

Enhancing Benefits for MRPS Members

Overview of Benefit Schemes and Implementation Management

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Agenda

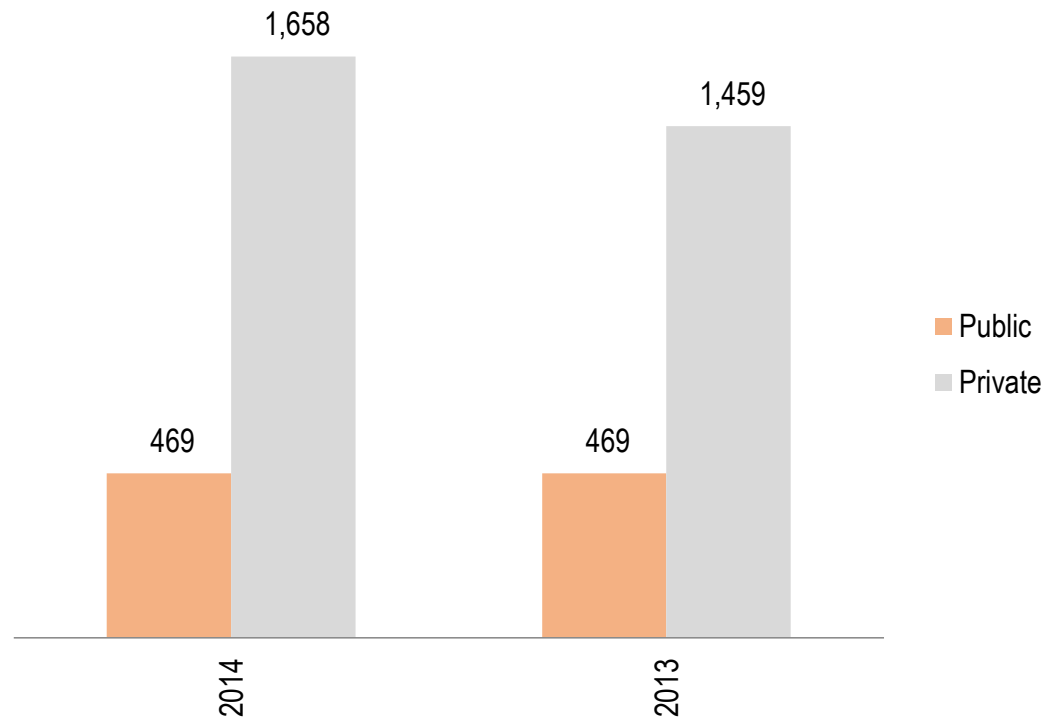
1. Introduction to MPAO
2. Products in development
 1. Introduction of a Disability Insurance Scheme (DIS)
 2. Collateralization of Pension Savings for Home Ownership
3. Challenges for investment expansion and diversification

Maldives Retirement Pension Scheme

| Members Profile | Investment | Shariah | RB | Conservative | Total |
|-------------------------------|----------------|--------------|--------------|--------------|----------------|
| as at 1 January 2014 | 98,215 | 856 | 2,342 | 1,790 | 103,203 |
| New Members | 10,954 | - | (297) | 22 | 10,679 |
| Retirees | (285) | - | (8) | 293 | - |
| Deaths | (65) | - | (13) | 78 | - |
| Foreign Withdrawals | (232) | - | (1) | 233 | - |
| Recognition Bond Liquidation | - | - | (29) | 29 | - |
| Portfolio Change | (316) | 316 | - | - | - |
| as at 31 December 2014 | 108,271 | 1,172 | 1,994 | 2,445 | 113,882 |
| net movements | 10,056 | 316 | (348) | 655 | 10,679 |
| % | 10% | 37% | -15% | 37% | 10% |

