

UNIVERSITY OF CAPE CAOST

ATTITUDE OF PUBLIC SECTOR WORKERS TOWARDS
VOLUNTARY PENSION SCHEMES: A CASE STUDY OF THE UPPER
EAST REGION OF GHANA

JOHN PAUL ABOALIK

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PENSION SCHEMES: A CASE STUDY OF THE UPPER EAST REGION
OF GHANA

BY

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Business, College of Humanities and Legal Studies, University of Cape Coast
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DECLARATION

Candidate's Declaration

This is to certify that, this dissertation is the result of research undertaken by John Paul Aboalik towards the award of Master of Business Administration Degree in Finance, University of Cape Coast. I hereby declare, that with the exception of references made to other people's works, which have been duly acknowledged, this dissertation is entirely my own work under the guidance of my supervisor, Dr. Clement Lamboi Arthur and neither part nor whole of it has been presented for another degree anywhere.

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.....

JOHN PAUL ABOALIK

DATE

(STUDENT)

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertations were supervised in accordance with the guidelines on supervision of thesis/dissertations laid down by the University of Cape Coast

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DR. CLEMENT LAMBOI ARTHUR

DATE

(SUPERVISOR)

ABSTRACT

A public pension scheme is the only formal scheme that guarantees income security for the aged. In this regard, the voluntary pension scheme is an income supplement, therefore, it is economically prudent for workers to embrace the schemes as an optional insurance to ensure income security and alleviate poverty among individuals to cope with major retirement risks. The purpose of the study was to assess the attitude of public sector workers towards voluntary pension schemes as a way of providing adequate income security as a supplement for Ghanaian workers. The study used simple random and purposive sampling techniques to sample 375 public sector workers and managers/regional representatives of tier-three funds from the Upper East Region of Ghana. Data was collected using administration of questionnaires and through an interview guide while the analysis of data gathered was done using SPSS version 23. The study revealed that, majority of Public sector workers have little knowledge about the voluntary pension scheme as a component of the Three-Tier Scheme. The study further revealed that the voluntary pension scheme provides better pension benefits to Ghanaian workers. Additionally, the study posits consensually that, provident funds are poorly managed in Ghana. Therefore, there is a need for public education and sensitizations to bridge this knowledge gap ensuring that people understand all aspect of voluntary pension schemes to increase the number of enrolment and sustainability of the scheme. It is also imperative for Government to make it mandatory for employers to also contribute to employees' provident fund under the recent pension scheme.

KEY WORDS

Attitude

Investment

Knowledge

Public sector

Social security

Voluntary pension scheme (VPS)

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DEDICATION

To the memory of my late Mother, Madam Veronica Ayambodi

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LIST OF ACRONYMS

ATTW	Attitude of Workers
CAP30	Chapter 30 of the Pension Ordinance
CHRAJ	Commission for Human Rights and Administrative Justices
CLOGSAG	Civil and Local Government Staff Association of Ghana
GES	Ghana Education Services
GHS	Ghana Health Services
GRA	Ghana Revenue Authority
IMF	International Monetary Fund
ISF	Informal Sector Fund
LOK	Level of Knowledge
MFI	Micro Finance Institution
NCCE	National Commission for Civic Education
NPRA	National Pension Regulatory Authority
PHC	Population and Housing Census
PNDC	Provincial National Defence Council
SEWA	Self-Employed Women's Association
SHEPHERD	Self- Help Promotion for Health and Rural Development
SPSS	Statistical Product for Service Solution
SSNIT	Social Security and National Insurance Trust
SSPS	Social Security Pension Scheme
WTP	Willingness to Participate

CHAPTER ONE

INTRODUCTION

The three-tier pension scheme's objective is to provide additional opportunity for workers to take advantage of in supplementing their pension benefits. This is fulfilled by the provision of voluntary Pension schemes such as provident and personal pension plans funds. This dissertation sought to stress on the importance of voluntary pensions schemes in income security of retired workers. The expectation of getting better pension benefits is what ignites the propensity to save in voluntary pension schemes. This was supported by the theory of expectancy by Vroom in 1964 who argues that the strength of a tendency to act in a certain way depends on the strength of an expectation. The introduction of the new pension scheme in Ghana is barely nine years, therefore, there is limited literature especially in the third-tier schemes regarding its efficiency and effectiveness. People are therefore not very much informed about the benefits that are associated with voluntary pension schemes and how one could be involved. This dissertation therefore sought to throw more light on the issues regarding voluntary pension schemes.

Background of the Study

The Government of Ghana in 2004 initiated major reforms in the country's Pension System, which culminated in the enactment of the National Pensions Act, (Act 766, 2008) and the subsequent launch of the new Three-Tier Pension Scheme for all workers both in public and the private sectors.

Furthermore, this dissertation provides vital information to policymakers and authorities who are in charge of regulating the pension schemes and administering their benefits to beneficiaries and to contribute to the limited literature on the assessment of pension schemes in developing countries like Ghana.

Globalization, either alone or in combination with technological change, often exposes society to a greater risk of income insecurity. Research on the developed countries suggests that income tends to be larger in economies that are open and subject to substantial price risk in world markets (Kumomu & Tsegai). Other observers claim that reduction in income security and social protection arise from the attempt of governments to promote competition and attract foreign direct investment (Antolin & Whitehouse, 2009).

The structural adjustment policies pursued in most developing countries have also contributed to a decline in a certain percentage of the working population in the formal sector. The successive waves of structural adjustment programmes have also led to wage cuts in the public and private sectors, thereby reducing the financial base of statutory social insurance schemes. For international and local arrangements to finance and organize these social services, especially in low-income countries, structural adjustment and socio-economic changes have also produced large vulnerable groups that cannot contribute to social insurance schemes. The most vulnerable groups outside the labour force are people with disabilities and old people who cannot count on family support, and who have not been able to make provisions for their own pensions. Countries, such as China and India, have made provisions to meet the needs of these groups (Dullemen, 2015).

Historically, pensions in Ghana dated back to the colonial era which was chapter 30 of the pension ordinance popular known as Cap 30. The Cap 30 scheme as it was known, was an employment related and non-contributory pension scheme that covered pensionable officers in the Civil Service and Armed forces around 1946. In 1955, the scheme was extended to cover some certified teachers. The Cap 30 was gradually fading up to a new pension scheme by a decree in 1972. All Civil servants employed on or after January 1st, 1972, were to be covered by the new social security scheme which was operating as a provident fund (Anku-Tsede, Amertowo & Amankwaa, 2014). Existing members of Cap 30 were given the option to either go with the new scheme or remain with the Cap 30 till a time that, the two will be consolidated. A public trustee called the Social Security and National Insurance Trust (SSNIT) was established to see to the effective and efficient administration of the scheme. In 1991, the scheme which was operating as a provident fund was transformed into a full pension scheme under the social Security law PNDC Law 247, (1991) under a new name Social Security Pension Scheme (SSPS). The Cap 30 was gradually giving way to the new pension scheme even though, it was running concurrently with the SSPS until the passage of the National Pension Act,(Act 766 in 2008), which replaced all forms of formal pension schemes in the country (Anku-Tsede et al. 2014).

Problem Statement

The issue of low pension benefits has been a thorny issue since Ghana's independence. Pensioners have been complaining about what they are paid as pension benefits at the end of their active work. These complaints can be confirmed by a research conducted by Otoo and others where the income received by some pensioners was quite appalling. One reason that can be

attributed to this unfortunate issue is the low wage rate among most of Ghanaian workers. Ghana is one of the lower rated countries in sub-Sahara Africa (Otoo, Osei-Boateng & Asafu-Ajaye, 2009).

The advancement in technology, health and pension schemes designed to fit in to the social protection policies have become pre-occupation of mankind due to the unpredictability of life. Numerous concerns raised by public sector workers over the inadequacies inherent in the level of pension to sustain a respectable life for the aged upon retirement. Most workers who were paid low pensions under the Social Security and National Insurance Trust (SSNIT) viewed it as discriminatory as compared to workers under CAP 30 of the 1950 British Colonial Ordinance (Pension Ordinance No.42) .

Furthermore, besides the challenges pre-dating the current three-tier pension scheme, most workers in the formal sector in Ghana protested through various worker unions requesting government to place them on the same level as enjoyed by CAP 30 workers in place of the SSNIT system. To end these riots among public sector workers, the government in 2008 introduced the three-tier pension scheme to bring all the pension schemes under one umbrella for all employees and workers in the Country (Osei-Boateng & Apratwum, 2011).

The bureaucratic nature of our pension system also poses major problems. Before the advent of the National Pension Act, (Act 766, 2008), pensions in the country were administered by the Social Security and National Insurance Trust (SSNIT). According to Osei-Boateng and Apratwum, (2011) pension's assessment were one of the tedious process one passes through to get pension benefits paid.

Sometimes, the cost incurred in assessing the benefits is almost half of what the person gets as pension benefits (Osei-Boateng & Apratwum, 2011).

Voluntary pension scheme as a component under the new three-tier pension scheme seems to provide a workable solution to public-sector workers, but lesser attention is being paid to it. Therefore, many workers are not well informed about the benefits associated with the scheme. This creates a knowledge gap in the third tier, the voluntary pension schemes and personal pension plans, hence the motivation to research in the area, by bridging the gap, throwing more light on the scheme.

Research Objectives

The main objective of the study generally is to assess the attitude of public sector workers towards voluntary pension schemes. Specifically, the study seeks to achieve the following objectives:

- 1) Find out the knowledge level of public sector workers about the voluntary pension schemes
- 2) Determine public sector workers' perception on the patronage of the voluntary pension schemes
- 3) Evaluate the perception of public sector workers about the efficiency and effectiveness of management of voluntary pension schemes.
- 4) Identify the investment vehicles voluntary pension scheme member's contributions are invested.

Research Questions

- 1) What is the level of knowledge of public sector workers about the voluntary pension schemes?
- 2) What is the level of patronage of public sector workers on the patronage of Voluntary Pension schemes?
- 3) What is public sector workers' perception about the efficiency and effectiveness of management of voluntary pension schemes?
- 4) What are the investment vehicles of the voluntary pension schemes?

Significance of the Study

The level of members' participation in voluntary pension schemes is one of the lowest amongst the public-sector workers and this is because, most workers are not well-informed about the benefits of such schemes. Also, some workers are also not confident with the management and operations of such schemes for the fear of insecurity of their contributions. This is a true reflection of most workers, as a group of workers of Civil and Local Government Staff Association of Ghana (CLOGSAG) of the Upper East Region were agitating over the deduction of their salaries purposely for the establishment of provident fund in 2015 (*source Tanga FM, in the evening programme; 6:30 PM titled know the problems in your community, 2015*).

This study sought to throw more light on the management and the operations, and the economic importance of the voluntary pension schemes. This will facilitate an understanding for contributors to participate more in such schemes by asking pertinent questions which in a way will help in policy direction regarding voluntary pension schemes in the country.

Delimitation of the Study

This study is set out to cover four categories of public sector worker namely: Ghana Education Service (GES), Ghana Health Service (GHS), Civil and Local Government Staff Association of Ghana (CLOGSAG) and other workers in the Public sector, other workers include National Commission for Civic Education (NCCE), Commission on Human Rights and Administrative Justices (CHRAJ) and Ghana Revenue Authority (GRA). The Geographical area targeted is the Upper East Region of the Republic of Ghana. The variables involved in this study are Attitude of Workers (ATTW), Level of Knowledge (LOK) and Willingness to Participate (WTP).

Limitation of the Study

The findings of this research will be based on a limited sample size, only on the Upper East Region of Ghana, focusing on specific category of workers. However, in every human endeavour, limitations are bound to exist including time availability. The most important constraint in undertaking this study is time inadequacy. The time available for the research is short. Hence the depth in which the research would have been conducted is restricted to a limited area.

Organization of the Study

This study is being organized into five parts. Chapter one begins with a short introduction presenting the problem under study, why the problem is important, and how the study relates to previous works. The chapter also presents the background of the study, describing the context within which the problem is occurring. This chapter also presents the statement of the problem

and the objectives of the study. It also captures the research questions to be answered by the study as well as the significance of the study.

Chapter two contains a review of literature, outlining the boundaries of the literature review in respect of the three-tier pension scheme, the conceptual framework of the study, organising the review in a structured organized manner from broad to focused (Tier three). Chapter three discusses the methods used for the research, the research design, the study area and population of the area. Methods used to collect the data, data collection instruments, sampling technique as well as how the collected data was organized for analysis. It also gives description of the study area, the Upper East Region of the Republic of Ghana.

