GHANA'S EXPERIENCE WITH EXPANDING PENSION COVERAGE

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1. INTRODUCTION

The Ghanaian experience of expanding pension coverage is of particular interest because of the multiplicity of approaches being adopted and the way in which publicly and privately managed occupational and personal pension provision has been successfully leveraged to expand overall coverage and adequacy of retirement benefits.

The boundary between formal and informal employment in Ghana is blurred so that it is not easy to gauge the extent to which provision has extended from formal to informal sectors; What can be said with confidence, however, is that coverage broadening and deepening has been impressive for a nation at Ghana's current level of development. Also, the extensive pre-existing retirement savings infrastructure has enabled the implementation of micro-pensions without requiring a new infrastructure to be developed and in a way that can enable substantial coverage expansion.

Coverage of the active labour force in one form or another may already extend to over 20 percent, with around a quarter in the informal sector (0.5 million members when figures for the publicly and privately managed schemes are combined). This is a good start but may be dwarfed by the recent innovation of the Cocoa Growers' Pension Scheme having the potential to push overall coverage up to 30 percent, half of which will be in the informal sector. Emulating this scheme for other types of informal workers, combined with the wide range of other initiatives being led by the pension regulator, could see that figure rise still higher.

This Chapter starts by providing some country-specific context, moves on to an outline of Ghana's retirement benefits system, and then considers the various initiatives that have been taken to broaden and deepen coverage before concluding with a review of the issues that have arisen and how these may be overcome, and concluding with a summary of learning points of potentially wider applicability.

Before going further, it is worth clarifying some nomenclature. Ghanaian legislation and practice refer to pension provision in all three tiers as being delivered by "pension schemes", a term that encompasses the plan (legislative, occupational or contractual) to which members, providers and (where relevant) employers sign up, the fund that is accumulated to deliver the plan, and the associated managerial arrangements. As well as referring to the legal entities of individual schemes, the whole structure of retirement benefit provision is also sometimes referred to as a "scheme", acknowledging that the different types of provision are intended to complement each other towards the delivery of Ghana's public policy objectives for old-age financial support.

2. THE GHANAIAN CONTEXT

2.1 Macro-economic and demographic profile[1]

Ghana is categorized as a 'Lower-Middle Income Economy' based on The World Bank and United Nations classification. In 2021 Ghana's GDP was $US 77.6 billion (GHS 459 billion) or $US 2,445 per capita. GDP has been growing strongly, at around 5 percent a year, between 2015 and 2021, although the macro-economic events of 2022 have had negative impacts for Ghana as for many other countries. The country now has the second-largest economy in the West Africa region, after Nigeria. Inflation had been running at around 10 percent a year since 2015 although the events of 2022 have nearly doubled it. Then, until recently, strong economic performance and stability over the last six years have enabled substantial growth in saving, especially through pension schemes.

Ghana's population in 2021 was 32.8 million and growing relatively fast (about 2.1% a year) primarily due to relatively high birth and fertility rates. However, in common with most countries, the population above retirement age has been growing even faster, due largely to improving life expectancy (as social conditions and health care have improved). The life expectancy for Ghana in 2021

[1] *Data taken from World Bank and IMF sources*

was 64.42 years and it has been improving at the rate of 0.4% a year for some years, equivalent to three months a year. Hence the number of citizens aged over 64 is increasing rapidly. In 2021 it was 1.15 million, a 57 percent increase since 2010, and the number is likely to cross 2 million by 2035. The ratio of the over 65s to the working-age population will increase more slowly, from its current position of 0.054 (about 18 potential workers for each retiree) but could still be up to 0.063 by 2035 (16 workers per retiree). Hence, while Ghana may be some way from having to worry about the ratio of workers to retirees, it needs to take very seriously the rapid increase in the number of retirees and make financial provisions for them.

2.2 Labour Market Profile

Ghana has a labour force (economically active-age population) of 11.5 million out of which around 10 million are employed[2]. Around 80 percent of the employed population is estimated to be in the informal sector[3]. Around 7 percent of employed persons are self-employed with employees, compared to 60 percent for those without employees. The public sector engages about 10 percent of the employed population, of which almost 60 percent are male. More than half (53.3%) of the employed population are in the services sector, followed by the agricultural sector (33.0%) and industrial sector (13.7%).

