"THE PROBLEM OF THE CAP 30 PENSION SCHEME IN GHANA"

BY

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A thesis submitted to the Institute of Distance Learning,
Kwame Nkrumah University of Science and Technology

In partial fulfilment of the requirements for the degree of

COMMONWEALTH EXECUTIVE MASTER OF BUSINESS ADMINISTRATION

Institute of Distance Learning, KNUST

April, 2011

DECLARATION

I BENEDICT NII AMARTEIFIO ASHIDAM hereby state that, no section of this thesis which I have submitted to the Institute of Distance Learning, Kwame Nkrumah University of Science and Technology, has been published or copyrighted before, except in the review of literature extracted from other published journals and the internet.

I, therefore, declare that I am the only author of this thesis which was supervised by Mr. Samuel Kwesi Enninful.

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DEDICATION

To El-Shaddai, the only true God, His only son Jesus Christ and His Holy Spirit. He has been my all-sufficiency and has truly ordered all my steps thus far. Under His wings have I found safety and strength. Without Him, it is inconceivable to think that this would even have begun.

To my Mum and Dad, You sowed in tears towards my academic pursuits.

To my cherished wife and children you took over to ensure that my dream for high academic achievements becomes real.

ACKNOWLEDGEMENT

I am particularly grateful to the Lord for creating this opportunity for me to undertake this research work. I'm thankful to my employer, Controller & Accountant General's Department, for granting me a study leave to enable me pursue this graduate program.

To my supervisor, Mr. Kwesi Enninful, I say thank you for guiding me through this dissertation with those helpful comments, suggestions and corrections.

Finally, I wish to express my sincere thanks to all those names I cannot mention especially those who helped me in one way or the other; I will say may God bless you all.

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ABSTRACT

This dissertation is about the CAP 30 Pension Scheme in Ghana. The objective is to discuss the main problems and attempt to identify some of its weaknesses and to

make suggestions to overcome these weaknesses. It also aims at identifying additional provisions that could be introduced into the current CAP 30 Pension scheme to serve as incentives for members of the scheme. The methodology employed by the researcher for the study included the administration of questionnaires to 20 pensioners and 10 officers of Controller and Accountant General's Department. The following is a summary of the main findings in the review of the scheme. Currently the CAP 30 pension scheme is funded by direct budgetary allocations from the consolidated fund. However, public servants who qualify for CAP 30 still contributes the 5% of their monthly salary (deductible at source) while the government (employer pays 12.5% of their employees' respective salaries to SSNIT. Beneficiaries mostly take 6 to 18 months before they are paid. Meanwhile, names are also removed from the payroll one month after retirement. Benefits provided by the scheme are old age pension, invalidity pension and Death/survivors' lump sum benefit. The study further noted that the basis of computation of benefits was a contributing factor to the inadequacy of pension payments under the scheme. It is also envisaged that the inclusion of workers in all sectors in the pension scheme will enable them to save towards their retirement or old age. This will improve their living standards and guarantee income security in their old age. It will also reduce anxiety, self-exclusion, dependency, and other hardships associated with unplanned retirement.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Pension is the generic name of long term periodical cash benefits that Social Security Systems pay in case of invalidity, in old age and on the death of the bread winner. Whether the method of affording protection is social insurance, public service or social assistance, three kinds of pension should be coordinated.

Formal pension systems are an important means of reducing poverty among the aged. In recent years, however, pension reform has become a pressing matter, as demographic aging, poor administration, early retirement, and unaffordable benefits have strained pension balances and overall public finances.

In a world of stupendous technological and medical advances, social protection has become mankind's pre-occupation due to the vagaries of life. Well before the advent of Europeans and the rise of modern states, traditional African societies realized the need to put in place measure to cater for the major contingencies through collective security and mutual help to one another. Until recently, the extended family was the institution in Ghanaian communities that provided social and economic support to various family members which are the appropriate in times of need.

Traditionally, the family was the critical focus in the provision of support when members become old and are threatened by economic deprivation, disability, and social isolation. In appropriate cases, the community as a whole provided the social net for those aged without a family.

In fact, it was legend that traditional extended family practices transcended socio-economic protection to offering psychological stability and moral upliftment. In contemporary times and especially with the decline of the extended family, there is a gradual shift away from primary reliance on the extended family towards dependence on more semi-formally institutionalized social security systems.

The pressures created by the promotion of economic growth and social mobility together with the severe resource constrains confronting traditional systems, are all putting strains on the extended family as an effective cohesive unit that provides income security for the aged and the disabled, care for the sick and unemployed members of the family, the new born child and the mother, the orphan and even the complete stranger (Kumado and Gockel, 2003).

The breakdown in traditional social protection schemes has been compounded by the new economic order in the 1980s based on market-led strategies to economic growth.

1.2 HISTORICAL BACKGROUND TO THE CAP 30 PENSION SCHEME

The public sector pension scheme, popularly referred to as CAP 30, emerged as a colonial legacy, drawing its authority from the Pensions Ordinance No. 42 of 1950, which forms Chapter 30 of the 1950 British Colonial Ordinances under which the British Government administered the gold coast Colony and other Colonies listed in the Schedule to the Pensions Ordinance.

The Pension Ordinance, which was promulgated in 1950 but took retroactive effect from 1st January 1946, replaced the erstwhile Pensions (European Officers) Ordinance CAP 29, 1936 and the Pensions (Non European Officers) Ordinance, CAP 30, 1936 as one consolidated legal instrument for the uniform application of a much less discriminatory pension scheme, offering equal benefits to both expatriate and indigenous civil servants in the civil service of the gold Coast (then including British Mandated Togo land), under the United Kingdom Trusteeship. It is worth mentioning that the promulgation of the Pensions Ordinance of 1950 came at a time when the torch of nationalism had been set ablaze in the gold Coast and the transition from an expatriate dominated civil Service to an indigenous civil service was progressing in earnest, due to the efforts of exponents of Africanization.

The Scheme was an arrangement for guaranteeing a reasonably comfortable and decent life. As well as the economic and social security of both pensionable and non-pensionable officers retiring from the Colonial Civil Service, through the payment of pensions, gratuities or annual allowances. The CAP service has ensured the payment of pensions, gratuities or annual allowances. The CAP 30 Pension Scheme was originally non-contributory and intended to be a reward from the Colonial Government to Civil Servants, after a minimum of ten years unblemished and loyal service, at the voluntary retirement age of forty five (45) years or on the attainment of the compulsory retirement age of fifty (50) years. It was also to encourage lifetime employment and efficient career development in the Civil Service. This fact is amplified by Section 6 (1) of the Pensions Ordinance, which categorically states that "pension and other benefits under the Scheme are not a right". The fact that the CAP 30 Pension was the right of the employer was over extended by the provisions of the Pensions special Provisions Act of 1959. This amendment made it possible for the government of the day to suspend payment of pensions to pensioners who were detained under the Preventive Detention act of 1959.

The Compulsory Savings Act of 1961 (Act 70) which was intended to create the impetus for a rise in the national savings level, necessary for the accelerated national economic development agenda was the first attempt at developing a social security scheme with national coverage.

This was replaced by the social security Act of 1965 (Act 279), which extended coverage to all establishments employing five or more workers, except those already covered by CAP 30,

the military, the Universities, foreign missions and the diplomatic corps. Act 279 introduced a Provident fund Scheme which was expected to be converted into a Pension Scheme by 1970.

The Provident fund was jointly administered by the Department of Pensions of the Ministry of finance and the State Insurance Corporation. The various government led initiatives aimed at providing social security for the Ghanaian worker notwithstanding, the first encompassing scheme was established with the passage of the social security Decree, NRCD 127 in November 1972.

This decree rectified some of the shortcomings of the 1965 Act of Parliament, Act 279 and established a body corporate, the Social Security and National Insurance Trust (SSNIT), as an independent body to administer a universal social security scheme in Ghana. The scheme that emerged was essentially a Provident fund Scheme under which case lump sum benefits was paid to beneficiaries. In terms of coverage, Act 279 of 1965 as amended by NRCD 127 of 1972, provided for the compulsory coverage for workers in establishments that employed at least five workers.

An establishment with less than five employees had the option to join the Scheme, but there was no compulsion. The following categories of workers were exempted by the law from joining the Scheme: Members of the Armed Forces, the Police Service, the fire service, Immigration Service and the Prison Service; (b) Foreigners in the diplomatic mission; (c) Senior members of the Universities and Research Institution. (d) Judges of the superior court of Judicature.

The SSNIT Provident Fund Scheme provided for superannuation and five direct benefits, namely: sickness (introduced in 1968); invalidity; emigration; death and survivors; unemployment (introduced in 1972). A proposal made in 1987 to convert the Social Security

Scheme from a Provident fund to a Pension Scheme was not implemented until 1991 when the PNDC Government repealed NRCD 127 and replaced it with the Social Security Law, 1991 (PNDC Law 247). The law established a Trust called Social

Security and National Insurance Trust (SSNIT), charged with the responsibility to administer the Scheme.

The main trust of PNDC Law 247 of 1991 was to convert the Social Security Scheme from the payment of lump sum benefits into a pension scheme. Unlike its antecedent Scheme, the 1991 Social Security Scheme has an element of social solidarity with pooling of resources to meet the prescribed Contingencies.

Currently the CAP 30 pension scheme is funded by direct budgetary allocations from the consolidated fund. However, public servants who qualify for CAP 30 still contributes the 5% of their monthly salary (deductible at source) while the government (employer pays 12.5% of their employees' respective salaries to SSNIT. However, some public servants in the security agencies and the legal services are exempted from this arrangement. The contributions are refunded to government by SSNIT.

1.3 STATEMENT OF THE RESEARCH PROBLEM

The CAP 30 Pension is the oldest pension scheme in Ghana and has been criticized by many for its inadequacy and bureaucratic processes involved in assessing the benefits. However, it appears that, currently many problems confront the smooth running for the scheme. For instance, benefits under the scheme have no actuarial basis and gratuity lump-sum payments are made without regard to the time value of money.

Additionally, the scheme as amended is contributory for some beneficiaries but unfunded payments are made from the consolidated fund which has competing demands on it. This situation seeks to suggest that many administrative instructions and amendments over the years need to be codified into a single legislation.

The policy of indexing pension increases to upward adjustment of salaries leads to increases in pension cost to the Government. This has resulted in the limitation of resources which poses a challenge to the CAGD in the administration of the CAP 30

Scheme. There are operational challenges such as lack of adequate professional management, office space and modern IT facilities, huge arrears as a result of inadequate budget and delays in processing and payment of pensions which has caused frustration and hardships to pensioners. Poor record-keeping, storage and insecurity of vital data/information on pensioners as well as excessive bureaucratization of the administration coupled with allegations of bribery and Corruption, as well as anomalies and discrepancies have enhanced the lack of transparency and weakened institutional control and supervision of the Pension Units of the CAGD.

Why should this be happening? Do these not increase the already difficult situations for pensioners? Is there a better way out? How can these be solved? These and many more have motivated the researcher to find out more about the problems of the CAP 30 Pension Scheme in Ghana.

1.4 OBJECTIVES OF THE STUDY

The research has the following objectives:

To highlight the relevance of the CAP 30 pension scheme to the contemporary Ghanaian worker.

To identify the challenges confronting the implementation of this scheme.

To find out how adequate the CAP 30 pension scheme has been to beneficiaries.

1.5 RESEARCH QUESTIONS

The study poses the following research questions:

i. How relevant is the CAP 30 pension scheme to the Ghanaian worker now?

ii. What are the challenges confronting the implementation of the CAP 30 pension scheme in Ghana?

iii. How satisfactory is the CAP 30 pension scheme to beneficiaries?

1.6 SIGNIFICANCE OF THE STUDY

The main goal of every retirement income arrangement is to ensure that employees assess retirement income without difficulty. One major view held by organised labour is that pensioners and public servants face difficulties in assessing the CAP 30 pension scheme. Again, issue of pensions paid to these retired workers are comparatively inadequate.

The significance of this study is to draw the attention of the government, the public and all stakeholders to the challenges in the CAP 30 pension scheme. Again, the work would serve as a source of reference for future studies.

1.7 SCOPE AND LIMITATIONS OF THE STUDY

The study focuses on management of the CAP 30 Pension scheme by the controller and Accountant General's Department. Data gathering on the study was restricted to Greater Accra region alone due to the fact that the administration of the scheme to a large extent is centralized in Accra. However it was difficult getting feedbacks from pensioners since they are no longer in active service and for that matter their locations could not be traced to be able to obtain further details of what they provided.

The responses from the questionnaires and interviews included element of subjectivity as the study could not prove the veracity or otherwise of the information obtained from the respondents.

Another dominant limitation was the difficulty in accessing resources and other logistical constraints. However, one limiting factor which is of much relevance to this study is the absence of actuarial analysis of the scheme. Ever since the scheme was instituted there has not been any actuarial analysis. Policies concerning the scheme were based on political consideration. Hence there was difficulty in accessing some secondary reports relevant to this study. For example the monthly pension payable under the scheme used to be 75% of the minimum point of the scale of the corresponding rank of an incumbent officer's salary using the salary structure on

which the pensioner retired. This percentage was reduced to 70% but in 1995 it further reduced to 50%. This policy was not based on any actuarial consideration (*Dei 2001*).

