



International Social Security Association

**Meeting of Directors of Social Security
Organizations in English-Speaking Africa**

Mahe, Seychelles, 3 - 6 October 2006

**The adequacy of current social
security benefits**

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ISSA/AFRICA/RM/SEYCHELLES/2006-1(a)

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1. Introduction

1.1 Types of schemes administered

The Ministry of Social Security and National Solidarity, Senior Citizens Welfare and Reforms Institutions (MSS) is responsible for the administration of the following social security schemes:

- Universal non-contributory basic flat rate pensions (subject to residency test) for all persons having reached the age of 60 years, as well as for widows, invalids and orphans under the National Pensions Scheme (NPS).
- Contributory pensions under the NPS for employees of the private sector, namely, Contributory Retirement Pension (CRP), Contributory Widow's Pension (CWP), Contributory Invalid's Pension (CIP) and Contributory Orphan's Pension (COP).
- Industrial injury scheme in respect of industrial accidents and prescribed occupational diseases for employees covered under the NPS.
- National Savings Fund (NSF), which is a provident fund, for both public sector and private sector employees.
- Social assistance scheme (social aid) for needy persons/families on a means-tested basis as well as assistance to charitable institutions and recognized NGOs - financed by the government.
- Unemployment Hardship Relief scheme (UHR) for unemployed heads of households, on a means tested basis – financed by the government.

1.2 Coverage

Universal scheme. The NPS non-contributory universal scheme applies to the entire population, including non-citizens, but is subject to a residency test.

Contributory scheme. The NPS contributory scheme applies to employers and employees of the private sector and includes employees in domestic service. Employers are also required under NPS legislation to pay contributions in respect of casual workers, part-time workers, even if they employ only one worker (provided earnings exceed the prescribed

minimum level). Self-employed persons can contribute to the NPS on a voluntary basis and are encouraged to do so as all contributions made, subject to an upper limit, are automatically increased by 50 per cent – as a subsidy by the scheme. However, only a handful of self-employed persons have opted to join the scheme. About 11,000 employers pay contributions to the NPS in respect of about 250,000 workers.

Employers of both the private sector and the public sector pay contributions at the rate of 2.5 per cent of their basic salary, subject to a ceiling, to the National Savings Fund in respect of about 350,000 employees.

1.3 Financing

The universal pensions are non-contributory. They are financed from the government budget on a year to year basis. As far as the NPS contributory system is concerned, employers pay contributions at the rate of 6 per cent and employees contribute at the rate of 3 per cent. Large employers of the sugar industry pay contributions at a higher rate of 10.5 per cent but their employees contribute at the standard rate of 3 per cent. The employees of large employers of the sugar industry are entitled to a higher level of contributory pensions. Employers of the public sector (including the government) and those of the private sector pay 2.5 per cent of the basic salary of their employees to the National Savings Fund.

1.4 Benefits provided

The following **universal basic benefits** are provided under the NPS:

- Basic Retirement Pension (BRP) to every person having attained the age of 60 years.
- Basic Widow's Pension (BWP) to every widow up to the age of 60 and child allowance for up to three children.
- Basic Invalid's Pension (BIP) to every permanently disabled person (at least 60 per cent disabled) aged 15 to 60 years and child allowance for up to three children.
- Basic Orphan's Pension (BOP) to every orphan, up to the age of 15 years or age 20 if at school.
- Inmate's allowance (pocket money) to every inmate referred to a charitable institution by the Ministry.

Contributory benefits provided under the contributory part of the NPS are:

- Contributory Retirement Pension (CRP) as from age 60 (age 50 for redundant female workers and age 55 for redundant male workers of the sugar industry but with an actuarially reduced pension).
- Contributory Widow's Pension (CWP) to widows of deceased insured persons under the NPS.
- Contributory Invalid's Pension (CIP) to permanently disabled insured persons.
- Contributory Orphan's Pension (COP) to orphans of insured persons – paid up to the age of 15 years or 18 if at school.
- Industrial Injury Benefits to insured persons for temporary incapacity, permanent incapacity and death resulting from an industrial accident or a prescribed occupational disease.