Chapter four is mainly on the presentation and analysis of data based on the findings from the study. Data analysis is done in relation to voluntary pension scheme; it examines the attitude of public sector workers toward it, their willingness to participate and how it benefits them. This chapter also describes the actual sample used and its characteristics. Chapter five overviews the entire dissertation, summarize the findings from the study, conclusion remarks, recommendations and suggestions for further research.

CHAPTER TWO

LITERATURE REVIEW

Introduction

Older people in Africa go through a lot of hardship to raise young ones. Many organisations, especially Non-Governmental Organizations are actively working to improve the quality of lives among people including children. Looking at the demographic trends in Africa, one will refer to the recent developments regarding social protection mechanisms to meet the needs of children and older people. More African governments and civil society organisations are interested in finding ways of cushioning the old age by a way of instituting social pension schemes as an option in fighting extreme poverty amongst older people and their dependants (Dullemen, 2015).

The importance of pension systems to the economic stability of nations and the security of aging population have become clear these days. The World Bank has taken a leading role in addressing this challenge through its support for pension reforms around the world (Holzmann & Packard, 2005). The IMF has mainly focused on the macroeconomic side of the formal pension schemes than the micro side of social pension schemes which concern households as well as working populace.

This study is underpinned by the theory of expectancy by Vroom in 1964 who argues that the strength of a tendency to act in a certain way depends on the strength of an expectation followed by an action which will lead to an outcome and on the attractiveness of that outcome to the individual. Expectancy theory states that motivation is a combined function of the individual's perception that,

it is the effort that will lead to performance and the perceived desirability of outcomes that may result from the performance.

About this theory, workers postponed current expenditure and to contribute to a pension fund with an expectation of reaping better future benefits. It therefore implied that Vroom's theory of expectancy is in line of workers' behaviour. Workers contribute to a pension fund in respect of their retirement benefits. Individual worker believes that putting money in to a pension fund at a particular age, will lead to the attainment of a desired future outcome.

Justification of the Theory

The theory of life expectancy was chosen given the fact that workers contribute money to a pension fund with the expectation of getting better benefits in their retirement ages. The theory argues that people's actions are based on what they expect soon. The strength and tendency to act in a certain way depends on the strength of expectation. In references to the theory, Vroom assumes that the "choices made by individual workers to contribute to a pension fund among alternative courses of action are related to psychological events occurring contemporaneously with the behaviour of individual workers. People's behaviour of choices is conscious among alternatives, and these choices are systematically related to psychological processes, particularly perception and the formation of beliefs and attitudes (Pinder, 1984). Many Ghanaians look forward to a brighter and lively future according to Anku-Tsede et al, (2014), after many years of hard work. Therefore, many employees would have engaged in one economic activity or the other with expectation of meeting at least their basic needs of life.

Social Security and Decent Work

People wish to secure a decent standard of living, within a context of security and of freedom to express their opinion. They can achieve this income security not only through productive employment, savings and accumulated assets (such as land and housing), but also through social protection schemes. These schemes function not only as a protective but also as a productive factor. Workers need income security to make long-term plans for themselves and their families (Dullemen, 2014). When workers' income is good in the economy, it will make effective demand more predictable and provide enterprises with a more productive and flexible workforce (International Labour Conference Report, 2015). The objective of most social security schemes is to provide access to health care and income security.

The emergence of new contributory schemes for workers in the informal economy has highlighted this need for a wider concept. A broader social security concept could cover some basic needs like housing, food security and child education benefits, in addition to the contingencies foreseen in the Social Security as well as benefits in the event of sickness, unemployment, old age, employment injury, maternity, invalidity and death of the breadwinner (Otoo & Osei-Boateng, (2012).

Various authors, those with experience in developing countries, have pleaded for a broader definition of social security. Some claim that within the context of a developmental anti-poverty strategy — social security could also include policies, for example on access to productive assets, employment guarantee, minimum wages and food security. Others distinguish two aspects of social security, which are defined as the use of social means to prevent

deprivation and promote standard of living and vulnerability deprivation (Otoo et al. 2009).

Role of Pension Schemes in Income Security

The coming in to effect of voluntary pension schemes are as a result of the inadequate pension benefits members get from mandatory pension schemes after retirement. What Voluntary pension schemes sought to do is to provide income to supplement what mandatory pension schemes offer. Voluntary pension schemes are typically designed as defined contribution schemes which basically operate on the principle of voluntary savings to accumulate annuity over a long period (Shankar & Asher, 2009). The savings are invested through financial and capital markets by a professional fund manager and an agreed upon withdrawal at an appropriate age, usually between 58 to 60 years so that the accumulated balances can be withdrawn either in a lump sum, a phased withdrawal, annuity or combination of these options (Shankar & Asher, 2007).

In many developed Countries, voluntary pension scheme is a foundation on which at least a basic income security is being earned. Income security in old age depends on the availability and access to social services. In Ghana, income levels are the lowest among the West Africa zone, therefore, it is difficult to earn sufficient pension benefits (Otoo et al., 2009).

It is in this regard that the National Pension Act, Act. 766 (2008) brought in the three-tier scheme for workers. The third tier which consists of provident funds and personal pension plans is to augment incomes among workers. Also, industry experts suggest that, there are two objectives of such voluntary pension schemes, which among others; to reducing poverty and eliminate the risk of

rapidly falling living standards at old age, and protecting the elderly from economic and social crisis (Shankar & Asher, 2009).

Uthira and Manohar, (2009) indicated that, the voluntary pension scheme in India was rolled out by UTI Mutual Fund in collaboration with the Self-Employed Women's Association (SEWA), Banks and Self- Help Promotion for Health and Rural Development (SHEPHERD). These Non-Governmental Organizations (NGOs) are known to have introduced the voluntary pension scheme to their members (Uthira & Manohar, 2009). As reported by Goyal (2010), the most common scheme as voluntary pension is the “partner agent model” and this entails an insurance company managing the savings by pooling them in a fund, while a Micro Finance Institution (MFI) offers the Micro Pension products.

Pension Scheme in the Informal Sector

The importance of the traditional system as social protection with the family and the community as an institutional provider of social security before the colonial era has long been documented (Kpessa, 2010). Historically, Ghana had a traditional system of social security and this was the strongest amongst rural folks. The extended family took the responsibility of taking care of the aged (Kumomu, Tsegai, & Collins-Sowah, 2013). The role played by families in social security has well been argued out by many studies; Kumomu et al (2013), argued that, despite the pressures from globalization and urbanization, the family in Africa continues to play a dominant role as an institutional provider of old age security and this seems to be the case in Ghana where the traditional social security is limited in some cases. The family and the community continue to serve as the first source of social security for most

individuals. Until recent times that the family as a social protection provider is dwindling due to the demographic transitions and the exclusion of the informal sector workers from the traditional pension schemes since their design and features does not meet the characteristics of these groups.

Asomadu-Kyereme, (2006) also noted that, the exclusion gap of the informal sector has created significant economic and social consequences that are not adequately addressed by government and its macro-economic planning and poverty alleviation strategy programmes. Public pension schemes and provident funds in sub-Saharan Africa cover less than 10% of the labour force, and also, nearly 80% of the African population is excluded from social health care (Kidd, 2017). Similarly, in Ghana, only 10% of the working population is covered by social security (Darko, 2016). It was recently that, the Social Security and National Insurance Trust (SSNIT) established the Informal Sector Fund (ISF) to provide a social protection scheme for workers in the informal sector in February 2008 (SSNIT Annual Report, 2009).

The product which is the first of its kind is growing rapidly to cover a larger spectrum of informal sector workers. The scheme which is voluntary in nature is divided into two parts; occupational scheme account which takes up to 50% of contributions while the remaining 50% fall under the retirement account. The main difference distinguishing the Voluntary Pension Scheme from the ISF is that, contributions by members are divided into two equal parts; Occupational Scheme Account 50% and the retirement account which also take 50%. The Voluntary Pension scheme on the other hand, deals solely with voluntary contributions and a lump-sum payment. Besides, the Voluntary

Pension Scheme is open to both formal and the informal sectors (SSNIT annual report, 2009).

Another form of social security scheme available to the informal sector is the Susu savings schemes. Susu is a micro finance saving scheme that allows contributors to accumulate funds against futures needs. Contributions to Susu Schemes can be made Daily, Weekly or Monthly. The Susu collectors can be individuals or an employee of Susu Companies (Otoo et al, 2012). Accumulated amount (Savings) are returned to members at the end of an agreed period at a fee equal to a regular amount contributed. Susu micro finance savings schemes, could also take the form of rotational savings, whereby a group of people usually located in proximity, for instance, market women, group of workers in the same company contribute an agreed sum of money for a specified period for members to benefit in turns (Otoo et al).

The rotational savings serve as loans for members to benefit. Individual members, who are in urgent need of money, are assisted even when their turn is not due. Though the main objective of these microfinance schemes is savings, funds accumulated can be used in times of sickness, unemployment, maternity and death among others to members (Otoo et al, 2012).

Challenges facing Social Security in the informal Sector

Informal Sector Schemes provide income security for workers in the absence of traditional social security schemes. However, these schemes are bedevilled with many challenges which among others are; theft, no or low interest rates on savings, lack of security, absconding with contributions, just to mention a few. Often, stories of Susu collectors absconding with contributors' money abound in the headlines of news items. The nature of urban settlement

adds up to the problem, most contributors may not know the full identity and address of collectors; this can be difficult to trace and bring them to book.

People have lost a lot of money as a result the activities of these unscrupulous 'Susu' collectors. For most informal arrangements, contributors get back the principal amount saved with or without interest. Most schemes serve as safe keeping mechanisms for which contributors sometimes are even expected to pay a fee, and for those who earn interest is often below the commercial rate.

This practice is worrying, given the high rate of inflation and real value of savings is lost. Monies collected under these schemes in most cases, are not invested to yield returns. The main purpose of the Social Security Scheme is to provide a secured future, in time of emergencies and contingencies. Therefore, most of these schemes run on loyalty of contributors, disloyal members may not benefit when desperately in need of assistance. Contributors benefit from their accumulated savings; hence access depends on the ability to contribute. In case of death, survivors may not be able to make claims smoothly without facing difficulties. Therefore, the informal arrangements do not provide adequate security to contributors and their families in the event of death.

The challenges faced by the informal Susu arrangements might partly be the reason why there is a high patronage in the traditional schemes. Undoubtedly, the informal sector workers have shown commitment to saving against life contingencies. They equally demonstrate the need for flexibility for such schemes to accumulate savings for them to boost their businesses as well as safety against economic shocks. The concept of Tier three pension scheme which allows withdrawal of part of the savings by contributors (Five Months

under informal Sector Fund) might be an attractive deal to informal sector workers (SSNIT Annual Report, 2009).

The current pension reform in Ghana, National Pensions Act, Act 766, (2008) which subsequently led to the launching of the new Three-Tier Pension Scheme for all workers seem to be a step in the right direction as it affords an opportunity for workers to capitalize on to supplement their income on retirement. It also widens the scope of social security for all categories of labour (National Pension Act 766). The provision in the new National Pensions Act, throws a challenge to the Micro Finance Institutions (MFIs) and private insurance companies to develop micro pension products. This will eventually widen the scope of social security for the vulnerable and the exclusive social groups.

The Three-Tier Pension Scheme

Act. 766 (2008), section 96 to 111 created the three-tier contributory pension scheme which consists of the Mandatory Basic National Social Security Scheme (Tier 1), Mandatory Occupational Pension Scheme (Tier 2) and Voluntary Provident Fund and Personal Pension plan (Tier 3). Accordingly, while tier one and two are compulsory, tier three is an optional pension scheme which both employers and employees are not compulsorily required to make contribution to. Section 63 of the National Pension Act 766, (2008), mandates all employers to contribute on behalf of employees, 18.5 percent of the employees' gross salary.

The contribution is borne between the employer and the employee at the rates of 13 and 5.5 percent respectively. The employer is supposed to submit 13.5 percent of the total deductions to the Tier one, the Basic National Pension

Scheme (Managed by SSNIT) and the remaining 5 percent to the Second Tier. The Act directs that where a person does not qualify for Tier one, all the 18.5 percent must be submitted to the Second Tier.

Contributions to the Tier three can be variable, either Daily, Weekly or Monthly. Contributions may be a fixed percentage of the employees' gross salary. In some establishments, employers partly contribute to the employees' provident fund. Self-employed persons who opted to join the scheme may be liable to contribute 13.5% of their declared income to the scheme (section 58 of Act 766). It is good to note that, section sixty (60) of Act 766 exempt certain category of persons. These include officers and men of the Ghana Armed Forces, a person who may be exempted by any other law and workers aged 55 years who may be entitled to retirement benefits under the pension scheme which existed before this Act, Act 766, (2008). Notwithstanding this, the Act allows persons aged 55 years to join the new pension scheme if they so desire.