2.3 The Financial sector

Ghana's pension landscape forms part of the financial sector that has grown over the past ten years while remaining bank-dominated. Total financial sector assets grew from 53 percent of GDP in 2010 to 55.6 percent in 2020, of which bank assets were 42.7 percent. Pension fund assets were 8.7 percent, securities industry assets were 2.2 percent, and the insurance industry assets stood at 2 percent. This means that in 2020, pension fund assets in Ghana comprised 15.7 percent of financial sector assets totaling nearly GHS 40 billion ($US 6.7 billion).

[2] 2021 Population Housing Census General Report Vol 3E Economic Activity

[3] Given the different ways in which informality is defined obtaining an accurate figure is not easy, and a figure of 85% is also quoted. However, given that around 1.7 million workers contribute to the 1st tier and around 70,000 are in unfunded government employee schemes, and there may still be some avoidance of 1st tier obligations, 80% looks plausible. Many of these workers might be categorized as informal elsewhere in the region where 1st tier enforcement or provision is more limited.

Ghana's financial sector is overseen by four regulators. The Bank of Ghana (BoG) is responsible for the licensing and supervision of banks and non-bank financial institutions (NBFIs) including Rural and Community Banks (RCBs), Microfinance Institutions (MFIs), and Savings and Loans institutions (S&Ls). The National Insurance Commission (NIC) regulates the insurance industry. The National Pension Regulatory Authority (NPRA) regulates the pensions industry, and the Securities and Exchange Commission (SEC) regulates the securities industry.

Ghana's Financial Inclusion Strategy encompasses the National Payments Systems Strategy and focuses on the role of mobile money. The mobile money platform as a facilitating tool for financial inclusion has been growing rapidly over time with expansion in particular driven by the Covid-19 pandemic. The total number of mobile money transactions increased to 401 million in 2021 from 301 million in 2020. The total value of transactions and the total mobile money float balance increased to GHS 82.9 billion and GHS 9.7 billion respectively in 2021, from GHS 67.7 billion and GHS 7.0 billion respectively in 2020. The number of registered mobile money accounts and agents increased by 25.45 percent and 36.79 percent respectively, while the number of active mobile money accounts and agents increased by 4.68 percent and 34.76 percent respectively in 2021. Turning to mobile money interoperability, that is, the movement of cash from an account of one mobile service provider to another, there were 12.2 million transactions worth GHS 2,438 million in December 2021 compared with 6.3 million transactions worth GHS 1,112 million in December 2020[4].

It is globally well recognized that an IT-supported national ID number system can facilitate financial inclusion, especially pension inclusion, and Ghana is fortunate that such a system is well on its way to full implementation. The Ecowas card, better known as the "Ghana Card", is a national identity card that

[4] *All figures from Bank of Ghana*

is issued by the Ghanaian National Identification Authority to Ghanaian citizens – both resident and non-resident – and legally and permanently resident foreign nationals. It is a proof of identity, citizenship, and residence of the holder and has replaced the national tax identification number from 2021. The current version is in ID1 format and is biometric.

3. OVERVIEW OF GHANA'S PENSIONS SYSTEM

Ghana's current three-tier (pillar) pension system was implemented by the National Pension Act, 2008 (Act 766), The three tiers are as follows:

1. The mandatory first-tier Pension Scheme, also known as the Basic National Social Security Scheme (BNSSS), covers all workers in the public and private sectors. This is a Defined Benefit (DB) scheme, designed to deliver basic social security, with benefits defined by the tenure of service and salary. It is managed and provided by the Social Security and National Insurance Trust (SSNIT). The scheme has a contributory rate of 13.5 percent, out of which 2.5 percent is transferred to the National Health Insurance Fund to cover participant health needs;

2. The mandatory, second-tier occupational (work-based) pension scheme similarly covers all (formal) workers in the public and private sectors and is a Defined Contribution (DC) scheme. It is designed to provide retirement benefits to complement the monthly pension received from the first tier. The scheme has a contributory rate of 5 percent and is privately managed by licensed trustees with Pension fund managers (advisors) and pension fund custodians as service providers; and

3. The third-tier voluntary pension schemes are DC schemes that comprise of provident fund schemes aimed at formal sector

workers who want to make contributions additional to their 2nd tier contributions, with a contributory rate of up to 16.5 percent. This third-tier includes individual and group personal pension schemes for workers, especially those in the informal sector, not covered by the mandatory 1st and 2nd tier schemes

In addition, more than 66,000 government employees are covered by unfunded centrally administered pension arrangements such as CAP 30[5].