Under the National Savings Fund, a lump sum is paid to insured employees (or their legal representatives) on retirement, death or redundancy. The lump sum is made up of contributions paid and accrued interest, after deduction of administrative charges. There is

no provision for such lump sums to be converted into annuities, as this is an additional scheme set up specifically to provide for lump sum payment.

1.5 Administration

The above-mentioned schemes are administered by the Ministry of Social Security and National Solidarity, Senior Citizens Welfare and Reforms Institutions. Employees of the public sector are covered by pension schemes specifically designed for civil service employees, employees of parastatal organizations and employees of local authorities.

2. Structure of benefits

Earnings-related benefits (contributory benefits), including industrial injury benefits, are paid under the contributory part of the NPS, which is an old-age, invalidity, survivor's and employment injury benefit scheme. The benefits are not based on wage classes. This is a career average revalued earnings-related scheme, based directly on contributions paid and on the number of pension points earned from such contributions. However, industrial injury benefits are calculated on the insured salary.

Flat rate universal benefits are paid under the non-contributory part of the NPS, which is an old-age, invalidity and survivor's scheme.

Lump sums on retirement, redundancy and death are payable under the National Savings Fund, which is a provident fund.

Means-tested benefits are paid under the Social Aid Act (as social assistance) and the Unemployment Hardship Relief Act. The level of benefits depends, among other conditions, on the number of persons in the household, the age of dependent children and the income of the household, if any.

There is no social insurance scheme for payment of a sickness or maternity benefit. There are provisions under the Labour Act and under 29 Remuneration Orders, which cover various sectors of employment, for payment of sick leave, maternity leave and maternity allowance by employers. It is worth pointing out, however, that there is a free medical service available to every person in Mauritius.

3. Level of benefits

When the NPS earnings-related scheme was introduced in 1978, the level of benefits and the rates of contributions were determined by taking into consideration that this new scheme was meant to be a top-up scheme over and above the existing non-contributory universal NPS scheme that had been introduced in 1976. The non-contributory universal pension represents about 18 per cent of the National Average Wage (NAE). The earnings-related pension was meant to provide a maximum contributory retirement pension of about one-third of career average revalued earnings. It was then envisaged that a worker drawing a salary close to the national average wage would become entitled to a total pension (contributory and non-contributory) of about 50 per cent of the NAE. This objective has more or less been attained although the NPS has been in operation for only 30 years.

3.1 Level of universal pensions

The level of basic universal pensions for the elderly, widows, invalids and orphans has varied over the past years mainly because annual increases granted over the years have not followed a uniform pattern. Annual increases are decided by the Ministry of Finance on a year to year basis. As a general rule, increases granted have not been less than the increase in the level of prices. On a number of occasions, annual increases have far exceeded the level of price increases or even the level of wage increases. Table 1 shows the annual increases granted on the basic retirement pension (BRP) over the past 11 years as well as annual increases in prices (CPI) and wage increases.

3.2 Level of earnings-related benefits

The NPS contributory earnings-related scheme is a 40-year maturity scheme. The level of contributory benefits (except for industrial injury benefits) depends on the number of pension points earned. When the contributory scheme started operating in 1978, the NPS legislation provided that each amount of MUR¹ 10.80 paid as contributions would earn one pension point (cost of one pension point). In 1978, the value of one pension point was laid down as being one rupee at the time. Both the cost and value of one pension point has been increased over the past years in line with annual increases in the level of prices. At the time of payment of a contributory benefit, the total number of pension points accumulated over the whole insured career is multiplied by the last value of a pension point, to obtain the total value to be taken into consideration for computation of the contributory benefit. Today, the value of one pension point is MUR7.50.

The standard rate of contributions for both employers and employees is 9 per cent. It was thus envisaged that this rate of contributions would, over a forty-year period, allow a worker to draw a contributory retirement pension equivalent to one-third of career average revalued insured earnings (over and above the flat rate universal retirement pension).

