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Examining the Ghanaian Pension System: An economic perspective

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Abstract:

The pension industry plays a critical role in ensuring old-age income security. If the elderly are not well catered for, it may lead to hardship and fiscal pressure on the government, with potential negative implications for the labour market, financial markets, savings, and overall economic growth. This research provides an economic analysis of the Ghanaian pension system, evaluating it in accordance with World Bank recommendations. The study sought to determine whether the pensions paid to beneficiaries are adequate, financially sustainable, and affordable. It also addressed the coverage of pension payments and explored the challenges in pension implementation in Ghana. The analysis utilized the World Bank Multi-Pillar Pension Evaluation Model. Telephone interviews were conducted to gather information from pensioners and pension fund managers, supplementing the secondary documents used. This research employed a qualitative approach using a thematic method of analysis. The main findings indicate that Ghana's pension system provides inadequate pensions, faces sustainability threats, hinders equity, and reduces affordability for private-sector employers. Additionally, there are identified investment risks, a lack of robustness, weak supervision, and distortions in the labour market. However, the pension system is deemed predictable and contributes to economic growth. Recommendations for Ghana include setting a relatively low pension premium by managers to attract low-income earners and the creation and adoption of electronic contribution and payment systems to facilitate easy access and regular contributions.

Keywords: Pensions; Social Security; Challenges of Pension Systems; Defined Benefits; Defined Contribution.

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1. Introduction

The aspiration to live, at least, a moderate life after retirement can be achieved if adequate preparations in terms of financial investments are established. However, many individuals are mostly not economically prepared for retirement because of either limited savings or a lack of assets to generate income (Diaw, 2017). Furthermore, the financial preparedness of individuals for retirement is often poor. As a result, most countries institute various social security programmes including pension plans to alleviate the plight of their citizens from this economic quagmire.

In Ghana, the population of the elderly or those individuals who have reached a statutory minimum pensionable age has increased more than seven-fold since the 1960 population census. The figure increased from 213,477 in 1960 to 1,643,381 in 2010, constituting 6.7 percent of the total population compared to 4.5 percent in 1960. Following this trend, it is projected that Ghana's elderly population will reach 2.5 million by 2025 and 6.3 million by 2050 (Ghana Statistical Service, 2013). The country's life expectancy increased from 50.03 in 1975 to 60.03 years in 2010. The 2020 estimate of life expectancy is 64.9 years with 63.8 years for men and 66.1 years for women (United Nations Population Prospects, 2020). These statistics show that Ghana has one of the highest proportions of persons aged 60 years and over in sub-Saharan Africa (Mba, 2010). The rise in the elderly population coupled with the gradual rise in life expectancy has important implications for old age income security and the pensions of retirees.

Despite this gradual increase, the existing social cash transfer programme in Ghana termed Livelihood Empowerment Against Poverty (LEAP) introduced in 2008 to transfer cash to extremely poor households across the country, allocated only 10 percent of its funds to the elderly over 65 years who are eligible for benefits (Ghana Statistical Service, 2013). Beneficiaries across the country in 2016 numbered 90,785 of which only about 9,079 were elderly individuals. Unfortunately, the beneficiary households in 2017 received a paltry USD 11.20 a month depending on the household size of eligible members. Given the predicament of the Ghanaian elderly, there is a need for a pension system or other social assistance programmes that will ensure their income security. This research, therefore, provides a criteria-based analysis of the Ghanaian pension system.

In relation to the justification for this study, since the implementation of the new pension reforms in Ghana in 2008, some challenges have been identified. Chief among them is the evidence emanating from the first batch of beneficiaries in 2020. The Ghana Trade Union Congress observed that workers who retired in 2020 became victims of the pension system reform that promised better retirement income but delivered worse outcomes than its predecessor. The conditions in the new pension reforms raise insecurity for pensioners compared to the old system. In addition, private-sector employers have adopted a strategy of channelling workers' remuneration into allowances to reduce their share of pension obligations. This practice lowers the actual amount of pension contribution, which inevitably leads to low pensions. It is also found that little empirical evidence has been generated, and there is no comprehensive analysis of the new system. These revelations have motivated this research to analyse the extent to which the Ghanaian pension system complies with the recommendation of the World Bank's Multi-Pillar Pension Evaluation Criteria.

2. Literature Review

2.1 Evolution of Pension System in Ghana

This section presents a summary of Ghana's pension system from the colonial era to date. The colonial administration introduced a pension programme to encourage loyalty, improve performance among colonial civil service workers, and ensure at least a basic pension during retirement (Kpessa, 2010). The retirement benefit was non-contributory and was considered a reward for diligent services rendered to the queen and colony. It also covered other public sector workers who complied with the loyalty criteria approved by the colonial administrators (Government of Ghana, 2006). Unfortunately, this income protection policy covered only urban workers who were mainly Europeans and a limited number of Africans (Asamoah & Nortey, 1987). Later, the colonial government enacted a National Pension Scheme known as “CAP 30” coined from Chapter 30 of the Pension Ordinance of 1946. The scheme was to replace and merge the existing pensions into a single unified scheme that provided equal benefits to expatriates and local employees (Government of Ghana, 2006). Originally, the scheme was a non-contributory scheme for civil servants and armed forces personnel. Later, it was amended to a PAYG system, but the members of the Ghana Armed Forces, the Police and Prison Services, and senior staff of public universities and research institutions were not migrated because the government yielded to the pressure from union leaders who insisted to remain on the old non-contributory scheme.

A major weakness under the CAP 30 pension scheme was that a public servant who was sacked or fired lost all retirement benefits. This scheme also posed a fiscal drain on the budget of government due to its Defined Benefits and PAYG nature. A reform was therefore initiated. In 1965, the immediate post-independence government introduced a Provident Fund scheme that covered other categories of workers such as the private sector which was not previously captured under the CAP 30 scheme (Kpessa, 2010).

2.1.1 Post-Independence Provident Fund

The Provident Fund scheme established in 1965 was an improved national pension scheme for public and private sector workers and alleviated the fiscal risks of a Defined Benefit system. The scheme paid contributors a lump sum financial benefit that accrued from membership contributions over some time and yields from the investment of funds (Dixon, 2000). One challenge of this system was that the returns generated from investment in government bonds were low. To address some of the shortcomings of the Provident Fund scheme, especially regarding coverage and management, a new Act was passed in 1972. This led to the establishment of the Social Security and National Insurance Trust (SSNIT) as an independent corporate body to manage pension schemes in Ghana. Although SSNIT continued to operate as a Provident Fund scheme, it provided compulsory coverage for workers in all establishments that employ at least five workers. Membership was also opened to firms with less than five employees to join voluntarily. The economic instability in Ghana in the 1980s rendered the lump sum benefits paid to pensioners woefully inadequate hence, the formation of a national Social Security Pension Scheme that paid monthly annuities to pensioners until their death (Anku-Tsede et al., 2014; Dei, 1997; Dorkenoo, 2006). The scheme took into consideration three main contingencies: old age, invalidity, and survival benefits. Coverage under this scheme included private and self-employed workers, civil servants, and all other public sector employees who were employed from the 1st of January 1972.

