

MAURITIUS



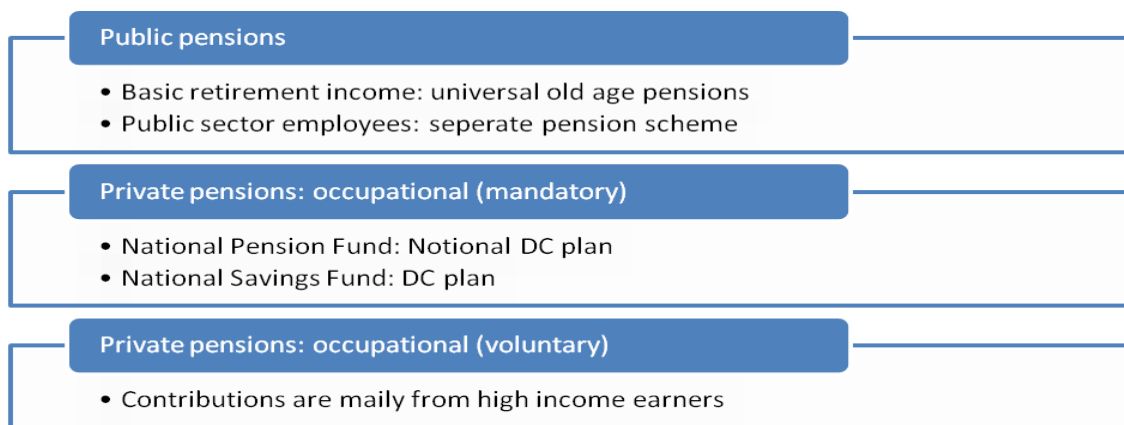
DEMOGRAPHICS AND MACROECONOMICS

Nominal GDP (EUR bn)	230
GDP per capita (USD)	5 846
Population (000s)	1 262
Labour force (000s)	549
Employment rate	104
Population over 65 (%)	6.7
Dependency ratio ¹	15.4

Data from 2008 or latest available year.
 1. Ratio of over 65-year-olds the labour force.
 Source: OECD, various sources.

COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM



Source: OECD Global Pension Statistic.

PENSION FUNDS DATA OVERVIEW

	2001	2002	2003	2004	2005	2006	2007	2008
Assets								
Total investments (National currency millions)	56,598	60,543	69,316	88,285	99,936	ND	ND	ND
Total investments, as a % of GDP	42.83	42.49	44.04	50.28	53.92	ND	ND	ND
Of which Assets overseas, as a % of Total investment:								
• Issued by entities located abroad	ND	ND	ND	ND	ND	ND	ND	ND
• Issued in foreign currencies	ND	ND	ND	ND	ND	ND	ND	ND
By financing vehicle (as a % of Total investments)								
• Pension funds	ND	ND	ND	ND	ND	ND	ND	ND
• Book reserves	ND	ND	ND	ND	ND	ND	ND	ND
• Pension insurance contracts	ND	ND	ND	ND	ND	ND	ND	ND
• Other financing vehicle	ND	ND	ND	ND	ND	ND	ND	ND
By pension plan type								
• Occupational assets	6,022	7,017	9,150	9,941	13,792	17,319	ND	ND
• % of DB assets	ND	ND	ND	ND	ND	93.40	ND	ND
• % of DC (protected and unprotected) assets	ND	ND	ND	ND	ND	6.60	ND	ND
• Personal assets	ND	ND	ND	ND	ND	ND	ND	ND
Structure of Assets (as a % of Total investments)								
Cash and Deposits	ND	ND	ND	ND	ND	ND	ND	ND
Fixed Income	ND	ND	ND	ND	ND	ND	ND	ND
Of which:								
• Bills and Bonds issued by the public and private sector	ND	ND	ND	ND	ND	ND	ND	ND
• Loans	ND	ND	ND	ND	ND	ND	ND	ND
Shares	ND	ND	ND	ND	ND	ND	ND	ND
Land and Buildings	ND	ND	ND	ND	ND	ND	ND	ND
Other Investments	ND	ND	ND	ND	ND	ND	ND	ND
Contributions and Benefits								
Total Contributions, as a % of GDP	ND	ND	ND	ND	ND	0.17	ND	ND
• Employer Contributions, as a % of Total contributions	ND	ND	ND	ND	ND	90.26	ND	ND
• Employee Contributions, as a % of Total contributions	ND	ND	ND	ND	ND	9.74	ND	ND
Total Benefits, as a % of GDP	ND	ND	ND	ND	ND	0.09	ND	ND
• % of benefits paid as a Lump sum	ND	ND	ND	ND	ND	ND	ND	ND
• % of benefits paid as a Pension	ND	ND	ND	ND	ND	ND	ND	ND
Membership (in thousands of persons)¹								
Total membership	ND	44	45	60	57	52	ND	ND
• % of Total active membership	ND	ND	ND	ND	ND	ND	ND	ND
Of which: % of Deferred membership	ND	ND	ND	ND	ND	ND	ND	ND
• % of Passive membership	ND	ND	ND	ND	ND	ND	ND	ND
Other beneficiaries	ND	ND	ND	ND	ND	ND	ND	ND
Number of Pension Funds/Plans								
Total number of funds	ND	ND	ND	ND	ND	ND	ND	ND
Total number of plans	ND	ND	ND	ND	ND	787	ND	ND

1. Membership figures reflect 'membership' rather than 'people'. Therefore a person may be a member of more than one types of plan at any one time, particularly if the person has a number of employments in the year.

