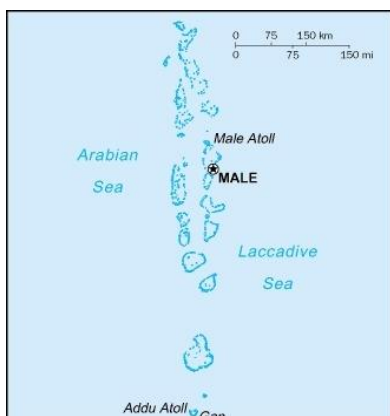


IOPS COUNTRY PROFILE: MALDIVES



DEMOGRAPHICS AND MACROECONOMICS

| | |
|--|---------------|
| GDP per capita (USD) ^a | 11,780 |
| Population (000s) ^b | 515 |
| Labour force (000s) ^c | 260 |
| Employment rate ^d | 95.60% |
| Population over 65 (%) ^b | 5.00% |
| Dependency ^e ratio ¹ | 7.25% |

Source:

1. Ratio of over 65-year-olds / labour force.

MALDIVES: COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions

- Under basic pension (DB Scheme), all retirees are eligible to MVR 5,000 as long as one does not receive an amount equal to or greater than MVR 10,000 under the Maldives Retirement Pension Scheme or MVR 5,000 under any government funded scheme.
- Various pension schemes exist for uniformed bodies and some independent institutions.

Private pensions: occupational (mandatory)

- Often referred as MRPS, it is a DC scheme.
- Employer and employee each contribute 7% (total 14%) of the employees basic salary.

^a GDP estimate from Maldives Monetary Authority [Real GDP per capita \(USD\)](#) as at 31st December 2023 and population figure from footnote [b](#)
^b Maldives Bureau of Statistics (2023). [Maldives Population and Housing Census 2022 – Provisional Results Summary Latest available data is for 2022.](#)
^c World Bank. Labour Force, Total – Maldives (<https://data.worldbank.org/indicator/SL.TLF.TOTL.IN?locations=MV>) – Latest available data is for 2022.
^d Based on World Bank data on Employment (<https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=MV>). Latest available data is for 2022.
^e [5% of the population is above 65 and 69% of the population are 15-64 years.](#)

STRUCTURE OF THE PENSION SYSTEM

The current pension system was introduced through the Maldives Pension Act (8/2009). Prior to 2009, only government employees were eligible for pension. To be eligible to government pension, 20 years of consecutive service to the government is a condition. Those who served for 20 consecutive years were eligible to receive 50% of their final salary (at the time their 20th year of service was completed) for life. Similarly, those who went on to serve for 40 years received 100% of their final salary for life.

The Maldives Pension Act (8/2009) introduced an unfunded (supported by state budget) basic pension of MVR2,000 per month (currently set at MVR5,000 per month) for all the citizens who are above 65 years of age, regardless of the sector they worked for^f. Additionally, the Maldives Retirement Pension Scheme (MRPS) that was introduced with the legislation is a fully funded defined contribution (DC) scheme. Employer and Employees are both expected to contribute 7% of basic salary of each employee (totalling 14%). MRPS fund is invested and members are eligible for retirement at the age of 65 years old with the possibility of early retirement at the age of 55 years old.^g

During the year 2022, defined benefit pension schemes^h were introduced by the following state institutions.

- Auditor General's Office
- Information Commissioner's Office

^f Those who are receiving > MVR10,000 from MRPS or those receiving > MVR5,000 from other pension schemes are ineligible for basic pension scheme.

^g Provided that the balance in RSA is sufficient to cover basic pension based on life expectancy at early retirement.

^h The separate DB schemes introduced by state institutions do not fall under the mandate of the pension regulations authority (Capital Market Development Authority)

MALDIVES: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

Basic Pension of MVR 5,000 is paid for citizens who are 65 years of age or older as long as they do not receive at least MVR5,000 from any other government funded pension scheme or an equivalent of twice the basic pension from MRPS.

