



Maldives Retirement Pension Scheme:

Expanding Investment Strategy and Challenges

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13 May 2013

Maldives Pension Administration Office

- Maldives Pension Administration was established by the Maldives Pension Act (8/2009).
- MPAO administers two pension schemes under the Act; the Maldives Retirement Pension Scheme (MRPS) and Old-age Basic Pension Scheme(BP).
- The MRPS is a Defined Contribution Scheme, where the employee and employer together contribute 14% of the pensionable wage on a monthly basis to the scheme.
- The BP is a State funded pension scheme, where Maldivian citizens of age 65 and above are entitled for an inflation adjusted fixed pension benefit.
- MPAO also acts as a paying agent for other government pensions from April 2011.

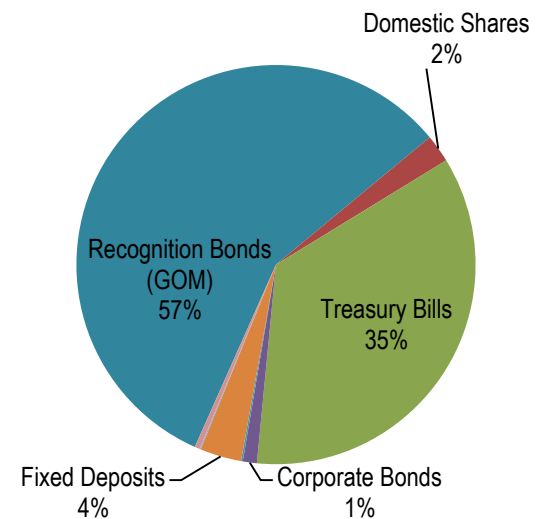
Maldives Retirement Pension Scheme (MRPS)

- MRPS is a mandatory DC scheme.
- Employer and Employee together contribute 14% basic salary each month.
- Both employer as well as the employee may contribute to the scheme on a voluntary basis as well.
- The pension benefit depends on individual member account; accumulation of pension contributions and investment performance of the scheme.

Scheme Profile

Asset Allocation 31 March 2013

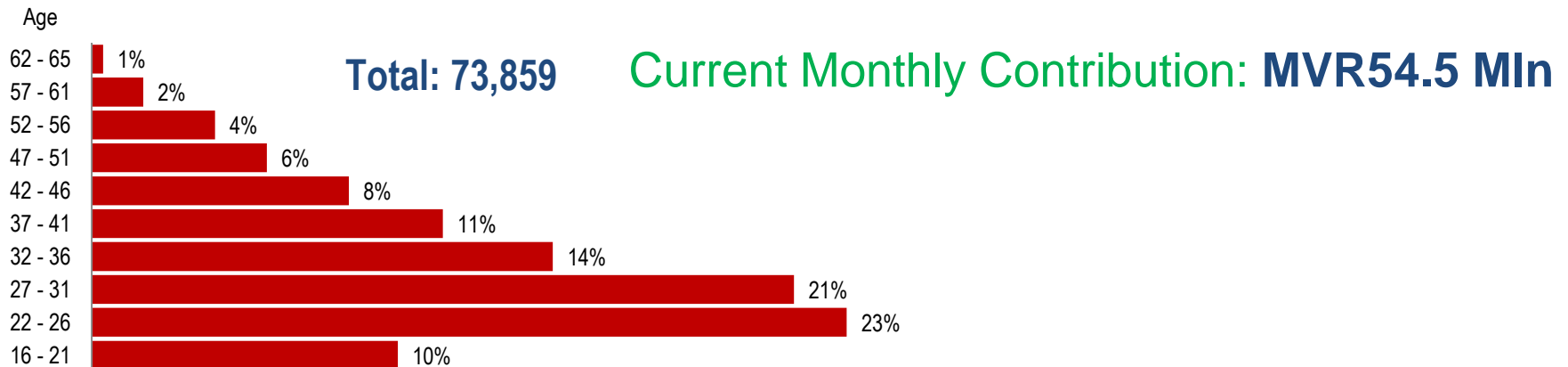
	MVR
Recognition Bonds (GOM)	2,536,038,210
Domestic Shares	100,000,000
Treasury Bills	1,560,655,930
Corporate Bonds	50,215,164
Sharia Funds	6,308,162
Fixed Deposits	148,173,233
Cash Balances	4,142,690
Receivables	18,404,015
Total	4,423,937,403



Equivalent of 21% of GDP

Scheme Profile (Cont...)