The NPS legislation also provides that all workers who had already reached 40 years of age when the contributory scheme started operating in 1978 would receive twice the amount of the contributory retirement pension earned on the basis of the number of pension points earned. Those workers who were between age 20 and 40 years at the inception of the scheme are also granted an increase in the number of pension points they earn. In fact, the average annual number of pension points earned by all such workers are multiplied by 40 in order to compensate them for the fact that they are not able to complete 40 years of service on attaining the normal retirement age of 60 years. This is a form of inter-generation solidarity that was introduced in order that older workers could enjoy a better pension than what they could get on pension points actually earned.

The NPS legislation also provides for payment of a minimum contributory retirement pension of MUR320 a month irrespective of the number of days for which contributions have been paid (no vesting period).

The amount payable as contributory widow's pension and contributory invalid's pension is equivalent "to the value in rupees of one pension point multiplied by the aggregate number of pension points accruing to the insured person at the end of the relevant financial year". This amount is reduced by one-third if the beneficiary has no dependent child. A contributory

¹ MUR = Mauritius Rupee. USD 1.00 = MUR 31.82.

orphan's pension is paid to each orphan at the rate of 15 per cent of the contributory benefit payable to the deceased father or mother.

Industrial injury benefits are calculated on insured wages at the time of occurrence of an industrial accident or prescribed occupational disease.

Contributory benefits in payment are increased annually by the same rate as the annual rate of increase in prices.

3.3 Child allowance in lieu of family allowance

The family allowance means-tested scheme introduced in 1961 is no longer operational mainly because better provisions for payment of child allowance are provided for under the NPS non-contributory universal scheme. In fact, all children of beneficiaries of basic widow's pension and basic invalid's pension are entitled to receive child allowance for up to three children. This allowance is payable in respect of each child under the age of 15 years or age 20 if still at school. As education is compulsory up to the age of 16 years and is free from primary to university level for full time students, child allowance is paid beyond age 15 years in many cases. A flat rate is payable as child allowance (MUR690 for children under 10 years and MUR740 for children aged 10 years or more).

3.4 Employment injury benefits

The National Pensions Act provides for all insured workers under the Act to be covered for industrial injury and prescribed occupational diseases. Benefits are payable on the insured wage at the time of the accident or the onset of the occupational disease. There is a ceiling on which contributions are payable. All benefits payable for employment accidents and occupational diseases are therefore capped on the maximum insurable wage. Benefits are payable for temporary and permanent incapacity as well as in fatal cases.

3.5 Ceiling on insured wage

There is an upper ceiling (MUR8,640 as from July 2006) on which contributions are payable. This ceiling represents about 71 per cent of the national average wage. It is the declared policy of the Ministry of Social Security to increase this ceiling every year in line with the annual increase in NAE. Contributory pensions and industrial injury benefits are paid either on pension points earned or on the insured wage. There is therefore an upper limit for payment of these benefits.

As already pointed out, the earnings-related scheme is a top-up scheme, over and above the basic non-contributory universal pensions. It was therefore meant to be a complementary scheme to the universal scheme. However, there are provisions under the income tax legislation to encourage employers to set up private occupational pension schemes, as a third tier pension system. Contributions that are paid under such approved schemes are exempted from payment of taxes.

4. Adequacy of benefits

4.1 Broader concept of social protection

The question of adequacy of benefits cannot be limited to the adequacy of the level of income from social security schemes. It has to be viewed from the broader concept of the type of social protection enjoyed by residents/citizens of a country as well as various other sources of income or support available when a contingency arises. In particular, the availability of free comprehensive health services, free education and income support for purchase of basic foodstuffs, as is the case in Mauritius, go a long way in providing direct or indirect financial support. Another important consideration is wealth accumulated (like home ownership), the type of family support and other forms of assistance that can be available from family members and NGOs. It must be pointed out that in Mauritius elderly persons live with or close to their children and that more than 85 per cent of households have their own residential property. They are also allowed to travel freely on the public bus transport.