2.2 The Need for Reform

The plight of the aged in Ghana required a significant improvement in pension income. This is because the previous pension regimes did not provide adequate retirement income for workers. The socio-cultural setting places responsibilities on older people who usually act as heads of families and are the first point of call when family members need financial help, especially for funerals and other family engagements. These additional social responsibilities make it difficult for the elderly to spend less during retirement. Public outcry about the inadequacies of pensions to maintain moderate living conditions so far did not yield any meaningful results. The difference between pension schemes also raised concerns. Workers under the SSNIT pension scheme received lower pensions compared to their counterparts who were still members of the CAP 30 scheme. For example, security personnel in the Ghana armed forces, police, and prison service staff continued to enjoy a lump sum end-of-service benefit. Unfortunately, the Social Security Pension Schemes did not cover the informal sector, which employs over 80 percent of workers (National Pensions Act, 2008 -Act 766). These concerns led to protests by workers’ unions and consequently the calls for the pension level to be raised to match those on CAP 30, and the abolition of the SSNIT pension scheme. In 2004, the government of Ghana responded to these demands by initiating major pension reforms, which are discussed in the next section.

2.3 The Current Three-Tier Pension Scheme

In July 2004, the President of Ghana appointed a nine-member presidential commission to examine the existing pension schemes. The Commission submitted its final report to the government in March 2006. The main recommendation of the commission is the creation of a new three-tier pension system consisting of three pillars: two mandatory and one voluntary pillar. The new Act 766 specified that the full retirement age be maintained at 60 years and 55 years for those who work under hazardous conditions such as underground mining, quarry or steelworks, or any other employment where the worker stands the risk of contracting industrial diseases (sections 75 & 76 of Act 766). The new system is a hybrid of Defined Benefit (DB) and Defined Contribution (DC) plans designed to generate better retirement benefits.

It must be noted that for the Tier-One (DB) scheme, SSNIT assumes the mandatory responsibility of providing pensions to workers during their retirement. However, with the Tier-Two (DC) scheme, employers make regular contributions to workers' retirement accounts but are not mandated to provide an annuity to retired employees since the function of this tier is only to top-up pension received from Tier-One. With the Tier-Three scheme, adequacy becomes the sole responsibility of the recipient of the lump-sum amount. Contributions to the Tier-Three scheme can either be made by individual members or both individuals and employers. This pillar aims to enhance individuals' asset levels toward retirement. The details of the pension system are discussed in the following sections.

2.3.1 Tier-One

Tier-One is a mandatory contributory DB scheme designed strictly for formal sector workers under the management of SSNIT. The aim is to provide a basic monthly pension to workers in the formal sector. Contributions for Tier-One are fully tax-exempt and are financed by both employers and employees. While the employer contributes 13 percent of the worker's monthly basic salary, the employee contributes 5.5 percent with a total contribution rate of 18.5 percent. Of the 18.5 percent, the employer remits 11 percent within 14 days of the ensuing month to SSNIT towards the employee's monthly pensions (Tier-One), 5 percent to designated private fund managers towards Tier-Two contribution, and 2.5 percent to National Health Insurance Scheme (NHIS), a contributory social health insurance scheme.

The Tier-One scheme requires workers to contribute for at least 180 months to qualify for a full pension instead of 240 months under the previous Pension Act 247. The scheme will only pay monthly benefits (no lump-sum payment) to employees upon retirement and is protected against inflation and market risks. A contributor who fails to meet the minimum 180 months before retirement will receive accumulated contributions plus interest calculated at 75 percent of the Government 91-Day Treasury Bill rate.

The calculation of employee benefits is based on the National Pensions Amendment Act, (2014), (Act 883). This Act stipulates that those who contributed for the minimum period of 180 months are entitled to 37.5 percent pension right times (average of the three best years' salary). Every additional twelve months' contribution gives the member a 1.125 percent annual accrual rate up to a maximum of 60 percent. That means an employee who has worked continuously for 35 years (420 months) qualifies for the maximum provision. The scheme also pays a lump sum of 15 years monthly pension to the survivors of a deceased member who have made contributions for at least 180 months.

Similarly, if an employee is deceased before the mandatory 180 monthly contribution baseline, the survivor(s) will receive a lump sum benefit equivalent to 15 years of final pension proportional to the contributions made. When a pensioner dies before age 75, the survivor(s) will receive the balance of unpaid pensions until the age 75 years of the deceased. Thus, a pension is guaranteed to be at least 75 years. However, a pensioner above 75 years continues to live on a pension until death.

It is important to note that the 2014 Act 883 was an amendment to the 2008 Act 766. The amendment aims to achieve the following:

i) To reduce the age exemption from 55 years to 50 years for those affected by Act 766 from its inception on January 1, 2010.

ii) To adjust the formula for the computation of pensions that is stated incorrectly in Act 766.

iii) To introduce an Emigration Benefit under Tier-One.

A non-Ghanaian member whose service ended and is leaving Ghana will receive whatever benefit is due to him/her, paid as a lump sum in Ghanaian currency. Act 883 stipulates that any information that may be required from employers by fund managers (SSNIT) must be provided within seven (7) working days to ensure effective regulation.

2.3.2 Tier-Two

Tier-Two is a mandatory fully-funded occupational DC scheme that is privately managed with monthly contributions of 5 percent of the basic salary of all formal sector employees. This pillar aims to improve pensions by providing a supplementary lump-sum benefit to members upon retirement in addition to the monthly annuity that will be received from Tier-One. Contributions are fully tax-exempt; thus, they are deducted from workers' monthly gross earnings before income tax. To boost pension income, cash withdrawals from this account are not allowed until retirement. Lump-sum benefits are paid to individuals upon retirement, and they comprise all contributions made to the scheme in addition to returns earned on the investment. If an employee is deceased before retirement, the next of kin will receive a lump sum benefit equivalent to the contributions made in addition to interest income from investment. This scheme is privately managed but regulated by the National Pensions Regulatory Authority (NPRA), the licensed service provider.

2.3.3 Tier-Three

Tier Three is a voluntary or optional DC scheme consisting of two components; a voluntary provident fund for formal sector employees and a personal pension scheme targeted at informal workers and other individuals. Firstly, formal sector workers make voluntary savings to a provident fund scheme with a discretionary monthly contribution that varies among workers aside from the mandatory contributions made towards Tier One and Tier Two. Although employers are not mandated to contribute to the Tier-Three scheme, most employers do so to motivate workers to stay longer on the job and to reduce high labour turnover. However, the contribution rate may vary from one employer to another (Anku-Tsede et al., 2014). Act 766 stipulates that employers who contribute to Tier-Three are entitled to some tax benefits as these contributions are tax-exempt. Members of the Tier-Three scheme will receive a lump sum benefit upon termination of service, death, or retirement. Similar to Tier-Two, this scheme is also managed privately by approved pension fund managers and custodians licensed by the Security and Exchange Commission and registered with the NPRA.

