup of family lives and leads to the stabilization of life and intensification of psychological links among family members.

Many developing countries have reformed their pension plans from a defined benefit to a defined contribution plan. One of the reasons for this shift is that it is beneficial for the development of domestic financial markets. In defined contribution plans, the accumulation of assets by pension funds bolsters the domestic market, which in turn leads to more efficient allocations of monies to productive investments in the domestic economy. Theoretically, this will lead to increases in productivity and growth.

"Pension funds could trade frequently, increasing the liquidity of the domestic stock markets, and thus crowding in savings and new investors. Similarly, the intense trading of stock by pension funds and their large size may induce them to seek the introduction of innovations and new financial instruments to lower transaction costs, again attracting additional savings and new market participants" Catalan (2004).

Pension funds are also used to aid development in many countries. From investments in housing to roads and even the educational sectors they have served as a medium for bringing development to the people. After equities and bonds, property has played an integral role in balancing the asset allocation and providing a longer term element in investment strategies. Given the shrinking equity premium of the public securities market, pension funds are seeking new kinds of investments where there is reward for expertise and returns consistent with the long term objectives of such institutions.

In Ghana, SSNIT's involvement in the real estate's sector has resulted in the development of new estates in major towns of the country. The Social Security and National Insurance Trust provides affordable housing to many ordinary workers. The commercial properties built by the organization provide office accommodation and trade outlets which have brought further improvements in the country's infrastructure and employment opportunities. The economic circumstances of one's birth family can seriously influence their personal development and opportunities for upward mobility. Social security can insure against the economic risks associated with being born into a poor family by providing income transfers to retirees who have had low lifetime earnings.

This is a way of redistributing income in society as the less privileged people get an additional income to improve their lot. Redistribution of income is an effective measure to reduce income differences and to stabilize the lives of the low-income class in the situations in which the market economy alone cannot ensure social fairness. Money is also transferred from people who can earn income to those who no longer have means to earn income. The funds received by these families can be used to improve the lives of their younger ones granting them better opportunities for upward mobility.

**The Social Security and National Insurance Trust - SSNIT**

For purposes of completeness, we examine the major provisions of the legislation that were in force before the passage of PNDC Law 247 that has made the SSNIT Scheme a pension scheme. We think this is necessary if we are to find best practices over the years as a way of blending these with best practices across countries.

Although several attempts were made at providing social security to the Ghanaian worker, the first encompassing scheme was to be found in the passage of NRCD 127 in November 1972 to rectify some of the shortcomings of the 1965 Parliamentary Act 279. NRCD 127 established a body corporate, the Social Security and National Insurance Trust (SSNIT) as an independent body to administer social security schemes in Ghana. The social security scheme that emerged with SSNIT was essentially a Provident Fund Scheme under which lump sum benefits were paid to beneficiaries. In terms of coverage, Act 279 of 1965 and as amended by NRCD 127 of 1972 provided for compulsory coverage for workers in establishments that employ at least five workers. An establishment with less than five employees had the option to join the scheme, but there was no compulsion. However, the following categories of workers, although they employed more than five persons, were exempt by law from joining the scheme;

- Members of the Armed Forces, the Police Service and the Prison Service;
- Foreigners in the diplomatic missions; and
- Senior members of the universities and research institutions.

The Provident Fund Scheme operated by SSNIT had a superannuation benefit and five direct benefits to cater for the following contingencies:

- Sickness;
- Invalidity;
- Death/survivor's
- Emigration; and
- Unemployment.

Although ILO Convention 102 of 1952 required that countries provide nine minimum standards of social security or contingencies, Ghana’s provident fund scheme provided only five, as listed above. Indeed, the ILO’s concept of social security has as its working definition, the protection which society provides its members, through a series of public measures, against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, unemployment, invalidity, old-age, and death; the provision of medical care; and the provision of subsidies for families with children.

Thus, four other contingencies mentioned among the nine ILO Convention 102 as minimum standards of social protection are not provided for by the Provident Fund Social Security Scheme. These are:

- Medical care (of a curative or preventive nature)
- Employment injury benefit
- Family benefit, and
- Maternity benefit.

It is important to emphasize a fundamental point here that apart from sickness and unemployment benefits, in the cases of all other contingencies that were provided under the defunct provident fund scheme, beneficiaries received a lump sum payment made up of their actual contributions plus 3% compound interest rate.

**The Trust of the Social Security Law, 1991: PNDC Law 247**

In February 1991, the PNDC Government repealed NRCD 127, and replaced it with PNDC Law 247, captioned "Social Security Law, 1991". PNDC Law 247 was an attempt to redress some of the major defects of the defunct Provident Fund Scheme. In this respect, the main thrust of Law 247 is that the social security system in Ghana has been converted from the payment of lump sum benefits into a pension scheme under which periodic monthly payments are to be made to members until their death. Unlike its antecedent scheme1, the 1991 Social Security Scheme is founded on insurance principles by which there is an element of social solidarity with pooling of resources to meet certain contingencies. It also involves inter-generational transfer of resources.

**Coverage under PNDC Law 247**

Under Law 247, coverage is more encompassing than obtained under the NRCD 127. Law 247 provides that the scheme is open to all classes of employees, both in the formal and informal sectors of the economy. Unlike provisions in NRCD 127, which exempted enterprises with less than 5 employees from coverage, the scheme under Law 247 covers even the "self-employed persons, who opt to join the scheme". Workers and employers who were members of the defunct Provident Fund Scheme became automatic members of the 1991 Social Security Scheme.

Similarly, beneficiaries below 60 years who received lump sum amounts under the Provident Fund Scheme was also given the option to pay back these amounts plus some interest to qualify for benefits under the new pension scheme. The scheme does not, however, cover "officers and men of the Armed Forces and other officers as are expressly exempted by Law". As we will see later, these categories are provided for under the 1946 Pensions Ordinance, popularly known as CAP 30. Others have equally been exempted as per the Police Service Pension Law 1985 (PNDCL 126); the Legal Service Public Officer Pensions Amendment Law 1986 (PNDCL 165) and Prisons Service Pension Law, 1987 (PNDCL 168). To these categories of public sector workers, pension is non-contributory with defined benefits under CAP 30.

The Social Security Scheme under PNDC Law 247 is to be self-financing and self-sustaining through the contributions of members. The rates of contribution remained as was under the defunct scheme, i.e., employee and employer contributing 5% and 12.5% respectively of the employee's basic monthly salary. In the case of a self-employed person, such a member must contribute 17.5% of his or her monthly earnings.

Whereas the employer was enjoined by law to remit within fourteen days at the end of each month the contributions of workers, flexibility is provided for the self-employed to determine the period or periods of payment. This is particularly so in the case of self-employed persons with seasonal incomes. A penalty sum equal to 3% per month of the "contribution payable" is levied when contributions are not paid within the prescribed or conceded period.

Whilst the defunct Provident Fund Scheme made provisions for 5 contingencies, the benefits to be provided under PNDC Law 247 are only three. These are:

- Superannuation pension;
- Death/survivors benefits; and
- Invalidity benefits.

Essentially, despite the fact that market mechanism as growth milieu poses more threats to social security, Law 247 has fallen short not only of ILO Convention 102 on minimum standards of social protection, but more fundamentally, it has reduced the number of benefits provided for under the defunct Provident Fund Scheme from 5 to 3.