1.8 ORGANIZATION OF THE STUDY

The study has been organized into five main chapters and each deals with specific issues as follows:

The first chapter deals with the introduction of the study. This traces the background of the need for pension. It further highlights the purpose of the study, objectives of the study, research questions, significance of the study and scope and limitations of the study.

The second chapter deals with the literature review. Under this some literature on the subject of the study was reviewed. It also tried to define some key concepts and ideas of the study. The assessment of the public sector pension scheme was made with more emphases being laid on the practical aspects of the CAP 30 pension scheme. The CAP 30 Pension scheme in detail has also been discussed.

Chapter three covered the study methodology. This dealt with the instruments used in gathering data for the study. It included inquiries, interviews and administering of questionnaires which formed the basis of the primary data. It also highlighted existing literatures on the subject obtained from journals, annual reports and academic publications which was the basis of the secondary sources of data.

Chapter four dealt with the analysis and interpretation of data collected. Chapter five looked at the summary, conclusions and recommendations of the study. Indeed, this chapter presented suggestions and recommendations to reduce the problems identified and also suggested areas of improvement in the pension administration at the controller and accountant General's Department.

CHAPTER TWO

2.0 INTRODUCTION

The drivers of pension schemes encompasses formal and non-formal groups and organizations, including civil society, NGO's political groups and parties, trade unions, national and international organizations and other groups and individuals *(Pelham, 2007).*

Pension is the generic name of long-term periodical cash benefits that social security systems pay in case of invalidity, in old age and on the death of the breadwinner. Whether the method of affording protection is social insurance, public service or social assistance, the three kinds of pension should be coordinated. A retirement plan is an arrangement to provide people with an income during retirement when they are no longer earning a steady income from employment. Often retirement plans require both the employer and employee to contribute money to a fund during their employment in order to receive defined benefits upon retirement. Funding can be provided in other ways, such as from labour unions, government agencies, or self-funded schemes. Pension plans are therefore a form of "deferred compensation (ILO Geneva, 1970).

Many countries have created funds for their citizens and residents to provide income when they retire (or in some cases become disabled). Typically this requires payments throughout the citizen's working life in order to qualify for benefits later on.

Some pension plans will provide for members in the event they suffer a disability. This may take the form of early entry into a retirement plan for a disabled member below the normal retirement age.

Retirement plans may be classified as defined benefit or defined contribution according to how the benefits are determined.

2.1 DEFINED BENEFIT PLANS

A defined benefit plan guarantees a certain payout at retirement, according to a fixed formula which usually depends on the member's salary and the number of years' membership in the plan. A traditional defined benefit plan is a plan in which the benefit on retirement is determined by a set formula, rather than depending on investment returns. A traditional pension plan that defines a benefit for an employee upon that employee's retirement is a defined benefit plan *(Davies, 1993).*

Traditionally, retirement plans have been administered by institutions which exist specifically for that purpose, by large business, or, or government workers, by the government itself, A traditional form of defined benefit plan is the final salary plan, under which the pension paid is equal to the number of years worked, multiplied by the member's salary at retirement, multiplied by a factor known as the accrual rate. The final accrued amount is available as a monthly pension or a lump sum.

Davies, 1993, states that the benefit in a defined benefit pension plan is determined by a formula that can incorporate the employee's pay, years of employment, a great retirement, and other factors.

In some countries such as the United Kingdom, benefits are typically indexed for inflation (known as Retail Prices Index (RPI) as required by law for registered pension plans. Inflation during an employee's retirement affects the purchasing power of the pension; the higher the inflation rate, the lower the purchasing power of a fixed annual pension. This effect can be mitigated by providing annual increases to

the pension at the rate of inflation (usually capped, for instance at 5% in any given year). This method is advantageous for the employee since it stabilizes the purchasing power of pensions to some extent *(Haberman, 1990).*

If the pension plan allows for early retirement, payments are often reduced to recognize that the retirees will receive the payouts for longer periods of time. Many defined benefit plans include early retirement provisions to encourage employees to retire early, before the attainment of normal retirement age. Some of those provisions come in the form of additional temporary or supplemental benefits, which are payable to a certain age, usually before attaining normal retirement age *(Adjei, 1999).*

2.2 UNFUNDED BENEFIT PLANS

In an unfunded defined benefit pension, no assists are set aside and the benefits are paid for the employer or other pension sponsor as and when they are paid. Pension arrangements provided by the state in most countries in the world are unfunded, with benefits paid directly from current workers' contributions and taxes. This method of financing is known as Pay-as-you-go (PAY GO pt PAY G). The social security system in the USA and most European countries are unfunded, having benefits paid directly out of current taxes and social security contributions. In some countries, such as Germany, Austria and Sweden, company run retirement plans are often unfunded *(Government (UK) Actuary's Dept. 2001).*

2.3 FUNDED BENEFIT PLANS

In a funded plan, contributions from the employer, and sometimes also from plan members, are invested in a fund towards meeting the benefits. The future returns on the investments, and the future benefits to be paid, are not known in advance, so there is no guarantee that a given level of contributions will be enough to meet the benefits. Typically, the contributions to be paid are regularly reviewed in a valuation of the plan's assets and liabilities, carried out by an actuary to ensure that the pension fund will meet future payment obligations. This means that in a defined benefit pension, investment risk and investment rewards are typically assumed by the

sponsor/employer and not by the individual. If a plan is not well-funded, the plan sponsor may not have the financial resources to continue funding the plan *(Haberman, 1990).*

According to *Inductivo* (2002), Traditional defined benefit plan designs (because of their typically flat accrual rate and the decreasing time for interest discounting as people get closer to retirement age) tend to exhibit a J-shaped accrual pattern of benefits, where the present value of benefits grows quite slowly early in an employee's career and accelerates significantly in mid-career: in other words it costs more to fund the pension for older employees than for younger ones (an "age bias"). Defined benefit pensions tend to be less portable than defined contribution plans, even if the plan allows a lump sum cash benefit at termination. Most plans, however, pay their benefits as an annuity, so retirees do not bear the risk of low investment returns on contributions or of outliving their retirement income. The open-ended nature of these risks to the employer is the reason given by many employers for switching from defined benefit to defined contribution plans over recent years. The risks to the employer can sometimes be mitigated by discretionary elements in the benefit structure, for instance in the rate of increase granted on a accrued pensions, both before and after retirement.

Inductivo (2002 adds that the age bias, reduced portability and open ended risk make defined benefit plans better suited to large employers with less mobile workforces, such as the public sector (which has open-ended support from tax-payers).

Defined benefit plans are sometimes criticized as being paternalistic as they enable employers or plan trustees to make decisions about the type of benefits and family structures and lifestyles of their employees. However they are typically more valuable than defined contribution plans in most circumstances and for most employees (mainly because the employer tends to pay higher contributions than under defined contribution plans), so such criticism is rarely harsh.

The "cost" of a defined benefit plan is not easily calculated, and requires an actuary or actuarial software. However, even with the best of tools, the cost of a defined benefit plan will always be an estimate based on economic and financial assumptions.

These assumptions include the average retirement age and lifespan of the employees, the returns to be earned by the pension plan's investments and any additional taxes or levies, such as those required by the Pension Benefit Guaranty Corporation in the U.S. so, for this arrangement, the benefit is relatively
secure but the contribution is uncertain even when estimated by a professional *(Dei, 2001).*

2.4 DEFINED CONTRIBUTION PLANS

According to (*Mosinyi, 2008)*, in a defined contribution plan, contributions are paid into an individual account for each member. The contributions are invested, for example in the stock market, and the returns on the investment (which may be positive or negative) are credited to the individuals' account. On retirement, the member's account is used to provide retirement benefits, often through the purchase of an annuity which then provides a regular income. Defined contribution plans have become widespread all over the world in recent years, and are now the dominant form of plan in the private sector in many countries. Money contributed can either be from employee salary deferral or from employer contributions. The portability of defined contribution pension is legally no different from the portability of defined benefit plans. However, because of the form of administration and ease of determining the plan sponsor's liability for defined contribution plans (you don't need to pay an actuary top calculate the lump sum equivalent that you do for defined benefit plans) in practice, defined contribution plans have become generally portable (Mosinyi, 2008).

In a defined contribution plan, investment risk and investment rewards are assumed by each individual/employee/retiree and not by the sponsor/employer. In additional, participants do not necessarily purchase annuities with their savings upon retirement, and bear the risk of outliving their assets *(Jacoby, 1985).*

The "cost" of a defined contribution plan is readily calculated, but the benefit from a defined contribution plan depends upon the account balance at the time an employee is looking to use the assets. So, for this arrangement, the contribution is known but the benefit is unknown until calculated *(Costa, 1990). Costa, 1990,* further mentions that despite the fact that the participant in a defined contribution plan typically has control over investment decisions; the plan sponsor retains a significant degree of fiduciary responsibility over investment of plan assets, including the selection of investment options and administrative providers.

According to *Hebb, 2003,* there are two basic types of defined contribution schemes; these are Money Purchase Pension scheme and Profit sharing Pension Scheme.

2.4.1 MONEY PURCHASE PENSION SCHEME

This type of DC scheme is an employer sponsored arrangement where employer and employee contributions are defined. They may be fully employer paid or require employee contributions as well. The employer's contribution may be conditional to and/or vary with the employee's contribution. Contributions by be a fixed percentage of earnings, a fixed cedi amount, or a specified amount per year of service *(Vanderhei, 1992).*

2.4.2 PROFIT SHARING PENSION SCHEME

A profit sharing pension plan is a type of defined contribution scheme where employer contributions are linked to the profitability of the company. The employer's total annual contribution is determined using a formula related to profits. Allocation of profits among Plan Members may be based on appoints system, where points are assigned in relation to service, earnings or on both. Investment earnings and forfeitures are allocated to employees in proportion to their account balances *(Vanderhei, 1992).*

This type of plan may act to motivate employees and dead to increased productivity. However, the only drawback of this arrangement is that contributions are linked to

profit and this increases the uncertainly associated with the level of retirement income. From the employer's perspective, costs are linked to the company's ability to pay *(Adjei, 1999).*

2.5 HYBRID PLANS

Some types of retirement plans, such as cash balance plans, combine features of both defined benefit and defined contribution plans. They are often referred to as hybrid plans. Such plan designs have become increasingly popular in the US since the 1990s. Examples include Cash Balance and Pension Equity plans *(Henretta, 1992).*

2.6 OVERVIEW OF SOME PUBLIC SECTOR PENSION ARRANGEMENTS

This section describes some public sector pension schemes that have been in operation in Ghana. These schemes include:

CAP 30 Pension Scheme

Ghana Universities Staff Superannuation Scheme (GUSSS)

The CRIG Pension Scheme

Ghana Armed Forces Pension Scheme

The SSNIT Pension Scheme.

Act of Parliament (1991). Social Security Law, 1991 (P.N.D.C.L. 247).

2.6.1 THE CAP 30 SCHEME

The CAP 30 Pension scheme is a defined benefit scheme that is based on terminal salary and pension benefits payable are specified or defined in the rules of the Scheme.

This is restricted to some pensionable officers within the public sector. Non pensionable employees are paid “Annual Allowance”, under General Orders (GO) 400. The number of pensioners on the payroll of the CAP 30 Scheme was estimated at 101,000 at the end of 2005.

The criteria for qualification for CAP 30 benefits are that the beneficiary should: have held a pensionable position as at December 31, 1971, (except those exempted by law); have done a minimum of ten (10) years unblemished service; have attained a minimum age of 45 years; not have had a break in service, except with the approval of the head of Civil service and Heads of other Public Services.

The compulsory retirement age is 60 years, while the voluntary retirement age is 45 years. The Scheme provides life benefits for pensioners and survivors and there is an allowance (exgratia award) for qualified non pensionable officers. The benefits include: lump sum gratuity, monthly pensions, reduced pension with gratuity, death gratuity, survivor's benefit/widows allowance, commuted pension; invalidity pension; contract gratuity (available to ambassadors and High Commissioners).

From its inception, CAP 30 was a non-contributory scheme. It became contributory to some beneficiaries from 1st January 1972. Members were required to contribute 5% of their monthly basic salary and that the government as employer, contributes 12.5% of the employee's pre-tax salary. The total monthly contribution to the fund is therefore 17.5% of the employee's pre-tax salary.

Subsequent exemptions granted after January, 1972, made it a non-contributory plan for the Securities and intelligence Agencies, including the Police, fire, Immigration and the Prison Services; as well as the Judicial and Legal Services.

The Scheme is unfunded, as no funds are either set aside or invested for use in paying pension benefits. It is financed on a PAYG basis, with pension costs met out of budgetary allocations from the consolidated fund.