This scheme gives contributors access to a maximum of 50 percent of contributions for specific needs. For example, contributors may use their share to purchase land, establish another business to generate extra income, fund their wards' higher education, and act as collateral for a mortgage towards the acquisition of residential property before retirement. These may cushion members from the burden of financial constraints, indebtedness, and rent payment, and ensure adequate financial preparation towards retirement. One other provision of this plan is that although contributors have access to their funds, any cash withdrawal before at least ten years of contribution attracts a 15 percent tax levy on the total sum withdrawn. In the same vein, termination of the account before the tenth year of contribution will attract a tax rate of 15 percent of the accumulated savings. The intention is to discourage contributors from early withdrawal so that they can accrue sufficient funds. Cash withdrawal from the fund is tax-free after ten years.

Most importantly, the second component of the voluntary plan which is the Personal Pension Scheme is more focused on workers in the informal sector who constitute about 80 percent of the Ghanaian working population and are not covered by a pension scheme (National Pension Act 2008, Act 766). Secondly, the Personal

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Pension Scheme aims to provide additional cover for individuals who desire to make voluntary contributions to enhance their pension benefits beyond the mandatory first and second-tier schemes and any provident fund scheme. Contributors to this scheme will have two separate accounts: the retirement account that will provide benefits on retirement and a personal savings account with rules for withdrawals (set by the fund holders) before retirement. Unlike the provident fund scheme, withdrawals from Personal Pension Accounts are tax-exempt. This implies that informal workers can make pension contributions without worrying about how much the government will deduct from their hard-earned savings. This provision serves as an incentive to contributors and a morale booster for more workers to enroll. The scheme pays a lump sum benefit upon termination of service or death. Additionally, informal workers in Ghana do not pay personal income tax. This is so because their activities are not regulated, and they hardly keep records of their earnings which are often irregular. However, they pay tolls or obtain Business Operating Permits for a specified period depending on the nature of the job.

2.4 Theoretical review

2.4.1 Positive Theory of Social Security

The positive theory of social security proposed by Sala-i-Martin (1996) and supported by Tabellini (2000) is also a relevant theory for the analysis of pensions. The theory stipulates that an economy would induce a higher aggregate output if elderly workers were replaced with younger ones. Thus, planning and securing the future for older workers would enable them easily to exit the labour market. The theory points out that there are positive externalities in the average stock of human capital and that skills devalue with age. More so, elderly workers have on average less energy and are deficient in new skills that have adverse effects on productivity. According to Verbon (2012), when the value in skill levels between the young and the old generation is compared and the difference is large enough, then the national output should be higher if elderly workers exit the labour market. In this case, retirement is desirable for the elderly, and social security transfers serve as retirement inducement. Verbon (2012) posited that the positive theory is one of the most dominant in explaining the existence of public pension schemes.

The theory explains that pensions are a means to induce retirement, thus paying the elderly to relinquish jobs for the young and redistributing income across generations. According to this theory, a pension programme can achieve this objective because they usually require records of contribution as a prerequisite for participation. Pension programmes encourage the young to work in return for future transfer payments. In this case, income is moved away from the young towards the elderly who are eligible. It is further argued that pensions in general and public pensions, in particular, have the potential to influence work decisions and efforts. By discouraging work among the non-working aged, labour allocation to jobs may improve and this may further reduce distortions in the labour market. However, such redistribution may not occur without welfare implications which explains why most pension programmes focus on income redistribution (Sala-i-Martin & Mulligan, 2000).

Sala-i-Martin (1996) testified in his study that this theory is consistent with social security and pension schemes and reforms. It brings the understanding that effective and efficient planning towards the welfare of older workers induces economic growth, especially with regard to issues about labour market participation. The impact of this theory (though arguable) is that elderly workers are less productive and must exit the labour market for the younger ones that have more energy and skills to work. They, therefore, need financial reparation for this important exit.

But the question remains whether elderly workers are indeed less productive. Van, Jan, and Stoeldraijer (2010) opined that an effort to establish a direct link between age and productivity is not easy. According to the authors, productivity at the workplace is usually measured collectively and is complex to isolate at the individual level. Since workers are made of individuals of different ages, identifying the relationship between age and productivity is not easily discernible and can only be determined on rare occasions; for instance, in testing average speed in sports contests (Van & Stoeldraijer, 2010). However, it is essential to indicate that physical running only reveals the physical state of an individual and may not necessarily reflect on total productivity.

2.5 Research framework

2.5.1 The World Bank Pension Evaluation Model

An effective pension system must meet the functions of saving, re-distribution, and insurance simultaneously (World Bank, 2005). To achieve these objectives, a multi-pillar approach is required and regarded as essential for a comprehensive assessment of pension systems. This section briefly discusses the Multi-Pillar Pension Evaluation Criteria recommended by the World Bank.

2.5.2 The World Bank's Multi-Pillar Pension Evaluation Criteria

After the consideration and application of the Multi-Pillar Model by a nation, the World Bank in 2005 further proposed that the entire pension system design be evaluated with the aid of primary and secondary criteria that are discussed in the sections below.

i) Primary Evaluation Criteria

The primary criteria used by the World Bank (2005) are the ability of the pension reform to maintain adequacy, affordability, sustainability, equity, predictability, and robustness while ensuring that the objective of income smoothing and welfare enhancement of the aged is achieved at a country level. These criteria are now discussed briefly.

- Adequacy: This addresses the need for the pension system to provide benefits sufficiently to the entire population to prevent old-age poverty at a country-specific level.
- Affordability: It is required that the pension system must be within the financing capacity of individuals and their respective nations. It is also required that the system does not impose a heavy fiscal burden on the state or unduly displace support for other social or economic needs.
- Sustainability: Another important aspect of a pension system is its sustainability. The framework requires that the pension system possesses a sound financial standing that can be maintained over a long period of time.
- Equitability: An equitable pension system requires that some redistribution occurs by channeling income from wealthy individuals to the lifetime poor to promote social fairness.
- Predictability: To ensure predictability, the World Bank (2005) framework proposes that:
    a. There is a legal benefit formula upon which computations are based. Arbitrary determination of benefits by policymakers or managers infringes on the transparency and fairness of the system.
    b. The formula in the DB system is designed to protect individual contributors against price fluctuations (inflation-indexed). Likewise, the investment policy in the DC system may protect individuals against market volatility prior to retirement but bears the market risk after retirement.
- Robustness: A robust pension system refers to the ability of the system to withstand major economic, demographic, and political shocks.

ii) Secondary Evaluation Criteria

In addition to the primary criteria, the World Bank (2005) extended the pension systems framework to include the secondary evaluation criteria which seeks to evaluate the system's contribution to output and growth. This consideration is based on the fact that any well-functioning pension system modelled on the aforementioned criteria is capable of ensuring economic growth and stability. The relevant criteria in this respect include minimization of labour market distortions, contribution to savings mobilization, and contribution to financial market development. Irrespective of the pension system design, benefits are ultimately linked to the economic environment and output. It is therefore essential that the systems over time contribute to growth and output to be able to deliver the promised benefits.