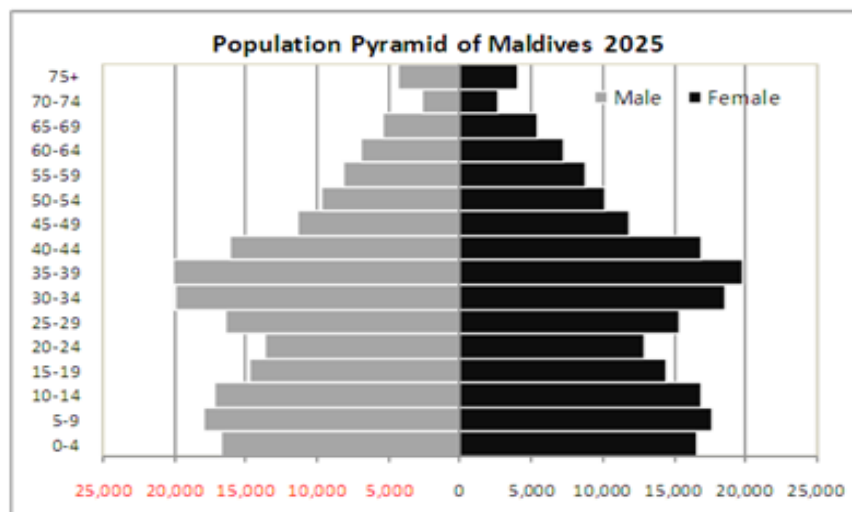
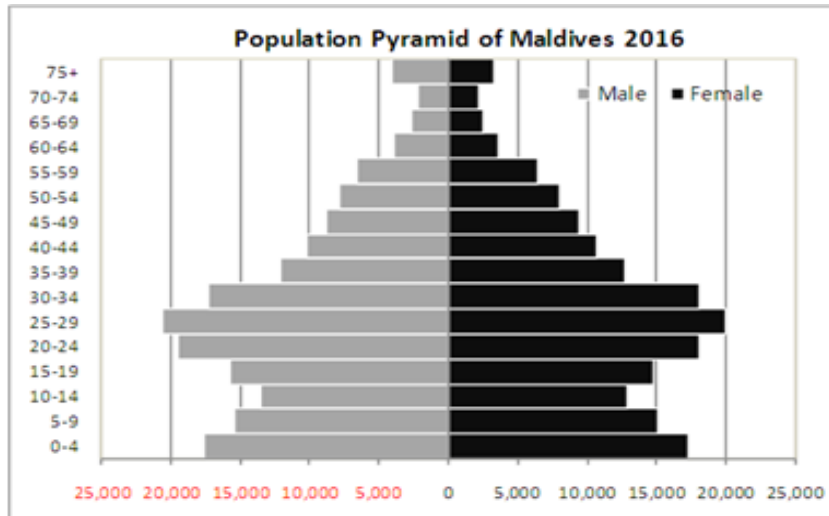
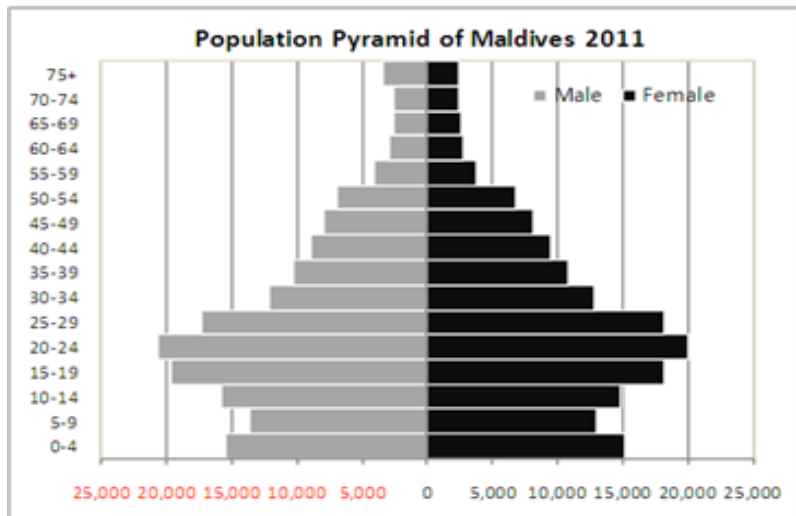
MPRS: Age Profile of Active Members 31 March 2013