Section 6 (1) of SM<CD 8, 1975 provides that the total of 17.5% payroll contribution made under CAP 30 shall continue to be made and deposited with SSNIT. The government would from time to time direct as to how the fund shall be used. Although both the employer (government) and employees contribute to the CAP 30

Scheme, the 5% employee payroll contribution does not form part of the financing method *(National Pensions Act, 2008 Act 766)*

2.6.2 GHANA UNIVERSITIES STAFF SUPERANNUATION SCHEME (GUSSS)

The Scheme is partially funded from contributions by employer (Government) and employees to pay the lump sum benefits. It however relies on the consolidated fund for the payment of monthly pension benefits *(Adjei, 1999).*

Membership of the Scheme is limited to senior members of the public universities and junior staff who were on the GUISSS on 1st January 1976. Others include Research Fellows, University Administrative Staff, Library and professional staff and Teachers of a status, comparable with that of the University. The Scheme has similar benefits as CAP 30 considering the pension computation formula used. Benefits under the Scheme include: Cash lump sum, Regular monthly pension, survivor's Gratuity (Cash Lump sum) on the death of a pensioner, Death in Service (*(Adjei, 1999).*

The GUSSS is financed from monthly payroll deductions from basic salary of members (GUSSS based) and from contributions of the employer. Currently, the contribution rates are 12.5% from Government as employer and 10% from members, totalling 22.5%. Members' contribution rates are subject to variations determined by members from time to time. Contributions are utilised to cover gratuity (cash lump sum) payment. As a routing arrangement, the State provides additional budgetary support to pay the regular monthly pensions. GUSSS management teams in the various institutions have complete autonomy over the areas of investment and investment policy. The funds are invested by the respective management boards in ventures they consider to be appropriate, using independent fund managers.

The operational policy of the Scheme is defined and coordinated by the committee of Vice Chancellors and Principals (CVCP) now called Vice chancellors, Ghana. The

Scheme is routinely administered by the finance Officers of each university under the supervision of a management Board, comprising the following: two members of the University Council, two persons from outside of the University appointed by the council two members of the academic staff elected from among themselves; one senior administrative/professional staff elected by his/her peers; the Registrar; one senior staff (Technician Grade), elected from among themselves; one junior staff elected from among themselves *(Research Dept. of SSNIT (2001). Annual Statistical Report Social Security and National Insurance Trust, Ghana).*

2.6.3 THE CRIG PENSION SCHEME

This is a pension scheme for the Research and Senior Administrative Staff of the Cocoa Research Institute of Ghana (CRIG). The Scheme, which is similar to the GUSSS, was set up in 1979 when the Cocoa Research Institute, which had been made part of the CSIR in 1963 (following the dissolution of the West Africa cocoa Research Institute,), was given a new status by the promulgation of the Ghana cocoa Research Decree 234, 1979. While the cocoa Research institute remained part of the CSIR, the Research and Senior Administrative Staff subscrib3d to the GUSSS. In 1981, however, with the promulgation for the cocoa Marketing Board Act, Act 4476, the cocoa Research Institute was taken over by the cocoa Marketing Board (CMB), but the4 Research and senior Administrative Staff continued on the CRIG Pension Scheme *(Adjei, 1999).*

It is worth noting that presently, there are no new subscriptions to the Scheme and that the employees currently on the Scheme are those who entered the Institute before April 1984. The Scheme is currently being restructured on the basis of a proposal to set up the CIG Pension fund to support it.

The Scheme is funded by contributions from the employer (the CMB), which contributes 12.5% of the basic salary of the employee and 10% from the employee's basic salary. The CMB also provides a subsidy to meet any short fall in budgeted pension payments.

The GUSSS and the CRIG Pension Schemes benefit from higher levels of contribution from the employee. This arrangement enables these schemes to pay better lump sums. However, it is common knowledge that for all these years, the government pays the monthly pensions while the scheme pays the cash lump sums. The inability of both schemes to pay all benefits, without the subsidies from the government and the Central Management Board, makes them vulnerable and their viability uncertain (Dei, 2001).

2.6.4 GHANA ARMED FORCES PENSION SCHEME.

The Ghana armed forces operate their own peculiar retirement scheme under the Armed Forces Regulations; ref: AFR (Finance) Vol III, Art. 206. The Scheme is based on the CAP 30 model and therefore has some of the attributes of CAP 30. It is a non-contributory, defined benefit scheme. All regular commissioned officers and men (other rank) retire according to the provisions of article 206 of the Armed Forces Regulations.

The compulsory release age for an officer holding a permanent commission is 50 years. There are exceptions for certain branches and ranks. To qualify for pension, an officer should have done a minimum of 10 years reckonable or commissioned service. Other ranks must complete a minimum of 15 years of service.

Family Pension – Family pensions are paid to families of officers and other ranks who die while serving on full pay or whilst in receipt of retired pay or pension. Gratuities are payable to the estate of officers and other ranks who die whilst serving on full pay *(Research Dept. of SSNIT 2001).*

Civilian Employees – The GAF has a large number of civilian employees. The majority of these employees are under the SSNIT Scheme, with the rest under CAP 30. In all cases, the civilian employees contribute 5% of their salaries while the employer pays 12.5% to the respective schemes. Officers who are appointed as Judge

Advocates enjoy the retirement conditions applicable to Judges to the court of Appeal.

Pensions and gratuity due to persons retired under the Ghana Armed Forces (GAF) Pension Scheme, ref: Armed Forces Act of 1962, are met from the consolidated fund. This is financed on a PAYG basis. The Ghana Armed Forces is one of the few institutions which are exempted from any contribution to their pension benefits *(Adjei, 1999).*

The pension pay is directly related to military officers' basic pay, irrespective of additional allowances and specialization. The adoption of the non-contribution model for the pension of members of the Ghana armed forces, as well as selected security agencies, places a burden on the State in financing their pension benefits *(Research Dept. of SSNIT 2001).*

2.6.5 THE SSNIT PENSION SCHEME

The SSNIT Pension Scheme is a contributory, defined benefit (DB), social insurance scheme based on the principle of solidarity or "risk pooling". The Scheme is autonomous, with a governing Board of directors representing the government, employers and workers. It is partially funded and employs the scaled premium method to finance benefits *(Research Dept. of SSNIT (2001) Annual Statistical Report).*

The Social Security and National Insurance Trust (SSNIT) was established in 1972 under the NRCD 127 to administer the National Social Security scheme. The scheme had previously been administered by the Department of Pensions and the State Insurance Company (SIC). The trust is funded through contributions by workers and employers. The SSNIT pension scheme offers benefits for retirees and their dependents. These benefits consist of Old age benefits, Invalidity and Survivors Lump sum *(www.ssnitghana.com).*

For a worker to qualify for Old Age benefits, he must have worked for a minimum of 240 months and attained the age of 60. For workers in hazardous occupations such as the extractive industry i.e. mining, the mandatory retirement age is 55 years. Any retiree who does not fulfill these requirements receives the sum total of his contributions plus half the prevailing government treasury rate.

Invalidity benefits are paid to workers who have been injured ... the guaranteed payment period of the benefits is 12 years. If a retiree dies before this age, the present value of his total pension is calculated and paid to his dependants.

The SSNIT pension scheme operates on the defined-benefit principle. With this method, the risk of investment is borne by the scheme since the contributions of members are only minimally linked to the benefits received after retirement. The investment managers must therefore exercise caution and level-headedness in selecting the investment options.

The SSNIT has four major functions. These are collection of contributions, keeping of records of members, managing the funds of the scheme and processing and paying benefits to eligible members and declared dependent

There are three internal classifications of SSNIT members. There are:

Active members: members who have paid their contributions over the last two years.

Inactive members: those whose social security accounts have not been credited with contributions covering the last two years. These are largely students on study leave and members who have been out of employment for more than two years.

Paid members – those who have received social security benefits or on whose behalf SSNIT has paid social security benefits. These include members who have received interim benefits, lump sum payments, survivors' benefits as well as those currently on pension.

Membership is mandatory for all workers in the formal sector, both public and private. Membership of the self-employed is, however, voluntary.

The only groups expressly exempted from the SSNIT Scheme by various Laws are: Ghana armed Forces, Ghana Police Service, Ghana National Fire Service, Judicial Service, Council for Law Reporting, general Legal counsel of Ghana, Prisons Service, Ghana Immigration Service, Bureau of National Investigations, Research Unit of the Ministry of foreign affairs, foreign Mission as and diplomatic corps, Senior members of Public Universities, Research and analogous Institutions *(Research Dept. of SSNIT (2001) Annual Statistical Report).*

The groups are on the CAP 30 Scheme, except the universities and the Ghana Armed Forces who have their own schemes. However, individuals employed by these establishments may opt to join the SSNIT Scheme as voluntary contributors.

Benefits payable under the SSNIT pension scheme include:

a., Superannuation/old age pension

b. Death/survivors, lump sum benefit,

c. Invalidity benefit.

The normal retirement age for members of the Scheme is 60 years. For some workers employed in hazardous areas, the retirement age is 55 years. However, members may opt for early retirement with reduced benefits between ages 55 and 59 *(Research Dept. of SSNIT (2001). Annual Statistical Report).*

2.6.6 CONTRIBUTION AND FINANCING METHOD

The current mandatory contribution rate is 17.5% of a member's monthly earnings. Employees contribute 5% and the employer contributes 12.5%. Self-employed persons, who register voluntarily with the scheme, pay the total contribution rate of 17.5%. Where a member has ceased to be employed, he or she may continue to pay the monthly contribution at the rate being paid by self-employed persons, i.e. 17.5%. As stated earlier, the Scheme is partially funded and employs the scaled premium to

finance benefits. Under it, a contribution rate is field for a period to provide funds and the rate is reviewed as and when necessary, in order to sustain the Scheme. The rate fixed at any particular point in time needs not match the total liabilities of the Scheme.

NATIONAL PENSIONS ACT, 2008

This is an act to provide for pension reform in the country by the introduction of a contributory three-tier pension scheme. An established authority named National Pensions Regulatory Authority is to oversee to the administration and management of registered pension schemes and trustees of registered schemes. The new contributory three-tier pension scheme comprises two mandatory schemes and a voluntary scheme as follows:

a. A first tier basic national social security scheme which is mandatory for all employees in both the private and public sectors and optional for the self-employed; it will pay only monthly pensions and related benefits such as survivors and invalidity benefits

b. A second tier mandatory occupational (or work-based) pension scheme which will be privately managed and mainly pay lump sum benefits; and

c. A third tier voluntary provident fund and personal pension schemes, supported by tax benefit incentives to provide additional funds for workers who want to make voluntary contributions to enhance their pension benefits and also for workers in the informal sector who are not catered for by the first two mandatory schemes.

The first tier basic national social security scheme will be managed by SSNIT which is currently undergoing restructuring to strengthen its operations. The mandatory second tier and the voluntary third tier schemes will be privately-managed by Trustees licensed by the Pensions Regulatory Authority with the assistance of pension fund managers and custodians registered by the Authority. The pension fund managers and custodians will first be licensed by the Securities and Exchange Commission and thereafter they will be required to register with the National Pensions Regulatory Authority.

Provision has also been made in the third-tier voluntary Personal Pension Scheme of the new scheme to cater for the peculiar needs of workers in the informal sector of the economy who constitute about 85% of workers in the country. This means that farmers, fishermen, tailors, hairdressers, market women and traders, drivers, and other self-employed can now participate in a pension scheme which will take care of them in their old age.

The main objective of the three-tier pension scheme is to provide for pension benefits that will ensure retirement income security for the worker. The employer will make a monthly contribution of thirteen per cent (13%) of workers salary whilst the worker will make a contribution of five and a half percent (5.5%) making it a total of eighteen and half percent(18.5%) of workers salary as mandatory contribution towards pension.

Out of the total contribution of eighteen and half percent, the employer will remit thirteen and half percent (13.5%) to the first tier mandatory basic national social security scheme and five percent (5%) to the mandatory second tier occupational pension scheme. For the voluntary third tier schemes for the informal sector, there is no fixed level of contributions. Their contribution will depend on their ability to pay.

2.7 WHAT ARE PENSION FUNDS?

According to *Davis (1995)*, pension funds are bodies which receive contributions from members and invest the funds received in order to provide an income for the members in the future. The investments ensure that employees accumulate sufficient funds over their working life in order to maintain a certain standard of living during their retirement. These investments ensure that the various entitlements are adequately provided for. These entitlements or benefits are in the form of old age, invalidity and survivors' lump sum benefits. The benefits may be paid either in the

form of annuity or a lump sum. An annuity is a fixed periodic income received by an individual.

Pension funds are invested in companies, households as well as the government. Pension funds are also used to grant loans to companies to allow for growth. Shares are also purchased in various companies in order to earn dividends. Loans are also granted to households in order to supplement their income for consumption. Governments also use pension funds to supplement their budgets. The governments borrow the amounts they need from the pension funds with the promise to repay at an agreed time *(Adjei, 1999).*

There has been a remarkable growth of pension funds in many Organization of Economic Cooperation and Development (OECD) countries as well as many emerging markets OECD countries include Canada and the United States (US). Emerging markets include countries like Chile and Argentina. This growth has been in relation to that of the GDP and the banks. Due to the long term nature of pension funds, the funds can be invested in high yielding long term instruments. Early withdrawals are restricted. The funds can thus be invested in corporate equities, government bonds and corporate debt *(Davis, 2000).* The corporate equities are in the form of shares, government bonds include treasury bonds and corporate debts are loans granted to companies.