OCCUPATIONAL MANDATORY PRIVATE PENSIONS

Coverage

Scheme Name: Maldives Retirement Pension Scheme (MRPS)

Pension contribution is mandatory for all Maldivian citizens who are employees. The participation of self-employed and expatriates in the scheme are optional.

Contributions

Both employer and employee are required to contribute a minimum of 7% of the "pensionable wage" refers to the basic salary amount specified in an employment contract, as outlined in the ["Regulation on Determining the Pensionable Wage"](#). of employee every month towards pension (a total of 14%). Such contributions to the scheme are made by employees aged 16 to 65. No contributions are made for employees who are more than 65 years of age. Although the requirement is to contribute equally, employers could choose to pay full 14% in contribution.

Benefits

Contributed funds to Retirement Savings Account (RSA) is invested and the members are entitled to receive pension benefits when they reach the age of 65. Early retirement is possible at 55 years of age for those who are eligible. Other benefits include:

➤ Housing collateralisation Scheme

Members of MRPS are eligible to use pension fund as a collateral to obtain loans for purchasing houses that are sold in the open market. The collateralisable amount is age dependent.

Table 1 Housing Colletralisation Scheme - Age Specific Limits on Colletorisation

| Age group | Colletralisable proportion |
|-----------|----------------------------|
| 16-35 | 100% |
| 36-49 | 80% |
| 50-60 | 50% |

➤ Hajj Scheme

Members whose RSA balance is at least MVR 336,000 (USD 21,790) are eligible for Hajj so long as they have not yet fulfilled the obligatory Hajj. The members are eligible to withdraw 80% of the officially quoted price for Hajj by Maldivian authorities. Currently, the quoted price is MVR 69,965ⁱ and eligible members could withdraw MVR55,972 (USD 3,630) or roughly 16.66% of RSA compared to the balance at the time of eligibility.