3. Methodology

A qualitative approach aided by an exploratory research design is used for this study. This study extensively employed secondary data that are made available in government policy documents on pension and social security, the World Bank, the ILO, and the OECD report on pensions, as well as other relevant journals and publications in the field of pensions and social security. This study also gathered primary data from in-depth interviews to enhance evidence obtained from secondary sources. The use of interview-guide made allowances for open-ended questions to create the opportunity for the interviewer to obtain more information on responses, and to also allow for questions and queries on the part of the participants. According to Saunders and Townsend (2016), participants from a homogeneous population must be selected with expert knowledge to achieve the requisite level of adequacy and point of saturation during qualitative interviews. Francis et al (2010) opine that an adequate level of saturation and sufficiency is attained if the interviews involve a homogenous population of 6 to 12 participants with expert knowledge. Furthermore, Saunders (2012) suggests that a range of 4 to 12 participants from a homogenous population provides saturation and sufficiency of data collection during qualitative interviews. However, Creswell (2007) suggests a sample size of 12 to 30 for interviews involving a heterogeneous population. This study selects respondents from a homogeneous population of pension fund managers and regulators who have expert knowledge of the topic under investigation and whose responses provide first-hand information to assist in achieving the intended research goals. Questions included in the interview guide are designed in line with the World Bank Multi-Pillar Pension Evaluation Criteria. These criteria informed the main themes for research discussions.

3.1 Sampling Technique and Selection of Participants

The purposive sampling technique was used to draw information from twelve (12) pensioners and twelve (12) pension fund managers who are the subjects of interest in this study, and who have expert knowledge of the topic under investigation. In addition, the method is supplemented by a review of relevant documents published by pension institutions to enhance the robustness and promote the credibility of the inquiry process.

To recruit participants, first, the researcher requested a gatekeeper's letter from the Public Affairs Manager of Social Security and National Insurance Trust (SSNIT) at the head office in Accra as clearance to conduct interviews. SSNIT was approached because it is the largest, and the only state pension fund management institution in Ghana. Telephone numbers of the managers including some deputies were obtained. The researcher contacted the pension fund managers individually by telephone for a formal introduction, the declaration of intention, and the exchange of email addresses. This was followed by the issuance of an informed consent form through the respective email contacts of the proposed participants. Managers who were willing to participate and had consented to do so became the "study participants". Thereafter, interview dates and times were decided.

In the case of recruiting pensioners, the researcher contacted the Area Head of the Church of Pentecost, Ghana at Madina municipality in Accra to express his intention to collect data from pensioners in the church, specifically the Madina central congregation. A gatekeeper's letter was obtained from the Reverend Minister as clearance to collect data. Subsequently, telephone numbers of pensioners were obtained from the church's register. Thereafter, the researcher contacted the pensioners individually by telephone for a formal introduction, declaration of intention, and exchange of email addresses. This was followed by the issuance of an informed consent form through the prospective participants' respective email contacts. The researcher then selected twelve (12) pensioners who agreed to participate. Thence, the interview date and time were finalized.

The church was also approached because, as one of many COVID-19 safety protocol measures, religious groups in Ghana were required to keep a register that contains records of all church participants as outlined by the president of Ghana in the "14th National Address on COVID-19" on July 26, 2020. The Madina central congregation was chosen because the researcher's preliminary investigations revealed the existence of such records. The church's records showed 39 regular members who were pensioners, out of which twelve (12) were selected for telephonic interviews.

3.2 Data Collection Method

Taking into account the COVID-19 pandemic situation, interviews were conducted via telephone on a one-on-one basis and on dates convenient for the participants with each session lasting between 35 and 45 minutes. The reason for the choice of the telephone interviews is that the method presents researchers with a more suitable option, and access to participants in situations where it requires that both parties keep an acceptable physical or social distance, as is required since the outbreak of the COVID-19 pandemic. In these circumstances, face-to-face interviews may be very risky and unsuitable, because both the interviewer and respondents may become infected if one of them is asymptomatic or symptomatic or if one of them handles objects contaminated by the virus or enter a high-risk group or hotspot COVID-19 area. Secondly, interviews by telephone make it possible to interview individuals who may not otherwise be available due to their location or constraints of internet connectivity.

The researcher asked permission from participants to audio-record the interview session to ensure accurate transcription. Handwritten notes were also taken during each interview. The researcher observed the following procedures to recruit participants for the study:

i. Only those who are pensioners or pension fund managers were selected.
ii. Only those who signed the consent form were included.
iii. Individuals who indicated to be available for the interview were contacted.
iv. Individuals who may have the time to complete the interview process were considered.
v. Individuals who would not demand and insist on financial inducement before, during, and after the interviews were considered.

3.3 Method of Analysis

The thematic method of data analysis was employed to allow for systematic classification, analysis, and interpretation of the evidence gathered. The analysis relied on the World Bank's Pension Systems Evaluation Criteria, where each variable in the model constitutes a theme for discussion.

3.4 Trustworthiness

To strengthen the quality and integrity of this study, the researcher applied Lincoln and Guba's (1985) evaluative criteria. This study employed data triangulation, member checks, and peer reviews to strengthen the credibility and conformability of the study. The researcher also performed an audit trail by keeping track and accounting for all the research activities to enhance the dependability of the research. Finally, to ensure the authenticity of the findings of the study, attentiveness was ensured to report the true feelings of respondents as expressed during the data collection process and to depict the actual issues for possible action.

4. Results from Interviews

This section presents a summary of the findings from interviews conducted to supplement the evidence gathered from the literature and document survey. Twelve pensioners and twelve pension fund managers participated in the telephone interviews. The pensioners ranged in age from 61 to 80 years, and they worked between 20 to 44 years before retirement. The work experience of the fund managers interviewed ranged from 6 to 15 years. Sections 4.1 and 4.2 present a summary of the salient information obtained from pensioners and pension fund managers respectively. The responses reemphasized some of the issues highlighted in documents and literature.

4.1 Responses from Pensioners

All twelve respondents indicated that the level of pensions is too low, leaving most of the pensioners in poverty. One respondent remarked:

"If I am to depend on the pension alone, my living condition would have been miserable".

Five of the participants mentioned poor supervision and management, leading to delays in processing pension payments to new retirees. One of them indicated that:

> "The collapse of Social Security Bank and Merchant Bank owned by SSNIT are typical examples of SSNIT's mismanagement of pensioners' resources".

Another also mentioned that:

> "SSNIT's inability to retrieve a colossal amount of four billion Ghana cedis (Gh¢4billion) owed it by the government of Ghana as stated in the 2021 Ghana's Auditor General report is a clear manifestation of SSNIT's poor supervision and management".

One participant also mentioned cumbersome bureaucratic administrative processes leading to long delays in pension payments, especially for new retirees.

One participant mentioned high administrative costs concerning staff remuneration. He asked:

> "How can the CEO of SSNIT earn (Gh¢ 75,000 in 2020) more than the president of the country?"

