

SENEGAL



DEMOGRAPHICS AND MACROECONOMICS

Nominal GDP (national currency CFA fr bn)	5,389
GDP per capita (USD)	908
Population (millions)	12.3
Labour force (millions)	4.85
Employment rate	52
Population over 65 (%)	4.2
Dependency ratio	ND

Data from 2007 or latest available year.
 1. Ratio of over 65-year-olds the labour force.
 Source: United Nations, various sources.

COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions

- Civil servants pension scheme (FNR), covering the majority of government and public-sector employees
- Defined benefit scheme, financed on a pay-as-you-go basis, provides benefits based on final three years' salary
- Private sector pension scheme (IPRES), covering private sector workers and certain categories of public sector employees
- Pay-as-you-go defined benefit scheme, based on 'points' system, similar to an average salary

Private pensions: occupational/personal (mandatory/voluntary)

- Regulatory framework for introduction of complementary funded pension scheme is currently under elaboration

SENEGAL: PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The formal pension system in Senegal is composed of two mandatory retirement schemes: 1) civil-service pension scheme (National Retirement Fund (le Fond National de Retraite (FNR)) which covers the majority of civil employees and 2) pension scheme for private sector employees composed of a) general regime (l'Institut de Prévoyance Retraite du Sénégal, Régime Général (IPRES-RG) and b) supplementary pension plan for managers (IPRES-RCC). The IPRES also provides coverage to certain categories of public sector employees, which are not civil servants. Both schemes operate as unfunded, pay-as-you-go define benefit schemes, are tied to the formal employment and cover together less than 10 per cent of the labour force.¹ At present, there is no private pension provision in Senegal. However, over the past years the government of Senegal has set up a reform programme aiming to introduce privately managed, funded pension schemes in Senegal.

National Retirement Fund (FNR) – civil-service pension scheme

The FNR was set up in 1961, a year after Senegal gained its independence. Although the legislative framework has undergone several comprehensive revisions (in 1964, 1981 and 2002), the scheme continues to operate as a define benefit scheme financed on a pay-as-you-go basis. The scheme provides old-age, disability and survivors benefits.

Coverage

Different categories of public servants are covered under the scheme, among them government and public-sector employees, railway employees, magistrates, the armed forces, police, teachers, professors, etc. In 2004, the scheme accounted around 56466 active members and 39605 pensioners².

Contributions

The scheme is funded from both employers and employees contributions. Employers are requested to contribute 23 per cent (previously 20 per cent) of monthly (gross) salary whereas employees contribute 12 per cent (previously 15 per cent). Contribution base is related to the salary scale of civil servants. The 2002 reform measures targeted to harmonise and expand the contribution base through various categories of public servants aiming to increase FNR's revenues. The Board of Directors of the National Retirement Fund determines the basis for the calculation of pension contributions within the monthly wage ceiling. The salary ceiling is fixed by the Ministry of Economy and Finance.

Benefits

Benefit payment under scheme is subject to specific conditions. Two types of pensions could be paid: "proportional" pensions in case if not all vesting provisions have been respected and "seniority" pensions—with full vesting period reached.

¹ 2004 data

² 2004, presentation A. Ndiaye

Statutory retirement age is currently set at 60 years (previously 55 years); however it may vary depending on different categories of state employees.

The pension benefits are calculated in accordance with a pre-determined formula (final salary multiplied by years of service times the accrual rate) – which certain parameters have been modified as a result of 2002 reform initiatives. Pension payout is currently based on the average of the final three years' salary; benefits are indexed in relation to the growth rate of wage bill and accrual rate is set at 1.8 %. Children supplement: the pension base is increased by 10 % for 3 children.

The minimum pension amounts to 23 355 CFA francs per month, which can be supplemented by a number of additional benefits.

The replacement rate offered by the FNR is particularly high representing more than 90 per cent of the pre-retirement salary. In 2004, the amount of average monthly pension represented around 107 375 CFA francs.

The FNR is administrated by the Directorate of Credit, Pensions and Annuities of the Ministry of Economy and Finance of Senegal.

IPRES –private sector pension scheme

1. IPRES

Coverage

The IPRES, introduced in 1958, is the second component of the formal pension system in Senegal. The affiliation in the IPRES has become mandatory since 1975 for all private sector employers, including domestic workers, seasonal workers, and day workers. The scheme also covers certain categories of public sector employees. In 2004, scheme accounted around 195,965 active members and 108,320 pensioners.

Voluntary coverage is provided for previously covered employees aged 40 or older with a record of at least 5 years of contributions.

The scheme accounted in 2004 195,965 active members and 108320 pensioners.

