

# IOPS COUNTRY PROFILE: RWANDA

## DEMOGRAPHICS AND MACROECONOMICS



GDP per capita (USD)	816
Total Population (000s)	12,955
Life Expectancy at Birth (years) for Men	65.8
Life Expectancy at Birth (years) for Women	69.1
Labour Force (000s)	3,860
Percentage 65 or older	3.5
Dependency Ratio <sup>1</sup>	0.68
Statutory Pensionable Age - Men	65
Statutory Pensionable Age - Women	65

1. Population aged 14 or younger plus population aged over 65 or older, divided by population aged 15-64.

Source: [National Institute of Statistics of Rwanda. Data from 2021](#)

## RWANDA PENSION DESIGN

### STRUCTURE OF THE PENSION SYSTEM

#### Public pensions

- National Social Security Fund, (fully funded and DB based), providing coverage to all public and private sector employees

#### Private pensions: occupational (voluntary)

- Voluntary occupational private pension schemes

#### Private pensions: personal (voluntary)

- Typically individual DC pension plans offered by insurance companies

Source: OECD Global Pension Statistic

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## RWANDA: THE PENSION SYSTEM'S KEY CHARACTERISTICS

### VOLUNTARY PENSION SCHEME

Voluntary pension scheme is consisted of complementary occupational pension scheme and personal pension scheme.

Complementary occupational pension schemes.

These are established upon agreement between the employer and the employee. It may be funded by both the employer and the employee or by the employer alone. It is established by employers to motivate employees. Employer has to register the scheme trust with the Rwanda Development Board (RDB), then register with the National Bank of Rwanda (regulator) and have to inform the Tax Authority for exemption for specific taxes.

Such schemes are sponsored by employers to among other motivations: supplement the workers' retirement benefits and retain skilled employees. These types of pension schemes are contributory in nature and contribution rates differ from one pension plan to another. Majority of the occupational voluntary pension schemes invests in government bonds and bills where return is guaranteed.

Personal Pension scheme

These are established by licensed financial institutions. They are voluntary in nature. Individuals or group of individuals may open retirement accounts with such institutions. Most of the informal sector population join such pension schemes.

Financial institutions including a licensed bank, an insurer, a microfinance institution, a collective investment fund or other financial institution submit application to the National Bank of Rwanda for approval or license to establish/open a personal pension scheme.

These voluntary pension schemes have been operating without an adequate regulatory and supervisory framework. The Government of Rwanda published a pension Law N° 05/2015 of 30/03/2015 governing the organization of pension schemes. The Law sets standards for the pension sector in Rwanda and providing for a supervisory framework by the National Bank of Rwanda.

This Law covers among others:

- The types of pension schemes (Mandatory pension scheme and voluntary pension schemes including Complementary occupational pension scheme and Personal pension scheme);
- Transfer of pension contributions; Reserves in voluntary pension scheme;
- Voluntary Pension Scheme Rules of procedure and its amendment;
- Registration of pension scheme and licensing of pension service providers (Administrator, Investment manager, Custodian and Trustee);
- Obligations of Sponsoring Employer;
- Insurance of pension benefits;
- Audit and valuation of pension scheme assets;
- Administrative faults and sanctions and Competence of the Regulator.

### Coverage

All employees in public sector and private sector with regular salaries (formal sector) are covered by the mandatory public pension scheme.

Employers who wish to make additional contributions (on top of mandatory contribution) for their employees may voluntarily do so within Complementary Occupational Pension Scheme.

Self-employed population especially the informal sector people will voluntarily save with the Personal Pension Schemes and the Ejo Heza – Long Term Savings Scheme (LTSS).

There is no discrimination in regard to sex, age, categories of works, religion or other act in a discriminatory manner. Each person is allowed to adhere pension scheme without any discrimination.

## **Contributions**

### *Employee contributions*

In the mandatory pension scheme (government pension scheme), employees contribute 3% of the basic salary gross salary composed of base salary, allowances, bonuses and other fringe benefits as well as the cash value of the benefits in kind .

In voluntary pension schemes employees contribute a rate that is defined and indicated in the scheme rules depending to the scheme. There are no legal minimum or maximum rates of contributions, Contributions vary from one pension scheme/plan to another.