The two Cap 30 pension recipients were more satisfied than beneficiaries of the Three-Tier pension scheme.

Six participants indicated that they did not contribute to the voluntary pension scheme because of a lack of confidence in the financial sector due to investor fraud.

Eight participants did not properly understand the components of the voluntary scheme, while the remaining four retired before the introduction of the voluntary scheme.

4.1.1 The respondents further gave the following general advice:

All twelve respondents warned against early retirement especially if workers did not make adequate financial savings or have vibrant businesses to depend on during old age. They advised that workers begin early in their careers to save and invest for their retirement; this is very important for all young workers.

Workers must plan their families carefully to prevent expenditures on education during retirement (six participants).

Workers are encouraged to pay their pension contributions regularly no matter the level of their income. One interviewee remarked:

> "Every worker must contribute to a pension since half a loaf is better than none".

The National Health Insurance Scheme for pensioners should extend its coverage to more diseases to assist pensioners (all twelve participants).

Pension funds should be managed well and invested in more profitable ventures that will benefit retirees (eight participants).

Workers must plan to have extra income to supplement their pension due to unforeseen circumstances (ten participants).

Supervision and control of the financial sector should be improved to allay workers' fears of participating in voluntary private pension schemes (seven participants).

Education and publicity of the components of the voluntary pension scheme should be improved (eight participants).

SSNIT and the government should collaborate to provide affordable housing to pensioners (all twelve participants).

Annual pension increments (indexation) should reflect the prevailing economic conditions in the country (eleven participants).

Pensioners should be represented on the National Pension Board to ensure their concerns receive attention (two participants).

The government as an employer should remit its share of contribution to SSNIT timely and regularly to ease part of SSNIT's problems (one participant).

The government should strengthen the effort to unify all parallel schemes as enshrined in the Pension Act 766 to avoid discrimination (two participants).

Fund management boards should follow the pension computation formula strictly and apply it carefully (one participant).

The government should give certain incentives to pensioners such as subsidized utility bills and public transport fares (one participant).

4.2 Responses from Pension Fund Managers

The Ghanaian pension system lacks any provision to protect the low-income group.

Benefits are adjusted upwards annually depending on the inflation rate; however, the impact of these adjustments is insignificant due to the generally low levels of pensions.

The financial markets in Ghana are small and less developed compared to advanced countries such as the United Kingdom.

The capital market in Ghana is volatile due to fluctuating interest and inflation rates and as a result, has little foreign participation.

A further problem in financial markets in Ghana is attributed to the late (2012) licensing of credit rating agencies, which are yet to gain public and corporate recognition.

There exists legislation to prosecute recalcitrant employers who evade contributions.

There are monitoring measures to maintain a clean pension register to prevent payments to non-existing retirees.

Pension funds are invested only in domestic financial markets. The investment portfolio of the fund is divided into equities, fixed income, and alternative investments such as investments in residential and non-residential properties and loans.

NPRA and SSNIT have strategized to revamp public education. These include measures to enroll more members, strengthen the supervisory role, and arrest recalcitrant and defaulting employers. These should raise contributions and make the system sustainable.

Life expectancy is gradually rising, implying a rise in pension expenditure but no decision has been taken yet about increasing the retirement age.

Myopia is the main challenge that limits the participation rate. Myopia in this context refers to labour supply and savings decisions by individuals that postpone savings because individuals regard retirement as far in the future and not important when they are young.

Tiers two and three have brought new private fund management institutions, which have enhanced savings mobilization and created many jobs.

5. Discussion of Findings

The discussion follows the World Bank's pension system evaluation criteria as discussed earlier.

5.1 Sustainability

The SSNIT pension scheme undergoes periodic actuarial evaluation to determine the financial sustainability of the scheme. The results of such evaluation vary over time. For example, the 2004 actuarial report projected that at a two-percentage point return on investment and a three-percentage point annual increase in coverage, the scheme could be sustainable for a fifty-year (2004-2054) period (Kpessa, 2010). Notwithstanding this projection, the 2011 actuarial report revealed that the scheme (Tier-One) faced long-term sustainability constraints and should reach its equilibrium in 2018 (Kwabla-King, 2017). This means that with the current rate of contributions, the cost of benefit payments and administrative expenses are projected to exceed income from contributions and investments after 2018. However, it is difficult to validate this claim since the institution must still conduct its actuarial evaluation for 2022.

Meanwhile, the last available actuarial report in 2014 indicates that the SSNIT pension scheme is not financially sustainable for the period to 2064 (SSNIT Annual Report, 2016). According to this report, "given the applicable financial rules, the demographic and economic environment in which the scheme operates, the current assets together with the future contributions of members will not be sufficient to pay all future benefits, administrative and operational expenses over the period covered by the projection" (SSNIT Annual Report, 2016). Indeed, predictions of these reports have started manifesting as the rate of change of total pension incomes fell below total pension expenses, and the rates of the differences were -15.65 and -47.98 in 2015 and 2016 respectively (SSNIT Annual Report, 2016). From these facts, it appears that the Tier-One scheme managed by SSNIT is encountering a financial challenge. During the same period, benefit payments and administrative costs increased but contribution inflows and investment returns dwindled. For example, benefits payments outweighed contributions by GH₵531,314,000 and GH₵230,354,000 in 2015 and 2016 respectively (SSNIT Annual Report, 2016). Immediate efforts instituted by SSNIT to address these challenges are legislation to prosecute recalcitrant employers who evade contributions, and the implementation of measures to maintain a clean pension register to prevent payments to non-existing retirees. Because of this sustainability threat, revamping the pension system becomes essential.

5.2 Adequacy

Pension adequacy can be determined by the income replacement rate (IRR), which is the ratio of retirement income to pre-retirement earnings. OECD (2017) proposed an average IRR of 72 percent to ensure a moderate living standard. Ghana's new pension reforms pegged the IRR at a minimum of 37.5 percent for 180 months (15 years) contribution and a maximum of 60 percent for 420 months (35 years) contribution. These rates are lower than the minimum of 50 percent and a maximum of 80 percent of the previous scheme because it is expected that the lump sum benefits from the mandatory Tier-Two and the voluntary tier should raise the total retirement benefits.

The practicality of the computation formula of the new pension reforms was put to test in 2020 when the first batch of retirees started receiving their benefits. The meagre nature of the lump sum benefits from the mandatory Tier-Two led to public outcry and the rejection of the formula by the Trades Union Congress (TUC) and other labour unions. Pensioners were disgruntled about the benefits they received and called for immediate changes in the computation formula (Trades Union Congress, 2020). The September 23, 2020, edition of the Daily Graphic published that: "the Trades Union Congress has called on the government to take responsibility for the shortage in the payment of lump sums to pensioners who started retiring from this year under the new pensions Act, 2008 (Act 766). It was the stance of the labour union that the government topped up the shortage on pensioners past credits and second Tier contributions computed under the new law".