4.2 Other factors impacting on the level of benefits

Another important aspect that should be taken into consideration on the question of adequacy of benefits is the objective that a pension system is meant to achieve. In some countries, the objective may be limited to poverty alleviation. In such cases, the benefit may or may not be means-tested and limited to even less than 20 per cent of the national average wage. A pension system that aims at maintaining a reasonable standard of living will certainly aim at a higher replacement ratio. It is also quite possible in such cases to provide for a higher replacement ratio for low-income earners, based on the concept of intra-generation solidarity.

It is also very obvious that the type of pension system and the level of benefits in a particular country would very much depend on the historical background leading to any existing pension system. The level of economic development, affordability, long-term sustainability and administrative capacity are also very important considerations in the design or reform of a pension system, including the level of benefits to be provided.

Globalization, which is often equated to cut-throat competition, is another emerging factor that seems to restrict the expansion of the existing pension system either in extending coverage or in increasing the existing level of benefits. Another important consideration in many countries (including Mauritius) is the problem of ageing and the long-term sustainability of pension systems. Many countries are in fact taking measures to reduce the level of existing benefits either directly or indirectly. Increase in retirement age, limiting annual increases to price increases instead of wage increases and removing incentives for early retirement are but a few of these measures. Various stakeholders are now taking into consideration that pension payments largely depend on the output of workers and that a higher level of pensions to a larger number of retirees can only mean less for workers.

Another very important emerging issue is the constrained ability of governments to raise enough direct taxes on capital and labour to finance transfers. Many developed countries are putting in place measures to attract qualified persons from abroad. There is therefore a need to retain such persons in our country by putting in place a low tax regime. With globalization and liberalization, capital has no borders and many governments are taking measures to have a low tax policy in order to prevent capital to fly to other countries or to encourage foreign direct investments. This is also the declared policy in Mauritius. Trade liberalization

and removal or drastic reduction in tariffs, as required by the World Trade Organization (WTO), are other measures which limit revenue collection. These constraints inevitably restrain the ability of governments, particularly in developing countries, to raise enough revenue to ensure a high level of public transfers.

4.3 Reasonable replacement ratio

As already pointed out, a 'reasonable replacement ratio' would depend on many factors. However, the pension system in Mauritius was meant to "provide more adequate incomes in old-age, for widows and orphans and for the severely disabled" so that "those who will be mainly dependent on it will have an income on which they can reasonably be expected to live in the absence of special needs such as high rent or chronic sickness".² The basic retirement pension for the elderly represents about 18 per cent of the national average wage (MUR12,100 per month for 2004) and about 37 per cent of the basic salary of a skilled worker (turner or fitter), to which reference is made in the ILO Convention No. 102 on social security. The earnings-related NPS component allows a skilled worker to receive about 30 per cent of his/her career average revalued earnings. It is therefore possible for a skilled worker to receive under the combined basic and earnings-related components of the NPS a total pension equivalent to about 67 per cent of basic salary. This percentage is higher for workers in the low-income groups but workers with higher income will receive a lesser percentage in view of the fact the basic pension is payable at a flat rate.

It is felt that the National Pensions Scheme has fully attained the objective that was set out in 1976 of providing an adequate level of benefit to retired workers.

4.4 Poverty line and poverty reduction through public transfers

There is no official poverty line in Mauritius. A study on "The Relative Poverty of the Elderly in Mauritius"³ was carried out under the aegis of the World Bank in 2001 in the context of an "Open Conference on Pension Modernization in Mauritius". This study analyzed the effect of public transfers on poverty.

According to this report, "public transfers contribute to the income of 37 per cent of households, almost all of which stem from pensions income. Very few households receive any other public transfer income" (page 15). It also finds that "pensions contribute to over half of the income among elderly only households" (page 17).

