COUNTRY PROFILE - MAURITIUS

DEMOGRAPHICS AND MACROECONOMICS

	2011	2012
Gross Domestic Product (GDP) at market prices (MUR Million)	322,773	344,550
GDP per capita at Market Prices (MUR)	250,924	266,816
Population	1,288,684	1,293,549
Labour force (Thousands)	542	549
Employment Rate (%)	92.5	92.1
Population over 65 (%)	7.4	7.6
Dependency ratio	17.60	17.90

Source: Statistics Mauritius

Mauritius: The Pension System's Key Characteristics

The Pension System of Mauritius is best described using the World Bank five pillar classification[1]:

i. The "zero pillar" which is a universal, non-contributory Pension arrangement.

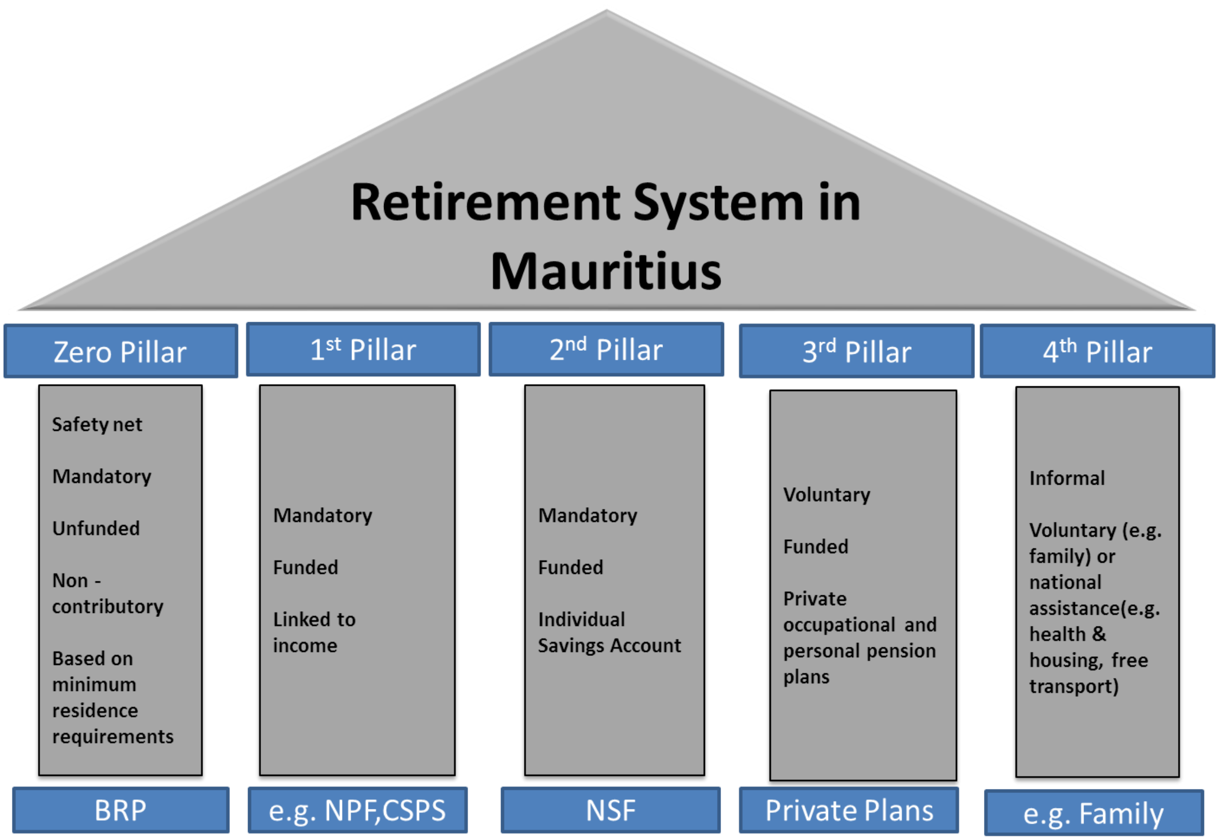
ii. A mandatory "first-pillar" contributory system manages contributions made by employees in private sectors.

iii. A mandatory "second-pillar" system which is an individual savings account for employees of statutory bodies and civil servants.

iv. Voluntary "third-pillar" schemes that is varied, flexible and discretionary in nature.

v. The fourth pillar is an informal intra-family or intergenerational source of support to the elderly, including access to healthcare and housing.

A graphical summary is shown below:



1. World Bank (2005) : "Old-Age Income Support in the 21st Century"

PUBLIC PENSION

Basic Retirement Pension– Zero Pillar

It is payable to every Mauritian citizen aged 60 years and above, subject to certain residency conditions. The number of beneficiaries stood at 126,344 in June 2006 compared to 161,219 in December 2011. This shows an increase of 27.6%.

The Enhanced Basic Retirement Pension is an additional allowance payable to old-age pensioners who are either:

- totally blind, or
- suffer from total paralysis, or
- need the constant care of another person.