Contributions

The current contribution rate to the general scheme is set at 14 percent of gross wage of which 8.4 per cent is paid by employers and 5.6 per cent by employees. Contributions are paid monthly by employers with 20 or more employees and quarterly by employers with less than 20 employees.

Contributions are subject to an annual wage limit. Each year salary base on which contributions are payable is adjusted in line with the decision of the IPRES Board and is usually increased by 5 per cent each year since 2003. Monthly earning ceilings applied for contribution in 2005 was equal to 222,000 CFA francs and annual ceiling was of 2 664 000 CFA francs³.

The scheme operates as a defined benefit scheme financed largely on a pay as you go basis; although there is a small liquidity reserve.

³ Senegal : L'analyse des prestations des indicateurs de résultats des protections sociales

Benefits

In order to qualify for a pension, the members should have contributed to the pension scheme for at least one year, attained the retirement age and terminated all working activities. Benefits are paid according to a point system. Minimum 400 points are required to be entitled for a pension. Additional points could be accumulated and credited under certain circumstances.

Since the creation of the pension scheme, the retirement age was fixed at 55 age. However, following to the agreement reached between professional organizations in 2005, the retirement age will be progressively increased to age 60 for private sector employees. Early withdrawals are authorized starting from 53 years old. However, pension benefits will be reduced by 5% for each year taken before age 55.

The pension paid by the IPRES is calculated with the following equation: number of accumulated pension points at retirement multiplied by the value of the pension point. Pension value points are calculated by dividing the contribution amount by reference salary. Reference salary is being determined annually by the IPRES governing board. Pension benefits are a function of average salary over the working life (not the final salary). Following the scheme by-laws, the IPRES Board should target the pension level approximately equal to 1.33 percent of covered earnings multiplied by the years of contribution (however, this level is rarely attained).

The IPRES scheme does not offer an explicit minimum pension.

In 2004, pension benefits provided under the IPRES general regime amounted around 24 217 CFA francs, offering a replacement rate of around 20 per cent.

Supplementary Pension Plan for Managers

In addition to the general regime, a complementary pension plan is administrated by IPRES for managerial staff. The categories of employees covered by the complementary pension regime are usually defined through collective agreements concluded by social partners. In 2004, the scheme accounted around 15432 active members. Contributions are set at rate of 3.6 per cent of gross wage for employers and 2.4 per cent for employees and are paid monthly by employers with 20 or more employees and quarterly by employers with less than 20 employees. Annual earning ceiling for contribution purposes in complementary pension scheme is three times higher than for general regime and in 2005 was 7 992 000 FCA francs.

Equivalent conditions as in the case with the general regime must be fulfilled by members to become eligible for pension benefits: making contributions for at least one year, attaining the retirement age, having terminated all working activity and having accumulated 400 pension value points. The retirement age for managers is currently set at 55 age but should increase to 60 age in 2013. Authorised at age 53, early retirement does not entail the reduction of pension benefits. Like the general regime, the complementary pension scheme for managerial staff is based on the pension points.

The IPRES is managed by bipartite employer and employee Governing Board under the general supervision of the Ministry of Public Service, Labour and Employment.

OCCUPATIONAL VOLUNTARY/MANDATORYN/A**MARKET INFORMATION**N/A**POTENTIAL REFORM**

Over the past years, the government is continuing to pursue pension reform efforts aiming to implement a sustainable pension provision and increase coverage of the formal pension system in Senegal. The main strategic axis of reform strategy consist to continue the parametric reforms of two mandatory pension schemes (FNR and IPRES), focusing on financial redressement of the National Retirement Fund and improvement of institutional framework of the IPRES, and to develop a complementary privately managed pension scheme in Senegal. The elaboration of the regulatory framework for introduction of complementary funded pension scheme is currently under the way. It is also expected that a new authority will be set under the legislation responsible for the supervision of private pension plans.

REFERENCE INFORMATION**KEY LEGISLATION**

1961: Legislation N°61-35 established the civil servants pension scheme (FNR);

1964: 1981; 2002: amendments and repeals to the primary legislation were introduced;

1952: Labour law for overseas territories provided for establishment of pension schemes for private sector workers in French West Africa;

1975: Decree N° 75-455 introduced mandatory pension provision for private sector workers in Senegal (IPRES).

KEY REGULATORY AND SUPERVISORY AUTHORITIES

Ministry of Economy and Finance: administrates the operation of the FNR;

Ministry of Public Service, Labour and Employment: exercises general control over the activities of the l'IPRES;

Supervisory and Regulatory Commission of Social Security Institutions of Senegal (COSRISS).