The general mandatory monthly pension contribution rate of 18.5 percent is split between the employer, who pays 13 percent of the employee's salary, while the remaining 5.5 percent contribution is deducted from the employee's salary. Employers are responsible for remitting the total mandatory contributions on behalf of employees by the 14th day of the ensuing month. There is a generous tax treatment for pensions, with investments and benefits pay-out being tax exempted and with a tax benefit contributory rate of up to 35 percent of basic salary to encourage participation across formal and informal sectors.

The reach of the 1st tier as of June 2022, is extensive, with statistics showing a total membership of 1.8 million from 79,020 employers. Of these, 63 percent are private sector entities, a remarkably high proportion for the region[6]. This extensive coverage has been enabled broadly by the breadth of SSNIT's local office network across the country.

The origins of the 2nd and 3rd tiers lie in the tradition of employers providing employees with occupational schemes (all of which are now DC), across the public and private sectors, commonly taking the form of provident funds. These were in due course supplemented by personal and occupational (master-trust) pension schemes open to all workers and sponsored by corporate trustee companies.

[5] An unfunded scheme established under an Act of 1950 that prescribes the pensions, gratuities and allowances payable to officers in the Public Services

[6] It should be noted that the 630,000 public sector workers enrolled in SSNIT are augmented by around 66,000 pensioners in unfunded schemes including civil servants, the military, and politicians. Taking this into account, mandatory pension coverage extends to over 2 million individuals.

The strong focus on occupational provision has been successful in expanding coverage to a large body of employers (some 30,000[7]), some of which might well otherwise have been considered to be in the informal sector. Given that a significant number of employers are recorded as being in the informal sector, this avenue provides scope for further expansion into the fringes of the informal sector, leveraged off the 1st tier enforcement activities of SSNIT (whose remit is to cover all employers, supported by substantial resources deployed on enforcement across the country).

There has been a trend for employers to transfer the management of their schemes to corporate trustees, so as to gain scale and expertise. However, over 140 employer-sponsored schemes still remain. Adding in the occupational and personal pension schemes of the corporate trustees brings the total number of schemes to around 226. These include 27 schemes registered specifically for the informal sector, under the specific regulatory regime for that sector.

The 2nd and 3rd tiers of the pension system have grown rapidly, in terms of both assets and members. Total assets in all three tiers totaled GHS 39.6 billion ($US 6.7 billion) in 2021, up from GHS 2.9 billion in 2010. Second and third tier assets have, however, grown much faster than first tier assets, recording a 480 percent growth between 2012 and 2021. By 2021, first tier assets accounted for just 26 percent of total assets across a membership of approximately 1.73 million, while private pension funds accounted for 71 percent of assets (GHS 28 million or $US 4.75 billion) with an aggregate membership of 3.2 million. The total active membership across the three tiers doubled between 2013 and 2021, from 1.3 to 2.6 million subscribers. By this point, over 315,000 of the 560,000 members of the 3rd tier were considered to be in the informal sector.

A great strength of the overall system is that all funded pension schemes are covered by the same pensions Law[8] providing a consistent level of safeguards across all types of provision.

[7] *Taken from NPRA statistics of employers associated with pension schemes adjusting for employers with two schemes (in each tier).*

[8] *The Ghana National Pensions Act 766 of 2008*

Schemes in all three tiers are run by boards of trustees who have an over-arching fiduciary duty to look after the interests of scheme members. The 2nd tier and the 3rd tier provident fund schemes are either employer-sponsored or sponsored by corporate trustees. The 27 corporate trustees are licensed by NPRA and provide professional expertise to 2nd and 3rd-tier pension scheme boards, supplementing the commitment of employers and employees who are required to be represented. The corporate trustee companies also provide administration services to most of the employer-sponsored schemes as well as to the schemes that they sponsor, which helps to deliver some scale economies.

System outcomes and security are also promoted by the requirement that 2nd and 3rd tier schemes must use separate specialist licensed pension fund asset managers (acting as advisors) and pension fund custodians, of which there are 40 and 17 respectively.