The important question, which we shall return to in due course, is whether a self-financing social security scheme, with inter-generational contracts such as is being operated by SSNIT, can cater for other contingencies including housing without derailing the scheme! In the interim, we examine the qualifying conditions of the benefits stipulated under old age, death/survivors and invalidity.

**Old Age**

To qualify for old age full pension payment, a worker should have contributed to the scheme for at least 240 months, i.e. 20 years, and should have attained either the voluntary age of 55 or compulsory retiring age of 60. However, any person who has worked as an underground mine worker or in steel works or in such hazardous employment for an aggregate period of 240 months or more qualifies for full pension at age 55.

The minimum pension payable is 50% of the average of the 3 best years' salary for a minimum contribution period of 240 months. For any additional month served after the 240 months, a worker earns a pension right of 0.125%, i.e. 1.5% for every 12 months in addition to the 50% start off. Thus, a worker can theoretically earn up to 80% pension when he shall have worked and contributed to the scheme for 40 years.

All other persons who opt to retire at age 55 or before 60 years are entitled to a reduced pension.

That is, voluntary retirement is possible from age 55, with a reduced pension computed as a percentage of the full pension, depending on the age of the beneficiary as follows: age 55, 60%; 56, 67.5%; 57, 75.0%; 58, 82.5%; 59, 90.0%. Thus, a reduced pension is calculated as 60% of a full pension plus 7.75% for any additional year served until the age 59 when the reduced pension would have worked out to 90% of the full pension. While the pension is paid monthly, one may opt to collect an advance payment, 25% of his 12 years pension in a lump sum and subsequently be on a reduced pension. However, if a contributor were not able to work up to 240 months before he retires either voluntarily or compulsorily, he would be entitled to receive his actual contribution plus interest at half the prevailing Government Treasury Bill Rate. In this latter case the scheme reverts to a compulsory saving mechanism without the capacity to earn the full rate of return as persons who by themselves have invested in treasury bills or other high yielding assets.

**Death/ Survivors**

With regard to survivors benefit, if a contributor dies while still a member, his dependents qualify for a lump sum of the earned pension. When a member contributes to the Fund for 240 months before dying, a lump sum equal to the value of his pension for 12 years shall be paid to his survivors. If a member dies without having contributed to the fund for 240 months, the payment to his survivors will be his proportional pension for a period of twelve years. Where a member who has retired dies before he is 72, his survivors will be paid in lump sum the unexpired pension up to age 72.

**Invalidity Pension**

To qualify for invalidity pension, a member shall have contributed to the Fund for 12 months within the last 36 months before becoming invalid. In addition, the member should have been certified permanently invalid and incapable of gainful employment by a medical board including a medical practitioner appointed by SSNIT.

**The National Pension Scheme - CAP 30**

Although the SSNIT scheme is the basic National pension scheme for all Ghanaians, it is only so in name as there is a parallel pension scheme that applies to some public sector employees. Known as CAP 30, it pre-dates any existing social security scheme and derives its name from chapter 30 of the Pension Ordinance of 1946. This Pension Ordinance served as the “pension right” for pensionable officers in the Civil Service and the Armed Forces until the promulgation and coming into force of the Pension and Social Security Amendment Decree 1975 (SMCD 8), and the subsequently PNDC Law 247. CAP 30 has presumably been closed to new entrants from1 January 1972. However, the Decree provided an option to persons who, on January 1, 1972 became members of the Social Security Fund and who immediately before that date had a pensionable office in the Public Service to either remain under the national pension of Cap 30 or join the SSNIT Provident Fund as it was before conversion to a pension scheme under PNDC Law 247. Indeed, the 1975

Decree provided that should persons fail to exercise the option within the time allowed under the enactment, they would be deemed to have opted to remain under the Social Security Scheme. Once the option was exercised, it could not be revoked.

While this provision meant that fewer people would remain on Cap 30 as the years go by, later events indicated that more people reverted to CAP 30 and this scheme runs alongside the SSNIT Scheme. This was made possible when the Pensions and Social Security (Amendment) Decree, 1978 (SMCD 178) was passed. In addition, the Police Service and Prison Service have reverted to the Cap 30 Scheme with the promulgation of the Police Service (Pension) Law, 1985 (PNDCL 126) and the Prison Service (Pensions) Law, 1987 (PNDCL 168). Both enactments require that all amounts paid by members as contributions toward the SSNIT Social Security Fund should be refunded to the contributors concerned.

Although CAP 30 Pension Scheme was established as non-contributory with defined benefits, subsequent amendments have made it contributory to civil servants and teachers who are still covered by it. Such members contribute 5% of their pre-tax salary, which is nevertheless not saved but recycled into the Consolidated Fund. However, it is still a non-contributory plan for the armed forces, the police, and the prisons services. These employees take home all of their earnings; no deductions for pension coverage. Other features of CAP 30 that are superior to those of SSNIT and are very contentious are:

- 10 years for full retirement vs. 20 at SSNIT;
- 70% of final salary compared to 50% of average of three highest years' salary at SSNIT
- CAP 30 pension payments are indexed annually to current salary scales.

In the SSNIT scheme, there is the theoretical possibility that the pension right can be increased to 80% since any additional year served after 20 years earns a pension right of 1.5%. At this rate, a person must work for 40 years or 480 months to earn an 80% pension right. That is, such a beneficiary must have started contributing to the Fund at age 20, until he retires compulsorily at age 60. Clearly, retirement benefits under CAP 30 are undoubtedly better than those under the SSNIT scheme, which is why those who can keep themselves in the plan do so, and others outside it are fighting to get on it. The problem is not only that there is great dissatisfaction among those workers who do not enjoy the superior coverage of CAP 30; it is also that the largely unfunded nature of the plan is a drain on general revenue. This is more so when it is noted that even for those who make the 5% contribution, the funds are not available as long term saving for further productive purpose that would promote employment to increasing union membership. On a cautionary note, although the conditions under the CAP 30 Pension Scheme are more relaxed than those of SSNIT, it must be emphasized that a worker who is dismissed from the Public Service loses all pension rights. On the other hand, contributions to SSNIT are portable, unlike the restrictive character of CAP 30.

The general scenario is that, social security as it exists today in Ghana had been developed on a piece meal basis for different target groups. It lacks cohesion or overall design. Not surprisingly, those who are not under CAP 30 are fighting to get on it or trying to make SSNIT conditions identifiable with the largely advantageous benefits of CAP 30. As a matter of policy, it is advisable that all these different schemes should be rationalized and substituted by a comprehensive system of social security, which provides protection against social risks to all the people according to their status. There is no justification for two teachers to have gone through the immiserizing process of life with one having to enjoy better after service conditions.

Injustice prevails when equals are treated unequally. What is prudent is that the disadvantaged person should be brought up but not for the advantaged person to be brought down: it is not acceptable in Pareto optimal relations or labor relations that conditions of service could be made worse.