First Tier: Mandatory basic National Social Security Scheme

The Basic National Social Security Scheme (Tier 1) as a component of the three-tier pension scheme is operated by the Social Security and National Insurance Trust (SSNIT). It is a mandatory scheme and each worker of an institution or an organization shall pay a monthly contribution to the social security scheme. Self-employed persons who opt to join the scheme shall pay a monthly contribution to the social Security Scheme (National Pension Act, Act 766, 2008).

The functions of the Trust among others include provision of social protection for workers for various contingencies including old age, invalidity, and death (Section 34(d) of Act 766). As indicated earlier, the first-tier is

financed by thirteen and half percent (13.5%) out of the total contribution of eighteen and half percent (18.5%). Out of the thirteen and half percent, (13.5%), two and half percent (2.5%) is deducted and transferred to the National Health Insurance Fund. This entitles SSNIT contributors to a premium exemption under National Health Insurance Scheme (NHIS). The minimum age at which a person may join the Social Security Scheme is fifteen (15) years and the maximum age is forty-five (45) years. The benefits and qualifying conditions under which a member shall enjoy under the first mandatory Basic National Social Security are the following:

- 1) A member of the Social Security Scheme who retires on attaining the compulsory retirement age of sixty (60) or retires voluntarily on attaining the age of fifty-five (55) years and has contributed to the Social Security Fund for the period not less than fifteen (15) years in aggregate or one hundred and eighty (180) months in aggregate is entitled to a superannuation pension.
- 2) A member of the Social Security Scheme who become invalid is entitled to invalidity pension if the member has contributed to the fund for not less than twelve months within the last thirty-six (36) months before the occurrence of the invalidity; and a SSNIT board's medical officer certifies that a member is incapable of normal gainful employment because of the permanent physical or mental disability.
- 3) Where a member of the Social Security scheme has made less than fifteen (15) years contribution to the fund before member retires either compulsory or voluntarily, the member is entitled to a lump sum of money equal to the member's contribution as benefits and an interest of

seventy-five percent (75%) at the prevailing Government Treasury bill rate on the lump sum.

- 4) Where a member of the scheme dies, a lump sum benefit is payable to the deceased's family who are dependants of the deceased; and have been validly nominated as beneficiaries of the deceased.

Second Tier: Mandatory fully funded and Privately Managed

Occupational Pension Scheme

Act 766, (2008) describes the occupational pension scheme as a work based, established under a trust, which provides benefits based on a defined contribution formula in the form of lump sum. Employers are required to make a mandatory contribution of five percent (5%) to approved trustees of occupational pension scheme out of the total contribution of eighteen and half percent (18.5%) made on behalf of the worker (Section 97 of Act 766, 2008). Accrued benefits under this scheme are portable; a worker of an employer who ceases to be an employee shall elect to have the member's accrued benefits transferred to another scheme (National Pension Act, Act 766). The following conditions are necessary for one to qualify for accrued benefits:

- 1) A member of the scheme who attained retirement age is entitled to the entire accrued benefits in the scheme in a lump sum.
- 2) A member of the scheme who has not attained retirement age but has attained the age of fifty (50) years and is not employed or self-employed is entitled to the entire accrued benefits in the scheme in a lump sum.
- 3) A person who is not a citizen of Ghana, who does not satisfy the above conditions, but desires to emigrate permanently from this Country may

also be entitled to the entire accrued benefits in the scheme in a lump sum (section 101 of Act 766)

- 4) A member of the scheme who is retired on the decision of a properly constituted medical board is entitled to the entire accrued benefits in the scheme in a lump sum.
- 5) On the death of a member of the scheme, the approved trustees of the scheme shall pay the whole of the member's accrued benefits as a lump sum to the member's nominated beneficiaries or if there are no nominated beneficiaries, to a person specified in the rules of the scheme.

Third Tier: Provident fund and Personal Pension Plan

Section 106 (a) of Act 766, (2008) describes the provident fund as a scheme governed by a trust to which a contributor or contributor's employer or both contribute to a pension scheme which provides benefits based on defined contribution formula to provide payment of lump sum benefits to the members of the scheme when they reach retirement age, occurrence of invalidity and at event of death (National Pension Act, Act 766).

Personal pension plan, however, is defined as any pension scheme to which the contributor contributes personally to provide benefits based on a defined contribution formula in the form of pension or otherwise, payable on death or retirement or in respect of persons covered or their beneficiaries (Section 106 (b) of Act 766). The personal pension scheme applies to individuals who want to make voluntary contributions to enhance their pension benefits outside the mandatory schemes (National Pension Act, 766).

The objectives of the tier three (provident and personal pension plan funds) Schemes consist of the following; to provide supplementary pension

benefits to enhance the retirement income security of Members, to provide Members with lump sum benefits on retirement or termination of service with the Employer, provide other benefit such as death, funeral or personal accident cover , ensuring that Members receive their benefits as and when due and provide for the payment of lump sum benefits to the nominated beneficiaries of Members who die while in Service (National Pension Act 766). Making withdrawal from members' accounts, one need to meet certain conditions, and these are the qualifying conditions for withdrawal of accrued benefits under the scheme:

- 1) A member who has attained the retirement age is entitled to the entire accrued benefits in the scheme in a lump sum.
- 2) A member who has not attained the retirement age but may want to withdraw, can do so either in all or part of the accrued benefits from the scheme after ten years from the date of first contribution in respect of provident fund / personal pension schemes for the formal sector and five years from the date of contribution in respect of provident fund/personal pension plan for informal sector.
- 3) The beneficiaries of the estate of a deceased contributor may withdraw all the accrued benefits of the deceased of the scheme in lump sum.

Benefits under the Third Tier Pension Schemes

Section 111 of the National Pension Act, Act 766, (2008) also provides that a contributor who is not covered under the mandatory pension scheme is entitled to use a percentage accrued, prescribed by the board of authority to purchase an annuity for life, payable monthly or quarterly from a life insurance company licensed by the National Insurance Commission and a lump sum

payment from the balance standing to the credit of the contributor's accrued benefits or personal savings account.

Subject to Act 766, (2008), contributions to tier three shall enjoy all the relevant tax benefits, so long as the total contributions remain in the scheme for the period of ten years without any withdrawals. Consequently, there shall be tax applicable or chargeable on the amount withdrawn before ten years for formal sector workers and five years for informal sector workers from the date of first contribution. Aside, any withdrawal upon retirement after the ten-year vesting period for formal sector workers and five years for informal sector workers and any withdrawal upon death, upon permanent physical or mental disabilities as well as withdrawal done to discharge obligations under mortgage to secure a primary residence, such an amount shall all be tax exempt (Section 114 of Act 766, 2008). A member under the tier three pension schemes, who qualifies to withdraw his /her accrued benefits, shall do that without any penalties chargeable.

It is therefore imperative to note that, a person withdrawing on the grounds of permanent physical or mental disability can only do so upon producing medical board's certification that the contributor is incapable of being normal gainfully employed (Section 71(b) of Act 766, 2008). Therefore, employees can take advantage of the tax benefits by increasing their contributions to earn tax savings.

In addition to the tax benefits enjoyed by both employees and employers, workers in both formal and the informal as well as self-employed persons, gain full control over their retirement income. This is because contributors determine how much they contribute to a provident fund. Unlike

the previous social security scheme, contributors under the third-tier can have an influence in selection of fund managers and custodians. Contributors also receive regular periodic statements on their contributions. Again, contributors or their beneficiaries are given access to their accrued benefits during incapacitation. They could also pledge or create a charge in respect of part or all of the accrued benefits as security for a mortgage for the acquisition of a primary residence. Contributors to tier three schemes, also enjoy the opportunity of high investment returns because their investment is in the form of assets such as stock, real estates and bonds. The pay-out formula under the third-tier schemes is the sum of your contributions plus investment gains minus any regulatory fees and service charges ($\text{Pay-out} = \text{SC} + \text{IG} - \text{C}$ where SC =sum of contribution, IG=investment gain, C=charges). As such, the benefits depend on how well the service providers manage the investment. Tier three benefits are available in a lump sum and can be assessed for any purposes when needed.

The use of Banks as custodians of the scheme's assets, also provide additional safety for the investment. Competition among the service providers as to who manages tier three pension schemes, also exert influences on better investment returns. Under the new law, tier three schemes are managed by trustees, but the cash and investment of the scheme are not held by the trustees. Instead, they are held by custodians which are banks specially licensed for the purposes of taking custody of scheme cash and investments. This structure ensures that the trustees have limited power to misuse the funds if they so intended.

Players in the Management of the Three-Tier Pension scheme

Social Security and National Insurance Trust (SSNIT)

Social Security and National Insurance Trust (SSNIT) as a statutory entity is empowered and mandated to administer and manage all contributions of tier one in accordance with the law (National Pension Act, Act 766, 2008). Tier two and three contributions are managed by Trustees, Fund Managers and Custodians appointed in accordance with relevant legislations and approved by the National Pension Regulatory Authority (NPRA). The mandatory basic national social security scheme (tier 1) is compulsory for both employees in the public and private sectors.

There are no lump sum payments in this tier, the only benefits that are paid under this tier are monthly pensions and related benefits like survivor's benefits. The portion of the contributions remitted to Social Security and National Insurance Trust is thirteen and half percent (13.5%) of which two and half percent (2.5%) is remitted to National Health Insurance levy and the eleven percent (11%) remains with SSNIT for pensions. The governing body of SSNIT is a fourteen-member Board of Trustees in accordance with Section 35 (1) and (2) of the National Pensions Act, Act 766, (2008) whose chairmanship is on a rotational basis among organised labour, employers Association and government, this is done to ensure balance of representation of all the stakeholders concern.

Trustees

Trustee is a legal term, which in its broadest sense can be referred to mean any person who holds property, authority, or a position of trust or responsibility for the benefit of another or better still, the holder of property on

behalf of a beneficiary or a person who serve on board (board of Trustees) for an institution that operates for the benefit of the public. The Act, however, defines a Trustee as an individual or company appointed to carry out the responsibilities in trust in accordance with the provisions of the trust instrument and general principles of trust law.

There are two types of trustees under the new Ghanaian pension law. They are the independent trustee and the corporate trustee. According to Pentra Trust Annual Report (2015), both types of trustees must be licensed by the National Pension Regulatory Authority (NPRO) after meeting all relevant conditions and qualifications stipulated under section 119 and 123 of Act 766. It is therefore imperative to note that, any person who acts as a trustee without the requisite licence from NPRO commits an offense, which shall be punishable by a fine or a term of imprisonment or both (Sections 122, 143, and 144 of Act 766). Section 121 of the Act, Act, 766, (2008) stipulates the functions of trustees which may include; securing scheme registration, selection of pension fund managers, custodians and other service providers and ensuring their compliance with regulatory requirements or guidelines.

Trustees are also to maintain investment policy statements, ensuring the adherence of internal control procedures and to make sure that investment funds are diversified to minimise investment risks (Pentra Trust Annual Report, 2015). The rest of the roles are processing of transfers and effect payment on request, keeping proper books of accounts and updating member's registers. The preparation of annual financial statements and scheme investment reports and other relevant records that the Board may require are under the purview of

the trustees and as well as performing other functions as may be directed by the Board (Table 1).