Although the large number of entities involved in delivering the 2nd and 3rd tier schemes results in some efficiency concerns, it has the strength of providing plenty of capacity to support the further expansion into the informal sector and an incentive for corporate trustees to secure scale economies through such expansion where it can be done cost-effectively.

The National Pension Regulatory Authority (NPRA) is the regulator of the pension system in Ghana. Its publicly stated mission is to “regulate pensions through effective policy direction to secure income for the retired in Ghana”. Supporting this mission are objectives that include promoting the expansion of participation and ensuring a well-ordered regulatory environment. In this context, the NPRA has taken a leading role in driving the expansion of informal sector retirement provision. As a supervisor, it seeks to ensure that the system is well-run and legally compliant and is in the process of adopting risk-based supervision to better achieve this goal.

The National Pensions Act (Act 766) and its subsidiary legislation (LI 1990) provide enabling authority for the NPRA, and empower it to register schemes for occupational pensions, as well as personal and group personal pension schemes. It also empowers the NPRA to establish standards, rules, and guidelines for the management of these schemes.

Because the informal sector in Ghana remains the largest untapped sector when it comes to pension penetration and financial inclusion, the NPRA have recognised that they have a major responsibility to enable opportunities and innovations to help extend pensions to the that sector. A scheme for the informal economy can become successful and reach commercially viable and stable volumes only through a distribution model that is very efficient and trustworthy.

Hence, the NPRA have developed a Micro Pension Policy to expand retirement income security into the informal economy. This policy covers pension scheme operational modalities, the roles and responsibilities of stakeholders, and the participating service providers' requirements. The policy also aims to influence the eligibility criteria for participation, recommend contribution amounts/ rates for contributors, provide managing criteria for the fund, and provide guidance on benefit application. It also defines the mode of conversion from micro pension plans to mandatory contribution plans and sets minimum ICT requirements for licensed service providers. The policy is to be reviewed biennially to reflect prevailing economic conditions by a committee constituted by the Board of the NPRA.

4. EXPANDING RETIREMENT BENEFIT ACCUMULATION INTO THE INFORMAL SECTOR

Consistent with the managerial diversity which characterizes retirement benefit provision in Ghana, the pension coverage expansion into the informal sector has been taken forward in several ways by both public and private sector providers.

4.1 Through the publicly managed scheme

As long ago as 1997, the Ghanaian government initiated a study aimed at extending social security coverage into the informal sector. This resulted in the creation of a scheme by the Social Security and National Insurance Trust (SSNIT) in 2005. The SSNIT Informal Sector Fund (SISF), aimed at the informal sector, created a voluntary, contributions-based personal pension scheme designed to provide members with benefits based exclusively on their individual contributions. It was initially managed by SSNIT and was open to self-employed Ghanaians aged between 15 and 59 years, as well as workers in the formal sector. Key features of the scheme were as follows:

- Contributions were not fixed, but based on members' preference and ability to pay, and could be made daily, weekly, monthly, and annually;
- Withdrawal from members' retirement accounts was permitted in the event of old age, invalidity, or death;
- Members' account balances could be used as collateral to secure credit or loans;
- Life insurance was provided using 0.68% of the retirement account contributions;
- Contributions were divided equally between savings and retirement fund accounts; and
- Contributions were remitted through agents who were paid a commission on contributions collected.

The SISF grew to 77,636 participants with assets of GHS 21.9 million by 2011. Consequent upon the passage of the National Pensions Act of 2008, and the establishment of a common regulatory regime for all pension funds in Ghana, the management of SISF was transferred to a corporate trustee company -- the National

Trust Holding Company (NTHC) -- partially owned by SSNIT, in December 2011. This move was supported by some SSNIT funding through a five-year loan and the ability to use the SSNIT Brand and its wide geographical footprint. This provided outreach through the SSNIT head office, six area offices, and 20 contact offices. The head office and area offices coordinate the contact offices activities and process benefit claims. The contact offices conduct public education and enrolment, collect contributions, help members to submit benefit claims, and supervise the activities of agents.

For the period 2011 to 2018, while being managed by a private sector corporate trustee, the assets of the SISF grew from GHS 21.9 million to GHS 138.2 million representing a 631% growth over the period. Within the same period, contributors also increased, from 77,636 in 2011 to 138,656 in 2018 representing a period growth of 78.6 percent and year-on-year growth of 11.2 percent. Total contributions grew from GHS 8.4 million in 2011 to GHS 21.8 million in 2018. Benefit payouts from the scheme also grew from GHS 2.5 million in 2011 to GHS 10.5 million in 2018[9].