**SSNIT Ownership Status and Policy Formulation**

In an attempt to establish the ownership status of SSNIT, we look at the persons who provide the funds and who are eventually held liable or who would suffer losses in the event of collapse of the SSNIT Fund. Ultimately, the true owners of the SSNIT Fund are workers of all categories on whose behalf money is paid as under Section 20 of PNDC Law 2472. For these workers, Section 19 of PNDC Law 247 provides that, "The Board shall cause to be maintained for each member an account to which shall be credited all contributions." In fact, in antecedent legislation to PNDC Law 247, the Social Security Regulations, 1973 (L.I. 818), Regulations 20 and 21

The Trust shall maintain in respect of each member a record of contributions paid by or on behalf of the member plus interest and less any benefits and other authorized deductions" and that "The Trust at the end of each year, shall furnish to the employer of each member and the employer shall transmit to the member an annual statement showing the accumulation in the Fund at the credit of the member.

Consequently, there is both financial and legal basis for asserting that the SSNIT Fund is a private fund with Government implicitly assuming custodial responsibility. All expenditures incurred in "the direction of the day-to-day business of the Trust and of its administration" are charged to members' contributions as provided in Section 18 of PNDC Law 247 Emphatically, the workers whose money is held in the SSNIT Fund are responsible for the total costs of administering the scheme. Government resources or public funds are not used to administer the Fund; whatever money Government pays to the Fund is in its capacity as employer of specified employees just as any employer such as Ashanti Gold fields, Volta Aluminum Company, Volta River Authority, Lever Brothers or indeed any of the 20-odd companies listed on the Ghana Stock Exchange as well as all unlisted enterprises and the informal sector self-employed.

The Law even indemnifies the members of the Board under Section 33 of Law 247, which states that; No suit or other legal proceedings shall be against any member of the Board, or any officer or employee of the Trust in respect of anything, which is done in good faith in pursuit of the objectives of this Law. That is, the losses made by SSNIT are borne by the contributors to the SSNIT Fund. Ownership of the SSNIT Fund, therefore, resides solely with these contributors who carry the risk and entrust their funds into the hands of the management of SSNIT. That the Minister of Finance should approve all expenses is only a means to ensure the checks and balances implicit in Government's custodial role and to exact accountability from the Board so that contributors' funds are protected! It is unfortunate that this custodial role has been exalted into ownership of the funds.

However, discussions with workers, employers, and employees of SSNIT have tended to suggest that the ownership status of the SSNIT FUND is not clear. In one vein, SSNIT management itself has professed that the SSNIT FUND is privately owned as it is funded by contributors who are private persons. And yet, the operational practices of SSNIT management have shown that the FUND belongs more to Government than to the contributors. A clear practical demonstration of management confusion is that SSNIT management has registered several of their vehicles as government property with GV REGISTRATION. Thus if government vehicles are commandeered for national assignments, then SSNIT vehicles and other property would also be commandeered. Such was the case during national elections, when SSNIT vehicles and other property were run down at cost to contributors. In fact, that Government has taken SSNIT as part of Government property was shown in Government's divestiture of the then Social Security Bank registered in 1977 under the Companies Code as a private banking institution wholly owned by the Social Security and National Insurance Trust.

From hindsight, one of the over-riding factors that led workers to request for change from the Provident Fund Scheme to the PNDC Law 247 is political interference in the management of the defunct fund. Under the defunct scheme, investment policy of the fund was determined by government when it was required that funds should only be invested in government stocks at a 6 per cent rate of return. Consequently, the funds provided a cheap source of income for government in financing its budget deficit, to the disadvantage of the true owners of the Fund.

This conception (or misconception?) has been carried over to recent management practices of the Fund that SSNIT FUND is part of the public purse and can be used as such. It would be necessary for Government to clarify its position on this so that workers confidence can be restored in SSNIT as a credible pension scheme.

In terms of policy formulation, the SSNIT Board is to be in control of General Policy.

Specifically, Section 8 (1) of PNDCL 247 states that;

“The Board shall, subject to the provisions of this Law have general control of the funds and investments of the Scheme and the management of the Trust on matters of policy”.

The composition of the Board is as follows:

- a chairman and three persons appointed by Government
- a representative of the Ministry of Finance
- a representative of the Bank of Ghana
- a representative of the Ministry responsible for labour
- a person appointed by the Director-General of SSNIT
- two representatives nominated by the TUC

- a representative nominated by the Civil Servants Association
- a representative nominated by GNAT
- two representatives nominated by the Employers' association of Ghana.

In all, the Board of Directors, which is tripartite in nature and comprises representatives of workers, employers and Government, is made of 14 members. Although the composition of the Board has taken into account the tripartite character to cater for all vested interests, the weight is unduly asymmetric in favor of the Government. Representations from the government number up to EIGHT, out of a total membership of 14. That is, the bureaucracy has at least straightforward 57% strength on the Board so that in case where policy issues are to be decided on the basis of simple majority, Government policy designs will always carry the day. In practice, therefore, SSNIT FUND is a privately funded scheme run predominantly by Government**.** This dominant position of Government on SSNIT Board is what has generated the erroneous impression that SSNIT is part of the Public Sector and must therefore be privatized.

By Section 8 (5) of Law 247, the Director General as the Chief Executive of the Trust is charged with the direction of the day-to-day business of the Trust and of its administration, subject to the general control of the Board on matters of policy. The Director General is assisted by three deputies who head three functional areas: Operations, Finance and Administration; these are further subdivided into departments that take into consideration similarities of functions.

Essentially, however, final responsibility lies with the Director General as the Chief Executive of the Trust.

The Director-General is in a unique position as a Government representative on a Board that is dominated by Bureaucratic representation. Since he is appointed by the Government, he owes his position and loyalty to government interests. Consequently, he would represent Bureaucratic interests more than the interests of the Trust, especially in so far as the private owners of the FUND are under-represented on the Board and cannot make any appreciable impact on policy if they should decide to disagree with policies initiated by Bureaucratic representation. In fact, discussions with former and current members of the Board revealed that government had tended to use SSNIT Funds for all purposes that compromised the viability of the Scheme. While some members of the Board felt bad about such flagrant Government abuse and misuse of SSNIT.

## CHAPTER THREE

## METHODOLOGY

### Introduction

This chapter focuses on the methods that were used in conducting the study such as the research design, description of the source of data, area of study, target population, sample frame and sampling technique, research instrument, data analysis and presentation, data collection, ethical consideration, validity and reliability of the research.

### Research Design

Descriptive approach was used in this study. This method aims at gathering sufficient data that can be used to describe and interpret what exist at a particular time.

According to keller and Warrack (2000), surveys depend on direct contact with sample of those whose characteristics, attitudes or behaviors are relevant for a specific investigation. The descriptive survey design was considered to be appropriate because it had the potential to yield relevant information to answer the research questions.

### Sources of data

Primary data and secondary sources of information were used for this study. The primary method of data collection took into consideration the use of the questionnaires and interviews. Primary data were originated by the researcher with the aim of addressing the research questions through questionnaires which were administered to staffs of SSNIT and clients (employers) under the SSNIT scheme. The secondary information sources for this study were from books, journals, internet sources and SSNIT publications.

Both quantitative and qualitative data were collected by the researcher. However, the qualitative data were mainly obtained from the secondary data sources and the interview responses. There were also some few open-ended questions in the questionnaire that yielded responses of qualitative nature. A qualitative approach enables the researcher to comprehensively understand a certain problem, and has a holistic view (Saunders et al, 2007).