The report finds that "all elderly adults receive at least the basic retirement pension. One half of elderly couples and around one-fifth of single elderly adults additionally receive income from other retirement pension schemes, and 11 per cent of single elderly adults receive disability pensions" (page 18). According to the report "there is a significant gender difference in receipt of pension income. Overall, 70 per cent of female-headed households receive pension income, compared with around 20 per cent of male-headed households. It is also revealing to note that pensions contribute around a quarter of the total income among widowed female heads of household" (page 18).

² Report of Professor Brian Abel-Smith and Mr. Tony Lynes on a National Pension Scheme for Mauritius, April, 1976 - Government Printer - Page 1.

³ The Relative Poverty of the Elderly in Mauritius, by Alan Duncan and Paola Valenti, February, 2001.

As far as the poverty rate is concerned, the authors of this report “estimate 9.4 per cent of the Mauritian population in 1996/7 below 50 per cent of median *per capita* income” (page 39). Using the poverty line as being below 50 per cent of median *per capita* equivalized income, the report finds that in 1996/1997:

- 33.7 per cent of single elderly adults were below the poverty line but that 53.9 per cent would have been in poverty if they did not receive the universal basic retirement pension.
- Among households with elderly couples only, 18.6 per cent of them were below the poverty line but without the universal basic retirement pension, 63.7 per cent would have been in poverty.
- In households with only one elderly person and a single non-elderly person, the poverty rate was 16.3 per cent but this would have been 46.2 per cent without the universal basic retirement pension.
- In households with one elderly and a non-elderly couple, 8 per cent were under the poverty line but this figure goes up to 34.4 per cent without the universal basic retirement pension.
- In households with one elderly person and multiple non-elderly persons, the poverty rate is 6.4 per cent but this figure goes up to 30 per cent if the universal basic retirement pension is not taken into consideration.

The above findings clearly show that payment of the universal basic retirement pension goes a long way in reducing poverty. More importantly, these findings show that even non-elderly persons living with an elderly person rely to some extent on the pension payable to the elderly person. It is for this reason that it can be asserted that the payment of universal basic pensions to elderly persons, widows, invalids and orphans goes a long way in integrating them in society. There is a tendency for elderly persons to be kept within the family (with sons or daughters) because of the fact that the non-contributory basic retirement pension is paid at a relatively high rate (about 18 per cent of national average wage). As such, not only do elderly persons not constitute a financial burden but quite often their regular income serves towards payment of certain bills (like water and electricity bills) within the statutory time limit.

5. Maintenance of the value of benefits

5.1 Basic universal pensions – annual increases

It has been the policy of the government in the past years to grant annual increases on basic pensions. These increases are normally decided after holding tripartite discussions with representatives of trade unions and employers to fix the quantum of wage increases to be granted on wages/salaries as a result of increases in prices. As a general rule, increases granted on basic pensions have not been less than the increase in the cost of price index (CPI). In fact, on many occasions, the increases granted have largely exceeded the increase in CPI. For example, the increase granted in 2005, which was election year, was 15.8 per cent whereas the increase in CPI was 5.6 per cent. As from July this year, the increase granted is 7.5 per cent against an increase in CPI of 5.1 per cent. Over the past ten years, the average increase granted to beneficiaries of the basic retirement pension having attained the age of 60 years has been around 8.4 per cent whereas the average increase in CPI was 5.7 per cent. The average increase in wages over the past nine years has been around 8.6 per cent (see Table 1 below).