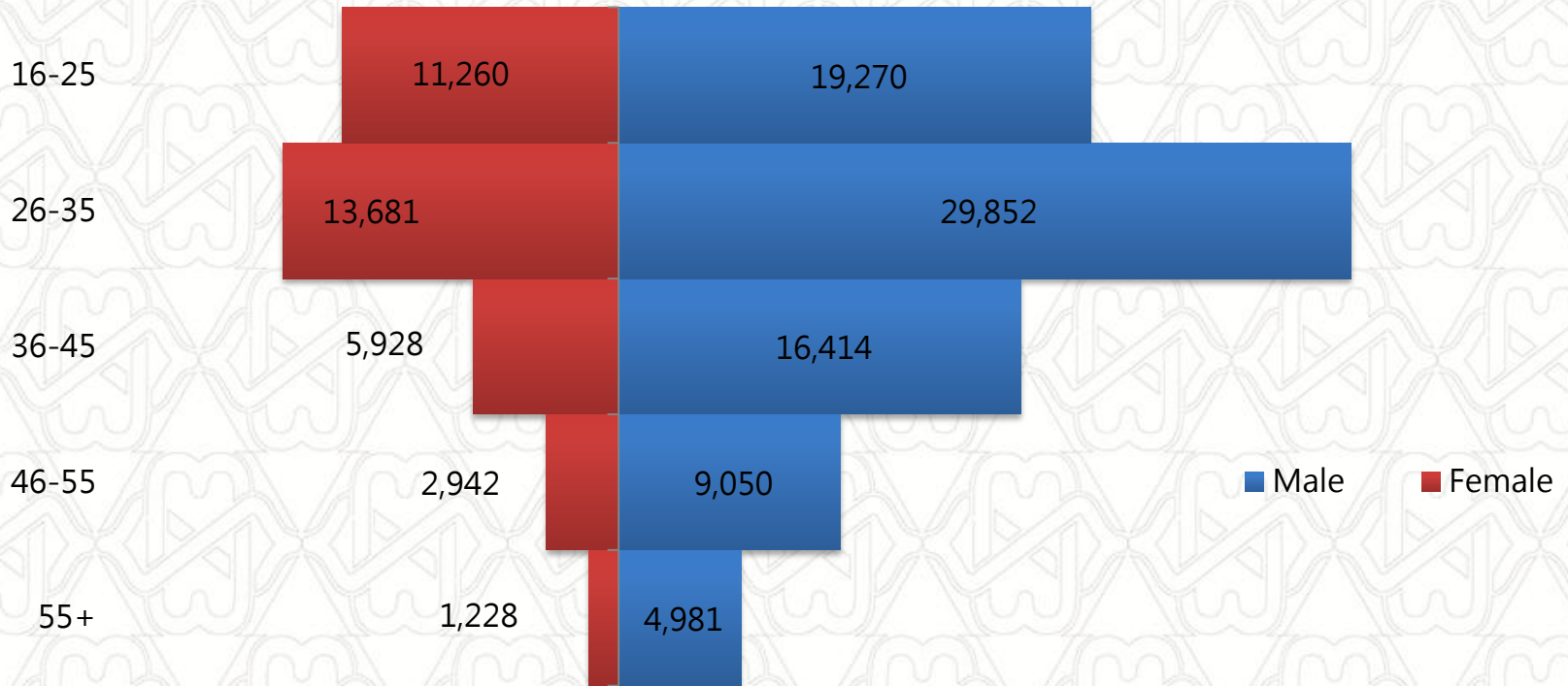
Registered Employers

- Registered Employers : 5510, 20% increase
- Active Employers: 2127, 10% increase