MPRS: Age Profile of Retired Members 31 March 2013



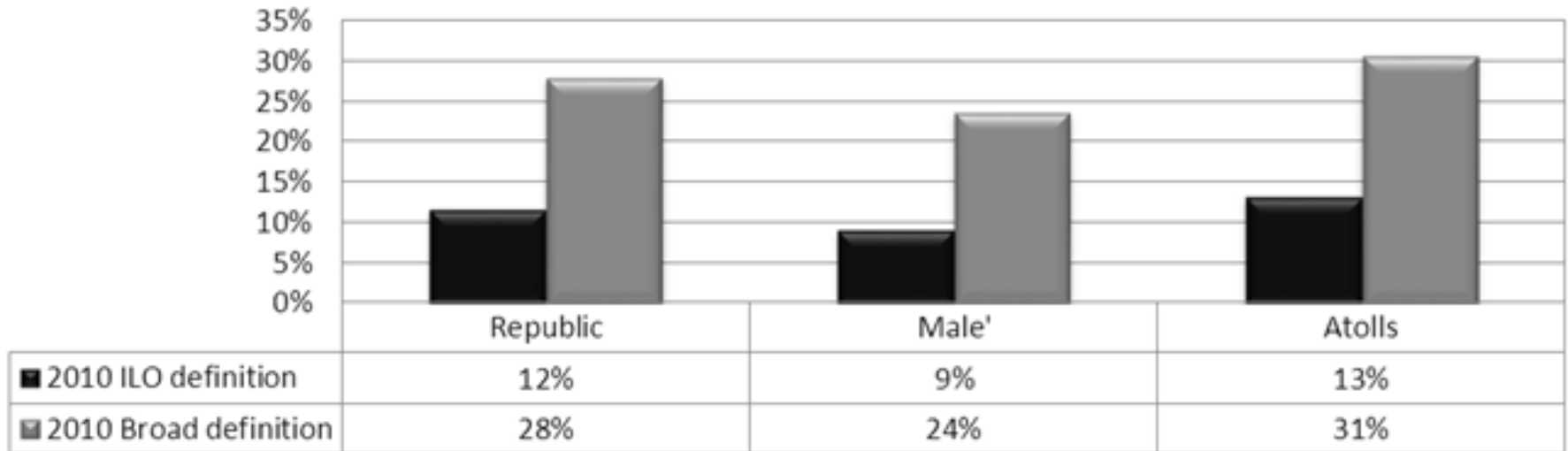
Population and Employment



Source:DP

Population and Employment

Figure 5.1: Unemployment Rates (ILO and broad definition), by location, 2006 and 2010



Source:DP

Performance

Fund Performance as at 31 March 2013

	Investment Portfolio	Sharia Portfolio	Conservative Portfolio
Starting Price ¹	100.00000	100.00000	1500.00000
Price (31 March 2013)	116.61223	101.42918	1679.21977
Annualised Return	6%	1%	5%

¹Investment and Sharia start date, 14.06.2010; Conservative start date, 01.11.2010

Investment Objectives

- Maximize the value of the Pension Contributions to the MRPS, with due regard to risk.
- Maintain the purchasing power of Members' savings in real (i.e. post-inflation) terms;
- Provide reasonable benefits commensurate with the cost of living at retirement;
- Provide protection for accumulated assets in the years approaching retirement against a sudden (downward) volatility in the capital value.