Furthermore, qualitative research is exceptionally helpful in identifying the scope of the research and used to fully understand the views, opinions and attitudes that the researcher come across, (Saunders et al, 2007). The quantitative data were obtained from the responses in the questionnaire which were expressed in figures. Both approaches were however used to confirm the results of the other approach in the way it answered specific questions.

**Scope of the Study**

The study focused on the main provider of pensions in Ghana which is the Social Security and National Insurance Trust. The highlight of this study is to identify the challenges that SSNIT is currently faced with and also determine how expand its coverage to ensure sustainability.

## Area of study

At the moment SSNIT has 8 Area Officers, 49 Branches and 18 Day office throughout Ghana. The study was focused on Accra North Area office of SSNIT because it had the most concentration of diverse establishments.

## Target Population

The study focused on SSNIT staffs at Accra North Area offices and employers (clients) in the Accra North Area. The staffs were chosen because of their knowledge of SSNIT's operation. The total staff population of SSNIT is 2031 SSNIT, (2013)

## Sampling and Sample Size

The concept of sampling is most fundamental to the conduct of any research and interpretation of the research results. Sampling procedure therefore is concerned with how the study was carried out with reference to the type of people or group to which the questionnaires, interview and personal observation were administered and the criteria used for selecting the respondents.

The sampling frame for the questionnaires administration was based on a representative sample of the population and covered one hundred and seventeen (117) staff of SSNIT and ten (l0) clients of SSNIT since it would have been impracticable for the researcher to survey the entire population. These were carefully planned, piloted and collected in order to give the researcher important statistical and factual data straight from the respondents.

For the purpose of this research, the study used purposive sampling. Under the purposive sampling method, the researcher purposely chooses respondents who the researcher thinks are relevant to the research problem. The purposive sampling method was adopted in choosing ten (10) employers ( client of SSNIT) respondents.

However, the sample size selected from staff respondents of SSNIT was based on the total population size of staffs considered. The sample size was based on Krejcie's (1970) table on the determination of sample size for research activities. According Robert (1970), for a population of SSNIT staffs in the Accra North Area which is 189,the sample size is approximately 117.

**Research Instrument**

Interviews and questionnaires were used in collecting the data from respondents for study. Structured and unstructured form of interview and questionnaires were used. The questionnaires contained questions on the problem understudy aimed at gaining primary information from the respondents.

As a method of data collection, the questionnaire was the efficient way of collecting statistically quantifiable information. It was an efficient method in the sense that many respondents was reached within a short space of time. Questionnaire development was well thought out and it set out to look at how SSNIT expand coverage of Ghana's pension scheme to ensure sustainability. Hence an evaluative perspective was taken in designing the questionnaire.

In order to have a holistic view of the situation, the questionnaires administered were in two categories. One category was designed for employers and the other was designed for SSNIT staffs.

**Data collection instruments**

Primary data and secondary information sources were used in the study. Primary data was collected using interviews and questionnaires as the key instruments designed and administered to the respondents. The reason for the choice of personal interviews was because it was flexible and adaptable in controlling the response situation. Interviews can probe deeply into respondent's beliefs, attitudes and inner experiences by following up with questions to obtain more information and clarify vague statements.

Questionnaires were administered to the sampled employees of SSNIT.. According to Saunders et al. (2003), a questionnaire is one of the primary tools used to collect data and it is a devise used for acquiring response to a predesigned subject matter using a form which the respondent completes. The questionnaire was made up of both closed-ended questions which presented the respondents with a fixed set of options, and open-ended questions which encouraged them to share as much information as possible. Both the interviews and the questionnaires provided the researcher with data on the subject.

**Data Collection Constraints**

The researcher encountered some difficulties allocating the required information (e.g. textbooks, annual reports etc). There was also a problem of getting in touch with the target group for the interview or to administer questionnaires because of their tight schedules and reluctance of some employers to disclose certain information. Some respondents considered it a waste of work time since they had to take time off their jobs to fill in their responses. Some of the questions were poorly answered by the respondents and some questions were left unanswered.

**Data Analysis and Presentation**

The researcher used Statistical Packages for Social Sciences (SPSS) for analyzing the data collected from the field. As a measure to ensure proper coding and analysis of data, the data collected from the field were manually sorted out and checked for completeness, consistency and accuracies daily.

Both closed and open-ended questions were coded with a coding manual created and data were then entered using the Statistical Packages for Social Sciences (SPSS). Statistical tools like frequency distribution, charts (bar chart and pie chart), cross tabulation and percentages were used to describe the variables. These statistical tools were also used to analyze and present the research findings gathered by the researcher. Other data collected were presented in writing for argument sake. The bar and the pie charts were used as graphical illustrations to show the coverage of the Ghana Pension scheme and its challenges.

Rational and intuitive skills were also adopted for the qualitative analysis employed while statistical software and Microsoft excel were used for the quantitative analysis.

**Ethical Consideration**

The research work was carried out with full ethical considerations. Data to be processed and analyzed was collected from both primary and secondary sources.

**Validity and Reliability**

Secondary data was collected from the annual reports and publications of SSNIT. Both employers and SSNIT staff also gave information to the research questions posed freely and under no duress from the researcher. This research paper it therefore authentic and the findings in this paper would still be the same if conducted by different groups of people.

# CHAPTER FOUR

# RESULTS AND DISCUSSIONS

## Introduction

This chapter is concerned with the presentation and discussions of the results of the study. One hundred and thirty seven (137) questionnaires were administered to Staff respondents and ten (10) questionnaires were administered to employer respondents. However, one hundred and eighteen (118) questionnaires were received from respondents. Thus the analysis was based on a response rate of 92.7%.

## Age of respondents

The researcher sought to analyze the age brackets into which the respondents fall and is illustrated in Table 1

| AGE | FREQUENCY | PERCENTAGE |
|---|---|---|
| 21-25 | 28 | 24 |
| 26-30 | 20 | 17 |
| 31-35 | 12 | 10 |
| 36-40 | 25 | 21 |
| 41-45 | 18 | 15 |
| 46-50 | 10 | 9 |
| 50+ | 5 | 4 |
| **Total** | **118** | **100** |

**Source: Field Research Data 2016**

From Table 1, the age group 21-25, constitute the largest percentage of the respondents constituting 24%, while the least age group is 50+ who constitute the lest percentage of the respondents constituting 4% of respondents.