Active Employers: sector wise comparison, 2014-2013

Member Profile



Male: 79,567 Female: 35,039 Total: 114,606

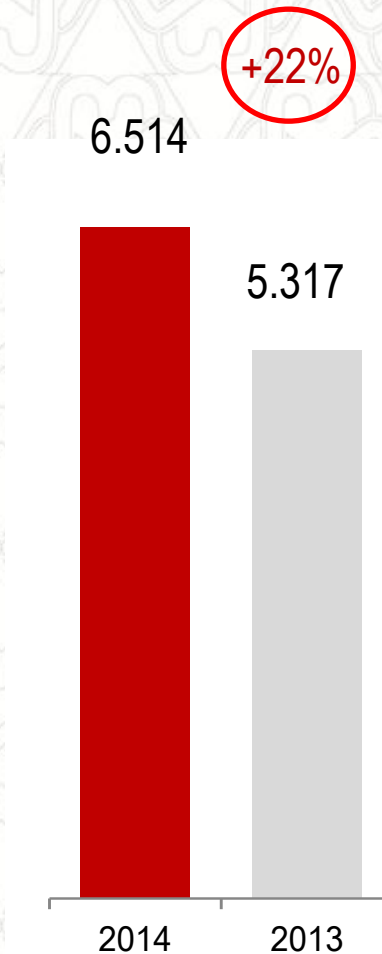
85% of the members below 45Yrs of Age

Asset Growth

Most of the growth came from accumulation of treasury bills and additional investment in Dhiraagu shares

- 43% increase in Treasury Bills
- 4% increase in bank deposits
- 126% increase in Equity

91% asset concentration to government sector





**DISABILITY
INSURANCE
SCHEME (DIS)**

What is a Disability Insurance Scheme?

Disability insurance is an income-replacement benefit that maintains the consumption levels of people during time of total or partial disablement.

The public or private sector can provide the benefits, which are usually periodic payments expressed as a percentage of salary (or reference salary).

Definition of Disability under DIS

“ Total and permanent disability - the inability to engage in any economic activity by reason of any physical or mental impairment, medically demonstrable by objective tests, which can be expected to result in death or to be of a long-continued and indefinite duration ”

Objective of DIS of MPAO

1. Ensuring Pension after retirement age
 - The opportunity to contribute to pension is lost for disabled employees – hence no pension savings.
2. Ensuring regular income during disability
 - Disability leads to loss of regular income due to unemployability.

Concept for DIS

Benefits will be provided in two ways:

1. Waiver of contributions ("WoC")

A monthly benefit to replace the employee and employer contributions of 14 percent of pensionable wage to the MRPS for disabled employees

2. Income replacement benefit ("IRB")

A monthly benefit to partially replace the loss on income suffered by the participating employees as a result of disability.