-Statement of Investment Principles, February 2013



The Challenge: Investment Strategy Formulation

The Challenge: Investment Strategy Formulation

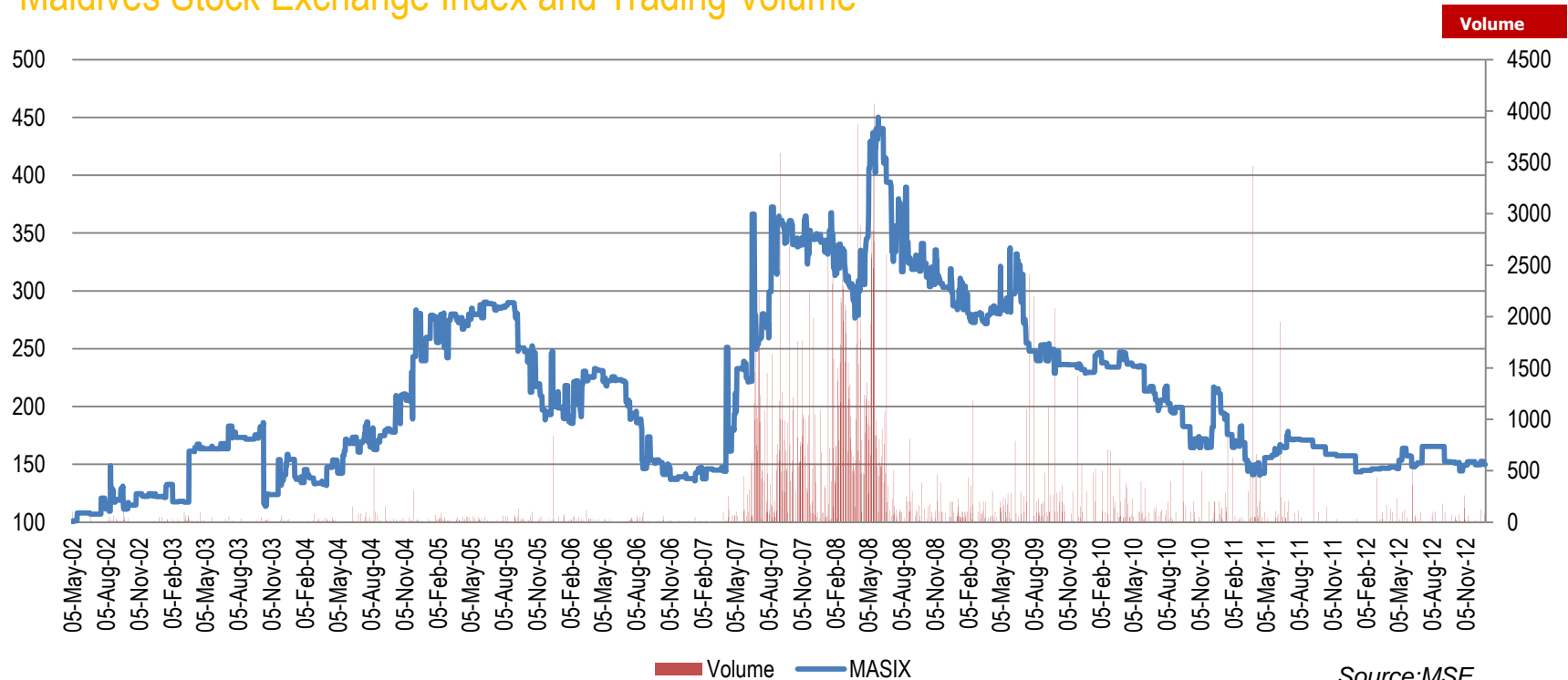
- Limited choice in investment.
- A prudent person approach rather than a quantitative approach; the investment decision making process being prudent rather than to achieve a target return.
- Development of a benchmark underway for internal performance measurement.