Table 1: *Ranking of Corporate Trustees by Tier-3 Asset under Management (AUM)*

NO.	CORPORATE TRUSTEE	AUM (GH¢)	MARKET SHARE (%)	RANK
1	ENTERPRISE TRUSTEES	284,879,454.00	26.36	1
2	PETRA TRUST LIMITED	247,652,863.79	22.92	2
3	AXIS PENSIONS TRUST	243,999,885.42	22.58	3
4	UNITED PENSION TRUST	156,001,231.49	14.44	4
5	NEGOTIATED BENEFITS TRUST	73,302,582.57	6.35	5
6	METROPOLITAN PENSIONS	40,523,689.68	3.75	6
7	PENSIONS ALLIANCE TRUST	39,038,689.34	3.61	7
8	SECURE PENSIONS TRUST	24,300,717.76	2.25	8
9	GENERAL TRUST	18,468,477.47	1.70	9
10	PENTRUST LIMITED	11,610,730.23	1.07	10
11	GLICO PENSIONS TRUSTEE	5,010,346.48	0.46	11
12	STALLION TRUST & ADM. LTD.	614,165.29	0.06	12
13	QLAC FINANCIAL TRUST LTD.	156,387.30	0.01	13
14	BROADVIEW TRUST LIMITED	72,650.82	0.01	14
15	LEGACY TRUST LIMITED	59,984.84	0.01	15
16	HAVEN TRUST LIMITED	23,546.82	0.00	16
17	ASI-B PENSION TRUST LTD.	7,495.56	0.01	17
18	HEDGE PENSION TRUST	0	0.00	18
19	NTHC TRUSTEES	0	0.00	18
20	UNIVERSAL PENSIONS TRUST	0	0.00	18
TOTAL		1,145,722,898.50	100	

Source: Pentra Trust Annual Report, 2015

Fund Managers

The National Pensions Act, Act 766, (2008) defines fund manager as “an individual or body corporate to which investment of the whole or part of the assets is delegated by the trustees in accordance with the provisions of the scheme documentation.” Pension fund managers have to register by the board of National Pension Regulatory Authority to enable them to operate in Ghana. To be eligible for registration as a pension fund manager, you must be a body corporate first and subsequently be licensed by Ghana’s Securities and Exchange Commission under the Securities Industry Law, 1993 (PNDCL 333). Pension fund managers are to pay an agreed fee to the trustee which is to be determined by the Board of the National Pensions Regulatory Authority. Section 147 of Act 766 (2008), stipulates the following to be the functions of the Pension Fund Managers:

- 1) Invest pension funds and assets in accordance with the provisions of Act 766
- 2) Diversified investment funds to minimize investment risks while achieving the best return within specific investment activities set by the trustees
- 3) Maintain books of account on transactions related to pension funds’ investments
- 4) Submit its activities for inspections in the discharge of duties of trustees
- 5) Submit records and reports that the Board may require; and
- 6) Perform other functions that the Board may be prescribed from time to time

Custodians

A custodian is a person entrusted with the responsibility of guarding or maintaining an asset. Section 55 of the Pension Act 766, (2008) states that, Pension fund assets shall only be held by Pension fund custodians referred to as custodians registered by the Board. Custodians are specialised financial institutions responsible for safeguarding a firm's or individual's financial assets.

A Person does not qualify as custodian unless that person is:

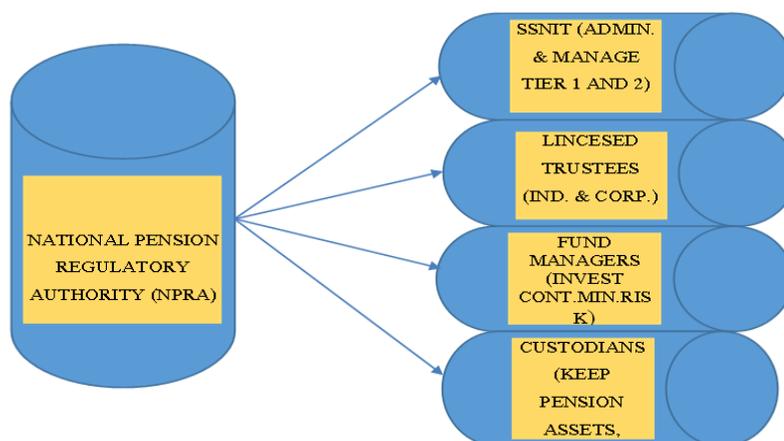
- a) A body corporate.
- b) A bank, an insurance company or a non-banking financial institution.
- c) Licensed by the Securities and Exchange Commission as a custodian under the Securities Industry Law, 1993 (PNDCL 333) as amended (Act 590, 2000).
- d) Satisfies minimum capital requirement and net asset value or a sum determined by the board.

The following shall be functions of Custodians as per the National Pension Act, (Act 766, 2008):

- a) Receive contributions submitted by the employer on behalf of the trustees.
- b) Notify the trustee within 48 hours upon reception of contributions from an employer.
- c) Hold Pension fund and assets in trust for members.
- d) Undertake statistical analysis on the investments and returns on investments with respect to Pension funds in their custody and provide data and information to the trustee and the board.
- e) Maintain currency or cash bank accounts, effect deposits and withdrawals and manage other cash transactions.

There are similarities between Fund Managers and Custodians which among others are; custodians are licensed by the Board of the National Pensions Regulatory Authority and The Securities and Exchange Commission whereas to be duly licensed as a Fund Manager in Ghana, one only needs to be a body corporate. However, to be licensed as a Custodian, one must, in addition to being a body corporate, also be a bank, an insurance company or a non-banking financial institution or wholly owned subsidiary Bank, or an insurance company.

Figure 1: Major players of Pension Fund company.



Source: Author's Construct, Aboalik (2017).

Scheme Registration and Management

The scheme's registration begins with an application to the National Pension Regulatory Authority (NPRA) in respect of purported scheme hereinafter referred to as "the Scheme" for registration. An application for Registration of a Provident Fund shall be issued by the National Pension Regulatory Authority to the company which shall be approved as a Trustee or has applied for approval as a Trustee; two or more individuals who are approved Trustees, or have applied for approval as trustees and at least one independent

Trustee or a company, signed by at least two directors of the company if the applicant is a company; and by at least two of those Trustees, including an Independent Trustee if the applicants consists wholly of individual Trustees (National Pension Act 766).

The application for Registration Shall Specify particulars of the Scheme to be registered, such as information relating to the Employer Sponsoring the scheme, an undertaking regarding compliance with requirements and standards for approved schemes as specified by provisions (National Pensions Act, Act 766).

Investment Policy Statement

An investment policy statement (IPS) is a document drafted between a portfolio manager and a client that outlines general rules for the manager. This statement provides the general investment goals and objectives of a client and describes the strategies that the manager should employ to meet these objectives (www.investopedia.com/terms/i/ips.asp). A statement of investment policy must be prepared and maintained in respect of the Provident fund scheme, the statement of investment policy must include sufficient information to enable Scheme members to ascertain, in relation to each constituent fund of the Scheme. The said information shall include following:

- a) The investment objectives of the fund
- b) The policy as to which investment securities and assets to invest members' contributions
- c) The policy of balance of different kinds of securities and assets of the fund
- d) The risks inherent in implementing the policies
- e) The expected returns of the fund, giving effect to those policies.

The permitted investment of a Provident Fund as per sections 176, 178 and 179 of the National Pension Act, Act 766, (2008) shall include the following investment vehicles:

- a) Short term investments
- b) Economically targeted investments
- c) Government bonds
- d) Corporate loans
- e) Equity and property

Separation of Scheme Assets

The approved trustees of the scheme must ensure that the scheme assets are administered as trust property and are applied only for the purposes of the Scheme. The trustees must ensure that the scheme assets are separately recorded in the records required to be kept in respect of the scheme and are distinguished from the trustee's personal assets; and from any assets held by the trustees for the benefit of a participating stakeholders (National Pension Act, Act 766).

The approved trustee of a provident fund scheme must ensure that pension funds and scheme assets are not held by the trustees or fund manager appointed for the scheme or kept with a custodian where the trustees or fund managers have business interest, shares or any other interest in that Custodian. The pension fund manager is not an associate of the trustee or custodian; or controller of both Trustee and Custodian or any associate of the Trustee or custodian. The fund manager acts independently of the Trustee and Custodian in their dealings with the Scheme (Guidelines for Provident Funds, 2009).

Proper Books of Accounts

Separate accounts shall be maintained for each participating employer and their respective employees in the books of the Scheme by the directors. The contributions of members shall, on receipt by the directors, be paid into a fund maintained by the directors with a custodian. The directors shall at the end of each year cause a statement of financial position and income statement to be prepared within the first quarter of the year. The income account shall be credited with all income accrued during the period and all investments shall be valued and any appreciation or depreciation of the value shall be shown by crediting or debiting to the income statement (Guidelines for provident funds, 2009).

The approved trustees of a registered scheme shall keep a proper book of accounts to explain the transactions and financial status of the scheme. The accounts shall be kept in a manner to show a true and fair status of the financial transactions of the scheme during each financial period. The position of the assets and liabilities at the end of each financial year should be in a manner that will ensure convenient and proper auditing in accordance with these regulations. The accounts should be kept at a specific place that can be readily accessible in Ghana to enable the Authority to discharge its duties. The records shall be made available to the Authority on request for inspection at reasonable times and without charging any fee (Guidelines for provident funds, 2009).

Accounts and Audit– (section 166)

The directors shall within three (3) months after the end of the financial year cause the accounts of the scheme to be produced and examined by a qualified external auditor to ascertain the correctness and the true and fair view

of the Financial Statements of the scheme at the end of the financial year. The directors shall also cause an audit report to be issued by the external auditor, which shall include a statement on the extent of compliance with;

- a) Regulatory requirements,
- b) The directors' duties under this trust deed, and
- c) The scheme's investment objective and other requirements under the Act.

The registered /licensed trustees, pension fund manager or custodian under this Act, shall ensure that the audited accounts and records are kept in relation to the Scheme in a form that the National Pension Regulatory Authority (NPRA) may determine.

Empirical Literature

Discussions held with 70 Teachers and other workers during questionnaires administering revealed that about 55% did not know the existence of the voluntary pension scheme and how it operates. The other 45% who knew of its existence, some of them were contributing to provident funds, some too to teachers' mutual funds without being aware that provident and teachers' mutual funds are under the voluntary pension scheme. This shows that there is a knowledge gap in the area of the voluntary pension schemes which need to be bridged through public education and sensitizations.

A welder in the Bolgatanga Market indicated that, he did not even believe in the operations of such schemes but prefer to invest in the education of his children to take care of him when he is old. This statement implied that, apart from the monetary pensions schemes instituted for people of working class, there could also be other forms of pensions which are not traditional. As indicated by the welder, he has a different view on what pension is and has a

different style for preparing for his retirement as he sees his children as his income on social security.

The Ghanaian economy is made up of a large number of people employed in the informal sector. The upkeep of these people when they go on retirement is hinged on their children and external family members. The old pension scheme was concentrated on the formal sector leaving the informal sector to their fate. This was partly why the National Pension Act, Act 766, (2008) was promulgated which led to creation of three-tier pension scheme which also cover the informal sector as well. (Anku-Tsede et al., 2014).

The culture of pension arrears which is common with the SSNIT pension scheme is worrying. This is particularly important for the second and third tiers which are defined contributions in nature. Any delay in submitting pension contributions would translate into lost returns for beneficiaries on retirement. High inflation in Ghana could also derail the value of pension benefits if funds are not invested on time (Otoo et al., 2012).

Another important aspect of pension coverage in Ghana is gender disparity. Out of a total 345 workers who participated in this survey, 135 workers are females representing 40% as compared to 60% percent males. The population and Housing Census, (2010) pointed to the fact that women were found to be more than their male counterparts in that survey, one wonder why women participation in activities like this is very low.

A respondent and women's activist stated that women have not been well catered for in the National Pension Act, women constitute the majority of informal sector workers in Ghana. The respondent noted that the new pension scheme like its predecessor is tilted to formal sector workers. Contribution

pattern of the first and second tiers are compatible with income patterns of formal sector workers. The third tier though accommodates operators in the informal sector, public awareness is low. The respondent bemoaned that, *“It is good to make laws, but it is government’s duty to create awareness of its existence and the benefits of the scheme. Most informal sector workers have low education in general and hence limited appreciation of social security. It is government’s responsibility to embark on extensive public sensitization among operators in the informal sector on the third tier and the need for pension in general.”*

The sustenance of the voluntary pension schemes depends so much on the success of the returns of investment of the schemes. The management and investment performance depend on the value of pension fund increment. A change in the value of investment returns will result in an increase in pension fund at retirement. According to Tonks (2005) fund managers’ performances are woefully inadequate and that on average, managers’ performance has been poor.

Voluntary savings increases individual pension benefits, this would not only cause individual welfare enhancement, but also increase savings by merely changing the taste and preference of individual savings habits (Idowu & Olanaike, 2009). Schmidt-Hebbel (2014) also explained that, fully funded voluntary pension scheme, as an individual having a separate account for savings, account for more transparent in terms of ownership. This will boost workers’ confidence which will go a long way to stimulate and encourage individual propensity to save in order to increase their pension funds. Also, since these optional schemes are privately managed, there is that perception of

an improvement in access to capital markets. When these capital markets are developed, this will cause savings to increase (Schmidt- Hebbel, 2014).

In Ghana's context, the pension reforms that led the creation of New Three Tier scheme, which the third tier which also operates and privately managed can be compared to any optional scheme anywhere in the world which is capable of increasing capital market development and hence, increase savings. It is imperative to consider other determinants of savings which may impact directly or indirectly. Many studies on the determinants of savings in both developing and developed countries by Samwick (2012), has suggested savings determinants to include, old age dependency, young age dependency, urbanization, terms of trade, income and wealth, growth, real interest rate, inflation, financial deepening, and foreign savings. According to Samwick, (2012) savings are the most important determinant of retirement benefits. The more one saves the greater benefit in the future.