More recently, SSNIT has been working hard to encourage the self-employed to join the 1st Tier scheme. Although this scheme is not compulsory for the self-employed, voluntary membership is allowed and SSNIT has been encouraging such membership using its geographically dispersed distribution channels. In 2022 it launched a major campaign to enroll the self-employed. Its efforts have borne some fruit as at the end of the second quarter of 2022, it already had over new 14,000 voluntary members, many of whom might considered to be in the informal sector.

4.2 Through privately managed schemes

The National Pensions Act, 2008 (Act 766) makes provision for pension coverage of informal sector employees, as described above. In particular, personal pension schemes usually target the

[9] *Source for data: SISF Status Report*

self-employed and the informal sector. Such defined contribution (DC) schemes make provision for two types of accounts: a retirement account (which cannot be accessed until retirement) and a savings account -- which can be accessed, tax-free, after five years in the case of informal sector workers, and after 10 years for formal sector workers, or earlier, if the member is willing to pay income tax on pay-out. Benefits from the retirement account are to be eventually paid in the form of a (tax-free) annuity on savings above a minimum amount.

There are two types of personal pension schemes:

- **Individual personal pension schemes** which are voluntarily available to individuals, including those who are self-employed, by means of a contract with the scheme (sponsored and managed by a corporate trustee); and

- **Group personal pension schemes**, that have a legal contractual form similar to personal pension schemes, but tend to be sponsored by trade associations or other identifiable groups in the informal sector. Here, a group comes together to establish the scheme, which is often limited to members of that group, e.g. the Tailors Association.

In both cases, contributions are tax-free up to 35 percent of declared income. Corporate trustees have registered schemes aimed specifically at informal sector workers under the 3-tier pension system. The approach by most of these trustees is to blend workers in both the informal and formal sectors, so as to achieve economies of scale. A total of 19 corporate trustees have between them, registered 27 schemes to deliver pensions for the informal sector. Costs are currently high and greater scale and outreach will be necessary to enable these high costs to be reduced.

Whilst schemes are already available to enable informal sector participation, the NPRA has recognized that more is needed to enhance their delivery, to facilitate further expansion of the third tier and retirement benefit accumulations by the informal sector. It has sought in particular to encourage and facilitate pension accumulation arrangements that:

- Allow small and irregular contributions;
- Can be delivered at a low cost;
- Are portable and can follow individuals throughout their lives as they across jobs and locations;
- Allow for ease of paying contributions through multiple channels;
- Provide good record-keeping and accountability; and
- Are subject to proper investment management and governance in the fiduciary interests of members.

The NPRA has therefore undertaken a range of activities to support coverage expansion, including:

- Amending the regulatory provisions to facilitate contributions to be remitted from anyone so that informal sector workers can more readily participate;
- Licensing several new providers to enter the market; and
- Conducting numerous education and publicity initiatives (covered later in this Chapter).

The NPRA has also adopted the following associated operational strategies with the aim of reinforcing the expansion of participation, by:

- De-centralising its operations to assure contributors of the security and availability of retirement provisions and give pension scheme providers and operators ready access to regulatory and supervisory services across the country. This has been achieved by opening offices in almost every region in Ghana; and

- Developing a micro pension policy that covers the operational modalities of micro pension schemes, the roles and responsibilities of stakeholders, and requirements for participation by corporate trustees which aims to:
  - → Set eligibility criteria for participation in micro pension schemes;
  - → Stipulate contributions by micro pension scheme contributors;
  - → Provide the criteria for managing the micro pension schemes;
  - → Outline the modes of accessing benefits under micro pension plans;
  - → Define the mode of conversion from micro pension plans to mandatory (Tier-2) contribution plans for workers making that transition; and
  - → Set the minimum ICT requirements for licensed pension scheme administrators and fund custodians.

Having developed the micro pension policy, the next stage has been to create an enabling environment for the registration of micro pension schemes (as a special type of personal pension scheme). The NPRA's objective is that as many micro pension schemes as possible are registered by corporate trustees, directly or on behalf of other groups, to increase the range of options and marketing outlets for individuals within the untapped informal sector. This has necessitated providing incentives to corporate trustees to encourage them to enter the informal sector space, for instance by reducing the turn-around time for registration of micro pension schemes, and by providing them with a platform during the NPRA's education and sensitization programmes (covered in a later section).