The Capital Market: Issues

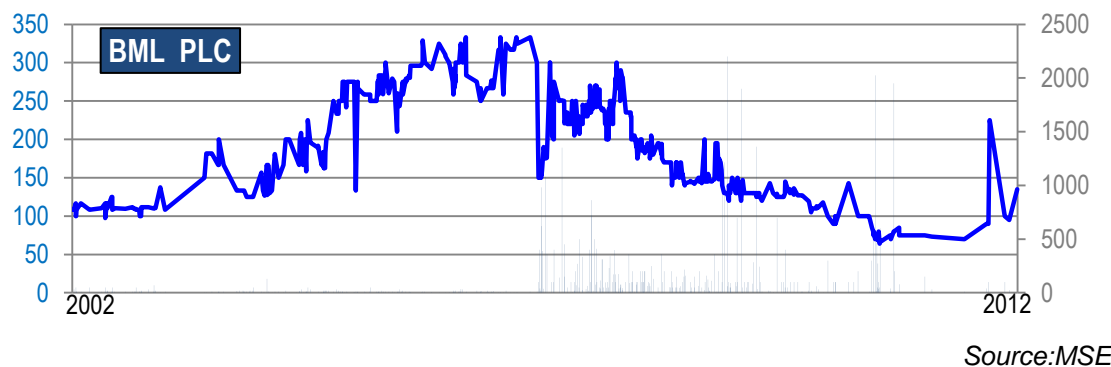
The Equity Market: 2002-2012

Maldives Stock Exchange Index and Trading Volume



- Annualized Return =3.86%
- Looked promising at the start
- So much volatility
- Could have made money in the short run, but in the long run...?

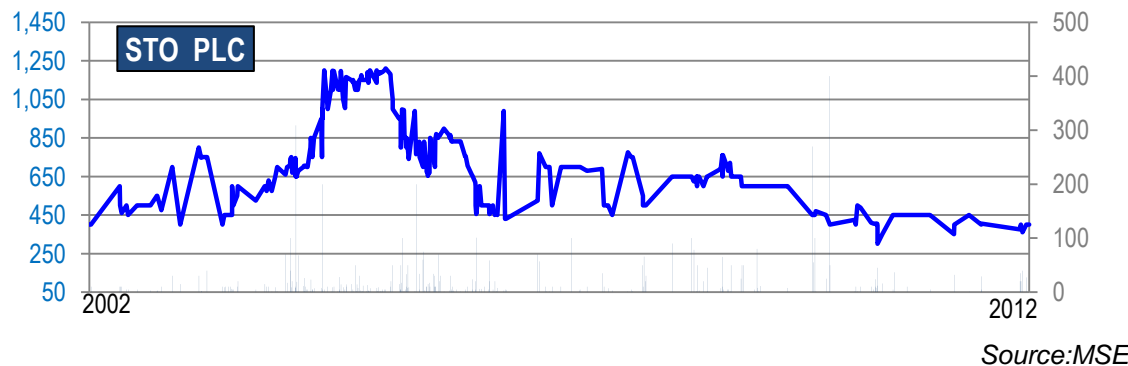
Corporate Performance



Year	EPS
2012	69.58
2011	-
2010	9.47
2009	9.29
2008	50.27
2007	66.77
2006	43.80
MPS	175.00
PE Ratio	2.52