CHAPTER THREE

RESEARCH METHODS

Introduction

The concept of planning is implicitly linked to the decisions public-sector workers make in their everyday life activities. This has given rise to various forms of hedging activities including insurance policies and life time planning packages such as retirement benefits referred to as pension schemes. Public-sector workers believe that, it does not pay to belong to the schemes whose management are not trustful. They perceived that, there are a lot mismanagement, inequitable returns making it difficult for employees to have confidence in the schemes. Because of the negative perception about the voluntary pension schemes, the participating rate is very low. This has motivated the researcher to have curious interest in the area.

This chapter outlines the methodology used for the research, methods used to collect data, sampling as well as how collected data was organized for analysis. The second part of this chapter highlighted the study area, the Upper East Region of the Republic of Ghana. It also explains the various techniques that were adopted to undertake the study. The study is an investigative in nature, which use quantitative data from two sets of respondents; Public sector worker categories and the managers/regional representatives of the various funds. The survey was conducted to help in studying the perception/attitude of workers and views obtained from respondents. The data collected for the study was first-hand information from the respondents, making it more reliable than secondary information from other sources.

Research Design

A Research design is a comprehensive plan for data collection in an empirical research project. It is a “blueprint” for empirical research aimed at answering specific research questions or testing specific hypotheses, and must specify at least three processes: (1) the data collection process, (2) the instrument development process and (3) the sampling process (Bhattacharjee, 2012). Research design, according to Ahiadeke (2008), is the framework outlining the various research activities required to effectively address the research questions. To be able to meet the research objectives of this study, qualitative and quantitative data was gathered from the public-sector workers in the Upper East Region.

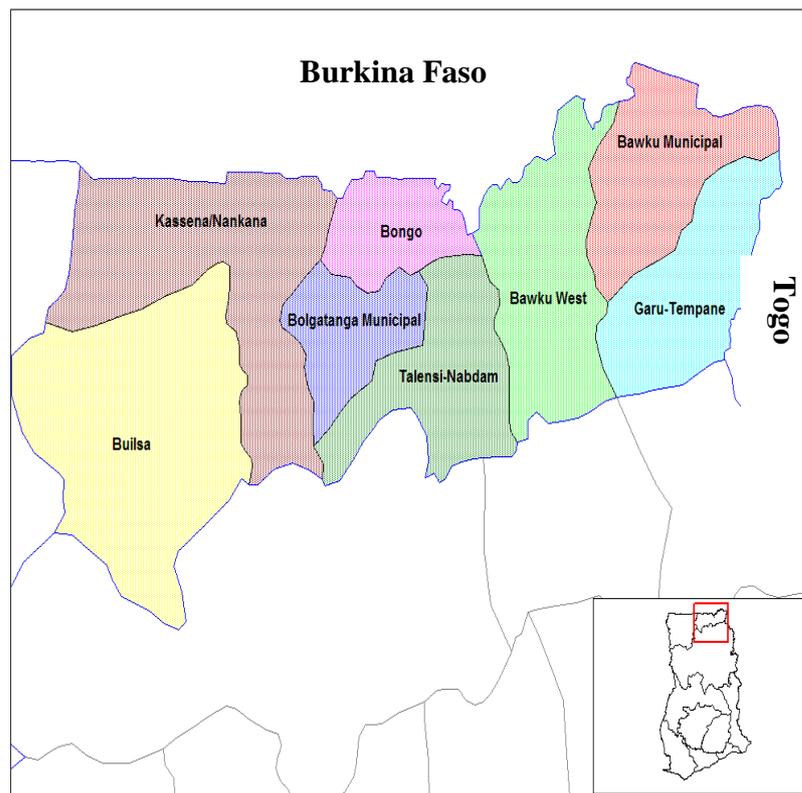
This study was also intended to investigate the attitude which influenced public- sector workers participation in the provident funds in their various organizations. To arrive at a considerable conclusion, the public-sector workers have been divided into four categories namely: Civil and Local Government Staff Association of Ghana (CLOGSAG), Ghana Education Services (GES), Ghana Health Services (GHS) and others public sector workers (GRA, NCCE and CHRAJ). The total population of the above categories stood at fourteen thousand seven hundred and forty (14,740) in the Upper East Region (Table 2). By using Krejcie & Morgan sample determination table, three hundred and seventy-five (375) sample size was selected. Three hundred and seventy-five (375) questionnaires were administered to this category of workers in the Region. Out of the three hundred and seventy-five (375), valid questionnaires collected were three hundred and forty-five (345), the remaining thirty (30) questionnaires were invalid.

Table 2: *Distribution of Workers Categories*

SN	WORKERS CATEGORY	POPULATION	PERCENTAGE
1	Ghana health service (GHS)	1,112	7.54
2	Ghana Education Services (GES)	11,299	76.66
3	Civil and Local Staff Association of Ghana	2,050	13.91
4	Others public workers	279	1.89
Total		14,740	100

Source: *Field survey; Aboalik, 2017*

Figure 2: **Administration map of the Upper East Region**



Sampling

Sampling is the statistical process of selecting a subset (called a sample) of a population of interest for purposes of making observations and statistical inferences about that population. Social science research is generally about inferring patterns of behaviours within specific populations. We cannot study entire populations because of feasibility and cost constraint, therefore, we must select a representative sample from the population of interest for observation and analysis. It is extremely important to choose a sample that is truly representative of the population so that the inferences derived from the sample can be generalized back to the population of interest (Bhattacharjee, 2012).

Sampling Size

The survey of the population involved an optimal sample size of three hundred and seventy-five (375) targeted respondents, out of the total target population of fourteen thousand seven hundred and forty (14,740) workers in the public sector of the Upper East Region as at the time of survey. These respondents consist of the Civil and Local Government Staff Association of Ghana (CLOGSAG), Ghana Health Services (GHS), Ghana Education Services (GHS) and others (GRA, NECCE & CHRAJ) this shows that optimally, at least 9 out of 39 workers in the Upper East Region were respondents. The desired maximum sampling error was 10%. The minimum optimal size (n) of this three hundred and seventy-five (375) was chosen based on the Krejcie and Morgan (1970), sample determination table, which indicates the sample size by

matching the number (N) against the size (S) to determine the sample size as per Table 4.

Table 3: *Krejcie and Morgan sample size determining table*

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
95	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	100000	384

Note: N is Population size; S is Sample size

Source: Krejcie & Morgan, 1970

Sampling Technique

The Simple Random and Purposive sampling techniques were adopted in this study. Purposive sampling represents a group of different non-probability sampling, also known as judgmental, selective or subjective sampling, purposive sampling relies on the judgment of the researcher when it comes to selecting the units that are to be observed. The managers/regional

representatives were selected based on the purposive sampling technique whereas simple random technique was used to select workers' categories. These workers responded to self-administered questionnaires of three hundred and thirty-five in the Upper East Region.

Data Collection Tools and Analysis

Quantitative data were collected using two sets of questionnaires; one set for the primary unit of analysis (workers categories) and the second set was for the regional managers/representatives of various provident/personal pension funds as the secondary unit of analysis. The questionnaires were administered to three hundred and seventy-five respondents and ten managers/regional representatives respectively.

The questionnaires were administered in various Districts/Municipals of the Upper East Region from 2nd -21st March 2017 for workers' categories and 12th April 2017 for the managers/regional representatives. Data from the field have been analyzed using the Statistical Package for Social Sciences (SPSS) programme. Both sets of questionnaires were edited and cleaned before the analysis. Results are presented in tables, pie/ bar charts and cross-tabulation-chi-square test. The main data source for this study is primary data collected through questionnaires on public sectors workers from the Upper East Region.

Two sets of structured questionnaires were used to collect data from workers and managers/regional representatives of provident/personal pension plans selected for the study. Respondents were administered questionnaires based on the following criteria:

1. Questionnaires for Workers

- ❖ Demographic information
- ❖ Knowledge and perception about the voluntary pension schemes
- ❖ Level of participation and economic benefits of voluntary pension schemes
- ❖ Management of voluntary pension schemes
- ❖ Investment vehicles of voluntary pension schemes

2. Questionnaires for managers/regional representatives

- ❖ Management and governance structure
- ❖ Human resource base
- ❖ Challenges faced
- ❖ Ideas for improvement

A chi-square test was conducted on member' knowledge level of the voluntary pension schemes and the level of participation as variables. The chi-square value (CSV) is calculated by using the Statistical Package for Social Sciences (SPSS) programme. The chi-square test used in the study involved tests of association between the knowledge of respondents and level of participation in the voluntary pension schemes. Descriptive statistics used in this study are in the form of frequencies, graphs/charts and relative percentages which the researcher used to aid the interpretation of data and discussions of results.

Profile of Upper East Region

The Upper East Region of the Republic of Ghana is in the north-eastern corner of the country, bordered by Burkina Faso to the north, Togo to the east, the west by Sissala in the Upper West and the south by West Mamprusi in the Northern Region. The population of the region grew from 920,089 in 2000 census to 1,046,545 in 2010 population and housing census respectively. With a growth rate of 1.2%, the population is estimated to increase to 2.8 million by the year 2040 (PHC ,2010). The male population constitutes 48.4% of the total population and females represent 51.6%. The age structure of the region is being pegged at 0 - 14 (under 15 years) is 41.5%, and those aged 15 - 64 and 65 above, constitute 51.6% and 6.8% respectively (PHC, 2010).

The region occupies a total land area of 8,842 sq. km, which makes it the ninth largest among the regions in country in terms of land size. It has a population density of 118.4 people per sq. km. according to PHC, (2010), the region is about 21% urban, with an annual urban growth rate of 4.2%. The districts that made up of the region are Builsa, Kassena Nankana West, Kassena Nankana East, Bolgatanga Municipal and Talensi Nabdan. The rest are Bongo, Bawku West, Garu Tempani and Bawku Municipal, (PHC 2010).

The inter-censual growth rates and changes in population sizes from 1960 to 2010 are not available for the Districts because since the change from the Local Authority system of administration to the District Assembly system in 1988, new Districts continue to be established and only the Regional boundaries have remained unchanged.

Table 4: *Population distribution of the various Districts*

SN	DISTRICTS	POPULATION	PERCENTAGE
1	Builsa	92,991	8.9
2	Kassena- Nankana West	70,667	6.8
3	Kassena- Nankana East	109,944	10.5
4	Bolgatanga Municipal	131,550	12.6
5	Talensi -Nabdan	115,020	11.0
6	Bongo	84,545	8.1
7	Bawku West	94,034	9.0
8	Garu- Tempani	130,003	12.4
9	Bawku Municipal	217,791	20.8
	Total	1,046,545	100

Source: Ghana Statistical Service, 2010 Population and Housing Census

Since 2000 census, the districts have increased by three to nine, and subsequently increased to thirteen (13) in 2012. The region experiences more outflows of people to other parts of the country than people migrating into the region, this therefore gave the region a negative net migration value of two hundred and sixty-seven thousand, six hundred and ninety-two (-267,692). With regards to the economy, the labour force participation rate for population within the age range is between 15 - 64 is about 76% while the proportion of the population employed was slightly higher in the Region (71.8%) than the national average of 67.4 percent (PHC, 2010). The National average rate for the unemployed of 4.2 percent, is twice of the rate of unemployment in the Region (2.5%). This means that the economically active population was a little higher nationally (28.5%) as compared to the Region's (25.7%). It therefore signifies that those who are residing in rural areas were more likely to be employed than those who are in urban areas (PHC).

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presents the research findings base on the methods and techniques employed in the survey. The techniques employed in the data collection for this survey were simple random and purposive sampling techniques. Demographic characteristics of the respondents were gender, marital status, educational level, occupation and religion. In all, 345 valid respondents from the Districts and towns of the Upper East Region where questionnaires were administered were used for the analysis. Results from both membership and managers/regional representatives have been presented in this chapter in the form of tables, pie and bar charts. The tables indicate frequencies and percentages whereas the charts give pictorial presentation of the results.