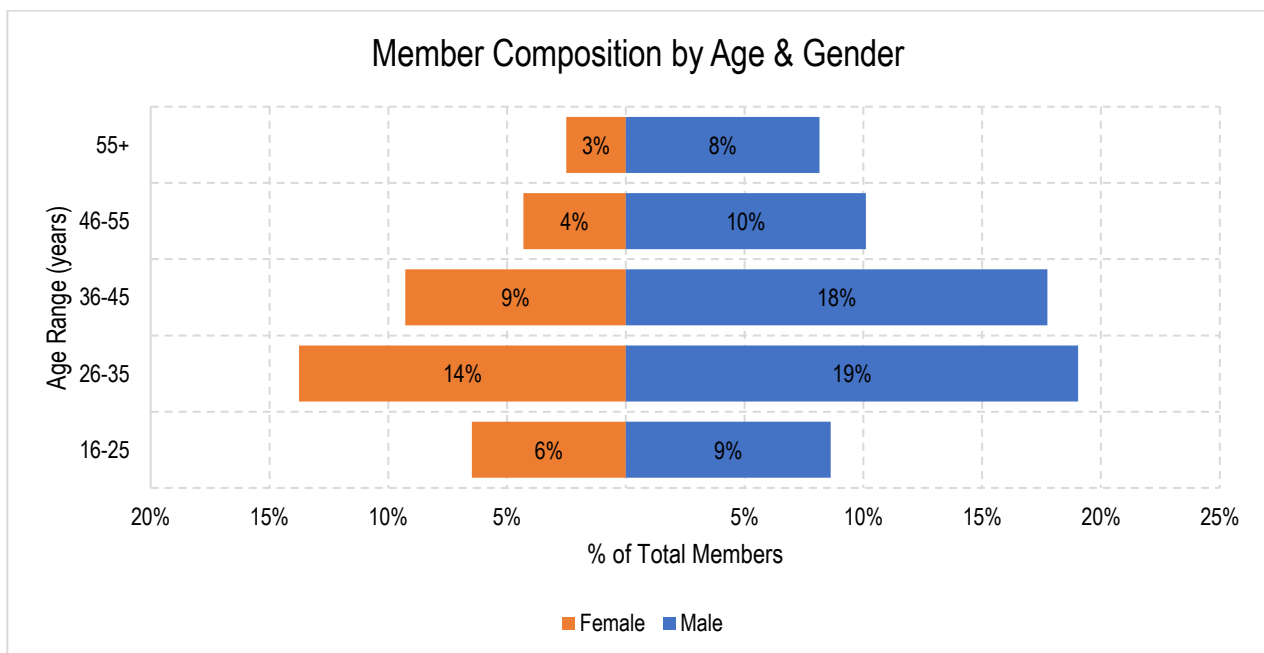
Taxation

All the contribution to pension are tax-free.

Age distribution of MRPS

As of 31st March 2024, there were 184,721 members in the MRPS including 6,786 expatriates. The Net Asset Value (NAV) of MRPS was valued at MVR 18.6 billion. Including the recognition bond and the housing fund, the value of MRPS fund stood at MVR 22.6 billion^j. Of the members, 64% are male and 36% are female. Although the disparity is huge, the gap is closing within present generation as can be seen from the narrowing gap of bars in the chart below.

Figure 1 Age Distribution of MRPS Membership as of 31st March 2024



Source : Capital Market Development Authority

ⁱ <https://www.mhcl.mv/hajj.html>

^j Exchange rate of 1USD = MVR15.42

The level of participation has remained consistent since the inception of the scheme. The total value of MRPS has increased by over MVR 2.36 billion within the timeframe spanning from 2022 to 2023. This indicates an annual increment of MRPS by 12.07%.

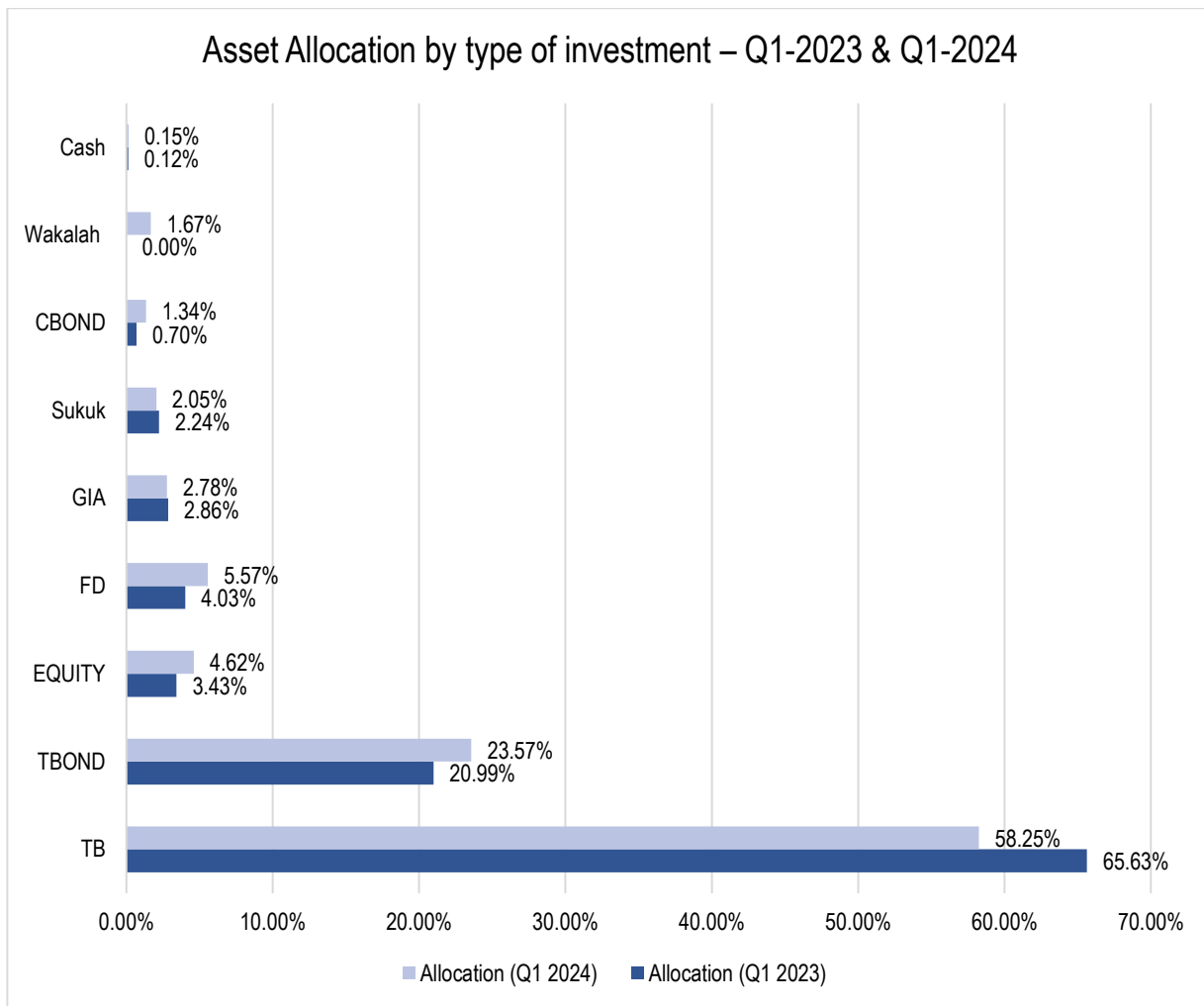
Table 1 MRPS Membership and Changes in Value Q1-2022 – Q3-2023