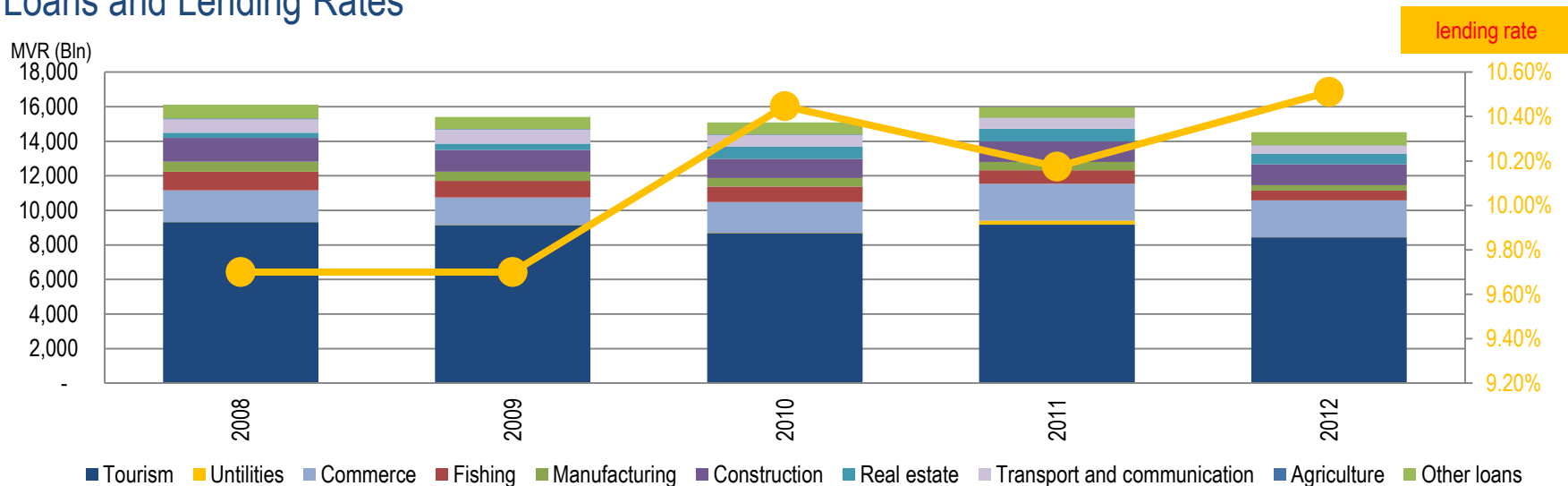
Year	EPS
2012	211.00
2011	171.00
2010	126.88
2009	151.00
2008	156.00
2007	142.00
2006	135.00
MPS	510.00
PE Ratio	2.42