### Educational background of Respondents

The researcher sought the educational background of respondents and is illustrated in Figure 1

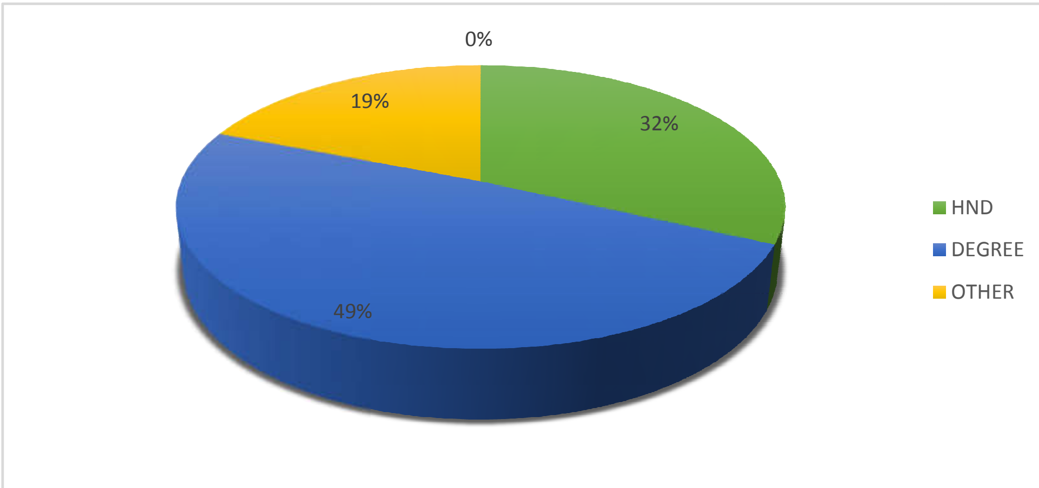


**Figure1: Educational background of Respondents**

From Figure 1, a greater majority of the respondents are graduates constituting 49%, with the least constituting 19% with other qualifications apart from HND which is 32% of respondents.

### Department of Respondents

The respondents were selected from various department and this is illustrated in Table 2.

**Table 2: Departments of Respondents**

| DEPARTMENT | FREQUENCY | PERCENTAGE |
|---|---|---|
| Compliance | 9 | 7.6 |
| Actuarial | 109 | 92.4 |
| **Total** | **118** | **100** |

**Source: Field Research Data 2016**

Table 2 shows the distribution on department of respondents, 92.4% of respondents representing 109 of the total respondents are from the compliance department and 7.6 % respondents 9 of the total respondents are from the actuarial department.

**Sex of Respondents**

The components of the respondents with respect to their sex is illustrated in Table 3

**Table 3: Sex of Respondents**

| SEX | FREQUENCY | PERCENTAGE |
|---|---|---|
| Male | 85 | 72 |
| Female | 33 | 28 |
| **Total** | **118** | **100** |

**Source: Field Research Data 2016**

A great majority of the respondents 85 representing 72% are male, while the remaining 33 respondents are female representing 28% of the respondents.

**Employers' Contribution Periods**

Table 4 shows the distribution on the length of time employer respondents have contributed towards the scheme.

**Table 4: Employers' Contribution Periods**

| YEARS OF CONTRIBUTION | FREQUENCY | PERCENTAGE |
|---|---|---|
| 9 – 12 | 13 | 11 |
| 13 – 16 | 52 | 44 |
| 17+ | 53 | 45 |
| **Total** | **118** | **100** |

**Source: Field Research Data 2016**

From Table 4, thirteen (13) employers respondent has contributed within 9-12 years; 52 respondents have contributed 13-16 years whiles the remaining 53 respondents have contributed above 17 years. With approximately 88.8% of ernployers having contributed to the Scheme for the past 13 years and above is indicative of the fact that, most employers are complying with the mandate of paying their employee's pension to the Scheme.

**Factors affecting the Ghanaian Pension Scheme.**

Table 5 shows the distribution on the factors affecting the Ghana Pension Scheme.

**Table 5: Factors affecting the Ghana Pension Scheme**

| FACTOR | FREQUENCY | PERCENTAGE |
|---|---|---|
| High Illiteracy rate | 16 | 13.6 |
| The income of Ghanaian are generally low | 10 | 8.5 |
| Large informal sector not captured by SSNIT | 17 | 14.4 |
| Membership of the scheme is generally low | 49 | 41.53 |
| The investment opportunities that exist in Ghana's economy are relatively limited | 26 | 22.00 |
| **Total** | **118** | **100** |

**Source: Field Research Data 2016**

Table 5 shows the distribution on the factors affecting the Ghana Pension Scheme. The results of the study indicates that low membership of the Scheme (41.5%) is a key factor affecting the Scheme, while, high illiteracy rates and low income levels in the country were 13.6 % and 8'5 % respectively. However, the large informal sector which is not properly captured by the Scheme, also recorded about l4.4 % representing 17 respondents from the study.

The relatively high percentage of low membership points to the need for the SSNIT to increase the coverage, as well as embark on a membership drives in their operations.

**Respondents' perception of SSNIT**

Table 6 shows the perception of the respondents of SSNIT

**Table 6: Perception of Respondents**

| PERCEPTION | FREQUENCY | PERCENTAGE |
|---|---|---|
| Very Good | 51 | 43.22 |
| Good | 33 | 27.97 |
| Medium | 27 | 22.88 |
| Poor | 5 | 4.24 |
| Very Poor | 2 | 1.69 |
| **Total** | **118** | **100** |

**Source: Field Research Data 2016**

Table 6 shows the perception of the respondents of SSNIT. Fifty one (51) respondents representing 43.22% of the total respondents agreed that SSNIT as an institution mandated to rnanage the pension scheme is doing very good work, whereas 2 respondents representing a significantly low1.69% rated it as performing very poorly. 33 respondents representing 27.97% rated is as good. 27 respondents which corresponds to 22.88% rated SSNIT's activities as being medium and 5 respondents representing 4.24% of the total respondents rated its activities as poor.

**Drivers for Pension Scheme**

Table 7 shows that most respondents viewed retirement security as the main driver for pension schemes in Ghana.

**Table 7: Views on pension as security for respondents**

| DRIVERS | FREQUENCY | PERCENTAGE |
|---|---|---|
| Retirement security | 70 | 59.32 |
| Independence | 18 | 15.52 |
| Life savings | 5 | 4.24 |
| Financial Obligation | 3 | 2.54 |
| Dependent’s welfare | 22 | 18.64 |
| **Total** | **118** | **100** |

**Source: Field Research Data 2016**

Table 7 shows that most respondents viewed retirement security as the main driver for pension schemes in Ghana. Seventy (70) respondents representing 59.32% agreed to the assertion. l8 respondents representing 15.25% of the total respondents agreed that their independence from other family members especially when they are no longer working was a driver for pension schemes while 5 respondents representing 4.24%o said life savings was the main motive. 3 respondents which correspond to 2.54%o said they contributed to the pension scheme for financial obligations they might have and 22 respondents representing 18.64% said the main driver was that their dependents would be catered for in the event of their demise.

**Challenges associated with the operations of SSNIT pension scheme**

Figure 2 shows responses from staff respondents on the challenges associated with the scheme.