| Quarter | Members | MRPS (MVR Bn) | Employers | Members % change | MRPS Value % change | Employers % change |
|----------------|---------|---------------|-----------|------------------|---------------------|--------------------|
| Q1-2022 | 168,268 | 17.90 | 14,847 | 1.40% | 2.87% | 11.31% |
| Q2-2022 | 170,449 | 18.45 | 16,269 | 1.30% | 3.07% | 9.58% |
| Q3-2022 | 172,326 | 19.00 | 17,650 | 1.10% | 2.98% | 8.49% |
| Q4-2022 | 174,423 | 19.56 | 19,391 | 1.22% | 2.95% | 9.86% |
| Q1-2023 | 176,759 | 20.14 | 20,941 | 1.34% | 2.97% | 7.99% |
| Q2-2023 | 178,733 | 20.74 | 22,536 | 1.12% | 2.97% | 7.62% |
| Q3-2023 | 180,556 | 21.31 | 24,223 | 1.02% | 2.67% | 7.49% |
| Q4-2023 | 182,905 | 21.92 | 25,950 | 1.30% | 2.86% | 7.13% |
| Q1-2024 | 185,883 | 22.6 | 27,753 | 1.64% | 3.10% | 6..95% |

Source : Capital Market Development Authority

As a result of restricted range of financial instruments and ongoing development of legal frameworks for investment along with the developing capital market, the majority of the fund is invested in government securities.