According to the general secretary of the TUC of Ghana, it cannot be justified that the retirees of 2020 be paid amounts far lower than what they would have received under the previous (PNDC Law 247) scheme. He gave examples of members who retired in 2020 and received lower lump sums compared to their juniors in the same organisations who retired in 2019, under the defunct PNDC Law 247 (Trades Union Congress, 2020). The TUC, therefore, demands that the amortisation method used in calculating workers' lump-sum pensions be replaced with PNDC Law 247 to calculate retirees' lump-sum payments to improve pensioners' position. They requested that new retirees who are affected in 2020 must be duly compensated. The government promised to compensate the affected individuals although this will increase its fiscal liabilities. An affected respondent made the following remark in an interview conducted for this study:

> "Unfortunately for me, despite the government's promised 10-day duration, it has been three (3) months now; I have not received my lump-sum pension payment although I have completed all the necessary documentation. I followed up to my workplace but to no avail. I feel it will even be worse for other pensioners in institutions that do not have fund managers and whose funds are still in the custody of the government. CAP 30 is available for Senior University staff only and does not extend to us as junior staff".

Given the evidence emanating from this first batch of beneficiaries, the TUC observed that workers retiring in 2020 have become victims of the pension system reform that promised improved retirement income but delivered worse outcomes than its predecessor. The conditions in the new pension reforms raise insecurity for pensioners compared to the old system. These matters require prompt attention from government and pension managers to ensure that the goal of pension adequacy is achieved.

Another factor that explains the inadequacy of pensions in Ghana is that low-salaried individuals find it difficult to make contributions or extend contributions to the voluntary pillar to improve their pension income. According to a statement by the Director of SSNIT 50 percent of pension fund contributors earned less than GH¢ 1,100 (US$ 196.43) a month, about 35 percent earned less than Gh¢700 (US$ 125), and only 5 percent or less earned GH¢ 5000 (US$ 892.86) or more a month (Trades Union Congress Press Statement No.2021/01). Interviews conducted for this study revealed that due to low salaries generally, pensioners without supplementary pension provisions usually fall into poverty.

This finding is consistent with the results of Dorfman (2015) on pension system adequacy in Sub-Saharan Africa. According to Dorfman (2015), pensions in the sub-region are inadequate, especially for workers who lack supplementary pension provisions, and who represent the majority of the labour force. According to the Director-General of SSNIT, the pension income workers receive at retirement reflects the level of their salaries (Trades Union Congress Press Statement No.2021/01). Low earnings result in low contributions and eventually, result in low pension income since the computation of pension correlates with salaries. The situation is made worse by a strategy adopted by employers to channel workers' remuneration into allowances to reduce their share of pension obligations. This practice lowers the actual amount of pension contribution, which inevitably leads to low pensions. One way to resolve this problem is to encourage employees to negotiate better-structured salaries. In addition, employees must ensure that employers pay their contributions regularly. However, the reality is that workers cannot easily negotiate for higher salaries because there is excess labour supply, leading to a 4.5 percent unemployment rate in 2020, which is a decrease from 10.2 percent in 2015 Ghana Statistical Service, 2015; Verbon, 2012).

Another emerging trend in Ghana is that due to the high unemployment rates, employers have resorted to offering jobs on a part-time basis and renewing such contracts upon expiry. Others also employ National Service Personnel and yearly request for a fresh batch. By using these tactics, employers avoid the mandatory contribution toward the worker's pension to decrease operational costs. This development can have a dire consequence on pensions and therefore needs urgent redress. One could argue that pension contributions should be paid no matter the type of employment, whether full-time/part-time or permanent/temporary.

5.3 Affordability

Pensions in Ghana are not financed by the government through taxation, and no government support is provided to the poor elderly. Since the 1970s Ghana's macroeconomic and fiscal position has been dwindling. Despite the economic reform agenda pursued to achieve fiscal stability, it failed to yield many transformations. Worsening economic indicators in recent years attest to the uncertain performance of the Ghanaian economy. External debt stock has been rising from $US 7.34 billion in 2005 to $US8.36 billion in 2010. In 2020, the figure escalated to $US 42.16 billion (Historical data, 2020). The debt-GDP ratio rose from 16.58 in 2008 to 39.22 in 2016. It increased further to 70.12 in 2020. The continuous depreciation of the cedi led to a deteriorating currency value from US$ 1.00: GH¢1.00 in 2008 to $US 1.00: GH¢6.19 in September 2021. The situation is depressing from a foreign trade perspective. The trade deficit was -$US5.6 billion in 2015 but reduced to -$US3.08 billion and -$US 0.75 billion in 2016 and 2018 respectively (Historical data, 2020). Against the present macroeconomic background of Ghana, it could be argued that Ghana does not have the adequate financial capacity to implement and sustain a poverty-prevention pension pillar.

Furthermore, one way to make pension contributions affordable to private sector employers and prevent them from shifting to appointing contract workers and national service personnel may be to make the contributions of both employers and employees the same. This implies reducing the contribution of employers and raising the contribution of employees. It would also mean that the general low salary structure of workers needs attention, possibly through minimum wage legislation, after analyzing all the possible negative implications.

Participation in Tier-Three is voluntary, and contributions are at the discretion of contributors. This freedom of choice does not mitigate the problem of myopia, which puts retirement income security at risk (Kpesssa, 2011). This tier is designed to provide coverage to informal sector workers who constitute the majority of Ghanaian workers whose incomes are generally low. The flexibility of this scheme inhibits participation, and as a result, adequate coverage suffers.

Another concern is that there are no limitations on the charges providers can levy to cover their administration and operation costs. This is problematic because service providers are at liberty to deduct any amount to meet management costs. The situation becomes worse when contributions are relatively low and irregular.

5.4 Equitability

The government should promote equity by ensuring a minimum pension to low-income earners financed through progressive income taxes to improve old age income security. Obviously, the absence of a universal pension scheme coupled with low coverage does not promote equity and indicates that old-age poverty is still predominant in Ghana. As mentioned earlier, those who receive pensions are the few employed in the formal sectors of the economy. The voluntary scheme that makes provision for workers in the informal sector where most Ghanaians work has not been well communicated. Besides, there is a prevalence of inadequate information (Darko, 2016). It can therefore be inferred that the Ghanaian pension system does not promote equity. Therefore, the government will have to reconsider social pensions without disregarding its fiscal position. This issue is highlighted by a remark by a 62-year-old interviewee:

> "A few pensioners are okay, but the majority especially those who retire in lower-rank jobs are living in very poor conditions. I think it is so because the pension payments are too low and woefully inadequate. My lump sum as a retired basic schoolteacher was not more than GH¢6000 (US$ 1,071.43), and my monthly pension is GH¢375 (US$66.96). The health insurance policy we have from SSNIT does not cover a lot of critical and expensive ailments so that is not very convenient. Though the initial idea behind the pension scheme is to alleviate poverty among retired persons in society, in my opinion, this agenda has failed due to poor management".