Table 1. Average monthly earnings, pension rate, pension point and inflation rate, 1996-2006

Year	Average monthly earnings ¹		Minimum monthly basic retirement pension ²		Minimum monthly contributory retirement pension ²		Value of one pension point (Rs) ³	Maximum monthly remuneration on which contribution is payable ²		Inflation rate (July-June)
	Amount (Rs)	% Increase	Amount (Rs)	% Increase	Amount (Rs)	% Increase		Amount (Rs)	% Increase	
1996	5,770		1,055		177		3.69	4,625		5.8
1997	6,460	12.0	1,150	9.0	191	7.9	3.99	5,100	10.3	7.9
1998	6,880	6.5	1,300	13.0	202	5.8	4.23	5,100	0.0	5.4
1999	7,490	8.9	1,400	7.7	218	7.9	4.55	5,535	8.5	7.9
2000	8,180	9.2	1,500	7.1	230	5.5	4.80	5,535	0.0	5.3
2001	8,700	6.4	1,575	5.0	242	5.2	5.22	6,000	8.4	4.4
2002	9,160	5.3	1,700	7.9	258	6.6	5.60	6,435	7.3	6.3
2003	9,830	7.3	1,790	5.3	271	5.0	5.88	6,765	5.1	5.1
2004	11,100	12.9	1,900	6.1	283	4.4	6.26	7,205	6.5	3.9
2005	12,100	9.0	2,200	15.8	305	7.8	6.94	7,990	10.9	5.6
2006	...		2,365	7.5	320	4.9	7.50	8,640	8.1	5.1
Average		8.6		8.4		6.1				5.7

Source: 1. Survey of Employment and Earnings in large establishments as at March of each year.

2. As at 1 July of each year.

3. As at 1 November of each year.

5.2 Earnings-related NPS pension scheme – annual increases

Section 42A of the National Pensions Act provides that “at the beginning of every benefit year any contributory pension, disablement pension, survivor’s pension or orphan’s industrial injury pension already in payment or which is payable but not in payment may be increased by such percentage as the minister may prescribe”. In practice, the ministry asks its actuarial adviser to recommend the rate of increase to be granted on contributory pensions. It has been the practice during the past years to grant an increase at least equivalent to the annual increase in prices. The annual increases shown for the minimum Contributory Retirement Pension in Table 1 give an indication of annual increases granted. Annual increases in prices are shown in the last column of Table 1.

5.3 Pension reforms announced in Budget Speech 2006-2007

Several reports on the National Pensions Scheme have indicated that the scheme would become unsustainable in the long term. The Minister of Finance indicated in his Budget Speech 2006-2007 that our pension systems would undergo substantial reforms. The main reform concerns an increase in pension/retirement age from age 60 to age 65 years over a ten year period. An extract of ten pension reforms announced in the Budget Speech is reproduced below.

“Securing better protection for our pensioners

159. Mr. Speaker, Sir, another area of concern is the financial sustainability of our various pension schemes. The number of persons of working age to support one pensioner will maintain its downward trend from seven today to around two in some 40 years due to the ageing of the population. Clearly we are sitting on a time bomb. But we can defuse its adverse impact by acting on various fronts. We need to revisit the retirement age to secure the sustainability of the Basic Retirement Pension (BRP), the Public Sector Pension (PSS),

the National Pension Fund (NPF) and the National Savings Fund (NSF) and the Private Sector Pension (PSP).

160. Many studies have been carried out over the last fifteen years. The solutions proposed are the same and mirror reform in other countries. What has been lacking is political will and courage. Again, now is the time to act.