Contributions into the fund may be made by employers alone or by both the employer and the employee. Where contributions are made by only the employer, we have a non-contributory scheme. Where the contributions are made by both the employee and the employer, we have a contributory scheme. The benefits received by eligible members can be either defined-benefit or defined-contribution. Under the defined-contribution, benefits are not based upon a predetermined formula; plan participants upon retirement get back their contributions plus their accumulated return with the pension benefit taking the form of a lump-sum payment or a series of lump-sum payment or an annuity. Defined-contribution plan is usually fully funded. The employee/retiree bears the risk of poor investment performance and inflation14. The real value of benefits may fall during periods of inflation. Attention must therefore be paid to the selection of investment options *(Davies, 1993).*

The defined-benefit plan defines plan participants' benefits as a function of salary and work history. A formula is used in the calculation of this benefit. The risk of investment is borne by the employer who serves as the guarantor of the scheme. These schemes are not very mobile from one employer to another. There are also a lot more conditions attached to the benefits. Some of these conditions may include length of employment and position.

In recent years defined contribution plans have grown faster than defined benefit plans. This is because employers now seek to minimize their risk of obligation whiles employees also seek funds readily transferable between employers.

2.8 THE ROLE OF PENSIONS IN THE ECONOMY

Provision of retirement income in the light of the ageing of the population, pensions serves as a means of saving towards the future after the employee's normal working life. It provides income security to the retired worker or his beneficiaries in the event of death or invalidity. Governments in many countries normally grant tax exemptions on the contributions made by employees to the pension fund. This increases the level of savings for the employees or the retired worker. Also, under a defined-benefit scheme, managers see defined-benefits (DB) fund liabilities as a debt to the company which employees can claim like creditors. They therefore invest some of the company's assets to serve as collateral for the pension obligation when it is due *(Adjei, 1999).*

Pension Schemes (PS) help companies to reward and retain their best staff, attract high quality labour and reduce labour turnover. This is called the business expediency concept. As a reward, managers use pensions as a way of honouring aged employees for their invaluable service in the company. Managers also use pensions as a negative reward to lay off too-old–to-work employees whose carelessness and mistakes might cause injuries to other employees and losses to the company. Defined -benefit plans attract high quality labour because of the insurance features attached to it. Employees feel that there is a guarantee for their income during retirement. DB plans also retain employees. This is because under a DB system, employees' rights to the accrued pension benefits increase with length of service. Managers can also reduce labour turnover by increasing the vesting period (the length of time the employee must work to acquire the right to the accrued pension benefits).

Pension scheme help government to achieve its development objectives. This can be done by way of infrastructure development, poverty eradication, reduction of financial services costs, improving the financial system. Such investments in turn create jobs and spill over to other sectors of the economy *(Adjei, 1999).*

Pension funds have also been seen to influence corporate governance in the economy. *Clark and Hebb, 2003* identified four factors which facilitate pension funds' corporate governance.

a The use of indexation technique

b. The second is the increasing demand by owners for more accountability and transparency.

c. Pension funds' pressure to undertake socially responsible investing (SRI)

d. To humanize capital with social, moral and political objectives extend pension funds simple concern's for rate of return.

Pension scheme boost the performance of life insurance companies. Pension funds are used to purchase annuity products for pensioners upon retirement.

Pension scheme improve the financial market. Pension funds accumulate large amounts of resources, providing long term capital and stability to the stock market. For example in the US,

investors with over $10 trillion in pension fund assets now own up to 76% of the stock market. In Ghana, SSNIT is the largest institutional investor on the Ghana Stock Exchange. *Adjei 1999* discloses that Pension funds also protect investors and enhance public confidence in the capital market. Pension funds' role in the financial sector includes the following:

The collection of savings

The investment in securities and other financial assets both locally and foreign.

The payment of annuities and

Provision of forms of insurance

2.9 THE DEVELOPMENT OF PENSION SCHEMES IN GHANA

In 1946, a non-contributory pension scheme was introduced to cover senior civil servants. This was the first pension program of its kind in the country. The scope of cover was thus limited to those who worked in the offices of the Colonial Administration. The vast majority of ordinary Ghanaians could not benefit from this scheme (*www.ssnit.com*).

Nineteen fifty-five (1955) saw the extension of this cover to certified teachers and this was referred to as "CAP 30". This was a major leap from the previous cover. Private superannuation schemes were introduced to cater for retired members of the then University College of the Gold Coast; now University of Ghana *(Adjei, 1999).*

In 1960, a compulsory savings scheme was introduced for all government workers. Social Security Act No. 279 of 1965 was passed to cover workers in companies with five or more employees if they were not covered by the "CAP 30" *(Social Security and National Insurance Trust, 2008).*

2.10 OVERVIEW OF THE OPERATIONS OF CAP 30 PENSION SCHEME

The public sector pension scheme, popularly referred to as CAP 30, emerged as a colonial legacy, drawing its authority from the Pensions Ordinance No. 42 of 1950, which forms chapter 30 of the 1950 British colonial Ordinances under which the British Government administered the Gold Coast Colony and other colonies listed in the Schedule to the Pensions Ordinance *(Adjei, 1999).*

The Pension Ordinance, which was promulgated in 1950 but took retroactive effect from 1st January 1946, replaced the erstwhile Pensions (European Officers) Ordinance CAP 29, 1936 and the Pension (Non European Officers) Ordinance, CAP 30, 1936, as one consolidated legal instrument for the uniform application of a much less discriminatory pension scheme, offering equal benefits to both expatriate and indigenous civil servants in the civil service of the Gold Coast (then including British Mandated Togo land), under the United Kingdom Trusteeship *(Adjei 1999).*

It is worth mentioning that the promulgation for the Pensions Ordinance of 1950 came at a time when the torch of nationalism had been set ablaze in the gold Coast and the transition from an expatriate dominated Civil Service to an indigenous Civil Service was progressing in earnest, due to the efforts of exponents of Africanization.

The Scheme was an arrangement for guaranteeing a reasonably comfortable and decent life, as well as the economic and social security of both pensionable and non pensionable officers retiring from the Colonial Civil Service, through the payment of pensions, gratuities or annual allowances. The Schedule to the Ordinance provides regulations for applying the provisions of the Ordinance *(Adjei, 1999).*

The CAP 30 Pension Scheme was originally non-contributory and intended to be a reward from the Colonial Government to civil servants, after a minimum of ten years unblemished and loyal service, at the voluntary retirement age of forty-five (45) years or on the attainment of the compulsory retirement age of fifty (50) years. It was also to encourage lifetime employment and efficient career development in the civil Service. This fact is amplified by 6 (1) of the Pensions Ordinance, which categorically states that “pension and other benefits under the Scheme are not a right”. The fact that the CAP 30 Pension was the right of the employer was overextended by the provisions of the Pensions Special provisions act of 1959. This amendment made it possible for the government of the day to suspend payment of pensions to pensioners who were detained under the Preventive Detention Act of 1959 (www.ssnit.com).

Administration of the Scheme was not seen as a special function to be banded by professionals such as actuaries, but as a typical civil service function, located in the Controller and Accountant General's department (CAGD).

Subsequently, the role of the CAGD was strengthened by the creation of the Pensions Computations and Pensions Payment Units, both of which still operate within the overall framework of the Central Treasury System, but without the involvement of professionals like accountants and actuaries. Currently, the administration of the CAP 30 Pension Scheme is a shared responsibility between the CAGD and the Ghana Audit Service.

The financial administrative reform which started in the dearly 1980s, brought with it computerized systems that were intended to facilitate pension computation and records management and control and thereby guarantee timely and efficient delivery of pension services. The extent, to which pension management benefited from the modernization exercise, remains doubtful.

The original CAP 30 Scheme was designed on the basis of sound actuarial principles. However, the implementation of the scheme has been going through considerable environmental dynamics which have brought along with them various legislations, amendments and administrative decisions not supported by any actuarial inputs or projects and which have impacted generally negatively on the original scheme. These developments have watered down the actuarial basis on which the Scheme was developed.

These environmental changes include:

a. Growth in the Population of Pensionable Officers: This brought with it the problem of affordability by government in the face of a weakening economy. Again, this growth in numbers of beneficiaries demanded a sustainable level of operational efficiency which could not be met by the administrators of the CAP 30 Scheme.

b. Rising cost of Living: The solution to this socio economic phenomenon has been the automatic adjustments of pensions to correspond to pay increases for active workers, there by turning the Scheme into a dynamic pension.

c. Unionization: This has made decisions on pension pressure driven, leaving little room for rationalization of the CAP 30 Pension Scheme.

d. Introduction of the social Security Fund and Subsequent Declaration of Option: This is the most important landmark in the development of the CAP 30 Scheme. In 1972, seven years after the establishment of the Social Security Scheme for private sector workers, viz: social Security Act of 1965, (Act 279), the National Redemption council (NRC) Government, compulsorily transferred all pensionable public servants to the social security Scheme (then a Provident Fund), by the promulgation of the social security (Application to Public servants) Decree 190 of 1973. This Decree was to give legal backing to a government decision communicated by the Office of the Prime Minister, under circular No. SCR0378/V2/196 of 5th November, 1971. The Decree also provided that all new entrants into the public service were to subscribe to the social Security Scheme. It is also worth noting that while the implementation of the Scheme progressed, the need to improve national productivity and accelerate the nation's development agenda by offering retirement benefits to motivate employees, led to the establishment of four other pension schemes, which bear close resemblance to the CAP 30 Scheme, in form and in substance. These new schemes are, the Teachers' Pension Ordinance (1955), which covers Teachers in non-government schools, the Ghana Universities Staff Superannuation Scheme (GUSSS), (which was an offshoot of the UK based Federated Superannuation Scheme for Universities and university Senior Staff were contributing until the Ghana Exchange Control Act, 1961 made subscription by Ghanaian Lecturers impossible), the CRIG Pension Scheme for the Research and Senior Staff of the Ghana Cocoa Research Institute who joined the Institute before 1984, the Ghana Armed Forces Act, 1962 and the Ghana Armed Forces Regulations, AFR Volume III (Finance). - *Research Dept. of SSNIT (2001) Annual Statistical Report Social Security and National Insurance Trust, Ghana*.

It is also worth noting that the idea of converting pensionable officers to the Social Security Scheme was first suggested by the Mills Odoi commission in 1968. The Commission recommended to government, the conversion of all pensionable officers who were on the non-contributory CAP 30 Scheme to the contributory Social Security Scheme. The recommendation was not accepted by the government in its White Paper No. 6/68 on the Report.

The Committee on Salaries and Pensions set up in 1969 with Mr. J.H. Mensah as chairman was mandated among other things, to look into issues relating to the conversion of public servants to the Social Security Scheme,. It upheld the Mills Odoi recommendation on the conversion of public servants from the CAP 30 non-contributory scheme to the contributory Social Security Scheme. In the White Paper on the J.H. Mensah Committee's Report, government suspended the conversion exercise, pending actuarial studies, to be undertaken by the Ministry of Finance, to ensure that on conversion to the social security Scheme, public servants then on CAP 30 would not receive less pension and gratuity than they would have received under CAP 30. The actuarial studies had not been undertaken when the then NRC Government decided to move all pensionable officers to the social Security Scheme with effect from 1st January 1972 under the Social Security (application) to Public Servants Decree, 1972, NRCD 127. In 1975, two years after the compulsory transfer of Public servants to the Social Security scheme, the Government of the supreme Military council, (SMC) also offered an option to all former officers who were holding pensionable appoi8tments before 1st January 1972, to either go back to the CAP 30 Scheme or to stay on the social security Scheme. This option was offered through the promulgation of the Pensions and social security I (Amendment) Decree 1975, (SMCD 8), section 4 (1a) and 4 (1b). The option was to be exercised with a period of 12 months. Failure to exercise the option meant that one had opted for the Social Security Scheme.

It is important to note that this option in 1975 has been nullified, de facto, by the Controller and accountant General's Circular (CEG/ADM30351), of Main 1997. By this administrative Directive, retiring Public Servants who were in pensionable positions before 1st January 1972 were now made to exercise their option for either CAP 30 pension payment of SSNIT benefit payments at the point of retirement *(Research Dept. of SSNIT (2001) Annual Statistical Report Social Security and National Insurance Trust, Ghana*).

By section 6 (1) of SMCD 8 1975, all Pensionable Officers who opted to remain on the CAP 30 Scheme were to contribute 5% of their gross monthly salaries towards their pension while their employer (Government) contributed 12.5%. The 17.5% contribution would be held by the Administrator of the Social Security Fund on "such terms as the government would from time to time direct. By Section 6 (1) of SMCD 8, the CAP 30 Pension Scheme became contributory for some public servants *(Adjei, 1999).*

Through its various provisions, the SMCD 8 introduced not less than ten major amendments to ten XCAP 30 Pension Scheme, changing both its complexion and substance, with far reaching consequences. These included increases in the pension calculation rates for retiring public servants, widows and children of deceased public servants; the upward revision of the pension multiplier from '12' to '20' and the resultant calculation of cash lump sum and commuted pension, using a period of 20 years instead of the 12 years, introduced by the Pension amendment act 1971, Act 369.

