

OECD/IOPS

Global Forum

Session 2 – African

Pensions Roundtable

Mauritius

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PENSION SYSTEM IN MAURITIUS

- Three-tiered pension system
- Structured as follows:
 - **First tier** - a universal non-contributory Basic Retirement Pension
 - **Second tier** -
 - two mandatory income-related pension schemes (National Pensions Fund and National Savings Fund) administered by the public sector
 - civil service pension scheme
 - pension funds of statutory bodies
 - **Third tier** - private voluntary schemes



SYNOPSIS OF THE 3-TIERED PENSION SYSTEM

1ST TIER

- **Basic Retirement Pension or Old Age Pension**
 - Most important component of the pension system
 - Introduced in 1951
 - Payable to every person aged 60 years or over
 - Minimum basic pension is currently Rs. 2,802 (USD 95) per month
 - Outlays, financed from the consolidated revenue
 - Residency test is the only determinant of eligibility



SYNOPSIS OF THE 3-TIERED PENSION SYSTEM

2ND TIER

- **National Pension Fund (NPF)**
 - Second most important component of the pension system
 - Employers contribute 6% of wages and employees 3%
 - Almost all private-sector employees are required to belong to the scheme
 - Deliver a pension of one third of average lifetime earnings
- **National Savings Fund (NSF)**
 - Second mandatory pension system
 - Employers contribute 2.5% of wages
 - Members receive resulting accumulation as a lump sum



SYNOPSIS OF THE 3-TIERED PENSION SYSTEM

2ND TIER

- **Civil Service Pension Scheme (CSPS)**
 - Scheme is non-contributory and all benefits are paid from the budget
 - Pays two-thirds of final salary after 33.3 years of service (400 months)
- **Pension funds of Statutory Bodies**
 - Scheme is also non-contributory and offers similar benefits to those of the CSPS
 - Public corporations are designated fund sponsors and contribute to the appropriate fund
 - Most pension funds are managed by the State Insurance Company of Mauritius Ltd (SICOM)



SYNOPSIS OF THE 3-TIERED PENSION SYSTEM

3RD TIER

- **Private Voluntary Pension Schemes**
 - Can be contributory or non-contributory
 - Offering pensions equal to two-thirds of final salary after 40 years of services (480 months)
 - Largest pension funds are self-administered



STRUCTURE OF PENSION SYSTEM

Structure of Mauritius Pension System				
	Coverage	Funding	Benefit	Structure
1ST TIER				
Basic Retirement Pension		Government	~20% <i>w</i>	DB
2ND TIER				
National Pensions Fund	44%	9% of wages	33.3% <i>v</i>	~DB
National Savings Fund	44%	2.5% of wages		DC
Civil Service Pension Scheme	11%	Government	66.7% <i>f</i>	DB
Statutory Bodies Pension Schemes	2.50%	Statutory Bodies	66.7% <i>f</i>	DB
3RD TIER				
Private Pension Schemes	5%	Individual		DB/DC
Occupational Pension Schemes		12-19%		DB/DC

w: percent of economy average wage

v: average lifetime earnings of individuals

f: final salary of individuals



REGULATION AND SUPERVISION

- Currently fragmented among several laws and tax regulations
- Need for a new comprehensive pension act to consolidate and modernise the regulatory framework
- Work continued on a Private Occupational Pension Bill and the rules to be made under the new law
- In strengthening the regulation and supervision of pension funds, care should be taken to avoid any disruption to the good overall performance of schemes



ROLE IN SOCIAL POLICY

- Instrument to sustain income for the less fortunate
- Protection of pension rights of employees/workers
- Encourage employers to set up schemes to safeguard interest of employees and other beneficiaries
- Both the NPF and the NSF have been successful in instituting a culture of contributory retirement savings



ROLE IN SOCIAL POLICY

- Instrument to sustain income for the less fortunate by providing:
 - Universal Pension –
 - Non-contributory
 - Not subject to any means test
 - Payable as from age 60
 - Extra pensions for those aged over 90 and 100 years
 - Level of pension reviewed annually
 - Basic widows pension
 - Basic orphans pension



ROLE IN SOCIAL POLICY

- Protection of pension rights of employees/workers:
 - Enhance worker mobility by allowing portability of pensions
 - Portability allowed as from 2 years of full employment (decreased from 5 years)
 - Strengthening of the governance and operational structure of the National Pension Fund and National Savings Fund



ROLE IN SOCIAL POLICY

- Encourage employers to set up schemes to safeguard interests of employees and other beneficiaries:
 - a new pension legislation to provide a comprehensive regulatory framework for private occupational pension schemes



CONTRIBUTION TO FINANCIAL MARKET DEVELOPMENT

- Contractual savings (i.e. savings with insurance companies and pension funds) exceed 40 percent of GDP
- Pension funds account for 75 percent of contractual savings
- Contractual savings institutions invests in:
 - Government securities
 - Housing loan
 - Real estate
 - Bank deposits



CONTRIBUTION TO FINANCIAL MARKET DEVELOPMENT

- Can stimulate the:
 - issue of long-term government bonds
 - development of corporate debentures
- Support the housing finance market
- Contribute to growth of local stock market



END OF PRESENTATION

THANK YOU