- Therefore, in line with the recommendations of all the experts, Mr. Speaker, Sir, the retirement age will gradually be raised from 60 to 65 years, both in the public and private sectors. This will be done by adding one month to the retirement age every two months, starting August 2008 and achieving the target in 2018. The relevant legislations will be amended accordingly.
- Our second reform is to secure the long-term sustainability of the BRP. Starting August 2008, the entitlement age to the BRP will also be raised by one month every two months to reach 65 years by 2018.
- Third, effective 1 July 2006, we are collapsing the current four bands to three by merging the first two bands, to return to the system as it existed prior to July 2004.
- Fourth, increases in BRP will be limited to no more than changes in the Consumer Price Index. And I am pleased to announce that for fiscal year, 2006-2007 we will increase old-age pensions by a full 5 per cent.
- I am also raising the benefits payable to widows, orphans, the disabled and inmates of charitable institutions by the full 5 per cent.
- Fifth, the BRP will form part of chargeable income. This measure will only apply to pensioners in the top income brackets.
- Sixth, as regards Public Sector Pension, we are introducing a modified Defined Benefit (DB) scheme similar in structure to the present scheme but simpler to administer. It will continue to be funded on a pay-as-you-go basis. The proposed contribution rate of 6 per cent will be taken into account in the next report of the Pay Research Bureau (PRB) for the public sector, due in 2008. The normal pension age will be 65 instead of 60. The computation of the amount of pension and the qualifying period to benefit for full pension will also be adjusted accordingly. This new scheme will be applied to all employees, with transitional measures to secure acquired rights.
- Seventh the NPF will align the age for pension eligibility to the other schemes.
- Eighth, in line with the reform of pension in the public sector, as from 1 July 2006 a Member of the National Assembly (MNA) will be required to contribute 6 per cent instead of the present contribution of 4 per cent of salary. Under the revised scheme, existing and previous members will keep their accrued retiring allowance. However, accruals as from the next legislature will be at the rate of 1/360 per month compared to 1/270 per month currently. New members will accumulate retiring allowance rights at the rate of 1/360 per month and their retiring allowance payment will be deferred until the age of 65 with provisions for discounted retiring allowance payment as from age 60. As a result of the reforms, it will now take an MNA more than 15 years and a new MNA 20 years to qualify for full retiring allowance representing two thirds of salary. However, the two term retiring allowance eligibility criterion remains unchanged.
- Ninth, the composition of the Investment Committee of the National Pension Fund will be reviewed. There will be a mix of representation of workers, employers and government officials having professional skills in investment management, actuarial science, accountancy and economics.
- Tenth, as regards the regulatory framework for Private Pension Plans, the draft Private Occupational Pension Scheme Bill will be introduced in the National Assembly shortly."

6. Conclusion

The pension system in Mauritius very much resembles the five-pillar model which the World Bank recommends.

In February 2005, The World Bank published a new report on pension reform. (Old-Age Income Support in the Twenty-first Century: An International Perspective on Pension Systems and Reform). This new World Bank report advocates a five-pillar model (page 9). These are:

- a) a non-contributory “zero pillar” for poverty alleviation (like the basic pensions);
- b) a “first pillar” earnings-related contributory system (like the earnings-related NPS);
- c) a mandatory “second pillar” with individual accounts (like the National Savings Fund);
- d) a voluntary “third pillar” (like private occupational pensions schemes) and (e) informal intrafamily support of various kinds, including health care, as the last pillar (most of our elderly persons live with relatives and we provide a free health service and numerous other facilities to our elderly population).

At the conceptual level, the Mauritian pension system seems to be fully in line with the new five-pillar model proposed by the World Bank. The basic non-contributory pensions, non-contributory part of the National Pensions Scheme, constitute the “zero” pillar. The first pillar is made up of the contributory part of the National Pensions Scheme and pensions for the public sector. The National Savings Fund is the third pillar, private occupational pension schemes constitute the fourth pillar and our extended family system, with access to free health care and other facilities for the elderly, can be considered as the fifth pillar.

It is therefore felt that the Mauritian pension system is quite comprehensive. The whole population is covered under basic universal pensions provided for under the National Pensions Scheme. Almost all workers are covered for a second tier pension under the contributory part of the National Pensions Scheme. It is most unfortunate that self-employed persons have not taken advantage of the large subsidy (50 per cent) provided under the National Pensions Act to become insured persons and benefit from a second tier pension as is the case for other salaried workers.

Contributions paid to the National Pensions Scheme, the contributory part, are revalued every year in line with increases in prices. Contributory pensions as well as basic pensions are increased annually at a rate at least equal to increases in prices. It has therefore been possible to maintain the value of pensions in the face of inflation.

The problem facing our pension systems relates to their long-term sustainability mainly because of an ageing population. It is expected that the reforms announced in this year's Budget Speech will go a long way in ensuring their future viability.