Table 5: Demographic Characteristics of the Respondents

Sex	Frequency	Percentage
Male	207	60.0
Female	138	40.0
Total	345	100
Age category	Frequency	Percentage
18-28	49	14.2
29-39	168	48.7
40-49	101	29.3
50-59	27	7.8
Total	345	100
Marital status	Frequency	Percentage
Single	65	18.8
Married	269	78.0
Divorced	4	1.2
Widowed	7	2.0
Total	345	100
Education Level	Frequency	Percentage
Primary/JHS	3	0.9
Middle School	5	1.4
Secondary/Technical	14	4.1
Post-Secondary	16	4.6
Tertiary	307	89.0
Total	345	100
Occupation Class	Frequency	Percentage
Health Worker	18	5.2
Educational Worker	262	75.9
Local Gov't & Civil Service	57	16.5
Others (CHRAJ, NCCE, GRA)	8	2.3
Total	345	100
Religion	Frequency	Percentage
Christian (Orthodox)	147	42.6
Christian (Protestant)	83	24.1
Muslim	109	31.6
Traditionalist	6	1.7
Total	345	100

Source: Field Survey, Aboalik, (2017)

Analysis on the sex of respondents revealed that, out of the 345 respondents of the study, about 60% were males while 40% were females (Table 5). This signifies that there was a higher participation by males in the survey as compared to females. The male domination in the survey confirms a convention in Africa where men are commonly found to be the heads of the family; therefore, they are involved in a lot of activities than women.

Collins-Sowah et al. (2013) cited in Baah (2004) attributes the low participation of women in Ghana's national social security schemes to discrimination inherent in social security schemes in favour of male workers. This made women lose sight of their popular mantra "what a man can do, a woman can do better". Available data from 2010 population and housing census showed that women were more than men by 51% and projected to increase to 58% by 2016 (Ghana statistical service report, 2016); so one wonders why this low participation?

Age of respondents when analyzed, revealed that, approximately 49% of the respondents were in the age category of 29-39 years. This confirms Vroom's theory that when individuals contribute early to pensions schemes they are hopeful of a better retirement (Vroom, 1964). The analysis also shows that nearly 8% of the respondents are in the age category of 50-59 years which is an indication of retirement very soon. The overall implication is that majority of the respondents are still in active service. This indication shows that Ghana has a vibrant active work force which policy makers can rely on for better economic planning. (Table. 5).

On the part of marital status, the analysis shows that more than two thirds (77.6%) of the respondents were married while 19% were single.

The implication is that since majority of the respondents are married, there is the need to consider a financial plan to meet their marriage responsibilities while in active service (Table 5).

The results from the study revealed that, all respondents who took part have at least primary level of education. However, majority of the respondents constituting 89% are at tertiary education level whereas those who hold post-secondary education certificates constitute 5% of total respondents (Table 5). This shows that respondents are expected to know better regarding the three-tier pension scheme and its components however, this expectation was not met following further findings in this survey, which revealed low level of knowledge exhibited by respondents (Table 6) as they try to explain what voluntary pension schemes meant.

The results on occupational class showed that, about 76% respondents were workers with Ghana Education services, 16.5% were workers from Local and Civil service and 5.2% were working with Ghana Health Service (Table 5). This means that, the regional work force is concentrated in the Educational Sector as compared to other sectors in the region. The implication is that, Ghana Education Service as a sector of the economy is the largest employer of the region's man power. The results of the study can be a valuable tool for human resource planning in the region as it clearly shows which sector is more concentrated in terms of man power needs.

The Upper East Region is a secular region, even though all the major religions are practiced in the region and they co-exist peacefully. Analysis from the studies revealed that a cumulative of 66.7% of the respondents were Christian (Orthodox and Protestant), about 32% were Muslims and

approximately 2% were Traditionalist. This shows that, Christians dominates the work force in the Upper East Region (Table 5). The people in the region respect each other faith, this promote unity, peace and development in the region.

Knowledge of the Voluntary Pension Schemes

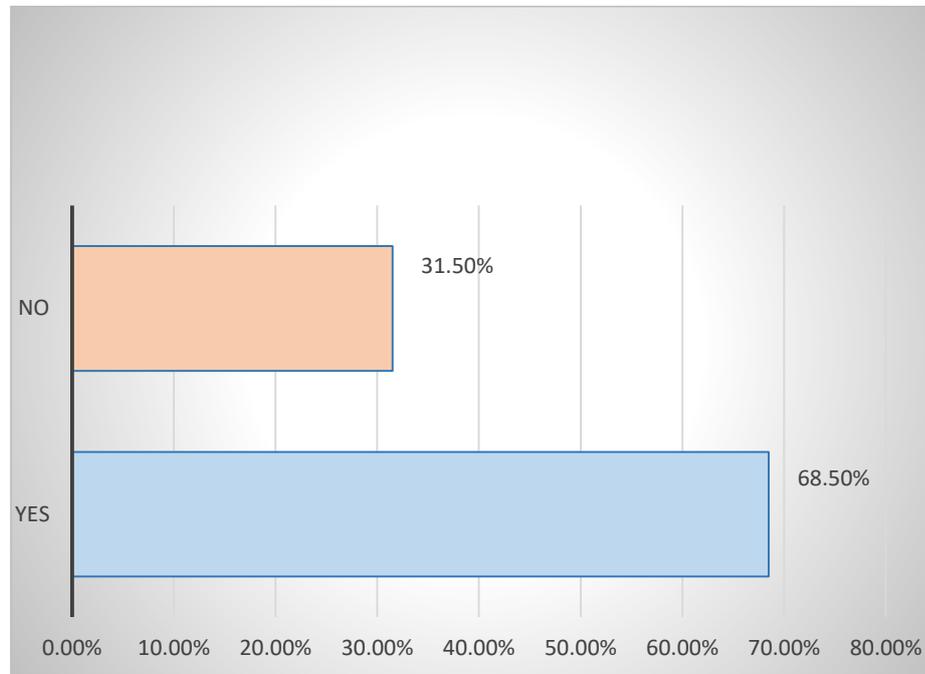
On awareness of Tier-Three pension scheme among the respondents, the analysis revealed that out of 345 respondents on the question of awareness, 68.5% were aware of the Tier-Three pension schemes while the remaining 31.5% were unaware of the scheme. It therefore indicates that even though, more than half of the respondents were aware of the tier-three pension schemes, the remaining percentage that was unaware of it, which is approximately 32% of the respondents signifies that, there is the need for sensitization programmes on the awareness of the three-tier pension schemes.

Since the programme is an important national programme concerning workers, much is expected of the workers to know what the scheme is about. But the reverse is the case when a significant percent of respondents said they were unaware of the scheme. This should prompt the authorities in the public service to find a way of updating the public knowledge about the three-tier pension scheme, knowledge they say is power. Education and training workshops can also influence the increment of knowledge of workers, both in the formal and informal sectors. Education leads to knowledge acquisition, coupled with higher incomes.

According to Kumomu and Tsegai, (2013), the effects of education on the well-being of workers of Ghana have been influential as far as the welfare

of workers in both formal and informal sectors of the economy are concerned (Figure 3).

Figure 3: Awareness on Tier-Three Pension Scheme



Source: Field Survey, Aboalik (2017).

Out of the 345 respondents who were asked whether they know what voluntary pension scheme is, 184 respondents, representing 54.93%, answered this question. The answers they provided revealed that majority of the public service workers in the Upper East Region needed to be sensitized about the new pension scheme especially, the voluntary pension schemes under it. Of the one hundred and eighty-four (184) respondents who attempted this question, 40% of them said something closer to what voluntary pension scheme is. This revelation by the survey shows that majority of the various union members do not even know what the voluntary pension schemes about let alone subscribing to it, hence culminating in low rate of participation in voluntary pension schemes (Table 11).

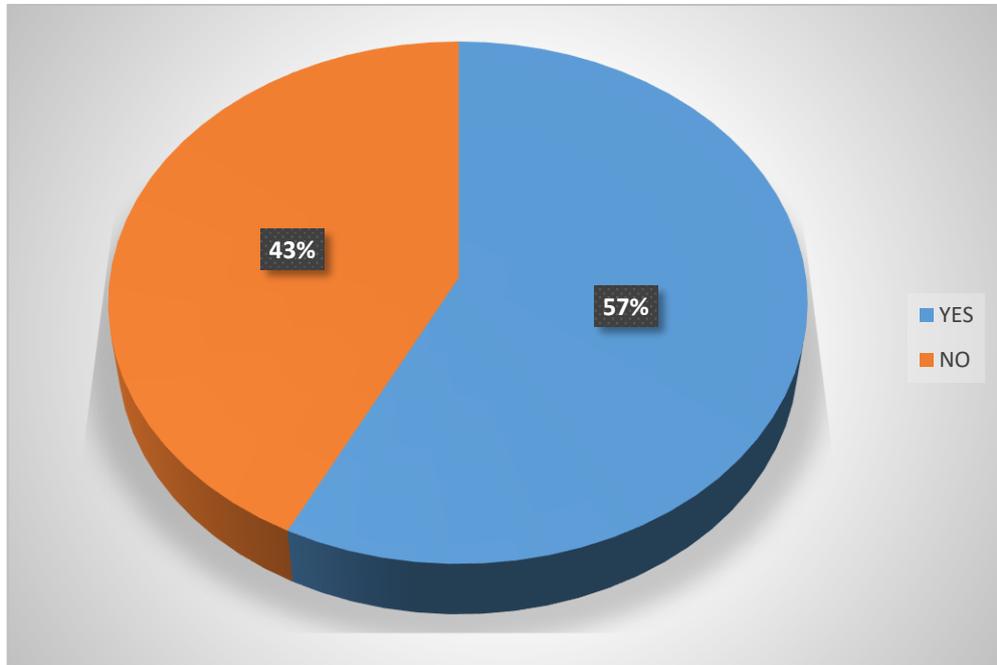
The knowledge level of respondents, determines the propensity of public sector workers to involve or not to involve in the voluntary pension schemes. Of the three hundred and forty-five (345) respondents, 191, representing 57%, have subscribed to voluntary pension schemes while the remaining 142, representing 43%, which is quite significant said they are not members of the voluntary pension schemes (Figure 4).

Table 6: *Knowledge on Voluntary Pension Scheme*

Knowledge on Voluntary Pension Scheme	Frequency	Percentage
Mandatory contribution Paid on Behalf of Workers	16	8.7
Voluntary Contribution Towards Pension Benefit	66	35.9
Benefit for Workers When They Go on Retirement	39	21.2
Little Knowledge	17	9.2
Contribution Managed by SSNIT	31	16.8
Contribution of Workers Towards Pension Managed by Private Institutions	8	4.3
No Knowledge/Information About the Scheme	7	3.8
Total	184	100

Source: Field survey, Aboalik (2017).

Figure 4: Members of Tier-Three Pension Scheme



Source: Field Survey Aboalik, (2017)

Table 7: *Chi-square Test*

Knowledge About Voluntary Pension Scheme * Membership of Voluntary Pension Schemes Cross-tabulation					
Description			Members of Voluntary Pension scheme		Total
			YES	NO	
Knowledge About Voluntary Pension Schemes	Mandatory contribution Paid on Behave of Workers	Count	15	1	16
		% Of Total	8.2%	0.5%	8.7%
	Voluntary Contribution Towards Pension Benefit	Count	47	19	66
		% Of Total	25.5%	10.3%	35.9%
	Benefit for Workers When They Go on Retirement	Count	28	11	39
		% Of Total	15.2%	6.0%	21.2%
	Little Knowledge	Count	10	7	17
		% Of Total	5.4%	3.8%	9.2%
	Contribution Managed By SSNIT	Count	28	3	31
		% Of Total	15.2%	1.6%	16.8%
	Contribution of Workers Towards Pension Managed by Private Institutions	Count	7	1	8
		% Of Total	3.8%	0.5%	4.3%
	No Knowledge/Information About the Scheme	Count	1	6	7
		% of Total	0.5%	3.3%	3.8%
	Count	136	48	184	
Total	% of Total	73.9%	26.1%	100.0%	

	Value	Df	Significance level
Pearson Chi-Square	143.460	1	0.001

Source: Field Survey Aboalik, (2017)

To test if there is an association between knowledge and participation in voluntary pension schemes, a chi square test was conducted. The results from the test revealed that out of 184 respondents who answered the knowledge

question, 136, representing 73.9%, participated in the voluntary pension scheme and the remaining 48 respondents, constituting 26.1%, did not participate in any voluntary pension schemes. This confirms a research conducted by Collins-Sowah et al. (2013), which revealed that, knowledge about pension schemes has a positive influence on participation. This finding is also in congruent with Collins-Sowah et al., findings. The analysis shows that as respondents become knowledgeable about the voluntary pension scheme they are more likely to participate in them whereas people get less interested when they do not know anything about the schemes. The chi-square value of 143.460 shows that there is a statistical significant ($0.001 < 0.005$ alpha level), therefore, there is an association between knowledge and participation in the voluntary pension scheme (Table 7).