ND = data not available

NA = data not applicable

Source: OECD, Global Pension Statistics

MAURITIUS: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The Basic Retirement Income is a universal, non-contributory pension funded by government taxation. It provides a minimum income guarantee for the elderly, covering all persons over 60 subject to minimum residency requirements (12 years from age 18 for citizens, 15 from age 40 for non-citizens).

The monthly retirement income provided as of 2007 was:

- age 60-89: Rs 2365
- age 90-99: Rs 7035
- age 100+: Rs 7985

It is also customary to pay all pensioners a '13th month' bonus at the end of each year. As a proportion of GDP per capita, these payments range from 18% for the smallest and most common pension to 92% for a severely disabled person over 100. Benefits are index linked, with a 5-year adjustment to prices. The basic pension is taxed as ordinary income, with some tax applied to those who continue to work or have other sources of income. Those over 90 pay some tax. Around 150,000 beneficiaries are covered (around ¾ receiving old age benefits, the remainder widows, invalids and orphan benefits).

Public sector employees (civil servants and parastatal employees) are covered by a separate scheme, which has been criticized as being overly generous vs. the private sector schemes, providing 66.7% of final salary for 33.3 years of employment.

OCCUPATIONAL MANDATORY

Coverage

Membership of the National Pension Fund Scheme (NPF) and National Savings Fund (NSF) is mandatory for all private sector employees older than 18 with one month lifetime employment, with the exception of those with very low earnings and the self-employed (who, along with the unemployed, are incentivised to join via 2/3 contributions for the same benefits – but few do).

Contributions

The funds are a combination of Notional DC and funded

NPF– is a partially funded scheme requiring 9% contribution, 6% employer contributions, 3% employees. Workers in large sugar estates contribute 50% more (13.5% with employers paying the additional).

NSF – fully funded scheme requiring 2.5% contributions. The minimum monthly earnings for contribution purposes are Rs 1,315; Rs790 for domestic employees. The maximum monthly earnings for contribution purposes are Rs 8,640.

Benefits

Benefits are paid from age 60 and are points based. These are re-valued periodically at the discretion of the Minister of Social Security. Upon reaching the normal retirement age of 60 years, the value of the accumulated pension points can be exchanged for a lifetime pension at a rate determined by Government. Benefits are adjusted annually in July according to changes in the cost of living.

The government also guarantees a minimum pension obligation (2000 Rs 219) to those who have made a one-time/ one month contribution to the fund. The government has kept the purchasing power of this minimum pension constant by adjusting it each year for consumer price inflation.

There is a second programme financed by the surplus of the fund itself rather than the government, and is given to participants according to their age (older participants receiving more pension points for their contributions).

NPF – aims at 33.3% replacement rate of average lifetime earnings for 40 years of employment – but is said to not be meeting these expectations and is likely to deliver only a 15% replacement rate

The average payout from the fund in 2000 was Rs 522 per month (218 minimum pension + 423 NPF average).

NSF – DC scheme paying lump sum benefits only

OCCUPATIONAL VOLUNTARY

Coverage

Mostly highly paid workers with around 25,000 estimated members (coverage estimated at around 10%), either in schemes insured and/ or administered by insurance companies of self-administered superannuation funds

Contributions

Employers only – usually 12-19% of earnings

Benefits

Predominantly DB schemes paid out as pensions or lump sum (insured funds only) - average Rs4.300 month – c96m paid as pensions, 145m in lump sums

MARKET INFORMATION

Occupational mandatory

The NPF and NSF are administered by the public sector, with assets amounting to around 19% of GDP, 17% in the NPF and 2% in the NSF (World Bank 2004).

Around 220,000 employees are covered by the schemes (c15,000 employers) with around 36,000 beneficiaries receiving payments.

Occupational voluntary

Of the 25,000 members 13,500 are in insured funds and 11,500 in registered superannuation funds – with around 1000 funds existing in total. Funds are said to be low cost (possibly as sponsoring companies absorb some of the costs of larger funds).

POTENTIAL REFORM

Mauritius is facing a demographic transition much sooner in its development cycle than what other upper income and high income countries have experienced. The share of its over-60 population is expected to more than triple in the next 50 years. The unfunded universal scheme and the civil service scheme are therefore becoming an unsustainable financial burden on the government. Declining benefits from the contributory scheme and a lack of a regulatory environment for private savings (discouraging private savings through the formal financial system) are jeopardizing living standards in retirement. In addition public sector management of the private contributory schemes does not deliver maximum returns, whilst private sector savings are unlikely to grow given the lack of regulation and development of domestic financial markets.

The government therefore recognizes the need for reform of the pension system, and has held a widespread debate on the topic in recent years, including a comprehensive World Bank review of the system issued in 2004¹ which recommended the follow:

- reduce fiscal risk by modernizing the Basic Retirement Pension;
- render the system more equitable (through continued, and possibly higher transfers to the poor, maximize returns for contributors);
- render the system more efficient (by diversifying risk and enabling resource allocation);
- improve transparency in management through introduction of regulation and a supervisory agency for pensions;
- introduce flexibility in the system, especially regarding the retirement age.

REFERENCE INFORMATION

KEY LEGISLATION

1976: National Pensions Act No.44

KEY REGULATORY AND SUPERVISORY AUTHORITIES

Financial Services Commission

<http://www.gov.mu/portal/sites/ncb/fsc/index.html>

¹ *‘Mauritius: Modernizing an Advanced Pension System’*, World Bank Report No. 29588-MU

<http://www->

wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2004/07/22/000012009_20040722102019/Rendered/PDF/295880MU.pdf