### *Employer contributions*

In the mandatory pension scheme (government pension scheme), employers contribute 3% of the basic salary composed of base salary, allowances, bonuses and other fringe benefits as well as the cash value of the benefits in kind . Employer and employee contribute the same rate.

In the voluntary pension schemes, employer's contributions are varying depending on the schemes rules, there are no legal minimum or maximum rates of contributions. The employer rates is determined by the scheme rule and it varies from one plan/scheme to another. Self-employed people do contribute in pension scheme as they manage.

In voluntary-Government-sponsored scheme - Long-term savings scheme (EJO HEZA), there are additional contributions provided by the government. This additional contribution is provided according to the Ubudehe category in which the members belongs. (Ubudehe category – is the social stratification and there are 4 categories whereby the first category designated for the poorest people in society while the fourth category is for the wealthiest members of society).

Government provide additional contributions to the Long term saving scheme – EJO HEZA members that belongs in first, second and third category of ubudehe as follows:

- A member who is in the first or second category of Ubudehe and has saved at least fifteen thousand (15.000) Rwandan francs has the right to a Government co-contribution equal to one hundred percent (100%) of his or her savings;
- A member who is in the third category of Ubudehe and has saved at least eighteen thousand (18,000) Rwandan francs has right to a Government contribution equal to fifty percent (50%) of his or her savings.

## **Benefits**

In Rwanda, pension benefits formula differs from scheme to scheme. In the mandatory pension scheme (which is defined benefits) benefits paid depend on the formula – considering years of service and salary. Benefits are computed basing on the total average monthly earnings received

for the last five (5) years preceding the date of pension entitlement. The monthly old-age pension benefits are equal to thirty percent (30%) of the average monthly earnings of the contributor.

The minimum monthly pay out for old pension and occupational hazard benefits is Frw 13,000. This is determined by the Presidential Order N° 069/01 of 13/04/2018 increasing pension and occupational hazards benefits granted by the Rwanda Social Security Board.

In the mandatory pension scheme (DB), the benefit formula depends on the years of service, accrual rate and the average salary for the last 5 years. Pension benefits paid is either pension or lump sum depending on the years of service. Less than 15 years, a member gets lump sum and more than 15 years, he/she gets pension.

In voluntary pension scheme (defined contributions) pension benefits are determined on the basis of the contributions made and the performance of the investment of such contributions.

The voluntary schemes (DC), the Benefit Formula = Total contributions + Investment return – expenses incurred and Benefits are paid as lump sum.

In both type of schemes: There is no maximum amount entitled to the pension beneficiary.

Withdrawals are accepted under certain conditions; if the member has left employment, disabled or beneficiaries if the member is dead. Benefits adjustments and minimum benefits are subject to each plan specific rules.

In the mandatory government pension scheme which is a DB, rights transferring is not possible. In voluntary pension schemes (DC) rights transfer is possible.

In voluntary pension scheme, an individual may transfer contributions from complementary occupational pension scheme or personal pension scheme to any other voluntary pension scheme in which he/she is a member.

Pension Law and regulation on pension operations provide for the transfer of pension contributions of the employee to the pension scheme to which the employee is a member any time he/she so requires.

### **Fees**

Under mandatory pension scheme, there is no assets management charged. For voluntary pension schemes, insurance companies or any pension service provider charge management fees on each pension fund they manage. The fees often depend on the size of the fund under management although generally the level of fees is agreed between the plan sponsors and the insurance companies/service providers.

### **Taxation**

Pension schemes/plans are exempted from corporate tax as per the income tax Law.

- Taxation of employee contributions - 30%.
- Taxation of employer contributions - 30%.
- Taxation of investment income are exempted (Tax-free).
- Taxation of benefits are exempted (Tax-free).

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## REFERENCE INFORMATION

### Key Legislation

- 2017: Law N°48/2017 of 23/09/2017 governing the National Bank of Rwanda
- 2015: Law N° 05/2015 of 30/03/2015 governing the organization of pension schemes
- 2018: Law N° 016/2018 of 13/04/2018 Establishing Taxes on Income, article 46
- 2018: Presidential Order N° 069/01 of 13/04/2018 increasing pension and occupational hazards benefits granted by Rwanda Social Security Board
- 2021: Law N° 009/2021 of 16/02/2021 establishing Rwanda Social Security Board

### Key regulatory and supervisory authority of pension scheme:

National Bank of Rwanda (BNR), [www.bnr.rw](http://www.bnr.rw).