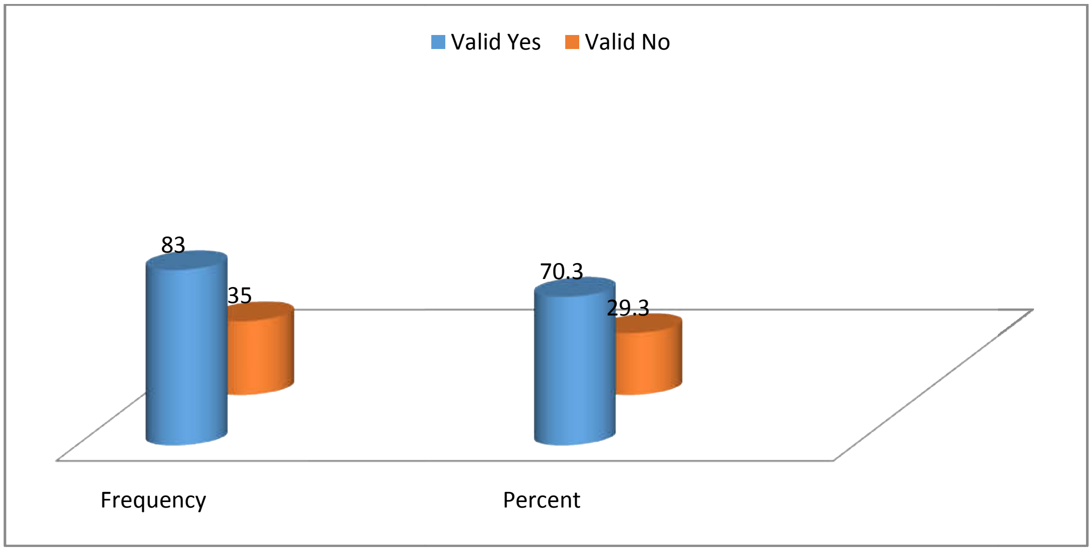


**Figure 2: Challenges associated with the operations of SSNIT pension**

Figure 2 shows responses from staff respondents on the challenges associated with the Scheme. Eighty three (83) respondents representing 70.3% indicated that there have been challenges associated with the scheme, whiles 35 respondents representing 29.7% indicated that that there are no challenges in the operation of the Scheme.

**Challenges facing SSNIT**

The researcher sought to identify the specific challenges confronting the scheme.

**Table 8: challenges confronting the SSNIT Pension Scheme.**

| CHALLENGES | FREQUENCY | PERCENTAGE |
|---|---|---|
| Delays in payment of benefit | 25 | 30.12 |
| Administrative bureaucracy | 30 | 36.14 |
| Poor data management | 15 | 18.07 |
| Inadequate infrastructure | 9 | 10.84 |
| Poor funding | 4 | 4.83 |
| **Total** | **83** | **100** |

**Source: Field Research Data 2016**

Table 8 shows that, twenty five (25) respondents representing 30.12% rated delay in benefit processing as a challenge facing SSNIT while 30 respondents representing 36.14% of total respondents rated administrative bureaucracy as a challenge. 15 respondents representing 18.07% saw poor data management as a challenge whereas 9 respondents representing 10.84% recognized inadequate infrastructure as a challenge to SSNIT and 4 respondents representing 4.82% rated poor funding as a challenge.

**Effectiveness of Pension Scheme (SSNIT)**

This table sought to assess the level of awareness of the essential role played by SSNIT

**Table 9: Effectiveness of SSNIT Pension Scheme**

| VERY EFFECTIVE | FREQUENCY | PERCENTAGE |
|---|---|---|
| Agree | 6 | 5.1 |
| Neutral | 34 | 28.8 |
| Disagree | 57 | 48.3 |
| Strongly disagree | 21 | 17.8 |
| **Total** | **118** | **100** |

**Source: Field Research Data 2016**

Table 9 shows that despite the indispensable role of the SSNIT pension scheme in the country most people are not adequately informed about the SSNIT pension Scheme indicating that public sensitization are poor. 6 respondents representing 5.1% of the total respondents agreed that people are adequately informed about the SSNIT pension scheme , 34 respondents representing 28.8% of the total respondents remained neutral, 5 respondents representing 48.3oh of the total respondents disagreed whiles 21 respondents representing 17.8% of the total respondents strongly disagreed.

**Coverage of SSNIT**

Table 10 assessed the level of coverage of SSNIT in Ghana.

**Table 10: SSNIT coverage in Ghana**

| INCREASE IN COVERAGE | FREQUENCY | PERCENTAGE |
|---|---|---|
| Yes | 38 | 32.20 |
| No | 80 | 67.80 |
| **Total** | **118** | **100** |

**Source: Field Research Data 2016**

From Table 10, thirty eight (38) respondents representing 32.20%o said that SSNIT has significantly increase its membership over the years while an overwhelming 80 representing 67.80% of the total respondents disagreed with this notion.

**Reasons for the lack of Coverage**

Table 11 is about the reason for the poor coverage of SSNIT

**Table 11: Reasons for Poor coverage**

| REASON | FREQUENCY | PERCENTAGE |
|---|---|---|
| Lack of enforcement | 73 | 62 |
| Cost of compliance | 30 | 25 |
| Poor public education | 15 | 13 |
| **Total** | **118** | **100** |

**Source: Field Research Data 2016**

From Table 11, seventy three (73) respondents representing 62% of the total respondents to this question agreed that lack of strict enforcement of the law as a reason for the lack of expansion of coverage while 30 respondents representing 25% of total respondents said the cost of compliance was the reason for the lack of increase in SSNIT's membership. 15 respondents representing l3% viewed poor public education as a reason for lack of extensive coverage.

**Enforcement of law under the Pension Act 766**

Table 12 shows the distribution of responses on enforcement of law under the Pension Act 766

**Table 12: Enforcement of law under the Pension Act 766**

| RESPONSE | FREQUENCY | PERCENTAGE |
|---|---|---|
| Yes | 46 | 39 |
| No | 72 | 61 |
| **Total** | **118** | **100** |

**Source: Field Research Data 2016**

Table 12 shows the distribution of responses on enforcement of law under the Pension Act 766. 46 respondents representing 39.0% indicated that SSNIT is able to enforce the law whiles 72 respondents representing 61.0% indicated that SSNIT is not enforcing the law strictly. This further explains that the low coverage of membership under the scheme is due to the inability of SSNIT to enforce the law. This shows that if the law under the Pension Act 766 is strictly enforced by SSNIT it would serve as a measure to increase rnembership under the scheme.

**Benefits to be obtained from increased coverage**

Benefits to accrue from increased coverage illustrated in Table 13.

**Table 13: Benefits from increased Coverage**

| BENEFITS | FREQUENCY | PERCENTAGE |
| --- | --- | --- |
| Better pension payments | 17 | 14.41 |
| Sustainable pension scheme | 81 | 68.64 |
| Availability of investible funds | 20 | 16.95 |
| **Total** | **118** | **100** |

**Source: Field Research Data 2016**

From the Table 13, seventeen (17) respondents representing 14.41% of total respondents agreed that better pension payment as a benefit of increased coverage, whereas 81 respondents representing 68.64 rated a sustainable pension scheme. 20 respondents representing 16.95% of the total respondents said an increased coverage would guarantee availability of funds for investment purposes.

**Sustainability of the Trust depends on coverage**

Table 14 depicts the response of respondents whether increased coverage will ensure sustainability.

**Table 14: Increased Coverage ensures sustainability**

| RESPONSE | FREQUENCY | PERCENTAGE |
| --- | --- | --- |
| Strongly agree | 88 | 74.6 |
| Agree | 23 | 19.5 |
| Neutral | 7 | 5.9 |
| **Total** | **118** | **100** |

**Source: Field Research Data 2016**

Table 14 shows that 23 respondents representing 19.5% of the total respondents agreed that sustainability of the trust depends on increased membership under SSNIT Pension Scheme, 88 respondents representing 74.6% of the total respondents strongly agreed, while 7 respondents Representing 5.9% of the total respondents remained neutral.