4.3 The Cocoa Farmers Pension scheme

According to its mandate, it is not the role of the NPRA to implement pension schemes – that remains the responsibility of private sector providers, particularly corporate trustees. However, the NPRA has set itself a deliberate objective of providing leadership in implementing the policy drive to expand pensions and financial inclusion to the informal sector. The most ambitious initiative, thus far, has been for the regulator to drive the establishment of a scheme for cocoa growers. Such a scheme was envisaged by legislation (The Ghana Cocoa Board Act) as far back as 1984, but has taken many years and much perseverance from NPRA and the sector to bring it to fruition. In December 2020, it was rolled out as a group personal pension plan under the National Pensions Act (Act 766) with a pilot enrolment in 2021, and full enrolment of cocoa growers from October 2022.

The scheme is sponsored by the Ghana Cocoa Board (Cocobod), the cocoa sector regulator, which has appointed 11 trustees to its pension scheme board. It has engaged a licensed corporate trustee as an administrator, pension fund asset managers and a custodian as service providers to the scheme. It is open to all cocoa farmers in Ghana. Farmers contribute 5 percent of their earnings from cocoa sold through the Board, which in turn adds in a further 1 percent of earnings. A quarter of the contributions are paid into a personal savings account, with the remainder accruing in a retirement account.

An estimated 1.5 million cocoa farmers are expected to register with the scheme, which would make this the largest private sector scheme in Ghana. It would also increase 3rd tier penetration of informal sector workers from around 6 percent to nearly 20 percent. This initiative has been enabled by the enthusiasm of the Cocoa Board, with strong support from the Government and the NPRA, and by taking advantage of the pre-existing 3rd tier pensions infrastructure. The stewardship of these assets is safeguarded by the scheme being run as a not-for-profit initiative by trustees with a fiduciary duty to act foremost in the interests of scheme members. The Scheme utilizes the administration expertise of a corporate trustee, and the specialized expertise of pension asset managers and the custodian.

The NPRA and the Ghana Cocoa Board have given extensive publicity to this initiative in the hope that it will be emulated by other groups of agricultural workers, for which it provides a good template. There are plans to encourage similar schemes for other groups of similarly "organized" informal worker segments, such as transport workers with a total membership of about 800,000, fish farmers with over 200,000 members, as well as hairdressers, petty traders, spare part dealers, tomato sellers and fishmongers.

5. IMPLEMENTATION CHALLENGES

The NPRA recognizes the several significant challenges to increasing pension coverage to the informal economy by pension scheme providers, that have resulted in relatively high front-end capital costs and operating expenses, and hence defer financial viability, and ultimately discourage participation.

5.1 Publicly managed funds

SSNIT encountered the following challenges in implementing their scheme targeted at informal workers:

- The constraints arising from using the same processes as those used in managing their mandatory, Tier-1 scheme;
- Consequential high costs of running the scheme;
- An unregulated fee structure leading to high administrative costs and charges per contributor; and
- A single contributions collection channel (using agents).

These challenges have been addressed by transferring the original scheme to a separate administration platform within the Tier-3 regulatory framework, but now have some relevance to the use of the Tier-1 scheme to enroll self-employer workers voluntarily. This new development may also be impacted by the sustainability issues (deficit) affecting the Tier-1 scheme.

5.2 Privately managed funds

A significant constraint in enrolling self-employed workers has been the tax treatment of pension contributions and benefits. Contributions by informal sector workers are treated at par with contributions into retirement plans with employer contributions which allow contributions to be tax-free, as an incentive for individuals to participate in voluntary plans. To avoid abuse of this tax advantage, individuals who withdraw their money before vesting face tax penalties. Unfortunately, these legal provisions apply also to withdrawals from the informal sector pension schemes, even though most individuals in the informal sector do not pay taxes and thus gain nothing from the tax advantage. Indeed, their short-term savings withdrawal is subject not only to taxation but also to additional penalties, putting the schemes at a huge disadvantage compared with other micro-finance institutions.