The number of beneficiaries of the Enhanced Basic Retirement Pension decreased by 3.4% from 17,112 in June 2006 to 16,527 in December 2011 in the Republic of Mauritius. The total amount spent on all Basic Retirement Pension (inclusive of Enhanced Basic Retirement Pension and Child's Allowance) was Rs 4,129.0 million in 2005/2006 and Rs 7,170.8 million in 2011.

The monthly retirement income provided as of 2012 was:

Age	Monthly Retirement Income (Rs)[2]
60 – 89	3, 146
90 – 99	9, 357
100+	10, 621

Civil Service Pension Scheme – First Pillar

Public sector employees (civil servants and parastatal employees) are covered by a separate scheme. The civil service pension is exceptionally generous both by international standards and in comparison with private sector provision in Mauritius. It is a defined benefit arrangement and after 400 months of service (33 1/3 years), retirement benefits are equal to two-thirds of final salary. This is equivalent to an accrual rate of 1/50th of final salary for each year of service. In addition, the benefit is effectively indexed to earnings after retirement.

[2] Source:
http://www.gov.mu/portal/site/ssnssite/menuitem.56f534e24242d80e8f77861084d521ca/?content_id=6a6bfcdb91a08010VgnVCM100000ca6a12acRCRD#Basic Retirement Pension

Key facts and figures[3]:

- The Pension Scheme is a contributory one, run on a Pay As You Go (PAYG) basis
- The cost of running the Scheme is estimated at 18% of employee emoluments
- The employee contribution is at the rate of 6% of their pensionable emoluments

OCCUPATIONAL MANDATORY

Coverage

There are two parallel occupational mandatory schemes: the National Pension Fund (NPF) (First Pillar) and the National Savings fund (NSF) (Second Pillar).

The National Pension Scheme – First Pillar

It provides for the payment of contributory pensions to those employees of the private sector who have contributed to the National Pensions Fund (NPF). All employees working for employers with more than 10 employees had to join the Scheme. The self-employed were also eligible to join the Scheme as from July 1980 on a voluntary basis.

Contributions

Categories	Contribution Rate (%)
Millers and large employers of the Sugar Industry (those having at least 100 arpents under sugar cane cultivation)	10.5
Other employers	6.0
All employees	3.0

Benefits

The minimum monthly remuneration on which contributions are payable was Rs 900 for household employees and Rs 1,440 for other employees during the financial year 2008/2009.

The National Savings Fund – Second Pillar

It has been set up in 1995 to replace the Employees Welfare Fund. The objectives of the National Savings Fund are:

- To provide for the payment of a lump sum to every employee on his retirement at the age of 60 or earlier, or to the beneficiary on his death; and

[3] Source: http://www.gov.mu/portal/goc/prb/report2013/gc/retirement.pdf

- To set up and operate for the benefit of employees, such schemes, including loan schemes, as may be prescribed.

This Fund is compulsory in respect to all employees, except non-citizens, of both public and private sector.

Contributions

Categories	Contribution Rate (%)
Employers	2.5
Employees	1.0

Benefits

For year 2010, the Ministry paid Rs 75.0 million to some 1,644 beneficiaries of this Scheme[4].

OCCUPATIONAL AND PERSONAL VOLUNTARY – Third Pillar

Occupational Voluntary

Coverage

Occupational Voluntary Pension Schemes are called Private Pension Schemes in Mauritius. They consist of private sector workersand are governed by the Private Pension Schemes Act 2012, promulgated on 1st November 2012. This Act captures all private pension schemes operating in Mauritius. There are around 86000 estimated members which are either in schemes insured and / or administered by insurance companies of self-administered superannuation funds. There are predominantly DB schemes but many are converting to DC schemes.

Contributions

Category	Contribution Rate (%)
Employer	10 – 20
Employee	5 – 10

Benefits

In case of a Defined Benefit Scheme, upon reaching normal retirement age, the member will receive a monthly pension predetermined by a formula which is based on the employee's earnings and length of service. In case of a defined contribution scheme, upon reaching normal

[4] Source: SocSec2011Doc Link: http://www.gov.mu/portal/site/cso/menuitem.7e91c4bc6ac28045c18d5c10a0208a0c/?content_id=58406808fd86a310VgnVCM1000000a04a8c0RCRD

retirement age, the member will receive a monthly pension based on his accumulated Fund Value.

The other options that may be available at retirement:

- The member may choose to commute up to 25% of his pension for a lump sum. His monthly pension will then be reduced accordingly.
- The pension is payable for life but guaranteed for a period of 5 years. In case the pensioner dies during the first 5 years of pension payments, his dependents will continue to receive the full pension until the end of the guarantee period. The member may choose a guarantee period of 10 years.
- The member can elect to receive a pension which increases annually in line with a fixed percentage or with CPI.

Personal Voluntary

Personal pension plans are accessible to almost everybody, including both employed and unemployed people. These products are generally offered by insurance companies.

<u>Contributions</u>

Contribution levels are laid down in the contract between the provider and the saver. There are no legal maximum contribution levels. Contributions can be paid on a weekly or monthly basis, or made as a one-off payment.