Of the respondents who subscribed to the voluntary pension schemes, the analysis revealed that, about 69% subscribed to provident fund, approximately 19% subscribed to personal pension plans while 12% said they belong to the informal sector fund. This clearly shows that the 23 respondents representing 12% did not know that the SSNIT informal sector fund is preserved mainly for the informal sector of the economy, people like artisans, market women and self-employed persons. This is purposely to cater for their future pension benefits when they are no longer strong to work. Eighteen (18) respondents probably teachers who were not part of those who subscribed to the voluntary pension scheme also responded to this question by saying that they subscribed to the NAGRAT and Teachers Mutual Fund. This signaled that most public-

sector workers lack the clarity of understanding of the voluntary pension scheme as revealed by the survey (table 7).

Table 8: *Type of Third-Tier Pension Schemes*

Types of Third Tier Pension Scheme	Frequency	Percentage
Provident Fund	132	63.2
Personal Pension Plan	36	17.2
Informal Sector Fund (SSNIT)	23	11
NAGRAT and Teachers Mutual Fund	18	8.6
Total	209	100

Source: Field Survey, Aboalik (2017).

When asked the reasons why respondents do not subscribe to the voluntary pension schemes, the results revealed that about 77% of respondents indicated that, they were not well informed about the voluntary pension scheme and about 11% also indicated that they had not yet decided to join the scheme while approximately 11% and 2% indicated that they belong to the formal mandatory SSNIT pension scheme and insufficient salary respectively.

This attitude is partly attributed to the low-level of knowledge about voluntary pension schemes by most workers in the public sector rather than financial reasons. This also confirms earlier findings in the chi-square test conducted in this same study where it revealed that the more people know about the schemes the more interest they get and that influence their participation. (Table 8)

Table 9: *Reasons for non-subscription to the Voluntary Pension Schemes*

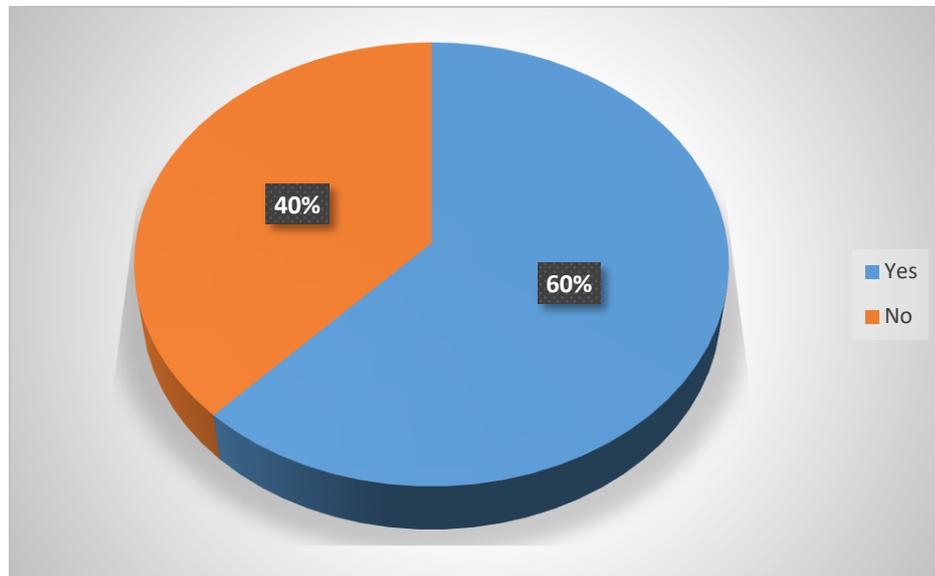
Reason for Non-Subscription to the voluntary Pension Schemes	Frequency	Percentage
Little Knowledge About the Scheme	33	51.6
No Knowledge About the Scheme	16	25.0
Not Yet decided	7	10.9
Belongs to SSNIT Formal Sector	7	10.9
Insufficient Salary	1	1.6
Total	64	100

Source: Field survey, Aboalik (2017).

Level of Participation and benefits of Voluntary pension schemes

Out of 345 respondents, 60% were regularly contributing to voluntary pension schemes while the remaining 40% were not contributing to any voluntary pension scheme at the time of data collection (Figure 5). These findings further follow the same chi-square test trend confirming that the less informed members reluctantly participate in voluntary pension schemes. Agyeman (2011), had difference observation about level of participation. The author noted that the high patronage in voluntary pension schemes is partly attributed to the insufficient pensions paid by SSNIT. Workers think they deserve better by SSNIT, what workers expect to receive on retirement are not normally met, pensioners therefore tend to seek alternative ways of income security (Agyeman, 2011).

Figure 5: Regular contributors to Voluntary Pension Scheme



Source: Field survey, Aboalik (2017).

Table 10: *Expected benefits accrued to contributors of Provident Fund*

Description of Benefits	Frequency	Percentage
Partial Withdrawal	12	7.20
Personal Loans	35	21.0
Not Yet Benefited	108	64.7
Interest Shared Among Members	4	2.40
Payment of NHIS	7	4.20
Hire Purchase	1	0.60
Total	167	100

Source: Field survey, Aboalik (2017).

To explore the current benefits contributors gain from their contributions, the analysis revealed that Personal loan and partial withdrawal were the major benefits contributors of the voluntary pension schemes have enjoyed most, which constituted 21% and 7.2% respectively whereas majority

of respondents, representing 64.7% of the contributors were yet to benefit from their contributions (Table 10). The major possible benefit employees consider before joining any voluntary pension schemes are lump sum or pension allowance payments given to them at retirement upon producing a retirement letter and last payslip. These are some the attractive possible benefits members stand to benefit for being part of the voluntary pension schemes.

Management and Governance of Voluntary Pension Schemes

To explore the perception of respondents concerning the statement that “Voluntary Pension schemes are Poorly Managed in Ghana”. Combining the responses into two scales of disagree and agree, the findings show that 47.9% were in disagreement with the statement while 52.1% agree that Voluntary Pension schemes were poorly Managed in Ghana (Table 16). These findings are in conflict with the results of a study conducted by Anku-Tsede, (2013) which suggests that, management has become more professional over the last ten years. This do not auger well for the future of both public pension and financial management (Anku-Tsede, 2013). However, Tonks in 2005 confirmed the findings of this study, suggesting that, on average, performance of fund managers in Ghana are among the poorest.

Table 11: *Perception about management of Pension Schemes in Ghana*

Statement	Strongly Disagree	Disagree	Agree	Strongly Agree
“Voluntary Pension Schemes Poorly Managed In Ghana”	41 (12.40%)	117 (35.5%)	114 (34.5%)	58 (17.6%)
“Voluntary Pension Schemes in Ghana Is Effectively and Efficiently Managed”	50 (15.20%)	124 (37.6%)	137 (41.5%)	19 (5.8%)

Source: Field survey, Aboalik (2017).

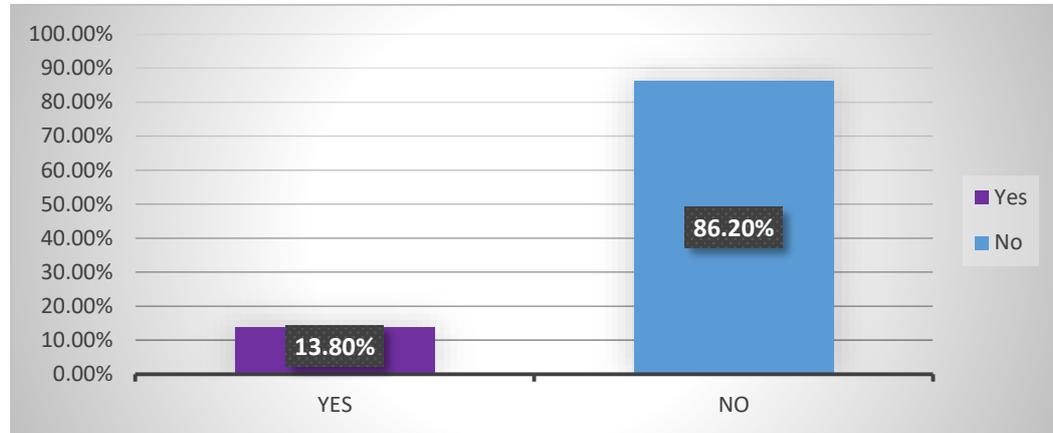
Investment Vehicles of Voluntary Pension Schemes

The analysis from the survey shows that out of 325 respondents 86% had no idea of what their contributions were invested into by the voluntary pension scheme operators. Meanwhile, the managers/regional representatives said in this survey that, members are frequently updated with information about their investment. The findings of the survey indicated that, about 86% did not know the investment vehicles chosen for their contributions, this is significant to ignore, and the opinion of the researcher is that, there is an informational gap somewhere that need to be bridged to allow inflow of information between the scheme operators and membership (Figure 6).

The National Pension Regulatory Authority (NPRA) however, encourage disclosure of investment information by scheme operators to the contributors. The scheme operator complied with this directive by making the selection process of fund managers and custodians transparent to contributors. Contributors, sometimes have an influence as to how their contributions are invested, so long as their investments policy or guidelines allow it. Contributors

also receive regular periodic statements on their contributions as well as income generated.

Figure 6: Knowledge of Investment Vehicles



Source: Field survey, Aboalik (2017).

Out of about 46 respondents representing 14% who knew how their contributions were invested, more than half about 55% knew their contributions were invested into treasury bills or fixed deposits. Other investments were giving out as loans (13.6%), real estate (5%), investing in transport (3%) (Table 17).

Table 12: Type of investment vehicles of Voluntary Pension Schemes

Type of Investment	Frequency	Percentage
Treasury Bills/Fixed Deposits	24	54.5
Loans	6	13.6
Investing in Transport Sector	3	6.8
Household Appliances	3	6.8
Shares Investment	3	6.8
Real Estate (Hostels)	5	11.4
Total	44	100

Source: Field survey, Aboalik (2017).

Table 13: *Ways to improve Public sector workers' participation in Voluntary Pension Schemes*

Suggestions	Frequency	Percentage
Transparent and Accountable Management	31	18.9
Frequent update Members on their Contributions	50	30.5
Educating Members on the schemes	64	39
Loans at Moderate Interest rate	6	3.7
Payment of Benefit on time	10	6.1
Increase Workers Salary	3	1.8
Total	164	100

Source: Field survey, Aboalik (2017).

The major suggestion contributors made to improve participation in voluntary pension schemes were educating members or the public on the pension schemes, regular update of members on their contribution or annual general meetings, transparent and accountable management constituting 39%, 31% and 19% respectively. These are the views of respondents that operators of the voluntary pension schemes when considered and implemented, will in a way improve participation in voluntary pension schemes. Out of the ten regional representatives who took part in the survey, three persons played the role of regional secretaries and another three also assisted the regional secretaries. Two persons also played the role of regional chair persons. Regional accountant and treasurer were also involved in the survey (Table 13).

Table 14: *Role or position of regional representatives*

Role or Position of regional representatives	Frequency	Percentage
Regional Secretary	3	30.0
Assistant Regional Secretary	3	30.0
Regional Accountant	1	10.0
Regional Treasurer	1	10.0
Regional Chair Persons	2	20.0
Total	10	100

Source: Field survey, Aboalik (2017).

The total number that took part in the survey were ten. Out of these, two regional representatives reported that some of their members also subscribed to GNAT non-teaching staff mutual fund and two other regional representatives also reported that, some members of their union also subscribed to CAGD provident fund and welfare loan schemes. This shows that members were beginning to recognize the importance of the voluntary pension schemes, hence, the diversifications of their investment through subscription to more than one scheme (Table 14).

Table 15: *Other products of the Third- Tier Schemes*

Other Third-Tier Schemes	Frequency	Percentage
GNAT Non-Teaching Staff Mutual Fund	2	50
CAGD Provident Fund	1	25
Welfare /Loan Scheme	1	25
Total	4	100

Source: Field survey, Aboalik (2017).

The estimated rate of turnover of members varied according to the analysis. Two regional representatives estimated that, rate of turnover is between 2-4% while two others estimated members' turnover at 5-8% and below 2%. Members' turnover is because of members who were not happy with the way things are done. For example, some staff who were members of CLOGSAG in the Upper East Region disassociated themselves from the union because of dissatisfaction. This explained why the rate of joining the unions are very low. This confirms the earlier findings in this study that workers non-participation in the voluntary pension schemes is due to the inadequacy of information and dissatisfaction (Table 15)

Table 16: *Estimated rate of turnover of members*

Estimated Rate of Turnover	Frequency	Percentage
Not Sure	1	20
Below 2%	1	20
2-4%	2	40
5-8%	1	20
Total	5	100

Source: Field survey, Aboalik (2017).