The transfer of pensionable public servants with effect from 1st January 1972 to the Social Security Scheme carried with it two clear messages: the Scheme was time bound, requiring only the fixing of a firm date for the Scheme to the phased out and there would be no new subscribers to the Scheme.

However, the above were not fully implemented. Between 1985 and 1996, special dispensations were given to certain institutions through various legislations, enabling them to revert to the CAP 30 Scheme. By various piecemeal legislations, the Police Service, Immigration Service, Prisons Service and the fire service were retransferred to the CAP 30 Scheme. In 1986, by the promulgation of the public Legal Officers Pensions Amendment Law, PNDC 165, the PNDC Government returned all Legal Officers' in the Public Service to CAP 30 - *Research Dept. of SSNIT (2001) Annual Statistical Report Social Security and National Insurance Trust, Ghana*.

Consequently, new entrants into the Legal Service were to go onto the CAP 30 Pension Scheme. They were also exempted from contributing and their previous monthly contributions were refunded. Again, transfer of the Intelligence Agencies back to CAP 30 was also affected by Section 34 of the security and Intelligence Agencies Act, 1996.

The Pensions Ordinance No. 42 of 1950 (CAP 30) now referred to as Pensions Act, 1950 (CAP 30) is an Act which provides the pensions, gratuities and other allowances payable to officers in the Public Services of the Government of Ghana. The primary purpose of the Act is to provide a comprehensive social protection scheme for a category of officers working in the Public Service - Act of Parliament (1991) *Social Security Law, 1991 (P.N.D.C.L. 247).*

Challenges of the scheme

According to Adjei, 1999, the CAP 30 Pension Scheme has faced several challenges in its long history. In order to preserve and improve the scheme, there have been several amendments to the Act. In addition to the amendments, there have also been several judicial decisions, CHRAJ rulings and administrative instructions to guide its implementation.

Additionally, the law itself appears to have some peculiarities which have made it a subject of several disputes between CAGD and beneficiaries. These include the scope of the act, discretionary powers, gaps in the law and definitional problems, cut-off system, condo nation of break-in-service, and misinterpretation of the law by some implementing institutions.

The administration of CAP 30 Pension scheme has also been severely criticised as having a lot of shortcomings. These include the slowness of processes and cumbersome nature of procedures. There are also poor record-keeping, storage facilities and in security of vital information on pensioners; and there is lack of knowledge of CAP 30 and its processes and procedures (Dei, 2001).

The Primary purpose of this Act is to provide a comprehensive legal framework for implementing pension's policy. CAP 30 pension is a social protection scheme. The pensions, gratuities and allowances payable to officers in the public services of Ghana are privileges and not rights. The government provides these benefits for dedicated and local service. Section 4 (1) of CAP 30 of 1950 states that, "An officer does not have an absolute to compensation for past services or to pension, gratuity, or any other allowance".

Retirement circumstances under CAP 30

This section spells out the circumstances under which public officers may retire and take retirement benefits under CAP 30

Voluntary retirement

Pensionable officers may retire voluntarily on or after attaining the age of for-five (45) years except that superior court judges i.e. High court, appeal court and supreme court Judges may retire voluntarily on or after attaining the age of six try (60) years. Public officers other than the superior court judges are required to give notice in the following manner: where the person is forty-five (45) years but is less than fifty (50) years, the person should give six (6) months notice of his/her intention to retire; and where the officer has attained fifty (50) years he or she is not required to give any notice. *Refer to section 7 (1) of the Pension Act 1950.*

Compulsory retirement

It is mandatory for a pensionable officer to retire on attaining the age of 60(sixty) years. In the case of transfer to other public service, pension takes effect on or after the officer has attained the age at which he/she is permitted by law to retire.

Exceptions: The mandatory retirement age of 60 (60) years does not apply to the High Court Judges who retire at 65 sixty-five) years and Judges of the court of Appeal and Supreme Court who retire at 70 (seventy) years.

Abolition of office

A pensionable officer is required to retire where the office occupied by the officer ceases to exist and cannot be redeployed to others departments.

Retirement on re-organization

This refers to the mandatory retirement of an officer from active service for the purpose of facilitating improvement in the organization or department to which the officer belongs.

Retirement on medical ground

This refers to the retirement of an officer on medical evidence where the appointing authority is satisfied that the officer is incapable to continue to work by reason of infirmity of mind or body. A consensus of not less than 3 (three) Government medical officers is required as proof of the infirmity.

Premature retirement in order to become a chief

A pension able officer may retire to become a chief if the President is satisfied that the retirement is desirable on grounds of public policy.

Retirement on grounds of inefficiency

This refers to the situation where an officer is retire or removed on the grounds of inefficiency.

Retirement on marriage grounds

This is where a female officer retires for the reason that she is about to marry; or at any time during a marriage contracted whilst she is in the Public Service.

Types of benefits payable under CAP 30

Types of benefits payable under CAP 30 are as follows

1., Gratuity and Pension;
2. Gratuity only;
3. Pension only;
4. Death Gratuity;
5. Contract Gratuity;
6. Commuted Pension; and
7. Annual allowance

(Adjei ,1999)

Gratuity and pension.

This benefit is payable to an officer who qualifies for both gratuity and monthly pension. Gratuity is the initial lump sum payment to a qualifying officer who retires from active service. This precedes the payment of a monthly pension.

To qualify for a gratuity and pension, the officer should have served in the Public Service for a minimum of 10 (ten) continuous years. However, break in service not resulting from misconduct or voluntary retirement should be disregarded; and he or she must attain a pensionable grade on or before 31st December, 1971.

Gratuity only

Payment of Gratuity only is the one time lump sum payment to an officer after the completion of a qualifying service and precludes the payment of any monthly pension.

Qualification criteria

1., Offers must serve in the public service not less than 10 continuous years

2. Retirement on marriage grounds

Pension only

"Pension only" is the monthly payment of allowances to a qualifying officer in recognition of past services and precludes the payment of an initial lump sum gratuity.

Circumstances under which "pension only" can be paid are as follows:

Where the President consents that it should be paid to a pensionable officer who had less than 10 years continuous service where the officer opts for full pension without the payment of any lump sum gratuity. That pension is a monthly payment.

Death gratuity

"Death gratuity" is a lump sum payment due to the beneficiaries of a qualifying officer who dies in active service. There is a monthly subsistence paid to the deceased surviving spouse(s) and up to a maximum if six surviving minors. In the Ghana army however there is no maximum number for minors.

Additional Benefit

If the officer's death is due to injuries on the job, additional benefits may be paid on the approval of the President.

Dependant's Pension

Dependant's pension is an allowance paid to the relative of a deceased pensionable officer where the officer died in active service.

Qualifying relatives

The following categories of persons qualify for dependent's pension:

1. Surviving spouse
2. Surviving mother
3. Other dependents upon receiving presidential approval; and
4. Surviving minors up to a maximum number of 6 (six) children the age limit of 21 years.

Exception – The Ghana Armed Forces have no limit as to the number of children and payment ceases at the age of 18 years.

Mode of Payments:

Where a file contains nomination papers, payment is made directly to the nominee's bank accounts; in the absence of nomination paper, where there is a will that has express provision for the payment of pension benefit, or where Letters of administration is application and upon advice of the administrator-General, payments should be made into the beneficiaries' bank accounts.

Where a person qualifies for dependant's pension, a Pension Advice is prepared and used to activate the monthly allowance of that person; and the claimants and the Head of MDA should be notified accordingly.

Contract gratuity

Contract gratuity is a lump sum payment made at the end of a period of contract service. There is no monthly pension attached to any contract gratuity.

Qualification criteria and computation

The qualification criteria and the method of computation should be stated in the contract engagement.

Termination of contract gratuity

Payments ceases after the contract gratuity has been paid and government is discharged of further liability.

Commuted pension

Commuted pension is the amount of pension due to a deceased pensioner which is payable to his beneficiaries. CAP 30 stipulates that pension should be paid for 20 years. If however a pensioner dies before the end of the 20 years, the balance of the pension for the period to 20 years is calculated and paid in lump sum to the surviving beneficiaries using the pension rate for the deceased pensioner at the time of death.

Termination of dependants' pension

After the commuted pension has been paid, government is discharged of further liability.

Exception – in the Ghana Armed Forces, the twenty (20) years rule does not apply and so commuted pension is not payable. However, a death gratuity and dependants pension are payable to the beneficiaries. Annual allowance payment ceases upon death, and no commuted pension is payable.

Payment is made as follows:

Where a file contains nomination papers, payment is made direct to m=nominees bank accounts. In the absence of nomination paper, where there is a Will that has express provision for the payment of pension benefit, or where Letters of Administration is applicable and on advice of the Administrator-General, payments should be made into the beneficiaries' bank accounts of the beneficiaries and the head of MDA should be notified accordingly.

Annual allowance

Annual allowance is paid to an employee who does not qualify for CAP 30 pension and gratuity. Such an employee is a person, who had not attained pensionable grades on or before 31st December, 1971 and was employed before 1st July, 1965

Qualifying criteria

These are that the employee should have been in employment before 1st July, 1965; and working in the Public Service for a continuous period of thirty (30) years; a contributor to the SSNIT Fund: and should not have taken any redeployment benefits. (This is because these benefits have adequate compensation factored in to cater for any services rendered to government before the introduction of the SSNIT Scheme. Annual allowance earners are entitled in addition to the allowance to benefit from SSNIT for the period of service from 1/7/65 to the date of retirement.

Government is obliged to pay Annual Allowance to pensioners whilst they are alive. Once they die, the allowance ceases and no benefit is paid to their dependants. No death gratuity is also paid when they die in active service.

Termination of pension and allowances

Payment of Pension ceases where a pensioner is:

a. Sentenced to a term of imprisonment by a Court and the president so directs that such person's pensions should cease.

b. Qualified for pension but is yet to be paid the pension or allowance is sentenced to a term of imprisonment and the President directs that such person should not enjoy the pension or allowance.

c. Adjudged by a court of competent jurisdiction to be bankrupt or is declared insolvent; a person qualifies for pension but is yet to receive pension and adjudged by a court of competent jurisdiction to be bankrupt or is declared insolvent; or a pensioner dies

Computation of benefits under CAP 30

1. Gratuity
2. Contract Gratuity
3. Annual Allowance
4. Death Gratuity
5. Commuted Pension
6. Monthly Pension
7. Dependants pension

Gratuity

$$FP = \frac{LSM \ * \ FPE}{APC}$$

RP = 75% OF FP

Gratuity = 25% of FP * 20

Where FP = Full Pension

LSM = Length of Service in Months

FPE = Final Pension able Emolument

APC = Appropriate Pension constant

RP = Reduced Pension

FP = FPE

The Full Pension (FP) can be equal to but not greater than the final Pension emolument (FPE). Additionally any length of Service in Months (LSM) above 480-months is limited to 480 months.

Contract Gratuity

$$\text{Contract gratuity} = \frac{FPE * LSM \ * AP}{12 * 100}$$

Where FPE = final Pension able Emolument

LSM = Lengths of Service in Months

AP = Appropriate Percentage

Annual Allowance

$$FAA = \frac{LSM * FPE}{APC}$$

RAA = 75% * FAA

Ex – Gratia = (FAA – RAA) * 12.5%

Where FAA = Full Annual Allowance

LSM = Length of service in Months

FPE = Final Pensionable emolument

APC = Approporiate Pension Constant

RAA = Reduced Annual Allowance

Death Gradutity

$$FP = \frac{LSM * FPE}{APC}$$

Where FP = Full Pension

LSM = Length of Service in Months

FPE = Final Pensionable Emolument

APC = Appropriate Pension Constant

Death Gratuity = 50% of FP * 20

Commuted Pension

APR * Unexpired pension period of 20 years

Where APR = appropriate Pension Rate

Monthly Pension

The Reduced Pension (RP) above was computed as the annual pension. The monthly pension therefore is one twelfth of the reduced Pension

In the above calculation, CAP 30 uses the basic salary, but with the consolidation of salaries where allowances were added, the Policy on monthly Pension is that it is based on 50% of the first point, step or notch of the incumbent Salary range, Level or band

EXCEPTION: Article 71 (1992 Constitution) office holders retire on their basic salary

Dependant Pension

Spouse

A surviving spouse's pension is computed as one quarter of the deceased officer's FPE if however there is more than one widow, this amount is shared equally

Surviving Child who is a Minor

Each surviving child who is a minor is entitled to an annual pension equivalent to one sixteenth of the deceased officer's FPE. Where however a minor has no surviving parent the rate becomes two sixteenths of the deceased officer's FPE.

Other Dependants

That is, a deceased officer's mother who solely depended on the officer where the officer's widow is not paid. Where the deceased officer's mother is a widow and remarries, the pension to the mother would cease.

CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTION

This chapter discusses the methodology employed by the researcher for the study which included the administration of questionnaires to pensioners and officers of Controller and Accountant General's Department. The study was specifically undertaken by way of inquiries and interviews. The questionnaire was self-administered and the secondary data for the research was the data gained on records of payments made to CAP 30 beneficiaries obtained from the Pension section of the Controller and Accountant General's Department.