5.5 Predictability

A predictable pension scheme specifies how benefits are determined. The system protects contributors from the negative effects of inflation before retirement and automatically indexes benefits during retirement (World Bank, 2005). This is particularly characteristic of Defined Benefit Schemes. Benefit calculation under the first pillar of Ghana's pension reform is clearly indicated and it is predictable. As discussed earlier, an employee's benefit computation is determined by provisions in the National Pensions Amendment Act, (2014) (Act 883). This Act stipulates that those who contribute for the minimum period of 180 months are entitled to 37.5 percent pension rights (average of the three best years' salary) after that, every additional twelve (12) months contribution provides the member an annual accrual rate of 1.125 percentage points up to a maximum of 60 percent. This method of benefits computation differs from the old system, and there are questions about the accuracy of its calculation.

As a DB scheme, the retirement benefits of Tier-One are indexed against inflation. However, for the privately managed DC Tiers, there is no protection against capital loss. Benefits depend on investment returns and the value of contributions. Most custodians try to guard against inflation by investing in equities on the stock market. Other categories of investments include government stocks, bonds, residential and commercial properties, loans, and short-term cash deposits (SSNIT Annual Report, 2016).

5.6 Robustness

There are threats to retirement income security in Ghana (Kpesssa, 2011). The private tiers have no robust mechanisms to protect pension contributions against market volatility. The lump-sum benefits of contributors are not protected against risks that may come from market failures or defaults by service providers. By design, access to private schemes is not restricted, and workers can make their own choices. This, therefore, implies inherent risks for contributors.

In Ghana, the inflation rate fluctuates and is usually relatively high. The annual average rates were 17.45, 12.37, and 18.6 in 2016, 2017, and 2021 respectively. The figure rose further to 31.7 by July 2022. There is also a high possibility of investor fraud. The safety of invested funds in private institutions and companies is a major concern for many investors in Ghana. This concern is genuine because investors in recent years suffered from financial improprieties. Some individuals have lost their investments through fraudulent investment schemes and insolvent financial institutions. For instance, the Bank of Ghana closed seven banks during the 2017 to 2018 banking sector clean-up exercise (Nyalatorgbi, 2018). This preceded the collapse of 23 savings and loans and 370 microfinance institutions (Arku, 2019; Fiifi, 2020). In 2019, the Security and Exchange Commission also closed 53 investment companies (Frimpong, 2019). A respondent indicates:

> "Tier-Three is good. It can help workers save more to avoid the financial problems we are facing now in retirement. However, private investment companies are disincentives to investment in the country. Recently, I believe you heard how people lost their money through fraudulent investment schemes. So people are scared and sceptical to invest in pension schemes managed by private companies. I mentioned Tier Three to my son, but he told me he is scared of losing his money. Security and Exchange Commission should not only be warning investors about the existence of such schemes but rise to their regulatory duties".

Compelling workers to invest their retirement incomes in the private financial market that is inadequately supervised is a risky venture. This market exposes the aged to retirement income security risks. It is therefore imperative for the Central Bank to strengthen its supervision network to regulate and severely punish such unscrupulous private institutions to improve the living conditions of the aged in the informal sector. It also calls for innovative measures to build confidence in the reliability of pension funds invested in private companies.

Although the National Pensions Regulatory Authority (NPRA) is mandated by law to supervise all pension activities in Ghana, the institution is plagued with challenges. Prominent among these challenges is the frequent change of Chief Executive Officers (CEOs). Principle 2 of the IOPS requires that pension supervision authorities have operational independence and that the CEOs be appointed or removed through explicit procedures with transparent mechanisms (IOPS, 2010). The NPRA has failed to comply with this provision. In the past ten (10) years, the regulator has had six different CEOs. This implies that on average, each CEO stayed in office for less than two (2) years. The reasons for this are political interference, misappropriation of funds, and the lack of transparent operations. These frequent changes did not promote the stability of the NPRA because each CEO assumed office with a different management style and strategy. This situation undermined the credibility of the pension system in the eyes of contributors, especially in a system where coverage is low, thus it hampered the smooth progress of work by the regulator.

5.7 Labour Market Impact

The new pension schemes have a direct positive impact on the labour market. The introduction of the two additional tiers created new jobs for citizens. Before the Three-Tier pension reforms, pension schemes were managed only by SSNIT. But with the reforms, Tiers Two and Three are managed by private firms. According to the NPRA, from February 2015, the country had 25 corporate trustees, 62 pension fund managers, and 16 pension fund custodians. The total fund under the management of the private pensions at the end of 2018 was GH₵ 13.0 billion (USD 2.41 billion). These new schemes have helped to create new jobs and have simultaneously boosted the financial sector of the economy (Attah-krufi, 2020).

Nonetheless, the financial contributions required from employers have a negative impact on employment because it leads to higher costs of labour. To mitigate this cost, some employers have channelled workers' remuneration to allowances to reduce their basic salary which is used for the calculation of pension deductions. These actions deprive workers of the full amount of pension contributions and ultimately lead to lower pensions.

5.8 Contributions to savings mobilization and financial market development

Despite the challenges experienced during the implementation of the new pension schemes, pension funds contributed about 4.06 percent to GDP in 2016 (National Pensions Regulatory Authority, 2018). The asset value reached GH₵ 22.2 billion (USD 4.11 billion) in 2018 constituting 6.27 percent of GDP. Of the value, Tiers Two and Three contributed GH₵13.0 billion (USD 2.41 billion), representing 3.68 percent of GDP (National Pensions Regulatory Authority, 2018). Given the drive to extend pension coverage, the proportion of pension assets to GDP is expected to increase further.

As part of the SSNIT's investment policy objectives, the scheme expects to achieve a Real Return on Investments (RROI) of at least 3.25 percent per annum. The investment portfolio of the fund is divided between equities, fixed income, and alternative investments such as investments in properties (residential and non-residential) and loans. The latter constituted about 32.34 percent of assets in 2016. Investment Assets under Management (AUM) grew from GH¢3,972.69 million in 2012 to GH¢7,896.61 million in 2016, representing a compounded annual growth of 18.74 percent over the period (SSNIT Annual Report, 2016). However, the retention of contributions of Tier-Two funds, deposited in the Temporary Pension Fund Account in the Bank of Ghana, deprives the financial firms of the opportunity to invest such funds in a diversified manner.

5.9 Supervision

The International Organization of Pension Supervisors (IOPS) recommends that pension authorities follow suitable risk assessment methodology and techniques of supervision to address market exposures (IOPS, 2010). Risk-based supervision requires ample data collection and management that makes relevant forecasting as well as effective decision-making. Unfortunately, the NPRA does not have such a robust risk-based supervision system. A key challenge for the regulator is the unavailability of data. Two years after the commencement of the new pension scheme, a third-party service provider tasked with the responsibility of providing and managing data on Tier-Two contributions did not have any records due to weak supervision (Okine, 2012). This constitutes a violation of an essential component of pension system supervision. What made matters worse was the inability of NPRA to provide proof of how funds paid into the Temporary Pension Fund Account (TPFA) were invested (Okine, 2012). Ensuring and enforcing employers to comply with industry regulations alone is not enough to cushion the industry against market shocks. It is expected that by moving towards risk-based pension supervision, NPRA must establish a functional research unit that will generate adequate data needed for effective supervision that meets international standards.