### Key statistical reference and sources on pension schemes:

- National Bank of Rwanda website: [www.bnr.rw](http://www.bnr.rw)
- Rwanda Social Security Board: website: [www.rssb.rw](http://www.rssb.rw)
- National Institute of Statistics of Rwanda (NISR), Labour Force Survey Trends, and February 2021 report, April 2021. Website: [www.statistics.gov.rw](http://www.statistics.gov.rw)

Source map: Central Intelligence Agency, The World Factbook, the United States

## TABLES

### Data for the past five years

#### *Voluntary pension schemes*

##### *1.1 Trend of past five years (Amounts in billions of Frw)*

Years End December	2018	2019	2020	2021
Total assets	35	45	60	71

##### *1.2. Total assets as % of GDP - Trend of past five years (Amounts in billions of Frw)*

<b>Years End December</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Total assets</b>	35	45	60	71
<b>GDP in billions of Frw</b>	8,302	9,315	9,593	9,905
<b>Assets/GDP (%)</b>	0.4%	0.5%	0.6%	0.7%
<b>Assets/GDP (%)</b>	0.4%	0.5%	0.6%	0.7%

### **Mandatory Pension funds data (RSSB)**

*Total assets - Trend of past five years (Amounts in billions of Frw)  
Years*

Years End June	2017	2018	2019	2020	2021
Total assets	661.3	749.2	836.7	940.7	1,172

*Total assets as % of GDP Trend of past five years - (Amounts in billions of Frw)*

Years End June	2017	2018	2019	2020	2021
Total assets	661.3	749.2	836.7	940.7	1,171.5
GDP in billions of Frw	7,694	8,302	9,315	9,593	9,905
Assets/GDP (%)	8.60%	9.02%	8.98%	9.81%	11.83%

By financing vehicle as of Total assets: (Data not Available)

- Pension funds: not available
- Book reserves: not available
- Pension insurance contracts: not available
- Other financial vehicles: not available

Occupational assets

% of DB assets: (Data not yet captured)

%of DC assets: (Data not yet captured)

Personal assets (Data not yet captured)

Structure of assets: (proposal by SP)

- Cash and deposits
- Bills and bonds issued by public and private sectors
- Shares
- Loans
- Buildings
- Private Investment funds
- Other investments

### Total contributions as % of GDP

Trend of past five years (Amounts in billions of Frw) - (Voluntary pension schemes)

Years End December	Dec2018	Dec 2019	Dec 2020	Sept 2021
Contributions	4	8	9	8
GDP in billions of Frw	8,302	9,315	9,593	9,905
Contributions/GDP (%)	0.05%	0.09%	0.09%	0.08%

Trend of past five years (Amounts in billions of Frw) - (Mandatory pension scheme)

Years End June	2017	2018	2019	2020	2021
Contributions	77.5	88.9	94.4	102.6	108
GDP in billions of Frw	7,694	8,302	9,315	9,593	9,905
Contributions/GDP (%)	1.01%	1.07%	1.01%	1.07%	1.09%

### Total benefits as % of GDP

Trend of past five years (amounts in billions of Frw) – Voluntary pension schemes

Years End December	Dec 2018	Dec 2019	Dec 2020	Sept 2021
Benefits paid as lump sums	3	4	5	5

Trend of past five years (amounts in billions of Frw) – Mandatory pension scheme

Years End June	2017	2018	2019	2020	2021
Benefits	17.6	21	26.9	29.8	34.6
GDP in billions of Frw	7,694	8,302	9,315	9,593	9,905
Contributions/GDP (%)	0.23%	0.25%	0.29%	0.31%	0.35%



*Benefits paid as lump sums: (Mandatory pension scheme – RSSB)*

Years End June	2017	2018	2019	2020	2021
Benefits paid as lump sums	3.5	3.9	4.8	6.6	6.0

*Benefits as pensions: (Mandatory pension scheme - RSSB )*

Years End June	2017	2018	2019	2020	2021
Benefits as pensions	14.1	17.1	22.1	23.2	28.6

***Total number of pension funds:***

Registered occupational voluntary pension funds are twelve (12) plus one mandatory National Social security Fund (RSSB) and this makes it 13.