3.1 POPULATION

The population of the research study was made of twenty (20) pensioners and ten (10) officers of Controller and Accountant General's Department. The convenient sampling procedure was used to select pensioners and beneficiaries for examination. The selection was done to reflect the various claim types under the scheme. The convenient sampling method was used because of the sparsely distribution of pensioners and beneficiaries at the study area. In addition, views
and opinions from stakeholders were also considered to effectively contribute much in the research.

3.2 RESEARCH DESIGN

The Research design used is the survey design. Research design is the specific data analysis techniques or methods that the researcher intends to use. The survey design involves the collection and analysis of data and finding out the answers concerning the current status of the subject. Also, it is a study of variables in their natural setting or under usual circumstances. Therefore the research design comprised observation of facts, formulation of hypothesis or research questions, collection and classification of data, interpretation of data, formulation of theories, application of facts and predictions.

3.3 SAMPLING TECHNIQUES

A random sampling technique was employed to select respondents for the study. This technique was used because it ensured that everyone in the population had an equal chance of being selected. The goal of the sampling method used was to obtain a sample that is a representative of the population. The techniques used by the researcher to select the sample size required prior knowledge of the target population which allowed a determination of the size of the sample needed to achieve a reasonable estimate with accepted precision and accuracy of the population.

3.4 DATA COLLECTION METHODS

3.4.1 SECONDARY SOURCES

Secondary data was selected as a source of data collection for this research to enable information to be obtained for literature review for the study.

The sources of secondary data for this research consist of mainly published text books, pension act, statistical service results and other publications on pension reforms in Ghana.

Data was also collected from records of payments made to CAP 30 beneficiaries obtained from the Pension section of the controller and accountant general and a number of research works that have been published on the subject in the electronic media.

3.4.2 PRIMARY SOURCES OF DATA

Bearing in mind the size of the population, and subject under review, the researcher found it necessary to use a structured questionnaire and interview skills. This is as a result of the fact that the respondents will feel free to share information about intimate and relevant matters concerning the subject under review.

For the purpose of this study, primary data comprised of responses obtained through questionnaires administered to target respondents under study. The personal interview method which was also employed was more flexible for both the researcher and respondent. The primary data for the study was obtained through direct distribution of questionnaires, participant observation as well as direct personal interviews with twenty (20) pensioners and ten (10) officers of controller and accountant department.

3.5 RESEARCH CONSTRAINTS AND PROBLEMS

Many challenges were encountered by the researcher in the administration of the questionnaires which have been outlined following:

Some respondents especially from the controller and accountant general were assured of their anonymity of their personalities but still declined to offer any assistance to the researcher.

Respondents complained of classified pension information

Situations were respondents were not met at all or even those present had misplaced their questionnaires and new ones had to be given them.

3.6 LIMITATIONS

The researcher was limited in scope of research work by several factors such as:

Respondents particularly from the controller and accountant general were demanding letters from their superiors before engaging in research work.

Some of the pensioners could not be reached for any comment for fear of scandals.

The research was also constrained by finance.

CHAPTER FOUR

DATA ANALYSIS AND RESULTS

INTRODUCTION

This chapter thoroughly examines and analyses the data gathered on the sampled respondents on the problems of the CAP 30 pension scheme in Ghana. These findings and the subsequent analysis carried out on the responses relate to the key areas of challenges in pension reforms in Ghana.

4.1 ANALYSIS OF FINDINGS

Tables, charts and descriptive explanations have been employed to illustrate data collected from the field to make the research findings more meaningful. The following analysis shows the responses received from 20 pensioners and 10 officers with specific duties and responsibilities in pension scheme at controller and accountant general department.

4.1.1 FINDINGS FROM PENSIONERS

A total number of twenty (20) pensioners were selected to provide answers to the structured questionnaire. The pensioners were asked to provide reasons for their choice of an answer. Table 4.1 and figure 4.1 gives the summary of responses obtained from the pensioners as shown below.

Table 4.1: Summary of Responses

SEX	FREQUENCY	PERCENTAGE
Male	20	67
Female	10	33
Total	30	100

Source: Field Research, September 2010

Figure 4.1: Summary of Respondents

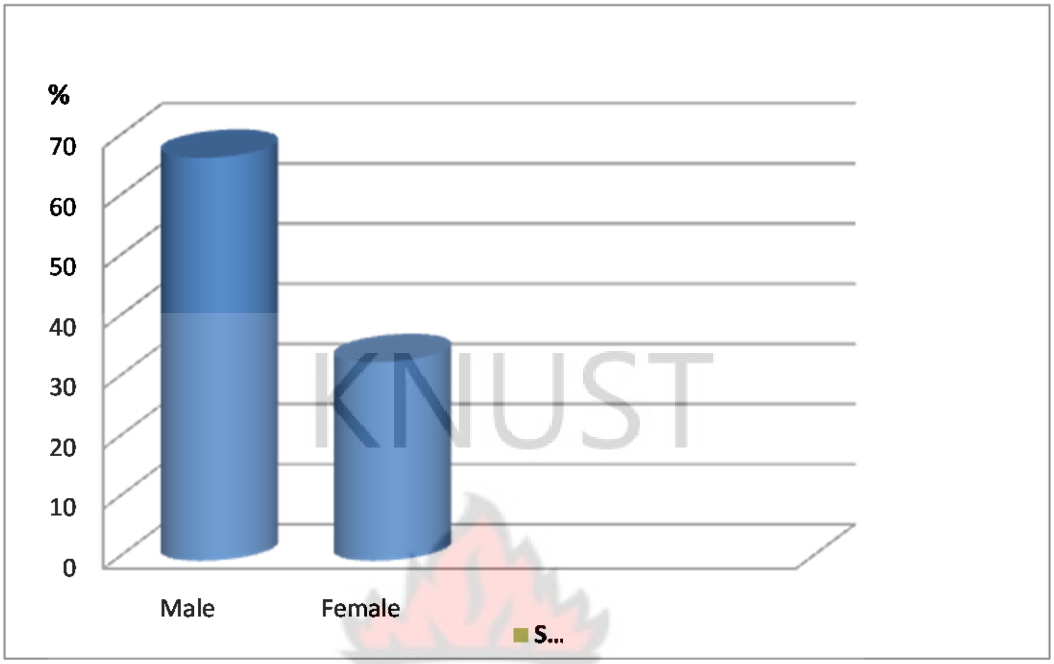


Table 4.1 and figure 4.1, indicates that 67% of respondents interviewed were males and 33% were females. This is an indication of a slightly high composition of the males in the research study.

Table 4.2: How long have you been a pensioner under the CAP 30 Scheme?

Years in Pension	Frequency	Percentage (%)
5 Years and Over	12	60
Less than 5 Years	8	40
Total	20	100

Source: Field Research, September 2010

Table 4.2 and shows the number of years spent as a pensioner under the CAP 30 Scheme. When questioned about how long they have spent in the scheme, 60% of the pensioners interviewed indicated 5 years and over. Meanwhile, 40% said they had spent less than 5 years under the scheme.

Table 4.3: Was the pension received under CAP 30 scheme adequate for you?

Response	Frequency	Percentage (%)
Yes	4	20
No	16	80
Not Sure	0	0
Total	20	100

Source: Field Research, September 2010

With table 4.3, pensioners were asked to indicate whether pension received under CAP 30 scheme was adequate for them. A maximum of 80% indicated that the pension received under CAP 30 scheme was not adequate, 20% indicated that it was adequate. This implies that the pensioners were not adequately rewarded under the scheme.

Table 4.4: What was the main reason for operating a CAP 30 pension scheme?

Response	Frequency	Percentage (%)
To provide income replacement after an employee's normal working	20	100
Maintain the same standard of living	0	0
Establish monthly earning after retirement	0	0
Total	20	100

Source: Field Research, September 2010

Table 4.4 above highlights the main reason for operating a CAP 30 pension scheme. All 20 respondents (100%) mentioned that the main reason for operating a CAP 30 pension scheme was to provide income replacement after an employee's normal working.

Table 4.5: Was your monthly earning after retirement equivalent to the monthly earning before retirement under CAP 30 pension scheme?

Response	Frequency	Percentage (%)
Yes	2	10
No	18	90
Not Sure	0	0
Total	20	100

Source: Field Research, September 2010

It is clear from table 4.5 that majority of the respondents (90%) strongly agree that monthly earning after retirement was equivalent to the monthly earning before retirement under CAP 30 pension scheme. Moreover, only 10% strongly disagree.

Table 4.6 Where there was disparity, was it too wide?

Response	Frequency	Percentage (%)
Yes	6	30
No	12	60
Not Sure	2	10
Total	20	100

Source: Field Research, September 2010

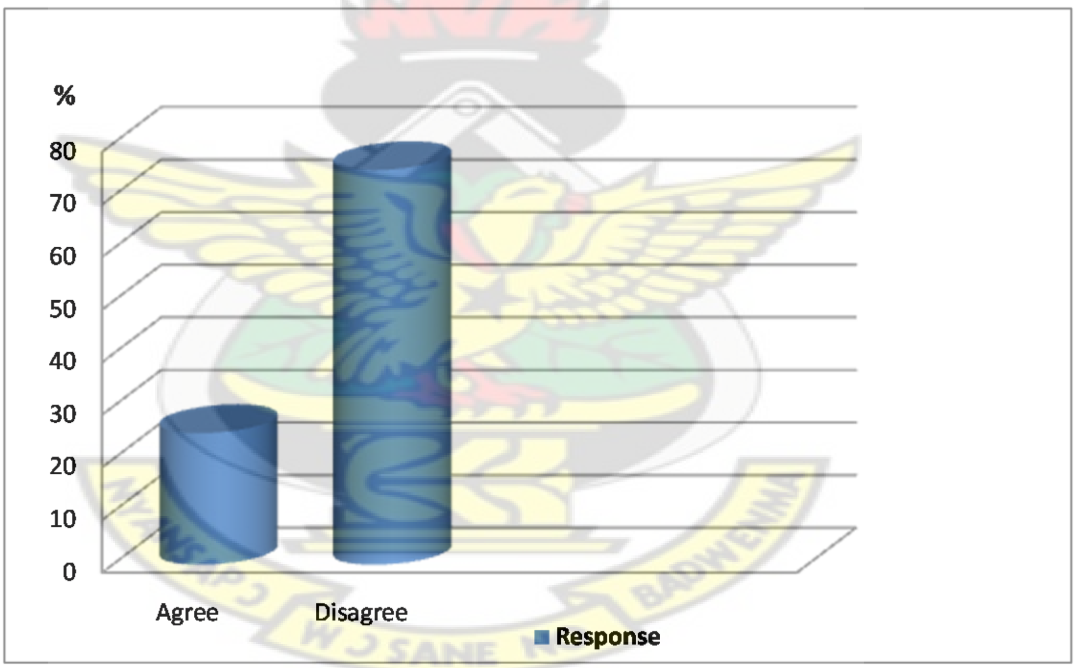
With regards to disparity in monthly earning after retirement and its extent, 60% of respondents indicated that the disparity was not too wide, 30% said it was wide whilst 10% said they were not sure about the extent of the disparity.

Table 4.7 Do you agree that CAP 30 pension schemes was responsive to the existing working environment?

Response	Frequency	Percentage (%)
Agree	5	25
Disagree	15	75
Not Sure	0	0
Total	20	100

Source: Field Research, September 2010

Figure 4.7 Do you agree that CAP 30 pension scheme was responsive to the existing working environment?



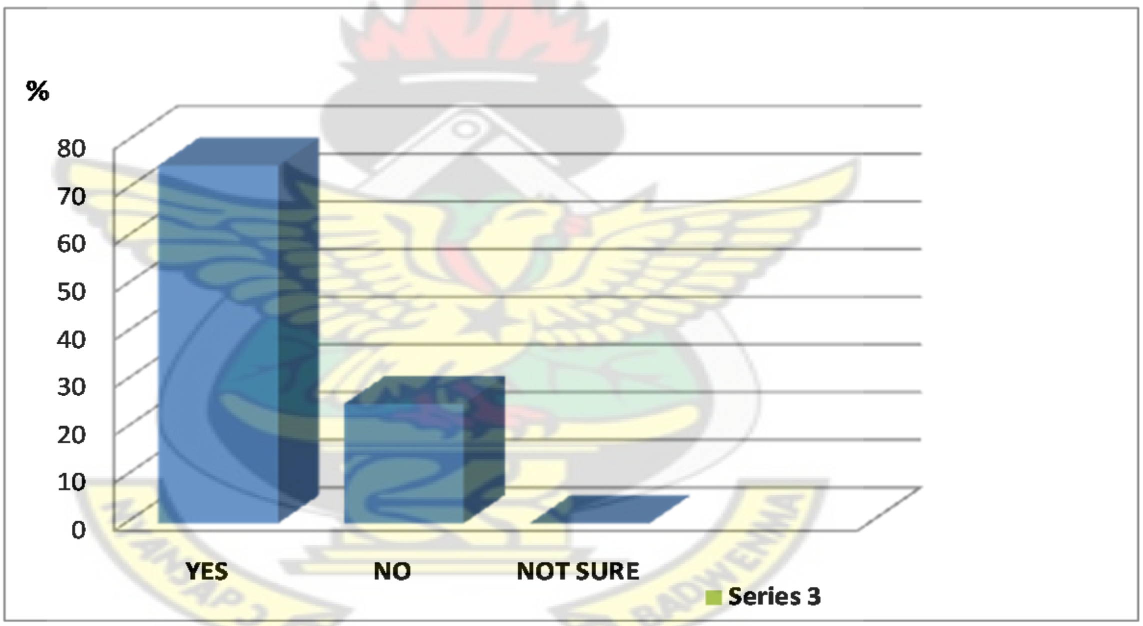
It is obvious from table 4.7 and figure 4.7 that out of a total sample size of twenty (20), 75% of the pensioners said that CAP 30 pension scheme was not responsive to the existing working environment. 25% said the scheme was responsive to the working environment. Meanwhile, none indicated that they were not sure.