**Measures to ensure effective increase of membership under the Pension Scheme**

Table 15 illustrates the response of respondents as to measures to ensure increase in membership of the scheme. **Table 15: Measures to ensure effective increase in membership**

| RESPONSE | FREQUENCY | PERCENTAGE |
|---|---|---|
| Coverage of informal sector | 44 | 37.3 |
| Intensify public education | 30 | 25.4 |
| Increased SSNIT branches to make it more Accessible to the general public | 26 | 22.03 |
| Strict enforcement of the Pensions Act 766 | 18 | 15.3 |
| **Total** | **118** | **100** |

**Source: Field Research Data 2016**

Table 15 shows the distribution on responses on the measures that can ensure effective increase of membership. Respondents indicated vigorously including the informal sector (44 respondents representing 37 .3%), intensify public education (30 respondents representing 25.4%), increase SSNIT branches to make it more accessible to the general public (26 respondents representing 22.03%) and, strict enforcement of the Pensions Act766 (18 respondents representing 15.3%), as the measures that can that can ensure effective increase of membership. The results indicate that accessibility of SSNIT offices for payment of contributions is the key factors to increase the coverage of the Scheme. This is reflective of the complaints made by the informal sectors as to why most of them are not contributing to the Scheme.

**Factors for Voluntary Contribution to the Scheme.**

Table 16 shows the distribution of responses on how to attract more employers to voluntary register under the Trust.

**Table 16: Factors that affect voluntary contributions to the scheme as revealed by respondents.**

| RESPONSE | FREQUENCY | PERCENTAGE |
|---|---|---|
| Giving awards to employers who comply with SSNIT rules | 19 | 16.1 |
| By making the registration and payment process easier and simple | 54 | 45.8 |
| Bringing the office closer to the doorsteps of employers | 45 | 38.1 |
| **Total** | **118** | **100** |

**Source: Field Research Data 2016**

Table 16 shows the distribution of responses on how to attract more employers to voluntary register under the Trust. Respondents mentioned giving awards to employers who comply with SSNIT rules (16.l%), making the registration and payment processes easier and simple, (45.8%) bringing the office closer to the doorsteps of employers as the ways of making the scheme attractive for employers (38.1%). The results indicate that the bureaucracy and administrative bottlenecks in the registration processes has been an inhibitor for voluntary contribution to the Schemes by the informal sector.

**Investment with private Companies apart from SSNIT**

Figure 3 shows the distribution on the perception of employer respondents.

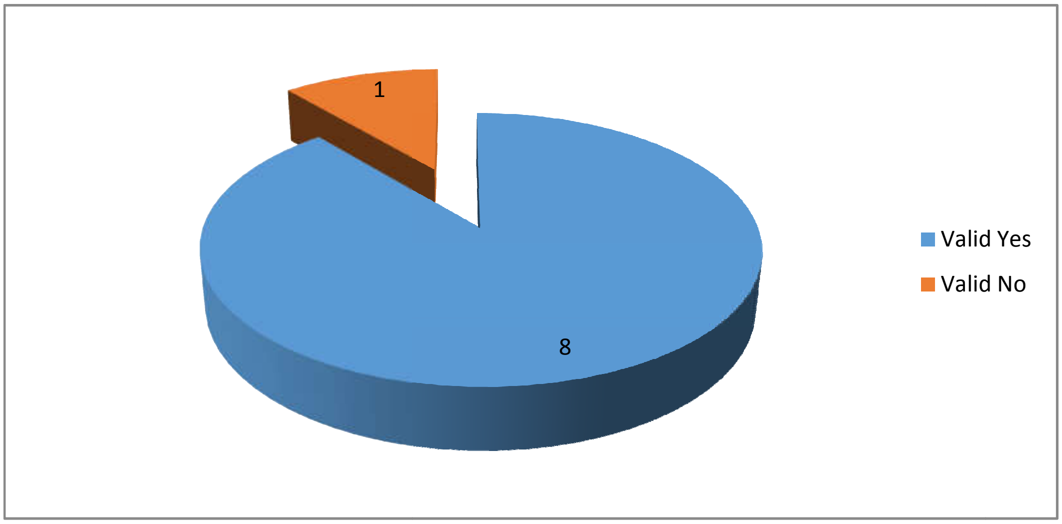


**Figure 3: Investment with private Companies apart from SSNIT**

Figure 3, shows distribution on the perception of employer respondents. Eight (8) employer respondents representing 88.9% indicated that they do not insure or invest with other private companies on pension apart from SSNIT while one (1) employer respondent representing ll.1% indicated otherwise. It indicates that most employers do prefer investing in the SSNIT pension scheme other than investing in other companies. This shows that the SSNIT Pension scheme is improving as more and more employers have come to accept the significance of the scheme to employees, employers and to the society as a whole.

**Workers have better control over their pension accounts under the scheme**

Table 17 amply illustrates that workers have better control over their pension accounts under the scheme. **Table 17: workers and control over pension accounts under the scheme.**

| RESPONSE | FREQUENCY | PERCENTAGE |
|---|---|---|
| Disagree | 5 | 55.60 |
| Strongly disagree | 4 | 44.40 |
| **Total** | **9** | **100** |

**Source: Field Research Data 2016**

Table 17 indicates that the workers do not have better control over their pension accounts under the scheme. 5 respondents representing 55.6% of the total respondents strongly disagreed workers have better control over their pension accounts under the scheme and 4 respondents representing 44.4% of the total respondents agreed.

**Inability of employers to pay SSNIT contributions on time and the sustainability of the trust**

**Table 18: Illustrates the inability of employers to pay SSNIT contributions on time and their effects the sustainability of the trust**

| RESPONSE | FREQUENCY | PERCENTAGE |
|---|---|---|
| Strongly agree | 5 | 55.6 |
| Agree | 4 | 33.3 |
| Neutral | 1 | 11.1 |
| **Total** | **9** | **100** |

**Source: Field Research Data 2016**

Moreover, employer respondents also confirmed that the inability of employers to pay SSNIT contributions affects the sustainability of the trust. 3 respondent representing 33.3%

agreed, 5 respondents representing 55.6% strongly agreed while I respondent representing 11.1% remained neutral on this in Table 21.

# CHAPTER FIVE

## SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

### Introduction

This chapter focuses on the major summary, the conclusion and innovative recommendations to the identified challenges to examining the coverage and sustainability of SSNIT.

### Summary

The study was conducted to examine the increase in coverage of Ghana's pension scheme and how it would impact on its sustainability. The study indicates that the major drivers for pension scheme were retirement security (59.32%), independence (15.25%), dependent's welfare (18.64%), life savings (4.24%) and financial obligations (2.54%).

The study further revealed the challenges currently plaguing SSNIT. Respondents identified administrative bureaucracy (36.14%), delay in payments of benefits (30.2%), poor data management (18.07%), inadequate infrastructure (10.84%) and poor funding (4.82) as the key challenges affecting SSNIT's ability to increase coverage.

Additional findings from this study identified the benefits to be gained from an increase in coverage of the pension scheme (68.64%) of respondents said that an increase in coverage would lead to a sustainable pension scheme, (16.95%) of respondents said an increase in coverage would lead to the availability of in vestibule funds and (14.41%) identified better pension payments as a benefit to be derived from an increase in coverage.