<u>Benefits</u>

Personal pension plans are direct contribution in nature. Up to 25% of pension assets can be paid out as a lump sum, with the remaining assets being paid as annuities. The saver may appoint a beneficiary, who can receive the benefits from the moment the saver decides to withdraw his pension benefits.

MARKET INFORMATION

Occupational mandatory

NPF

In 2005/2006 there were 16 800 employers who have contributed to the NPF compared to 19,500 employers who contributed in 2011.

Other key facts and figures:

- The contributions received, exclusive of surcharge increased by 60.2%, from Rs 1,446.5 million in 2005/2006 to reach Rs 2,317.8 million in 2011.
- Total net assets of the National Pension Fund rose by 73.1%, from Rs 43,316.7 million at the end of June 2006 to Rs 75,000 million in December 2011.

NSF

The number of employees belonging to the Fund rose from about 353,900 in 2005/2006 to 375,400 in 2011, showing an increase of 6.1% during that period.

Other key facts and figures:

- The total contribution received, exclusive of surcharge, rose significantly from Rs 559.6 million in 2005/2006 to Rs 1,137.1 million in 2011.
- This represents an increase of 103.2%.

Occupational Voluntary

The private pension sector consists of about 1,000 private pension schemes with around 86000 members. Of the 86000 members, 56300 are in insured funds and 29700 in registered superannuation funds. The Mauritian environment has also seen considerable growth of multi-employer or “umbrella” funds, which are DC in nature. Most of the large trade unions have established national defined contribution schemes and have negotiated an option for their members to belong to such funds, as opposed to membership of an employer-sponsored fund. In effect therefore, such funds are multi-employer funds, but along industry lines. Umbrella funds, covering multiple employers, are also allowed and have increased in number over time.

Personal Voluntary

Pension plans have gained in importance in recent years, despite removal of direct tax relief on personal contributions to pensionplans in the context of a wider national tax reform.

REFORM PROCESS

Public Pension

Mauritius has a relatively well-developed pension system but 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 most pressing problem of the civil service pension is the cost of the system, both currently and projected into the future. Retired civil servants constitute only 19% of pensioners and they absorb over 40% of government outlays on pensions (including their basic pension entitlement).

According to studies, the projections are that the pension bill in the Civil Service would in all likelihood go on increasing significantly for the next 20 years. Between the years 1998 and 2001, the Civil Service Pension bill has increased by around 37%.

Against this background, Government has initiated a reform process to address pension issues in time. Several reports investigating the different components of the pension system have been prepared with the assistance of independent international experts as well as the World Bank. The institutional set up to drive the reform process is also in place. An Inter-Ministerial Committee, a Task Force as well as Implementation Working Groups on Pension Reforms are operational. A Lead Adviser has been recruited to lead the process.

Occupational Voluntary

Mauritius has undergone a reform in respect of private pension schemes. Reform initiatives have addressed pension issues and more specifically, the fragmented legislation of pensions among several laws and tax regulations. To this end, part of the reform has addressed the lack of regulatory environment for private pensions through the enactment of the Private Pensions Schemes Act 2012. In addition, the new regulatory and supervisory framework is driven by international best practices and principles developed by OECD and IOPS.

Under this new legislation, the FSC is now the regulator for the private pension industry in Mauritius. The role of FSC is to ensure that pension schemes comply with provisions of the Act which has as main objective to maintain a fair, safe, stable and efficient private pension industry. The Act further aims at enhancing regulation of pension schemes while seeking to keep regulatory costs low and preserving competitiveness in the pension sector.

Major changes brought following the proclamation of the Act are:

- All new Pension Schemes shall be set up as Trusts or Foundations;
- Pension schemes will be administered by a governing body which shall be the board of Trustees or the Council;
- Assets of the pension schemes can be managed by wide range of financial business providers: long term insurers, investments advisers, asset managers or CIS managers that are licensed by FSC;

- Pension scheme assets shall be held by a Custodian licensed by the FSC;
- Penalties and fines for non-compliance with provisions of the Act;
- Whistle-blowing provisions;
- Disclosure requirements;
- Minimum Funding requirements

REFERENCE INFORMATION

KEY LEGISLATION

1976: National Pensions Act No.44

2012: Private Pensions Schemes Act

The following FSC Rules are operational:

- Private Pension Schemes (Licensing and Authorisation) Rules 2012 (Operational 1st November 2012)
- Private Pension Schemes (Licensing and Fees) Rules 2012 (Operational 1st November 2012)
- Private Pension Schemes (Governance) Rules 2012 (Operational 1st November 2012)
- Private Pension Schemes (Disclosure) Rules 2012 (Operational 1st January 2013)

KEY REGULATORY AND SUPERVISORY AUTHORITIES

- Financial Services Commission: http://www.fscmauritius.org

Source:

- FSC Statistical Bulletin (2012)
- Statistics Mauritius: Social Security Statistics, Available at: http://www.gov.mu/portal/site/cso/menuitem.7e91c4bc6ac28045c18d5c10a0208a0c/?content_id=58406808fd86a310VgnVCM1000000a04a8c0RCRD
- World Bank(2005): “Old-Age Income Support in the 21st Century”