Table 4.8: Were there delays in processing of pension products under CAP 30?

Response	Frequency	Percentage (%)
Yes	15	75
No	5	25
Total	20	100

Source: Field Research, September 2010

Figure 4.8: Were there delays in processing of pension products under CAP 30?



From table 4.8 and figure 4.8 above, it is clear that majority of respondents 75% indicated that there were delays in processing of pension products under CAP 30 due to absence of efficient and effective management information systems. 25% mentioned that there were no delays however none said they were not sure of any delays in processing of pension products under CAP 30.

Table 4.9: Do you have knowledge concerning one or more services provided by CAP 30?

Response	Frequency	Percentage (%)
Yes	20	100
No	0	0
Not Sure	0	0
Total	20	100

Source: Field Research, September 2010

Table 4.9 deals with the question if pensioners had knowledge concerning one or more services provided by CAP 30 pension scheme. The result shows that total respondents (100%) of the pensioners strongly indicated that they had knowledge concerning one or more services provided by CAP 30.

Table 4.10: How do you rate the adequacy of pension paid?

Response	Frequency	Percentage (%)
Acceptable	5	25
Higher	2	10
Low	13	65
Total	20	100

Source: Field Research, September 2010

Figure 4.10: How do you rate the adequacy of pension paid?

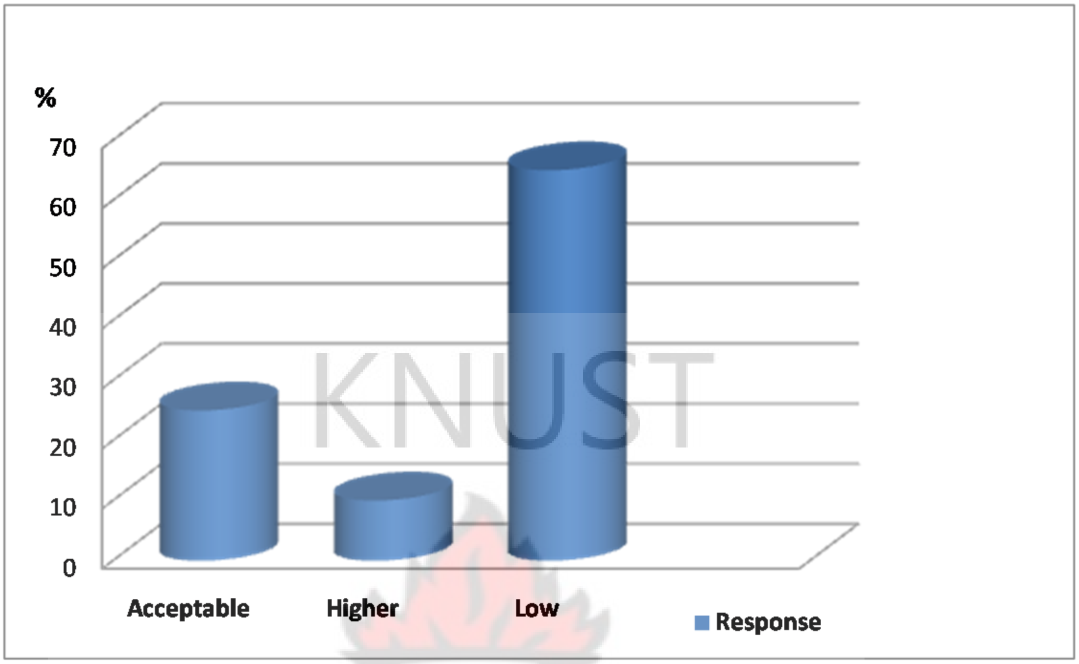


Table 4.10 and figure 4.10 shows the responses received from the pensioners regarding the adequacy of pension paid. 65% indicated that the adequacy of pension paid was low, 25% said it was acceptable whiles 10% said the adequacy of pension paid was high. This implies that a higher percentage of the pensioners were dissatisfied with the adequacy of pension paid.

4.1.2 Findings from Pension Officers

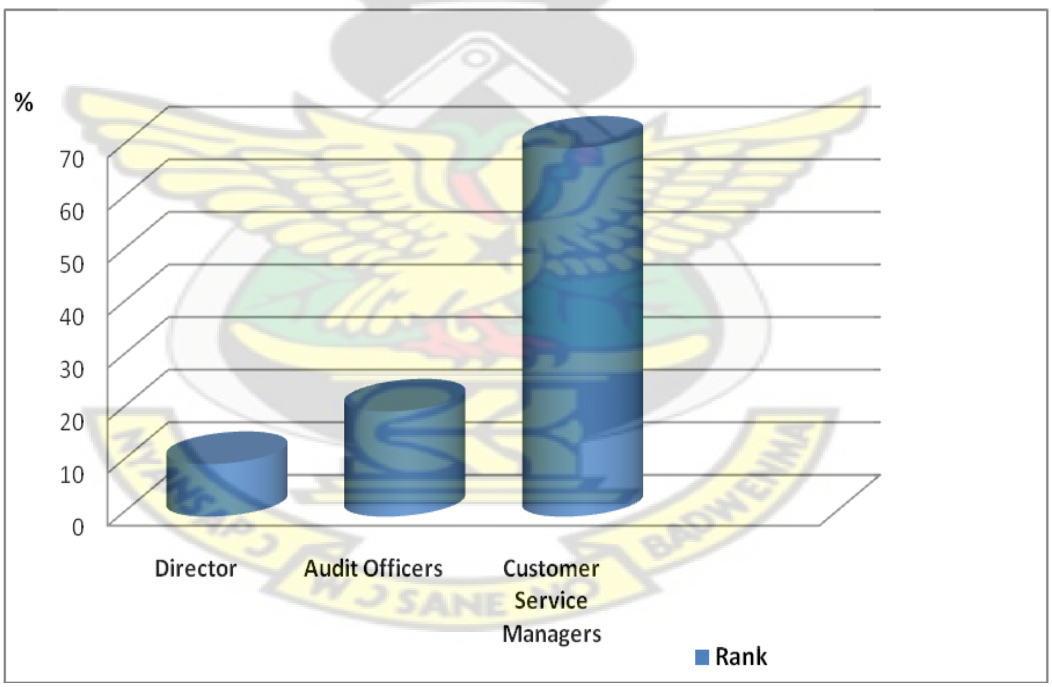
A total number of ten (10) pension officers with varying ranks were selected to provide answers to the structured questionnaire. The findings are discussed below:

Table 4.11: Ranks of Pension Officers

Rank	Frequency	Percentage (%)
Director	1	10
Audit Officer	2	20
Customer Service Managers	7	70
Total	10	100

Source: Field Research, September 2010

Figure 4.11: Ranks of Pension Officers



From table 4.11 and figure 4.11, of the 10 pension officers interviewed, 70% were within the positions of customer service managers, 20% audit officers and 10% within the ranks of Director respectively.

Table 4.12: Are there enough funds for CAP 30 pension scheme to ensure that pensioners enjoy a certain basic standard of living?

Response	Frequency	Percentage (%)
Yes	0	0
No	10	100
Total	10	100

Source: Field Research, September 2010

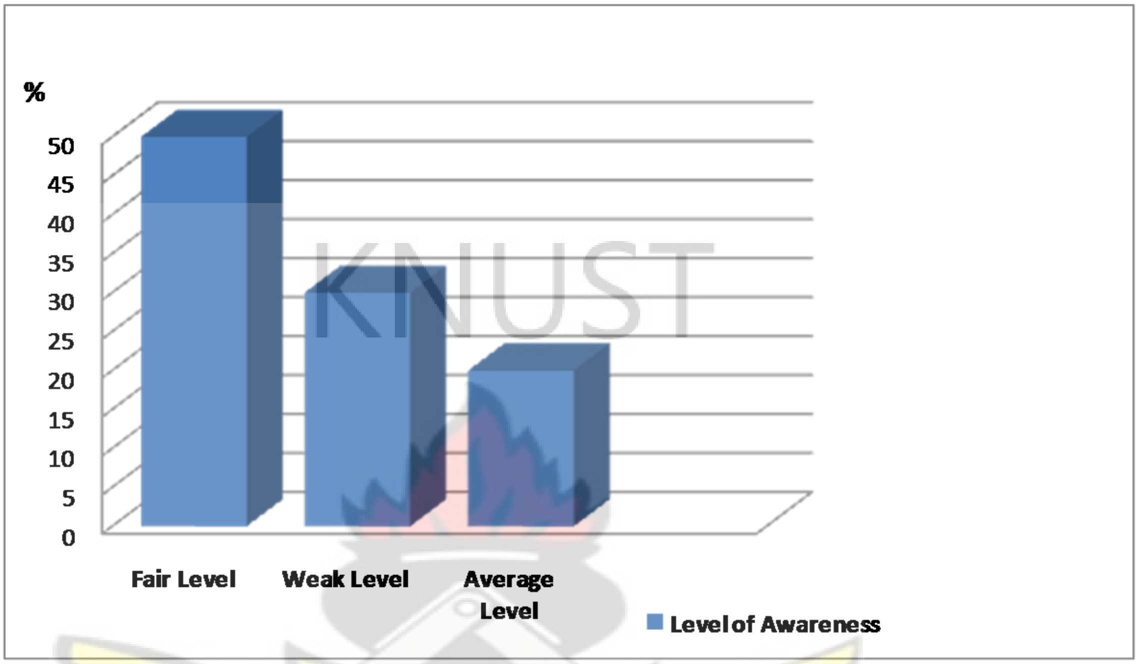
From table 4.12, 100% of the respondents indicated that there were not enough funds for CAP 30 pension scheme to ensure that pensioners enjoy a certain basic standard of living. It is also evident from table 4.12 above that, none of the respondents opposed the assertion.

Table 4.13: What is the level of awareness about CAP 30's investment project among the pensioners who happen to be the chief stakeholders?

Level of Awareness	Frequency	Percentage (%)
Fair Level	5	50
Weak Level	3	30
Average Level	2	20
Total	10	100

Source: Field Research, September 2010

Figure 4.13: What is the level of awareness about CAP 30's investment project among the pensioners who happen to be the chief stakeholders?



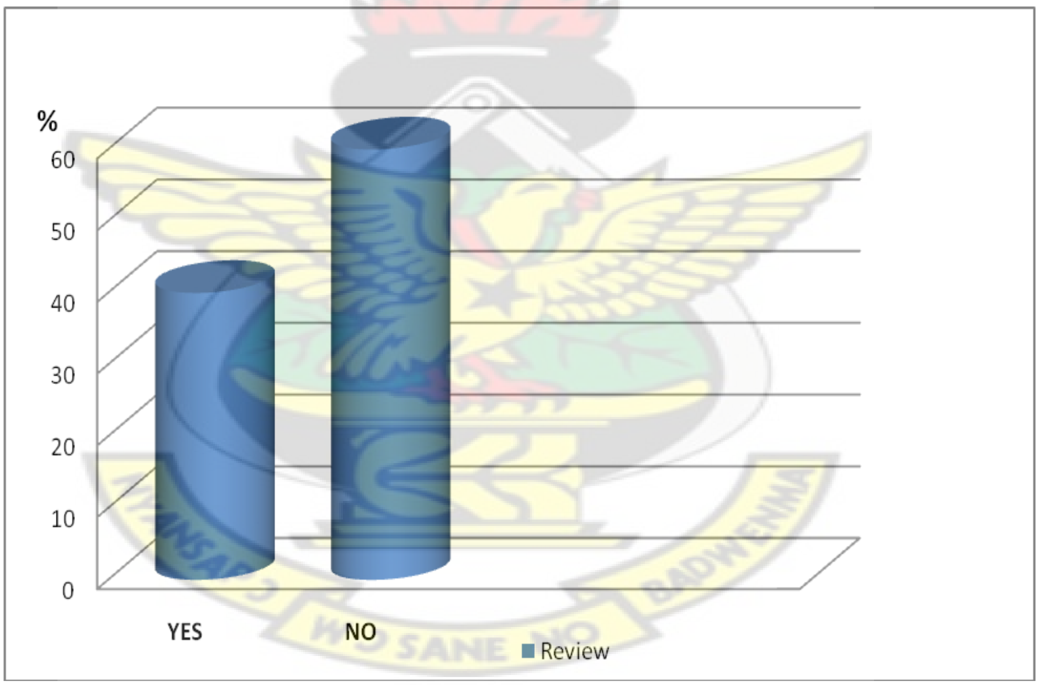
The level of awareness about CAP 30's investment project among the pensioners who happen to be the chief stakeholders is shown in table 4.13 and figure 4.13. Pension officers had various levels of awareness to choose from. 50% indicated that level of awareness about CAP 30's investment project among the pensioners was fair, 30% indicated weak level whilst 20% said the level of awareness was average. Evaluating the responses shows that majority of the respondents chose fair level because of the existence of a pension policy.