Respondents of the survey raise concerns about inadequate information regarding their investment. However, according to the ten regional representatives, all members were updated with information on their contributions. Contrary to this claim, a significant number (31%) of members of the scheme sampled, were calling for frequent update of information concerning their contributions. The researcher's opinion in this issue is that,

even if the operators of voluntary pension schemes do update their members with information regarding their investment, it is not adequate and therefore, there is the need to scale it up

Table 17: *Challenges facing managers/regional representatives*

Challenges Faced by managers/Regional Representatives	Frequency	Percentage
Rate of Turnover	1	14.3
Membership Education	1	14.3
Difficulty in getting Access to Members	1	14.3
Difficulty in Accessing Information from Fund Manager	2	28.6
Wrong Deduction	1	14.3
Delay in Processing of Loan	1	14.3
Total	7	100

Source: Field survey, Aboalik (2017).

The managers/Regional Representatives of the voluntary pension schemes were faced with challenges such as difficulty in accessing information from fund managers, rate of turnover of staff, and delay in processing of loan among others. The views of scheme contributors on how to improve the scheme confirms the challenges faced by managers of the scheme (Table 17).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Introduction

All over the world, pension schemes provide financial plan for the aged who are faced with the major risk of either poverty or income insecurity due to the inability to earn sustainable income (World Social Security Report, 2011). This accounts for the adaptation of pension schemes across the world. The introduction of the three-tier pension scheme in Ghana has witnessed a huge debate as to whether the scheme has the ability to curtail the hitches of the old pension schemes. It is, therefore, prudent to investigate the effectiveness of this three-tier pension scheme, especially, the voluntary pension scheme in resolving the problems of the previous pension schemes. This chapter presents the summary of the findings, conclusion and recommendations on the attitude of public sector workers towards voluntary pension schemes; a case study of the upper east region.

Summary of Findings

Technology, health and pension schemes in line with social protection policies have become an important issues of life mankind pursued vigorously due to the unpredictability of life at old age. Because of this, many developed and developing nations have been introducing various pensions based schemes, which depend on the ability of the nations to project the age and growth rates of their citizens. This study is therefore on the voluntary pension schemes in providing supplementary insurance for Ghanaians workers at retirement.

The study is investigative in nature, which uses quantitative data from two sets of respondents; Public sector worker categories and the managers/regional representatives of the various funds. The research was based on four objectives namely:

1. The first research objective is to investigate the knowledge level of public-sector workers regarding the voluntary pension schemes (VPS). The findings show that, majority of workers in the public services have very little knowledge about the three-tier pension scheme and its three components. It further suggests that many issues about the scheme were not publicly known in relation to the components and some of the respondents could not even differentiate among the three components under the three-tier scheme, let alone knowing what each component entails. The study further revealed that, most of the workers are not even aware of the existence of the voluntary pension scheme. This clearly indicates that there is a serious knowledge gap regarding the voluntary pension schemes.
2. The second research objective is to determine public sector workers' perception on the patronage of the voluntary pension schemes. Combining the responses into two scales, the results revealed that about 12% of the respondents strongly disagreed that Voluntary Pension schemes are Poorly Managed in Ghana while about 15% of the respondents disagreed with the motion. On the of this results, could influence participation and patronage of tier three pension products.
3. The third objective of the study is to evaluate perception of public sector workers on the efficiency and effectiveness of management of voluntary

pension schemes. The study found that, on the issue of efficiency, the consensus was that, the statement that “Voluntary Pension schemes are Poorly Managed in Ghana” was that voluntary pension schemes are inefficiently managed. These findings are at variance with the National Pension Act, Act 766 arrangement, which mandate the Trustees as those who are in charge with the governance and management of schemes, the fund managers as investment professionals and the Custodians as safe keepers of the scheme’s assets. These are strategically arranged to ensure check and balances in effective management of the schemes. According to Anku-Tsede, (2013), pension schemes have become more professional over the last ten years. This auger well for effective management of both public pension schemes and their investments.

4. The fourth and final objective of the study is to find out what kind of investment vehicles chosen for contributions of members of the schemes. The findings of the study posit that, for safety of members’ contributions, investment vehicles which include; registered stocks, home finance company index-linked bonds, fixed deposits, call monies, corporate loans, treasury bills and government bonds. Most of these investments are highly liquid and short dated. These are wisely chosen to form balanced strategic portfolios that will yield high returns for union members.

Conclusion

The study investigated how the new pension scheme especially, the third-tier schemes can help provide income security to Ghanaian workers through its supplementary role to the mandatory schemes. In the light of this,

views of public sector workers and management of the schemes were obtained. The study found that the voluntary pension schemes are very beneficial and have a lot of benefits to workers, organizations and the government. These merits include; better payment systems, calls (partial withdrawals), specified amount of premium to be paid monthly, being able to access pension benefits, co-ordination and communication among diverse stakeholders. These merits suggest that government and management of the voluntary pension funds should provide the necessary support needed to strengthen the implementation of the schemes in order to attract more participation.

The indication is that the voluntary pension schemes are working well in the interest of Ghanaian workers and therefore must be strengthened since it is very young. This in a way may help workers reduce the incidence of higher dependency ratio on the mandatory pension schemes. In relation to the challenges of the voluntary pension schemes, the study found that many workers do not have the requisite knowledge in the third-tier, necessary to make an informed decision to participate in the voluntary pension schemes. The knowledge gap is because of inadequate education on the new scheme couple with inadequate knowledge on the link between the three components of the scheme, which is a real challenge facing public sector workers.

Recommendations

In view of the findings of the study the following recommendations have been proposed to inform both policy and academia:

1. On policy, a good working relationship is a requirement for all members and managers of the funds so that problems can be shared, and information

disseminated effectively. This will go a long way in ensuring that the current challenges are curtailed to the barest minimum.

2. Government as a matter of policy reform should make it mandatory for both the employer and the employee to contribute to provident funds under the third-tier. It is pertinent to note that this third-tier forming the voluntary/personal pensions being managed by Pension Fund Managers seeks to address the needs of workers in the informal sector and also designed to provide an additional fund for formal sector workers who want to make voluntary contributions to enhance their pension benefits, leading to widening of the scope of pensions in the country. Therefore, it is imperative for government to amend the current pension Act to create a way for employers to make mandatory contributions to support what the employees contribute under the voluntary pension schemes.
3. Public sector workers should be educated through Public sensitization to ensure that people understand all sections of the components of the three-tier pension scheme to increase the number of enrolment in the voluntary pension schemes. This will be necessary to update workers' knowledge, especially the public-sector workers regarding the third component of the three components of the three-tier pension scheme.
4. On academia, future studies on this area can be expanded to include more than one region since many of similar studies on pension schemes are concentrated greatly on Greater Accra, Ashanti and Western regions. Future study can opt for mixed methods, using both qualitative and quantitative methods for generalization. The scope for future studies can

also be widened to include the informal sector, this will enrich research the findings for policy directions and development.

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APPENDICES

APPENDIX A

**QUESTIONNAIRE FOR DATA COLLECTION (WORKERS
CATEGORIES)**

UNIVERSITY OF CAPE COAST

I am a final year student of the University of Cape Coast pursuing an MBA Degree programme in finance. I am conducting a research on the Tier-three pension Schemes in the Upper East Region of Ghana with the title “**Attitude of Public Sector workers towards the Voluntary Pension Schemes**”

The following questions have been designed to enable me carry out the research and come out with findings which will be useful for improving the operations of Provident/personal pension plans in Ghana.

You have been selected as one of the respondents and I shall be very grateful if you would please spare me a little of your time to complete this questionnaire. Any information provided shall be used strictly with absolute confidentiality.

However, you have the right to willingly decide to participate in the study or not and can opt out at any point in time.

A. DEMOGRAPHIC INFORMATION

Please tick as applicable

- 1. Sex (1) male [] (2) female []
- 2. Age
 - (1) 18 -28 []
 - (2) 29 -39 []
 - (3) 40 -49 []
 - (4) 50 -59 []
- 3. Marital status
 - (1) Single []
 - (2) married []
 - (3) co-habiting []
 - (4) Divorced []
 - (5) Widowed []

4. Educational level

- (1) No formal education []
- (2) Primary/JHS []
- (3) Middle School []
- (4) Secondary/Technical education []
- (5) Post-Secondary education []
- (6) Tertiary education []

5. Occupational class

- (1) Health worker []
- (2) Education worker []
- (3) Local/Civil service worker []
- (98) Other

(State).....

6. Religion

- (1) Christian (Orthodox) []

- (2) Christian (Protestant) []
 - (3) Muslim []
 - (4) Traditionalist []
 - (98) Other (State)
-

B. KNOWLEDGE AND PERCEPTION ABOUT THE VOLUNTARY PENSION SCHEMES

- (7) Are you aware of the tier- three pension scheme? (1) yes [] (2) No []
 - (8) What do know about the tier-three pension schemes?.....
-

- (9) Are you part of any of the tier-three pension schemes?
 - (1) Yes []
 - (2) No []

- (10) If yes to question 9 above, which of them do you belong to.
 - (1) Provident fund []
 - (2) Personal pension plan []
 - (3) informal sector fund []
 - (98) Others (state)
-

- (11) If no to question 9 above, give reasons
-

C.LEVEL OF PARTICIPATION AND ECONOMIC BENEFITS OF VOLUNTARY PENSION SCHEMES

- (12) are you a regular contributor to any voluntary pension schemes? (1) Yes [](2) No []

- (13) If yes to question 12 above, which of them do you contribute to?
 - (1) Provident fund []
 - (2) Personal pension plan []
 - (3) informal sector fund []
 - (98) Others (state)

- (14) how have you benefited from your contributions to that fund?

.....
.....

D. MANAGEMENT OF VOLUNTARY PENSION SCHEMES

(15) "Voluntary pension schemes are poorly managed in Ghana." To what extend do you agree to this statement.

- (1) Strongly disagree []
- (2) Disagree []
- (3) Agree []
- (4) Strongly agree []

(17) "Voluntary pension schemes in Ghana are said to be effectively and efficiently managed." Do you agree?

- (1) Strongly disagree []
- (2) Disagree []
- (3) Agree []
- (4) Strongly agree []

E INVESTMENT PORTOFIOLOS OF VOLUNTARY PENSION SCHEMES

(18) Do you know the types of investments voluntary pension schemes put contributions of members to? (1) yes [] (2) No []

(19) If yes to question 20 above, state the types you know of

.....
.....

(20) Do you have anything to say about how public sector workers' participation in voluntary pension schemes could be improved?.....

.....
.....
.....

THANK YOU

APPENDIX B
UNIVERSITY OF CAPE COAST
INTERVIEW GUIDE TO MANAGERS/REGIONAL
REPRESENTATIVES

I am a final year student of the University of Cape Coast pursuing an MBA Degree programme in finance. I am conducting a research on the Tier-three pension Schemes in the Upper East Region of Ghana with the title “**Attitude of Public Sector workers towards the Voluntary Pension Schemes**”

The following questions have been designed to enable me carry out the research and come out with findings which will be useful for improving the operations of Provident/personal pension plans in Ghana.

You have been selected as one of the respondents and I shall be very grateful if you would please spare me a little of your time to complete this questionnaire. Any information provided shall be used strictly with absolute confidentiality.

However, you have the right to willingly decide to participate in the study or not and can opt out at any point in time.

A. DEMOGRAPHIC INFORMATION

Please tick as applicable

1. Sex (1) male [] (2) female []

2. Age

(1) 18 -28 []

(2) 29 -39 []

(3) 40 -49 []

(4) 50 -59 []

3. Marital status

(1) Single []

(2) married []

(3) co-habiting []

(4) Divorced []

(5) Widowed []

4. Educational level

(1) No formal education []

(2) Primary/JHS []

(3) Middle School []

(4) Secondary/Technical education []

(5) Post-Secondary education []

(6) Tertiary education []

5. Religion

- (1) Christian (Orthodox) []
- (2) Christian (Protestant) []
- (3) Muslim []
- (4) Traditionalist []
- (98) Other (State)

B. GENERAL QUESTIONS

(6) You are here as

.....

(7) What kind of fund members of your organization belong to?.....

.....

.....

(8) What is the enrolment of membership to your funds?

.....

.....

(9) What other products/tier-three pension schemes that members of your union subscribe to?.....

.....

(10) List the type of instruments/investments you commit members'

contributions to.
.....
.....
.....

(11) Can you estimate the rate of turnover of members of your union?

.....
.....

(12) What about the rate of joining the union, is it low or high?

(1) low [] (2) high []

(13) Do you update members with information about their contribution by a way of statements? (1) yes [] (2) no []

(14) If yes to question 12 above, how often do you update them.

(1) Monthly []

(2) Quarterly []

(3) Yearly []

(15) What challenges you face as a Manager/Regional Representative?

.....
.....
.....

THANK YOU