**Why such low PE ratios?
Future earnings uncertainty
Or just undervalued?**



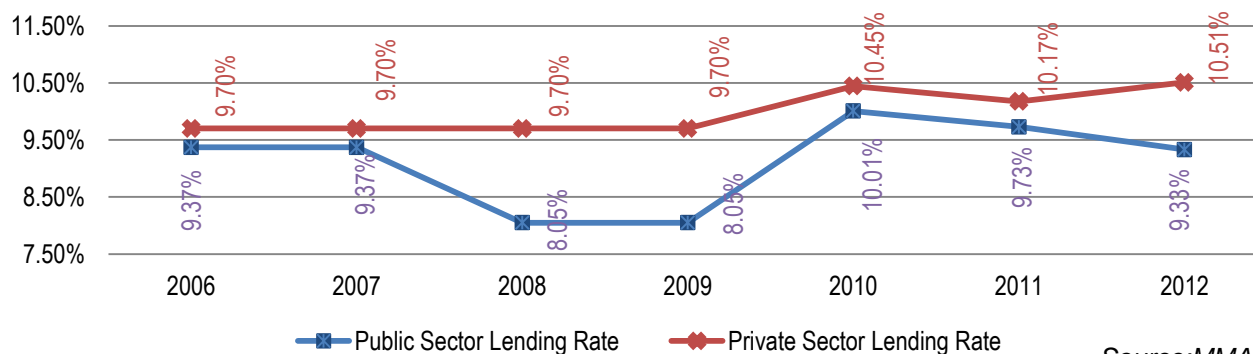
Bond Market Potential

Loans and Lending Rates



Source:MMA

Corporate and Government Borrowing Rates

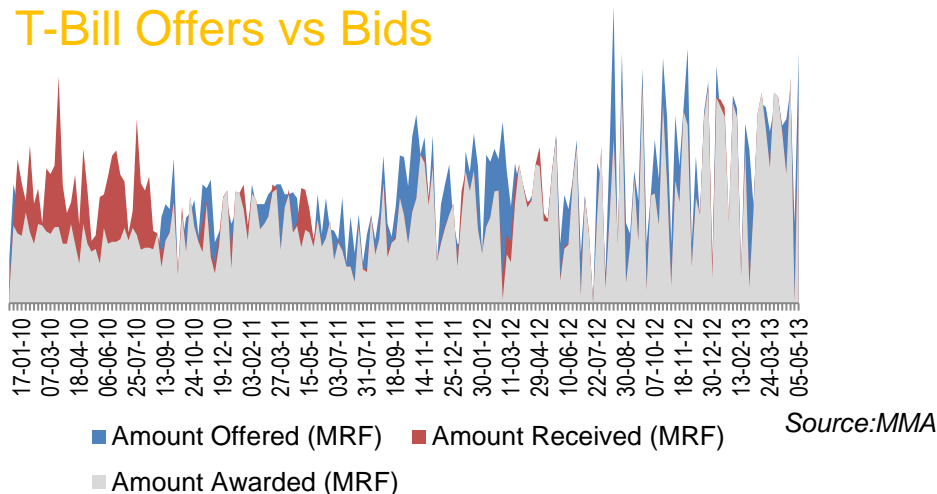


Source:MMA

Potential for the development of good quality corporate and government bond market

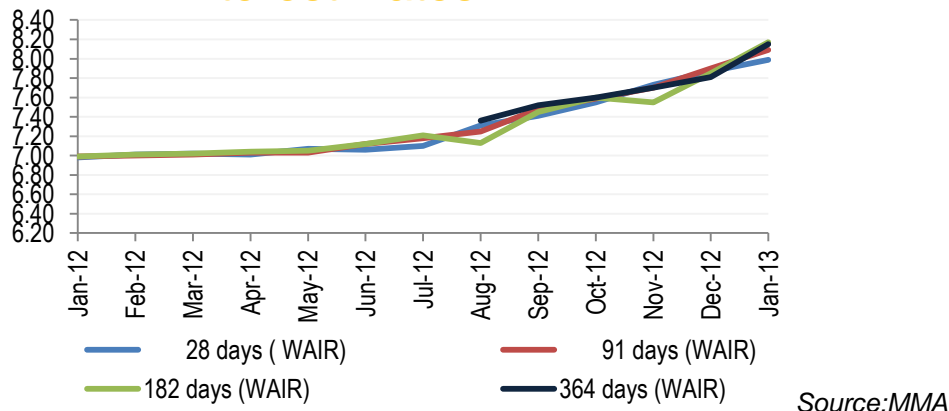
Treasury Bills and Interest Rates

T-Bill Offers vs Bids



- Until 2011, July the bids for T-bills exceeds the offers
- The T-bill interest rates has gone up remarkably with increase in government borrowing
- higher a government interest rates may distort the financial market
- May inhibit the emergence of a bond market

T Bill Interest Rates



Expanding Investment Choices: Company Act

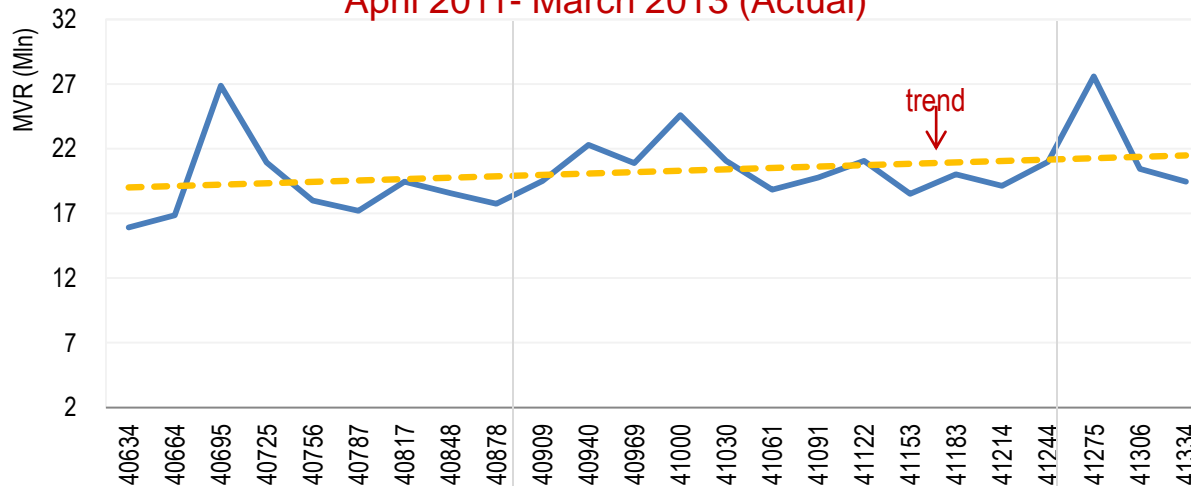
- The Pension Act does not allow MRPS to invest in unlisted securities other than Government securities or those with Government guarantees.
- Company Act prohibits private companies including SOEs to issue securities to general public.
- This prohibition in the Company Act is not conducive to the development of capital market.