The study further discovered that an increase in coverage leads to a sustainable pension scheme with an over whelming (74.6%) of respondents strongly agreeing to this assertion.

To increase coverage, respondents gave the following suggestions: capturing the informal sector under the scheme (37.3%), intensifying public education (25.4%), increasing the number of SSNIT branches (22.3%) and strict enforcement of the Pensions Act 766 (15.3%).

The study also found out ways of encouraging employers to voluntarily want to register under the scheme. (45.8%) of respondents said the registration and payments processes should be made easier, (38.1%) said the office should be brought closer to the door steps of the employers.

**Conclusion**

In conclusion, available evidence from the study shows that Ghanaian workers do acknowledge the significance of the SSNIT Pension Scheme as it helps to transform the economy by providing a comfortable life for pensioners as well as providing funds for the government for economic development. However, low coverage among workers especially the informal sectors due to lack of awareness of the pension scheme affects the sustainability of the scheme.

Public education need to been encouraged in all sectors especially the informal sector to join the Pension scheme in order to expand coverage whiles SSNIT look for more investment choices to enhance the sustainability of the scheme .Moreover, awards should be given to employers who comply with SSNIT rules as incentives to attract more members as well as making registration and payment processes simple by acquiring the necessary software to improved integrity and reduce the tedious process that most employers pass through in the payment of monthly deductions. With the proliferation of more competitive pension scheme companies, it is imperative that SSNIT adopts and in traduces a more strategic and innovative products that would be acceptable to workers.

## Recommendations

Based on the findings of the research work, the following recommendations have been suggested to remedy the research problems:

- SSNIT needs to increase its coverage in the informal sector which constitutes greater part of Ghana's working force through effective educational awareness programs. A side the formal sector, SSNIT should target self-employed people, including, Traders and proprietors of small and medium-scale enterprises (SMEs) to increase membership.
- SSNIT must allow flexible and moderate contribution and withdrawal terms to include all those in the low income groups to register under the scheme. This will encourage many people to participate in the pension systems of Ghana.
- To ensure availability of funds for investment purposes, SSNIT must review its policy objectives on funds mobilization through the payment of contributions to determine whether targets have been met and then appropriate action taken if they are not being met. This could help sustained the Pension Scheme, because of the availability of investible funds.

- Tax treatments in the form of tax-deductible should be used as incentives to encourage more employers to register under the scheme. In addition, SSNIT should introduce modem IT solutions as ways of simplifying procedures of services including payment of contributions. This would make service delivery efficient in order to reduce bureaucratic procedures of registration, monitoring accounts, updating data and receiving payments.

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# QUESTIONNAIRE

**Topic: Examining the Coverage and Sustainability of the Social Security and National Insurance Trust (SSNIT).**

**Questionnaire designed for SSNIT staff**

The study serves as a partial fulfillment for the award of MBA in Insurance and Risk Management from Kings University College. Results from this study will be used primarily for academic research purposes only and your responses status will be treated confidentially. Your kind co-operation will be very much appreciated please.

Thank you.

Instructions: Please tick (√) in the bracket and write where necessary

1. Age : a. 18 – 25 [ ] b. 26 – 30 [ ] c. 31 – 50 [ ] d. 50 and above [ ]
2. Marital Status : a. Single [ ] b. Married [ ] c. Divorce [ ]
3. Educational Background : a. HND [ ] b. University degree [ ] c. other [ ]

   (Please Specify) …………………………………………………………………
4. Department …………………………………………………………………
5. SSNIT has been able to increase its membership significantly.

   a. Yes [ ] b. No [ ]

   If No, why?

   i. …………………………………………………………………..
   ii. …………………………………………………………………
   iii. ………………………………………………………………….....
6. Have there been challenges associated with the operations of SSNIT Pension Scheme?

   a. Yes [ ] b. No [ ]
7. If yes, which of the following form a major challenge?

   a. Poor funding [ ] b. inadequate infrastructure [ ] c. administrative bureaucracy [ ]

d. delay in payment of benefit [ ] e. poor data management [ ]

8. People are adequately informed about SSNIT pension scheme.

a. Strongly Agree [ ] b. Agree [ ] c. Neutral [ ] d. Disagree [ ] e. Strongly disagree [ ]

9. What are the drivers for pension schemes in Ghana?

a. Independent [ ] b. retirement security [ ] c. live savings [ ]

d. dependent's welfare [ ] e. financial security [ ]

10. Is SSNIT currently experiencing reduction in contributory rate?

a. Yes [ ] b. No [ ]

11. Is SSNIT able to enforce the laws under Pension Act 766 to punish employers who fail to remit total contributions within the time stipulated?

a. Yes [ ] b. No [ ]

12. Is the Trust able to increase its income from contribution?

a. Yes [ ] b. No [ ]

13. What measures do you think SSNIT can take to effectively increase membership under the Pension Scheme?

a. Vigorously include the informal sector [ ] b. intensify public education [ ]

c. Increase SSNIT branches to make it more accessible to the general public [ ]

d. Intensify prosecution of recalcitrant employers their fail to register their workers [ ]

14. What are the major factors affecting the Ghana Pension Scheme?

a. The income of Ghanaian are generally low [ ] b. Large Informal Sector not captured by SSNIT [ ]

c. The investment opportunities that exist in Ghana's economy are relatively limited [ ]

d. Membership of the scheme is generally low [ ]

15. Increase in Membership will also increase the schemes dependency ratio.

a. Strongly Agree [ ] b. Agree [ ] c. Neutral [ ] d. Disagree [ ] e. Strongly disagree [ ]

Why …………………………………………………………………………………………..

…………………………………………………………………………………………….

…………………………………………………………………………………………….

16. Sustainability of the trust depends on increase membership under SSNIT Pension Scheme

a. Strongly Agree [ ] b. Agree [ ]c. Neutral [ ] d. Disagree [ ] e. Strongly Disagree [ ]

Why ……………………………………………………………………………………….

…………………………………………………………………………………………...

…………………………………………………………………………………………..

17. What incentives would make it attractive for employers to voluntarily register their company and their employers under Trust?

a. Bringing the office closer to the doorsteps of the employer [ ] b. giving of award to deserving employers [ ] c. making the registration and payment processes easier and less cumbersome [ ]

18. What are the benefits to gain from received coverage?

a. Sustainable pension scheme [ ] b. better benefits payments [ ] c. availability of investible funds [ ] d. others, [ ]

(Please specify), …….……………………………………………….

19. What are some of the effective ways of increasing membership under the scheme?

a. Intensifying public education [ ] b. strict enforcement of the Pensions Act [ ] c. coverage of the informal sector [ ] d. increase in the number of SSNIT branches[ ]

20. Strict enforcement of the law would increase membership under SSNIT.

a. Strongly Agree [ ] b. Agree [ ] c. Neutral [ ] d. Disagree [ ] e. Strongly Disagree [ ]

21. How would you rate the activities of SSNIT in the country over the years?

a. Very Good [ ] b. Good [ ] c. Medium [ ] d. Poor [ ] e. Very Poor [ ]

**Thank you.**