Report on 4th quarter 2020

3 February 2021
Dear Reader,

We started our quarterly reports in 2016. This is the 20th quarterly report and the last one prepared by PPH. In the past quarter, we have transferred the remaining activities from PPH to PPT. PPT will continue as an independent entity and report from Ghana.

The PPH team, Gerard Bergsma, Marijn Bergsma and Willianne van der Weijde, will continue their activities at the ‘Informal Sector Pensions Foundation’. This foundation is not related to PPT. Our ambition is to continue supporting Micro Pension activities as a thought leader, sharing best practices, performing behavioral research to help people in the informal sector to save more, perform feasibility studies and start long-term savings programs in other countries. The Rwanda project will continue from the Foundation. Marijn and I will continue our involvement with PPT as advisors to the Board of PPH. No need to say that we have to take care of our own funding.

It has always been the goal that local pension funds would ultimately get local responsibility. The funding challenge of last year has compelled us to speed up this process, restructure, and lower the costs of the operations to a minimum. With the current funding, PPT has runway until the beginning of 2022.

Given this special report this is a good opportunity to look back on 5 years PPT Ghana. We will do that in this report reflecting on growth of the number of customers, assets under management and the use and impact of research. Of course, there will be a testimonial from one of our customers who also switched to digital payments.

Last year was a rollercoaster from many perspectives. We are still in shock by the loss of our friend and leader Samuel Waterberg.

We feel privileged that we have been part of this incredible journey in Ghana. PPT is a strong and well recognized company with a solid team of investors supporting not only with funding but also providing their knowledge and experience.

Saqib Nazir has proven to be the best successor that we could wish for after Samuel’s demise. Entrepreneurial, technology driven and with passion to make it work not only in Ghana but also in other countries. We will continue to build on Samuel’s legacy and never forget what he has built making a difference for 47,000 people.

On behalf of the team
Gerard Bergsma
1. Development PPT

PPT got it formal license in September 2016. In the start phase we got support from Dutch companies like Cardano (risk manager), Achmea and Aegon (insurance companies) and Access2Invest (the first contact with Saqib Nazir!) varying from model review, audits, capacity building, free office in The Hague and Accra, local IT support CIS Ghana (also lead by Saqib Nazir). We could introduce many ‘Dutch’ best practices with respect to manager selection, calculation tools, risk handbook, investment policy etc. In 2019 a delegation from Ghana including the regulator NPRA visited The Netherlands to learn from Dutch financial institutions.

Going forward, PPT developed many strategic partnerships with unions, cocoa farmers, banks, telco’s. PPT could present itself on television, newspaper interviews and won many prizes, one as pension company of the year 2018.

Customers
We have seen a steady development of the number of customers over the years. Given the size of the market we expected to realize a higher number of customers, but the high touch approach necessary to start and develop the business and the challenge to financially educate customers and build trust has taken more time. However, given the solid basis and ambitious non-cash approach, including the direct debit option, PPT targets to achieve the 100k level in 2021.

Active customers
About 1/3 of our customers are active savers. This has been so stable over the years. Our strategy is to focus on converting existing customers to saving customers first and only add new customers that save from the start.

Deposits and withdrawals
PPT showed an incredible achievement by accepting and administrating almost 275k deposits up to the amount of GHS 6 million. Withdrawals have remained low, also during the corona pandemic, this is around 14% of all deposits, while customers are allowed to take up to 50%.
Cash versus digital

Although mobile phone ownership is almost 100%, digital payments are limited to transfers from one person to the other. Customers need to be educated how digital payment for pension works and rely on the system. The possibility to debit mobile wallets that has been introduced last year is an important change. Thanks to a strong focus and incentive scheme, the percentage of customers saving digital has increased significantly, averaging 14% in 2021.

Investment portfolio

Our objective is to at least outperform inflation. Because of the high inflation in Ghana, saving money does not make a lot of sense if the purchasing value is decreasing over time. Average inflation has been 9%, currently above 11%. Actual returns were 19% over the whole period. After expenses, the real return has exceeded 7%.

This implies that one dollar of savings at the start has increased to two dollars now, after expenses!

The real net return (increase in purchasing power) is 40% over the whole period! This is extremely good news for people who are used to saving at a negative yield using ‘usu agents’ and relevant if you realize that many developed countries have a negative real return on savings these days.

The investment portfolio – managed by Databank – has a conservative allocation: 65% in government or local government securities, 10% corporate debt, 15% money market securities and 10% in collective investment schemes.
2. Research

Research on long-term savings is barely available, most research focuses on opening savings accounts and short-term savings. However, pension saving is fundamentally different from short-term savings. ‘Pension’ triggers negative associations and our brain is not able to look 30 years ahead (we are estranged from our future selves). In western countries saving for retirement only works if it is mandatory or people are offered a default option (you are part of the pension plan unless you opt out).