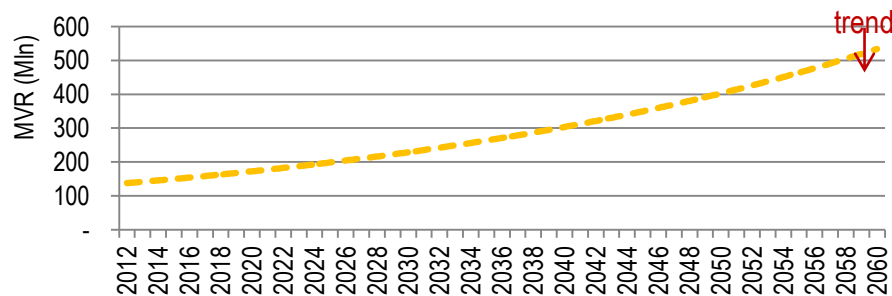
Other Challenges

Other Challenges: Continuance and Resurgence of DB Scheme

State Funded DB Payouts
April 2011- March 2013 (Actual)

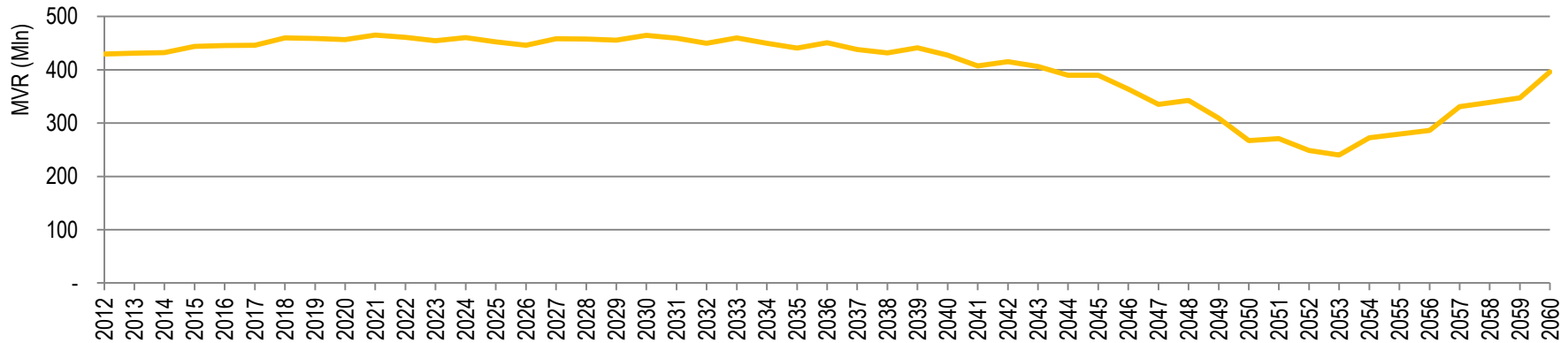


Projected DB Payouts



Other Challenges: Continuance and Resurgence of DB Scheme (cont...)

Projected Basic Pension



- BP Declines as a result of people having RSA at age of 65, reducing the burden on Government.
- Based on current labour force participation rate, the trend is expected to reverse starting from year 2052 as a result of more people without RSA when they reach old-age.
- Creation of employment is integral to avoid having more people falling into Government safety net.

Cautious optimism

- MRPS with its very young member profile accumulates very fast; It has the appetite to invest long term.
- The development of the capital market is integral to the success of the Scheme.
- MRPS investment strategy will be predominantly based on the prudent person approach rather than a quantitative approach.
- Continuance and resurgence of DB is contrary to the adoption of DC scheme under Pension Act.
- Creation of employment and increasing the labour force participation rate is crucial to avoid more people falling into government safety net.



Thank You