The relatively high costs of running pension schemes in Ghana act as a potentially serious constraint on their expansion. Members can pay up to 2.5 percent of assets under management as fees and even that amount may not suffice to cover delivery costs. To expand pension coverage to the informal sector, the major activities and processes need to be simpler, safer, and more efficient, including enrolment, contribution collection, investment, and benefit pay-out; hence the initiatives being promoted to facilitate micro-pensions. If unit costs are successfully reduced, there should be a regulatory mechanism to require trustees and others service providers to pass the savings back to scheme members in the form of lower fees.

5.3 New regulatory efforts to expand pension coverage to informal sector workers

The NPRA has recognized the vital importance of encouraging informal sector participation in retirement benefit accumulation, as part of a wider strategy encompassing all employment sectors, and focused on the application of technology and raising public and member awareness. Attention has also been given to participation by Ghanaian citizens working abroad.

5.3.1 Enabling the application of technology to pension scheme contributions and other services

The NPRA has prioritised the creation of an enabling environment to offer convenient services to contributors in the informal sector as well as the formal sectors, by encouraging the use of technology for the delivery of pension services. The NPRA, alongside other financial regulators, has been working to leverage technological platforms to facilitate access to an easier enrollment process complying with basic e-KYC requirements as well as mobile money contributions for pension schemes. The mobile money platforms now in use facilitate the collection of contributions as well as the payment of benefits to beneficiaries. This has also improved security and helped mitigate the risks of in-person collection of contributions.

Technological development has been further driving pension coverage expansion through the following channels:

- A USSD Channel to provide members with the opportunity to check their summary statement, make inquiries and sign up for personal pension schemes for contributors who wish to top up their retirement savings;

- Apps to serve as a single-window application that offers access to the corporate trustee. On such Apps, contributors are allowed to check their statements, update their beneficiary information and access other services;

- On-line platforms that allow contributors to have access to an online self-service platform through which they can check payments made on their behalf, view and print statements, upload beneficiary details, lodge inquiries online, make amendment requests, view summary statements, download benefit payment forms, and download and print membership certificates;
- Call centres for contributors to reach pension scheme providers with their concerns for prompt resolution;
- Electronic newsletter and emails to help in disseminating information periodically to contributors;
- SMS notifications to alert contributors when contributions are received and credited into their accounts; and
- Social Media Platforms such as Twitter, Facebook, LinkedIn, and Instagram to engage members, as well as sharing information and videos for educational purposes.

To take advantage of the available technological platforms, the NPRA, with the support of the World Bank's FIRST Initiative, has been developing a blueprint for the establishment of a Switch Technology that would leverage the National ID (GhanaCard) system for member enrolment and verification, connecting with payment platforms and interconnecting trustees, service providers, and contributors. This project, when completed, is anticipated to reduce the high unit costs associated with running a micro pension scheme, hence facilitating further expansion of retirement benefit coverage into the informal sector.

5.3.2 Awareness raising

The NRPA strongly exercises its mandate of educating the public on the 3-Tier Pension Scheme and retirement planning. It has been pursuing comprehensive education and outreach programmes. These are aimed at raising public awareness of the benefits of saving through pension schemes appropriate to their circumstances, with the aim of increasing the coverage of retirement savings. This activity is undertaken with the intention of focusing, in particular, on people not currently contributing to a pension scheme and especially those in the informal economy.

The NPRA's awareness creation strategies have included:

- The institution of a National Pensions Awareness week. This involves a nationwide awareness campaign on the importance of pensions to the citizenry, encouraging workers, especially in the informal sector, to join a pension scheme;
- Other events, such as the 'mobile sensitization event' in 2020, that seek to raise public awareness;
- The use of celebrities and influencers to create awareness of the importance of joining a pension scheme;
- Market activation during market days at the bigger markets in the country, taking advantage of the large number of people present, to educate and encourage them to enrol in a pension scheme. Market activation is undertaken jointly with corporate trustees that have registered micro pension schemes so that they can enrol interested persons immediately; and
- Visiting various religious groups on worship days to educate and sensitise their members, especially the self-employed, to enrol in a pension scheme.

In 2020, despite pandemic constraints, the NPRA sensitisation activities involved 53 institutions, 26,000 individuals, and 92 media engagements. These, and other activities have involved a wide range of senior governmental figures campaigning to increase awareness and coverage, especially by regional governors and other politicians. These interventions received good media publicity. This demonstrates the high level of policy support for pension coverage expansion in Ghana.