PPT has overcome many barriers to saving by designing a flexible product with flexible payments and with the option to withdraw 50% of all nominal savings at any time. PPT successfully improved uptake and savings by using commitment devices (defining pension goals and annually committing a target), effective communication and education. The biggest challenge after the acquisition of a customer is to keep him/her saving. One of the projects that is still running is showing videos about retired people in different situations. By visualizing your future self, it is easier to make a (saving) decision in the present. We would like to do a long-term project to test the effectiveness of visualization techniques in the long run.

Over the past years, we have conducted several (randomized) research projects. We had some projects with the University of Groningen, a project sponsored by CGAP/Word Bank, two data analysis projects and most recently a project supported by Cenfri.

Below is an impression of some interesting learnings:

- **A small share of active savers is responsible for most deposits.** We analyzed that about 30% of active savers are responsible for 88% of the total deposits. Further we see noticeable differences in savings behavior e.g., between women and men, young people versus older people. Building a micro pension portfolio requires a ‘high touch’ approach before you can move to digital savings.

- **Little things can make a big difference:** One of the experiments from Cenfri used simple visualizations and framing to illustrate the benefits of digital payments to customers and the results were astounding – signup for customers exposed to the intervention increased by 200% over the course of the experiment (Cenfri research).

- **Clients actions in the very short-term have strong predictive power over longer-term savings decisions:** individuals who deposit again shortly after their first deposit are likely to save more, as are individuals whose first deposit is larger. Individuals depositing round amounts (habit formation) save more than individuals who don’t follow these patterns (Nate Barker, Yale)

- **Commitments versus flexibility:** The impact of a higher percentage withdrawal (50% versus 30%) is significant for specific groups of people (research Diana Koss, PhD student RUG). Given the fact that withdrawals are less than 15% we decided to continue with the 50% option.

- **Behavioral nudges are effective:** Behavioral nudges like regular reminder messages, soft commitment (savings goal) and incentives increase savings rates significantly (CGAP research)

- **However, behavioral science is not a silver bullet:** 25% of the customers that were interested in signing up for these digital contributions were not able to complete it due to structural barriers, such as network connectivity issues. While behavioral science can make a big impact in many areas, structural barriers cannot be overcome with behavioral interventions. (Cenfri).
Structural barriers can be:

- Lack of appropriate saving devices
- Practical challenges e.g. to open a bank account (if you have to walk two hours to a bank)
- Lack of flexibility (seasonal income, fluctuating account balances etc.)
- Lack of trust in the government and financial sector

From the experience in the US with 401k defined contribution plans (in fact similar to our offering in Ghana) we know that defaults are extremely powerful. Only a few employees will opt-out a pension plan. A similar effect is seen with organ donors, only 15% of the people would decide to become an organ donor if they had the choice. But if the default is that everybody is an organ donor unless you want to opt-out only 5-10% will opt-out. This is called choice architecture.

Therefore, are we very excited with the new option to debit digital wallets of clients.
3. CLIENT TESTIMONIAL

Name: Regina Botchway
Market/Territory: Agbogbloshie
Trade/Profession: Seamstress

1. How many years or months has it been since you started saving with People’s Pension Trust?
   I have been saving with PPT for almost 2 years

2. What made you decide to join People’s Pension Trust?
   I had seen some commercials on TV and was hoping some of your sales agents will come around to register me. So I was really excited when I finally got the chance to register.

3. Why did you decide to choose People’s Pension Trust and not any other trustee?
   I had heard only good things about the company, both in the media and from some colleagues here so I was just hoping one of your sales agents will come around, so I register.

4. Did you have any doubts about the company before you started?
   No I didn’t. I spoke to your sales agent before I registered, and she thoroughly explained everything to me. I had also heard good reviews about your company so I didn’t have doubts.

5. What are your likes and dislikes about People’s Pension Trust?
   I am yet to have a bad experience. I know about three people who successfully withdrew from their account when they were in need. My experience so far has been good.

6. What will make you keep doing business with us?
   So far as I have strength to work, I will continue saving towards my retirement. Your company has a good track record unlike other financial companies who run away with your money. Until that changes, I’m comfortable working with you.

7. What made you switch from cash payments to digital payments
   I switched because sometimes, I’m busy when the sales agent comes around. She might have to wait till I’m able to take the money from my bag. Now, All I need is to have money in my wallet and the deduction will be done. I find this more convenient for both of us.

8. Has the corona pandemic affected your payments
   No, thankfully, it hasn’t.

9. Do you have any challenges with the digital payment option?
I don’t have any challenges. The deductions are done just as I have instructed. On days that I do have money in my mobile wallet, the deduction is done the following week without any problem.

10. How frequently do you contribute?
I pay GHS10 weekly.

11. When was the last time you contributed?
I made a payment last week

12. Have you spoken to anyone about PPT, a friend, colleague or family member?
I talked to my colleagues about you and most of them have registered after I spoke to them too.

13. If you are to recommend us to someone, what would you tell the person?
I will tell them that you are a credible organization. So far, you have been honest in your dealings with us unlike other financial institutions that deceive you just for your money.

14. Have you had cause to speak positively or negatively about us to anyone?
My experience so far has been good. I don’t have any complaints.