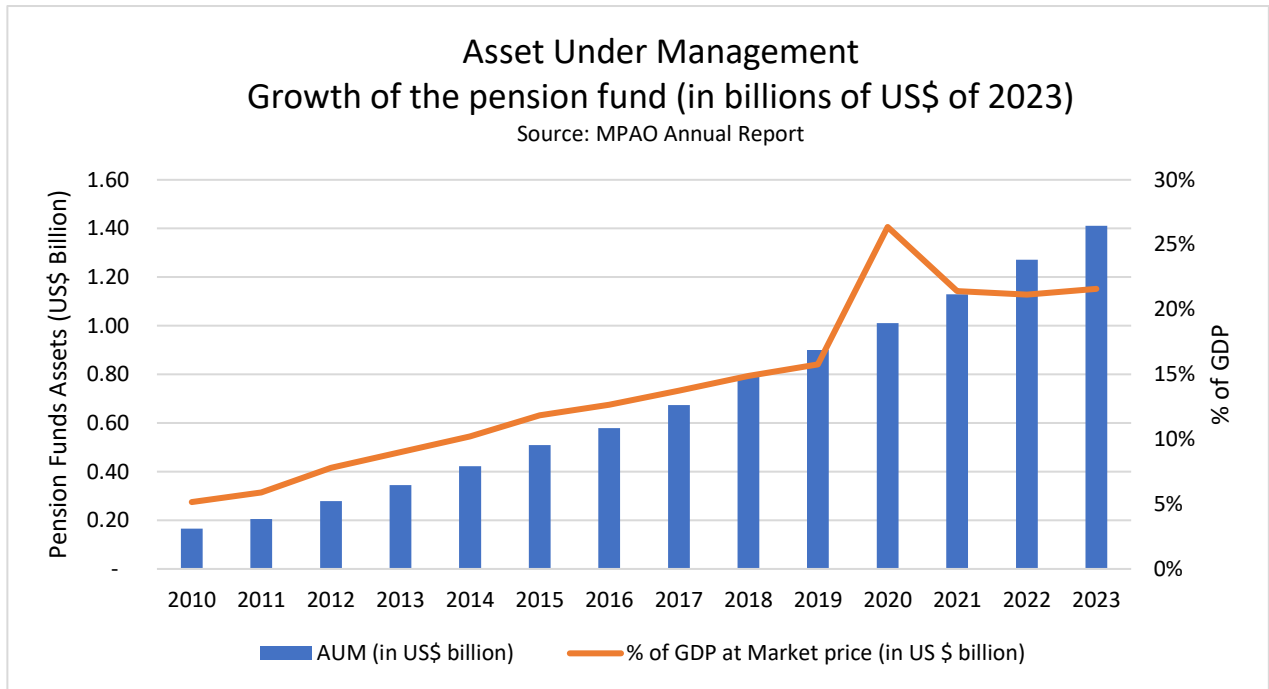
Figure 2 Asset Allocation – Q1 2023 and Q1 2024



Size of the Pension Fund (MRPS)

According to Pension Supervision Department, the pension funds administrator have accumulated assets equivalent to 1.42 billion dollars. In the last 10 years, the growth the pension fund has been 12.07% on average in real terms each year.

Figure 3 Growth of the Pension Fund (in billions of USD\$)