5.3.3 Enabling pension saving by migrant workers

The NPRA has been promoting the development of schemes for Ghanaians in the diaspora which they can enrol in in-person or by way of a relative in still in Ghana. This is enabled by the technological development already referred to that makes it possible for an individual to enrol, remit a contribution to the scheme, and check statements online or through mobile phone.

6. KEY LEARNINGS FROM THE GHANAIAN EXPERIENCE

The positive experience of expanding micro-pension coverage in Ghana, coupled with the constraints encountered, provide some useful lessons for other jurisdictions seeking to expand retirement savings coverage beyond the formal sector.

First and foremost, there is a strong governmental commitment to expanding retirement savings coverage in Ghana, involving visible governmental speeches, campaigns, and events. This dovetails with and supports the coverage expansion objectives of NPRA, trustees, and the SSNIT.

The most distinctive aspect of the push to improve coverage is the diversity of approaches adopted and institutions involved, advancing in a broad front, allowing ‘a hundred flowers to blossom’, including:

- The push for comprehensive enrolment of employers into the mandatory 1st and 2nd tiers, which has helped on-board individuals who elsewhere would have counted as informal sector workers;
- The voluntary 1st and 3rd tier enrolment of self-employed persons into an SSNIT sponsored/ managed scheme, leveraging the 1st tier communication channels;

- The plethora of 3rd tier personal pension schemes aimed at the sector including micro-schemes that have increased the attractiveness of such provisions for both providers and individuals;
- Extensive awareness raising and sensitisation; and
- The provision by trade associations and group personal pension schemes to enrol large numbers of informal sector workers into quasi-occupational schemes dove-tailed to their particular circumstances. This is set to provide the biggest success among all coverage expansion initiatives.

This wide range of channels maximizes the chances of informal sector workers being drawn into retirement benefit accumulation, whilst also providing some valuable learnings for other jurisdictions seeking to emulate Ghana's success.

A vital pre-requisite for the expansion of pension coverage in Ghana has been the common regulatory framework for pension schemes and their service providers with all schemes run by trustees who owe an over-arching fiduciary duty to scheme members subject to the supervision by a single authority (the NPRA) and with strict fit and proper requirements. Crucially, within this uniform regulatory framework, a variety of scheme designs can and have been mandated to respond to differing sectoral needs, not least for micro-pensions.

The MTN mobile money payment route to coverage expansion within the informal sector, similar to Kenya's Mbao scheme, which leverages on the M-Pesa mobile money platform, has borne fruit within the 3rd tier pensions landscape in Ghana. All the micro pension scheme sponsors leverage the mobile money platform for the collection of contributions whilst in some cases, most use the platform for enrolments as well.

The long inception process involved in establishing the cocoa growers' scheme, with its potential 1.5 million participants, required much perseverance from all concerned, which in itself is an important learning. One particular strength of the scheme is its use of the e-payment route that will further expand the use of fintech within informal sector retirement benefit provision. Another strength is the leveraging of the sales intermediary role of the Cocoa Growers Association which enables them to use technology to deduct pension contributions, as a percentage of income when that income is earned, at source. It has been made possible, however, only because of the pre-existing occupational pensions infrastructure, and safeguarded by the fiduciary governance and segregation of roles built into that architecture. The current big challenge is to emulate its success within other sectors of informal workers.

The diversity of channels, arising from letting 'a hundred flowers blossom' has brought with it the downside of reduced efficiency and increased costs, depressing net investment returns or (for SISF) risking the erosion of SSNIT's assets to pay 1st tier pensions. It can, however, be argued that ensuring that informal sector workers can have a retirement benefit at all takes priority at this stage of development. Operating costs of pension funds, including those that run specialized micro-pension schemes, are being reduced with a rapid growth in scale. What is missing, as yet is a regulatory mechanism to ensure that reduced costs are passed on to members as lower fees and charges. Ideally, such reductions should be hard-wired into a pension system at an early stage.

The prevailing tax treatment of pensions, that impairs the attractiveness of retirement savings by workers who do not pay income tax, needs to be changed. This would require some positive regulatory engagement with the tax authority, something that has proved challenging in other jurisdictions. It would be preferable for issues surrounding the pensions-tax interface to be sorted from the start.