The continuous existence of other parallel pension schemes in Ghana for some selected public sector workers is another area of concern, which also contravenes the Act that established the new pension reforms. According to the Pension Act 2008 (Act 766), within five years of the implementation of the reforms, parallel pension schemes (CAP 30) such as those for public universities, public research institutions, armed forces, police service, fire service, judges, and judicial service workers will be unified and become part of the new scheme. However, after more than a decade of pension reforms, the unification of parallel pension schemes has not yet occurred due to a lack of political will and the fear of revolt from the security forces.

Regrettably, the president of Ghana, Nana Addo Dankwa Akuffo-Addo in his State of the Nations Address on January 5, 2021, reiterated the government's decision to exclude all security agencies from pension unification. This statement is an affirmation that these agencies would continue to be on the non-contributory CAP 30 scheme. In reaction to this announcement, the Trades Union Congress issued a press release cautioning the government not to continue with such a discriminatory pension policy (Trades Union Congress Press Statement No.2021/01). According to the union, this approach can be criticized on several points. Firstly, such a decision undermines the solidarity principle that serves as the main guiding principle for the pension reform initiative. Secondly, the decision also violates the principle of equality of treatment in employment as specified in the ILO Convention 111, which was ratified in 1961 by Ghana. Thirdly, it entrenches a class system in pension administration where workers under the new contributory Three-Tier schemes receive lower pension benefits than those who do not contribute towards their pensions under the CAP 30 scheme. The union called on the government to convene a stakeholder consultation forum to discuss this issue and other relevant matters affecting the pension industry. According to the TUC, failure by the government to do so will compel the TUC to refer the problem to the ILO. A retired police officer has this to say in an interview conducted for this study. He highlighted some of the problem areas of the pension system:

> "My pension income as compared to others is more reasonable because we the security forces get a higher lump sum under the CAP 30 scheme. The pension is not enough to protect the aged from falling into poverty especially, those who are not on CAP 30. If I were younger, I would have saved more before retirement so that I can get more to supplement my pension".

Lastly, the pension reforms have brought competition to the pension industry. The new schemes came with the establishment of private trustees, fund managers, and custodians. The responsibility of these companies is to manage the private pillars. Owing to the portability clause enshrined in the Pension Act (Act 766), employers may select their service providers and port their funds to different trustees at will. This aimed to put employees in a better position to enjoy higher returns on their investments. Unfortunately, it has been observed that trustees are reluctant to report recalcitrant employers who fail to remit the total contribution of workers within the regulated time to the NPRA due to a fear of losing clients to competitors (Attah-krufi, 2020). This unfortunate development may hamper the smooth operations and supervision by the regulator. Since employers may not always act in the best interest of employees, decisions on selecting service providers should involve both parties.

6. Conclusion and Recommendation

Given the critical roles pensions play in maintaining the living standards of the elderly, periodic evaluation of pension systems is necessary to address economic and demographic changes and to ascertain the resilience of the system based on predetermined criteria.

6.1 Conclusion

This study has revealed that pensions provided to Ghanaians are woefully inadequate. This is attributed to low levels of income, relatively short periods of contributions, the absence of a redistributive pillar, the prevalence of myopia, and the adoption of hiring and salary payment strategies that limit employers' share of contributions. Moreover, there is a lack of confidence in the financial sector due to investor fraud. The study revealed a sustainability threat as well as equity concerns. This is because the current assets and future contributions will not cover future benefits and other costs. There is also the absence of a redistributive pillar. The current Ghanaian pension system is not affordable to the private sector. Because of this, some employers have shifted more towards allowances payments to reduce the basic salary of workers which is used for the computation of pension.

Also, the study found that the direct labour market impacts of Ghana's pension system are mixed. With the introduction of two additional Tiers, new jobs have been created. However, the employers' pension contributions have led to higher costs of labour. As a result, some employers deliberately appoint contract workers and National Service Personnel instead of permanent workers. This development has negative implications for pension membership.

Furthermore, interviewees mentioned a high possibility of investment risks due to investment fraud and bankruptcy. They also revealed that the safety of invested funds in private firms is a major concern. Another challenge is that the voluntary pillar does not have the resilience to withstand economic and political shocks since contributors are mainly informal workers with low levels of income. These affect the robustness of the pension system.

The predictability of a pension system requires that a clearly defined benefit formula is enshrined in the pension scheme. Ghana's pension system concurs with this requirement. The benefit calculation for the first pillar is well-defined and predictable. For privately managed Pillars, benefits depend on investment returns and the value of contributions.

The contribution to savings mobilization and financial market development of pensions constitutes a positive externality that boosts economic growth. This study reveals that the new Pillars in Ghana's pension reforms have contributed to output growth. The value of investment assets under pension management has also increased substantially.

Further conclusions are that there exists inadequate supervision. There is also discrimination in pension types and pensions received by public sector workers, and there is low coverage due to inadequate financial education. In addition, there are delays in the processing of benefits, especially for new retirees. Pension funds are invested in domestic financial markets only and the capital market is small and volatile. Additionally, the general public is not well-informed about the components of the pension system, especially about the voluntary Tier-Three, and the population is experiencing a gradual rise in life expectancy that increases pension expenditure if the retirement age is not changed.

6.2 Recommendations

The study recommends that the opportunity must be created for irregular contributions, especially, from the self-employed to serve as incentives to participate. In addition, electronic contribution and payment systems should be adopted and encouraged by private pension fund managers to enhance easy access and regular contributions. Furthermore, the government of Ghana should emphasize pension education and awareness to promote an adequate understanding of the system. Again, the government should consider an upward adjustment of the retirement age to mitigate the threat to the sustainability of pension funds, and the effects of demographic changes such as an increase in life expectancy. Lastly, fund administrators of the tier-one scheme should consider the lifetime average salary calculations of benefits instead of using the "average of best three years' salary" to avoid strategic manipulations and to strengthen the sustainability of the system. Further research is recommended to compare Ghana's pension system to other countries using the same or similar criteria.

7. Conflict of Interest Statement

The author declares no conflicting interest in the conduct of the study.

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Biographical notes

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Dr. Elias Megbetor is a lecturer at the School of Research and Graduate Studies, Department of Economics, and the School of Business of the Wisconsin International University College, Ghana. He started his professional career at Jasikan Teacher's Training College where he came out as a certified Teacher's Certificate 'A' holder. He holds a Diploma in Statistics from the Institute of Statistical Social and Economic Research (ISSER), a bachelor's degree in economics with Geography and Resource Development and a Master of Philosophy Degree (MPhil) in Economics, all from the University of Ghana, Legon. He currently holds a Doctor of Philosophy Degree (Ph.D.) in Economics (Public Sector) from the University of South Africa. His fields of specialization include Public Sector Economics, Labour Economics, Macroeconomics, Money and Banking, International Economics, and Environmental and Resource Economics.