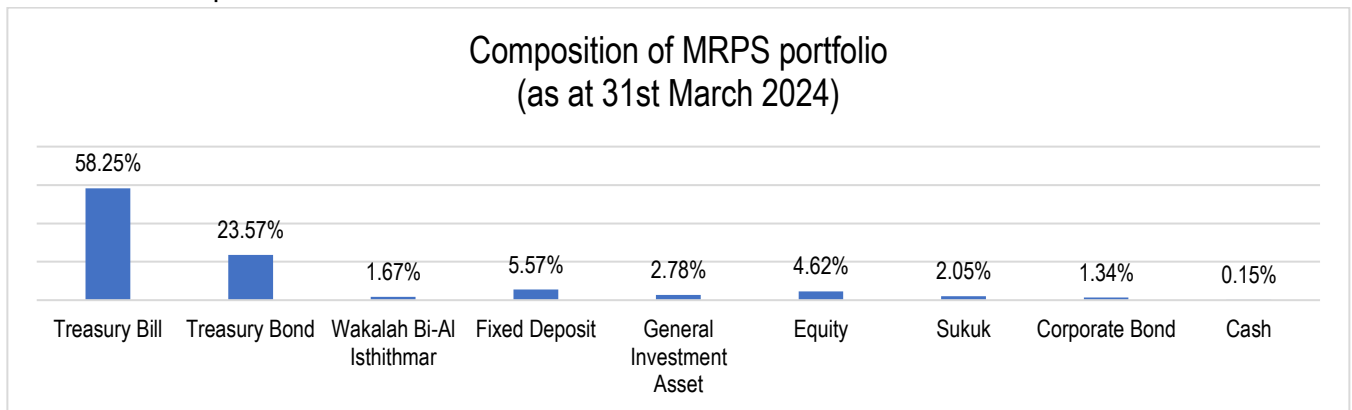


Source: MPAO Annual Reports & GDP data from the World Bank

In 2020, the COVID-19 pandemic significantly impacted the GDP, causing a substantial decrease from \$5.73 billion in 2019 to \$3.71 billion. However, owing to a swift rebound driven by the tourism sector, the economy swiftly returned to nearly pre-pandemic levels by reaching \$5.25 billion in 2021. In addition the pension assets represent a growing proportion of GDP. In 2010, MRPS represented only 6% of the GDP, but by December 2023 they amounted to 22%.

Composition and Diversification of the Pension Fund

The development of the pension fund highlighted the requirement for new, sustainable investment tools to broaden the range of choices available, meeting the rising demand for financial assets of varying types. Since the initial reforms took place in 2011, two major forces have driven the portfolio composition of the pension fund; the increase in the size of pension fund and the development of the domestic capital market.



Source : MPAO Quarterly Report

Rate of Return

There are four difference investment portfolios. The table below shows the annualized returns of the portfolios as of March 31st, 2024.

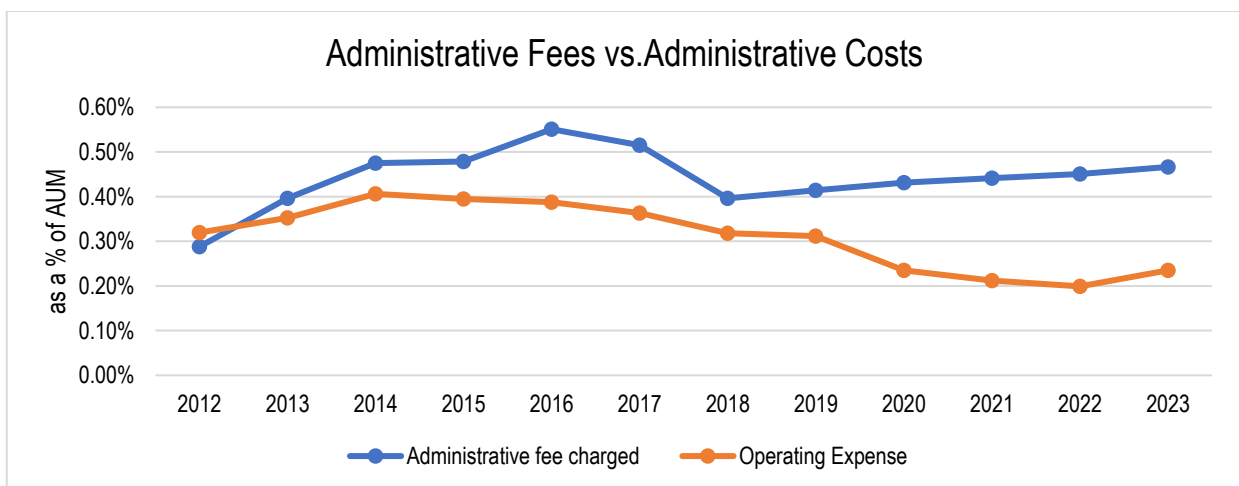
| Portfolio | Applicability | Annualised Nominal Return | Annualised Real Return |
|--------------------------------------|--|---------------------------|------------------------|
| MRPS Investment fund | For members up to age 65, default fund unless members choose MRPS Sharia fund | 5.03% | 4.53% |
| MRPS Shariah fund | For members up to age 65 | 4.14% | 3.64% |
| MRPS Conservative fund | This is a default fund for those members age 65 and over who do not choose the MRPS retirees sharia fund | 4.46% | 3.95% |
| MRPS Sharia Conservative fund | For members age 65 and above | 2.58% | 2.09% |

