PENSION OFFICE

PENSION SYSTEM IN MALDIVES

ESTABLISHMENT OF A MODERN PENSION SYSTEM

2003

World Bank report on “Social Protection in the Maldives: Options for Reforming Social Assistance and Pensions” presented

2004

Inter ministerial Pension Reform Working Group formed

2007

Pension and Social Protection Administration Project Initiated

The Pension Bill was presented to the Parliament by the Government - 12th September

2009

Pension Bill was approved by the parliament - 29th April
Pension Act ratified by the president - 13th May

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Pension System Prior to 2009

Government Pension Schemes

- A non-contributory, Defined Benefit (DB) arrangement
- Monthly payments after 20 years of service to the Government
- No Retirement age

Government Provident Fund

- A Defined Contribution (DC) arrangement
- Contributions = 5% of employee's Basic Salary
- Participation was voluntary
- Early Withdrawals Allowed

Need for Reform

Coverage was limited to civil servants, no social security provision for the poor and vulnerable

It was non-contributory and unfunded, thus financially unsustainable

Every public sector employee with 20 years of service was eligible to get the minimum pension of 50% of the most recent salary and those with 40 years of service receive 100% as replacement. Both are not indexed to inflation.

One can get a pension on a monthly basis whilst in active service and receiving a salary

There was no retirement age

There was no job mobility

THE NEW PENSION SYSTEM

- Pension Act was ratified in 13 May 2009, which introduces two Schemes:
  - Old Age Basic Pension (BP) and
  - Maldives Retirement Pension Scheme (MRPS)
- BP: Piller Zero covers every citizen residing in the country who have reached 65 years of age and does not receive any other pension.
- MRPS: A funded mandatory Defined Contribution (DC) scheme, where the contribution rate of 14% is shared equally between employer and employee.

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Maldives Retirement Pension Scheme

- Maldives Pension Administration Office (Pension Office) established under the Pension Act as an independent institution to administer Basic Pension and Maldives Retirement Pension Scheme (MRPS).
- Purpose of MRPS is to provide a financially sustainable retirement savings scheme for all employees.
- Foreign employees and self-employed persons can participate voluntarily.
- Contributions made to the scheme are invested in asset classes stipulated under the Pension Act and are supervised by Capital Market Development Authority (CMDA), Maldives.

MRPS OVERVIEW

NO.OF EMPLOYERS

3,314

PRIVATE SECTOR

2,849

PUBLIC SECTOR

465

NO .OF EMPLOYEES

120,173

PRIVATE SECTOR

72,769

PUBLIC SECTOR

47,404

RSA MEMBERS

177,980

PENSIONERS

1,849

Statistic as Q1, 2023

Member Population

- Providing pension services to 120,000+ active contributors and 1,500+ pensioners.
- Growing at a rate of 5-6% per annum.

Assets Under Management

- As of 2022, the fund was valued at MVR 16.5 billion - 5-year CAGR is 16.5%.
- With the inclusion of Recognition Bonds this value aggregated to a total of MVR 19.6 billion.

Policy Changes

MRPS STRENGTHS

- The largest savings fund and institutional investor in the country
- Average annual returns above 5%
- Allows members to plan ahead and save for retirement
- Robust information structure ensures efficiency.
- System ensures high level of transparency and accountability
- Employer compliance is about over 80%

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CHALLENGES

- Determining an appropriate income replacement rate for pensioners has been difficult as the pensionable wage of contributors is determined by employers and often do not accurately reflect their income level
- Due to the fast growing migrant population in the country, the pension system needs to address the issue of covering migrant employees
- Challenges in extending pension coverage to the growing informal sector
- Contributions based pension model has had limited impact on reducing the fiscal burden of providing old age social protection as Unfunded State Pensions still continues
- Lack of opportunities for Pension Fund Investments

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LOOKING AHEAD

- Enhance MRPS Member Benefits
  - Introduce saving options for better benefits
  - Revamp housing scheme
  - Terminal illness benefits

- Diversify Investments
  - Contribute to economic growth and national development
  - Contribute to capital market and private sector development
- Digital transformation to enhance service delivery
- Research and awareness

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Thank you