Table 4.14: Do you review semiannually to determine whether the policy objectives are being achieved and appropriate action taken if they are not being achieved?

Response	Frequency	Percentage (%)
Yes	4	40
No	6	60
Total	10	100

Source: Field Research, September 2010

Figure 4.14: Do you review semiannually to determine whether the policy objectives are being achieved and appropriate action taken if they are not being achieved?



With table 4.14 and figure 4.14, pension officers were asked to indicate whether they conduct review semiannually to determine whether the policy objectives are being achieved and appropriate action taken if they are not being achieved. 60% of the respondents indicated that such review was on paper but not implement while 40% indicated that indeed such an exercise was conducted semiannually.

Table 4.15: Can CAP 30 schemes afford to increase the amount of benefits paid out?

Response	Frequency	Percentage (%)
Yes	4	40
No	6	60
Total	10	100

Source: Field Research, September 2010

Table 4.15 above reveals that 60% of pension staffs indicated that CAP 30 scheme cannot afford to increase the amount of benefits paid out. The remaining 40% said CAP 30 was able to increase the amount of benefits paid out.

Table 4.16: Is there a criterion for determining the rewards, allowances and efficiency of condition of service implementation at C&AGD in respect of different employee background?

Response	Frequency	Percentage (%)
Yes	7	70
No	3	30
Total	10	100

Source: Field Research, September 2010

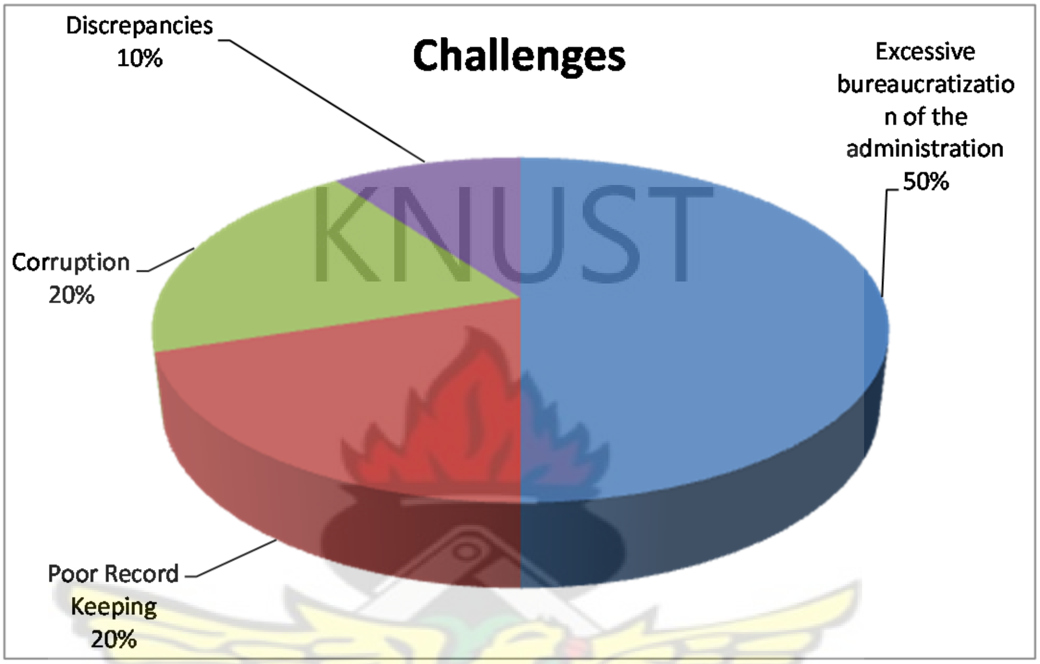
With regards to table 4.16, pension officers were asked to indicate if there was a criteria for determining the rewards, allowances and efficiency of condition of service implementation at C&AGD in respect of different employee background, 70% of the staffs indicated yes while 25% mentioned that there was no criteria.

Table 4.17: What is the main challenge confronting the implementation of the CAP 30 scheme?

Challenges	Frequency	Percentage (%)
Excessive bureaucratization of the administration	5	50
Poor record keeping	2	20
Corruption	2	20
Discrepancies	1	10
Total	10	100

Source: Field Research, September 2010

Figure 4.17: What is the main challenge confronting the implementation of the CAP 30 scheme?



With table 4.17 and figure 4.17, pension officers were asked to indicate the main challenge confronting the implementation of the CAP 30 scheme, 50% of the officers indicated that Excessive bureaucratization of the administration, 20% each said poor record keeping and corruption while 10% mentioned discrepancies.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

5.1 SUMMARY

Over the years, no formal arrangement has been put in place to cater for retirement needs of workers in the informal sector which form about 80% of the working population in Ghana. The Pension Scheme allows for voluntary contributions. However, awareness of the scheme has been very poor while the administrative arrangements for membership are cumbersome and burdensome *(Tibuahson,2003).*

Additionally, the benefit to the individual contributor is considered to be unattractive as it presents no special incentives to attract persons in this sector. For example, Funds were not easily accessible to meet specific short-term needs of these contributors.

The research study commenced with the history of CAP 30 pension scheme in Ghana and beyond answering the specific questions identified for addressing the problems of CAP 30, the findings of this research will have wide implications for effectiveness as well as implementation of areas of operations in the pension scheme.

Adequacy is normally measured as the ratio of an employee's retirement income to the level of his or her earnings just prior to retirement *(Adjei, 1999).* The resultant "net income replacement ratio" is seldom 100%. Income needs of a worker in retirement are usually lower than when he or she is in regular employment, as expenses incurred on commuting to work, meals taken away from home and cost of office attire are normally excluded *(Tibuahson, 2003).*

Data Analysis obtained from the research indicate that most of CAP 30 pension scheme objectives have not been realized:

Beneficiaries mostly take 6 to 18 months before they are paid. Meanwhile names are also removed from the payroll one month after retirement.

The study utilized interviews and reviewed personal files of pensioners at the Pension Section of the Controller and Accountant General's Department. It was revealed that delays in payment of benefits were attributed to late application of beneficiaries.
The study further noted that the basis of computation of benefits and government policy as contributing factors to the inadequacy of pension payments under the scheme.

The following were key issues outlined by majority of respondents:
The needs of workers after retirement include the following: Food, Shelter, Clothing, Transportation, Healthcare, other household expenses, Funeral Donations, Family Commitments, Entertainment and other social activities, such as community work, out-dooring, etc.Unfortunately, the traditional and customary ways of helping the aged to meet the above needs have broken down. Support for children and relatives are no longer more reliable and forthcoming.
The General Need for Pension: Everyone needs money to live on when they retire or can no longer work but few people spend enough time thinking about long-term savings. Because more people are living longer, ones retirement could make him as much as a quarter of his life. So when you do retire or can no longer work, you will still need to pay bills and to have money for meeting your financial and social needs as mentioned above.
Absence of efficient management Information systems has led to the reliance on bureaucratic and slow administrative process, inadequate physical space and supporting infrastructure.

The main reason for operating a CAP 30 pension scheme was to provide income replacement after an employee's normal working life as indicated by majority of respondents.

All respondents agreed that CAP 30 pension scheme was not responsive to the existing working environment due to delays in processing pension under CAP 30.

5.2 CONCLUSIONS

Pension reforms are happening all over the world and Ghana is no exception. It is envisaged that the pension reforms will enhance pension benefits and increase the retirement income security of workers both in the formal and informal sectors.

It is also envisaged that the inclusion of workers in all sectors in the pension scheme will enable them to save towards their retirement or old age. This will improve their living standards and guarantee income security in their old age. It will also reduce anxiety, self-exclusion, dependency, and other hardships associated with unplanned retirement.

Indeed, the benefits offered by CAP 30 for some categories of public sector workers have been a source of controversy; it offers far more benefits to pensioners under it than the other schemes do. Thus, those who are covered by the SSNIT scheme see theirs as inferior to the CAP 30. Since far more public sector workers are covered by the SSNIT scheme than those covered by CAP 30, the situation has raised inevitable disaffection among the numerous people under SSNIT.

Additionally, the benefit to the individual contributor is considered to be unattractive as it presents no special incentives to attract persons in this sector. For example, Funds were not easily accessible to meet specific short-term needs of these contributors.

5.3 RECOMMENDATIONS

In view of the above mentioned problems faced by the CAP 30 pension scheme, the following recommendations are made:

It is necessary to review the current system of pension administration of the Controller and Accountant-General's Department (CAGD), and to undertake serious restructuring to bring about improved governance and administrative practices.

The Ministry of Finance and Economic Planning should make adequate budgetary provision to ensure timely payment of pension benefits and the settlement of all pension arrears under the scheme.It would be useful to ensure the immediate deployment of the IPPD 3, a special computerized payroll administration system for the public service, to eliminate delays and enhance efficiency in pension administration. The completion and refurbishment of the offices and other infrastructure must be given top priority.

The CAP 30 Scheme must involve an active policy of pension scheme communications, involving the provision of user-friendly scheme documentation and annual benefit statements. Monthly pay slips and information on the options be made available to public servants to improve their overall level of benefits and to plan for their retirement.

Finally, a decentralized management and a fully restructured administrative system for the scheme must be instituted to ensure that the appropriate professional managerial capacity is built in the Regional and District capitals and within MDAs to facilitate pension management

APPENDIX A

QUESTIONNAIRE FOR PENSIONERS

This research study is examining the problems of the CAP 30 pension scheme in Ghana. You are assured of your utmost confidentiality as its only purpose is to help improve the pension scheme in Ghana.

Thank you for your participation.

Please tick (√) where applicable

1. Sex of Respondents:

a. Male ( ) b. Female ( )

2. How long have you been a pensioner under the CAP 30 Scheme?....................................

3. Was the pension received under CAP 30 scheme adequate for you?

Yes ( ) No ( ) Not Sure ( )

4. What was the main reason for operating a CAP 30 pension scheme?

i. to provide income replacement after an employee's normal working life ( )

ii. Maintain the same standard of living ( )

iii. Establish monthly earning after retirement ( )

5. Was your monthly earning after retirement equivalent to the monthly earning before retirement under CAP 30 pension scheme?

Yes ( ) No ( ) Not Sure ( )

6. Where there any disparity, was it too wide?

Yes ( ) No ( ) Not Sure ( )

Please explain your answer

…………………………………………………………………………………………

…………………………………………………………………………………………

……………..…………………………………………………………………..

7. Do you agree that CAP 30 pension scheme was responsive to the existing working environment?

Agree ( ) Disagree ( )

8. Were there delays in processing of pension products under CAP 30?

Yes ( ) No ( ) Not Sure ( )

If Yes, mention the causes in the delays…………………………………………

……………………………………………………………………………………

9 Do you have knowledge concerning one or more services provided by CAP 30?

Yes ( ) No ( )

If yes, mention what you know about the service provided by CAP 30

……………………………………………………………………………………

……………………………………………………………………………………

10. How do you rate the adequacy of pension paid?

Acceptable ( ) Higher ( ) Low ( )

APPENDIX B

QUESTIONNAIRE FOR PENSION OFFICERS

This research study is examining the problems of the CAP 30 pension scheme in Ghana. You are assured of your utmost confidentiality as its only purpose is to help improve the pension scheme in Ghana.

Thank you for your participation.

Please tick (√) where appropriate

1. Sex of Respondents:

a. Male ( ) b. Female ( )

2. Are there enough funds for CAP 30 pension scheme to ensure that pensioners enjoy a certain basic standard of living?

a. Yes ( ) b. No ( )

3. What is the level of awareness about CAP 30's investment project among the pensioners who happen to be the chief stakeholders?

a. Fair level ( ) b. Weak level ( ) c. Not Sure ( )

4. If fair, is the level sustainable?

a. Yes ( )

b. No ( )

c. Not Sure ( )

5. Do you review semiannually to determine whether the policy objectives are being achieved and appropriate action taken if they are not being achieved?

Yes ( ) b. No ( )

6. Can CAP 30 scheme affords to increase the amount of benefits paid out?

a. Yes ( ) b. No ( )

If No, what are the challenges?..

……………………………………………………………………………………..

………………………………………………………………………………………

7. Is there a criterion for determining the rewards, allowances and efficiency of condition of service implementation at CAP 30 in respect of different employee background?

a. Yes ( ) b. No ( ) c. Not Sure ( )

8. Is adequacy of pension pay under CAP 30 effective?

Yes ( ) b. No ( )

9. What is the relevance of the CAP 30 pension scheme to the contemporary Ghanaian worker?

10. What are the challenges confronting the implementation of the CAP 30 scheme?

Excessive bureaucratization of the administration ( )

Poor record keeping ( )

Corruption ( )

Discrepancies ( )

11. Is there a comprehensive legal framework for implementing pension policy?

Yes ( ) b. No ( )

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