Fees

As stipulated by the Maldives Pension Act (8/2009), the pension office operates by collecting a fee from participants of the Maldives Retirement Pension Scheme (MRPS). Under this Act, the Board of Directors of the Pension Office is responsible for determining a reasonable fee from scheme participants, in consultation with the Capital Market Development Authority (CMDA). This fee is intended to cover the costs associated with administering the Scheme.

| Year | Administrative fee charged as a % of the Assets Under Management (AUM) |
|-------------|--|
| 2012 | 1.00% |
| 2014 | 0.90% |
| 2017 | 0.80% |
| 2018 | 0.60% |
| 2023 | 0.50% for pre-retirement funds 0.30% for post-retirement funds |

Figure 4 Administrative Fees vs. Administrative Costs



The administrative fee is charged on accrual basis based on daily Net Asset Value of the members' balance at the rate of (administrative fee %) per month.

RECENT REFORM

Changes to the Maldives Pension Act and Regulations thereunder;

- [Regulation on Enrollment and Disbursement of Benefits to Foreign Employees under the Maldives Retirement Pension Scheme](#). Revised on 12th October 2023.
- [Regulation on Investment Screening and Due Diligence](#) – Revised on 16th October 2023
- [Governance Code of Pension Office](#) – Introduced on 9th August 2023

Changes to investment policies / Guidelines;

- [Statement of Investment Principles \(SOIP\)](#) – Revised on 21st September 2023
- [Strategic Asset Allocation \(SAA\) policy](#) – Revised on 24th September 2023
- [Public Disclosure of Investment Information](#) – Introduced on 27th November 2023
- [Policy on Valuation of Securities](#) – Revised on 15th May 2023
- [Guidelines on Shortlisting Candidates to the Board of Maldives Pension Administration Office](#) – Introduced on 13th April 2022

REFERENCE INFORMATION

KEY LEGISLATION

- [Maldives Pension Act \(8/2009\)](#) – Last revised on 6th August 2019
- [Regulation on Investment Screening and Due Diligence](#) – Last revised on 16th October 2023
- [Governance Code of Pension Office](#) – Last revised on 9th August 2023
- [Regulation on Determining Pensionable Wage](#) - Last updated on 25th February 2021
- [Regulation on Disbursement of Maldives Retirement Pension Scheme funds to Perform Obligatory Hajj](#) – Last updated on 6th October 2019
- [Regulation on Enrollment and Disbursement of Benefits to Foreign Employees under the Maldives Retirement Pension Scheme](#). Last updated on 12th October 2023
- [Regulation on Collateralizing Accumulated Pension Fund for Home Purchase](#) - Last updated on 1st August 2016
- [Regulation on Enrolling Self-Employed Employees in Maldives Retirement Pension Scheme](#) –Last updated on 7th August 2014
- [Regulation on Disbursement from Maldives Retirement Pension Scheme](#) – Last Updated on 27th December 2018
- [Regulation on Maldives Retirement Pension Scheme](#) – Last updated on 26th August 2020
- [Regulation on Basic Pension to Older Persons](#) - Last updated on 12th March 2014

KEY REGULATORY AND SUPERVISORY AUTHORITIES

[Capital Market Development Authority](#)

KEY PENSION ADMINISTRATION OFFICE

[Maldives Pension Administration Office](#)

KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PRIVATE PENSIONS

- [Annual Reports of Maldives Pension Administration Office](#)
- [Maldives Bureau of Statistics](#)
- [Maldives Monetary Authority](#)

ANNEX – UNEMPLOYMENT RATE – MALDIVES (1991-2023)

Figure 5 Unemployment Rate of Maldives (1991-2023)