DIS - Wavier of Contributions

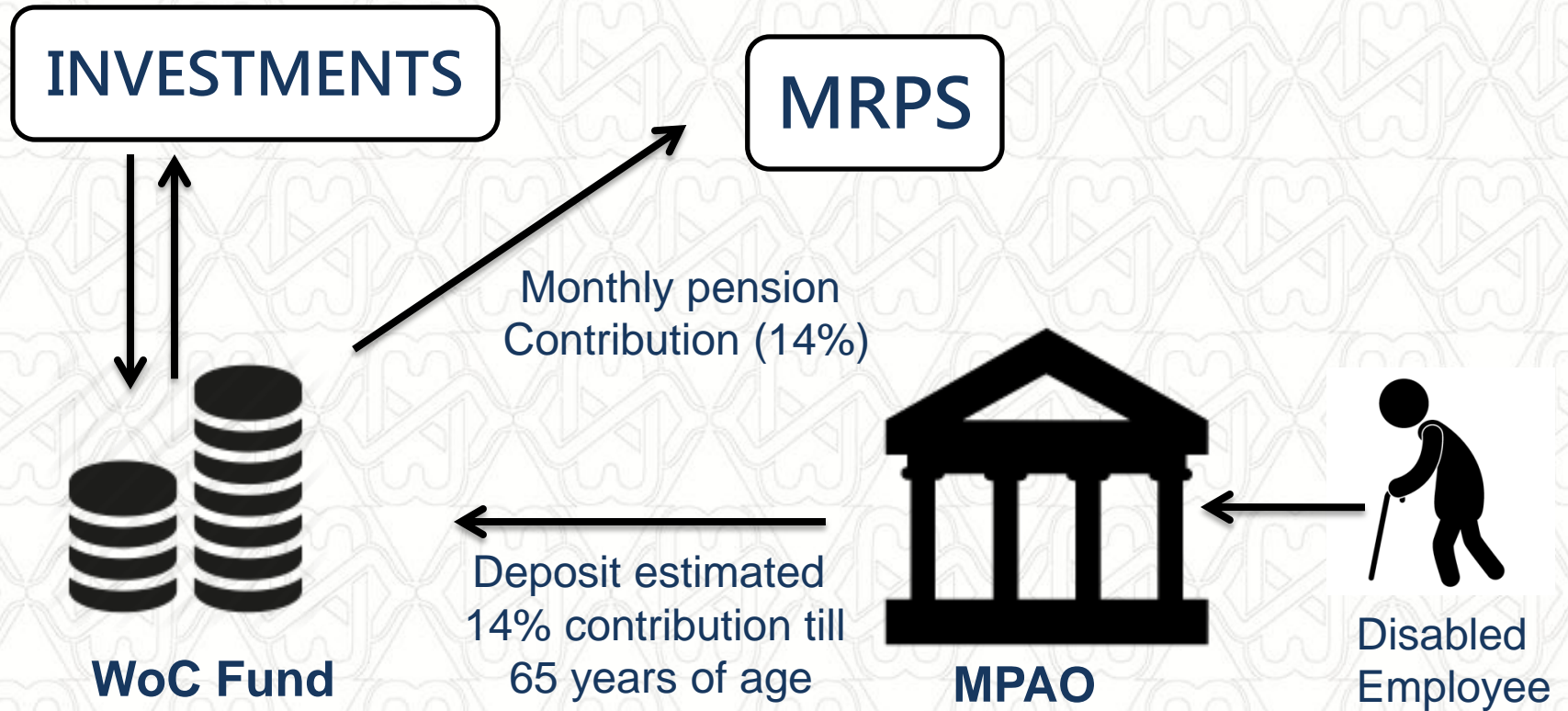
Benefit

1. WoC benefit would provide for continued contributions to MRPS when a person is disabled.
2. This would build up the accumulated account and hence the pension entitlement from the MRPS thereby reducing the fiscal burden on the government of paying the BP in the future.

Coverage and Funding

1. All active members of MRPS
2. Funding to be arranged from MPAO revenues
3. No additional cost will be incurred on MRPS members

WoC Funding Arrangement



DIS - Income Replacement Benefit

1. This scheme will be introduced on a voluntary basis to employees of participating employers.
2. Finance will be raised from extra contributions by participating employers
3. MPAO will assume the role of collecting contributions and securing best possible group insurance policies from insurance providers
4. Insurers will be required to replace a target percent of Pensionable Wage of covered employees
5. Insurance premium will depend on the income replacement target and the insured population
6. This scheme can be structured to include survivor benefits to employees' family in case of death.

Funding Arrangement - IRB

Insurance Companies



Income Replacement Benefit



Participating Disabled Employee



Arrange Group Insurance & Pay Premium On behalf of employers



MPAO



Participating Employer contribution

Estimated Costs for DIS

1. Waiver of contributions ("WoC")

For the insured population in 2014, it is estimated that MPAO will be required to establish a fund worth MVR 7.2 million rufiyaa for making claims.

2. Income replacement benefit ("IRB")

For the insured population is estimated that for each 1% of income replacement, the annual cost would be in the order of MVR 519,856.

Estimated IRB Costs

All figures in millions of MVR

| Additional contribution rate at as percentage of Pensionable Wage | 0.25% | 0.50% |
|--|--------------|--------------|
| State Owned Enterprises (Monthly) | 154 | 309 |
| Civil Service (Monthly) | 544 | 1087 |
| Total (Monthly) | 698 | 1396 |
| Total (Annually) | 8,378 | 16,756 |

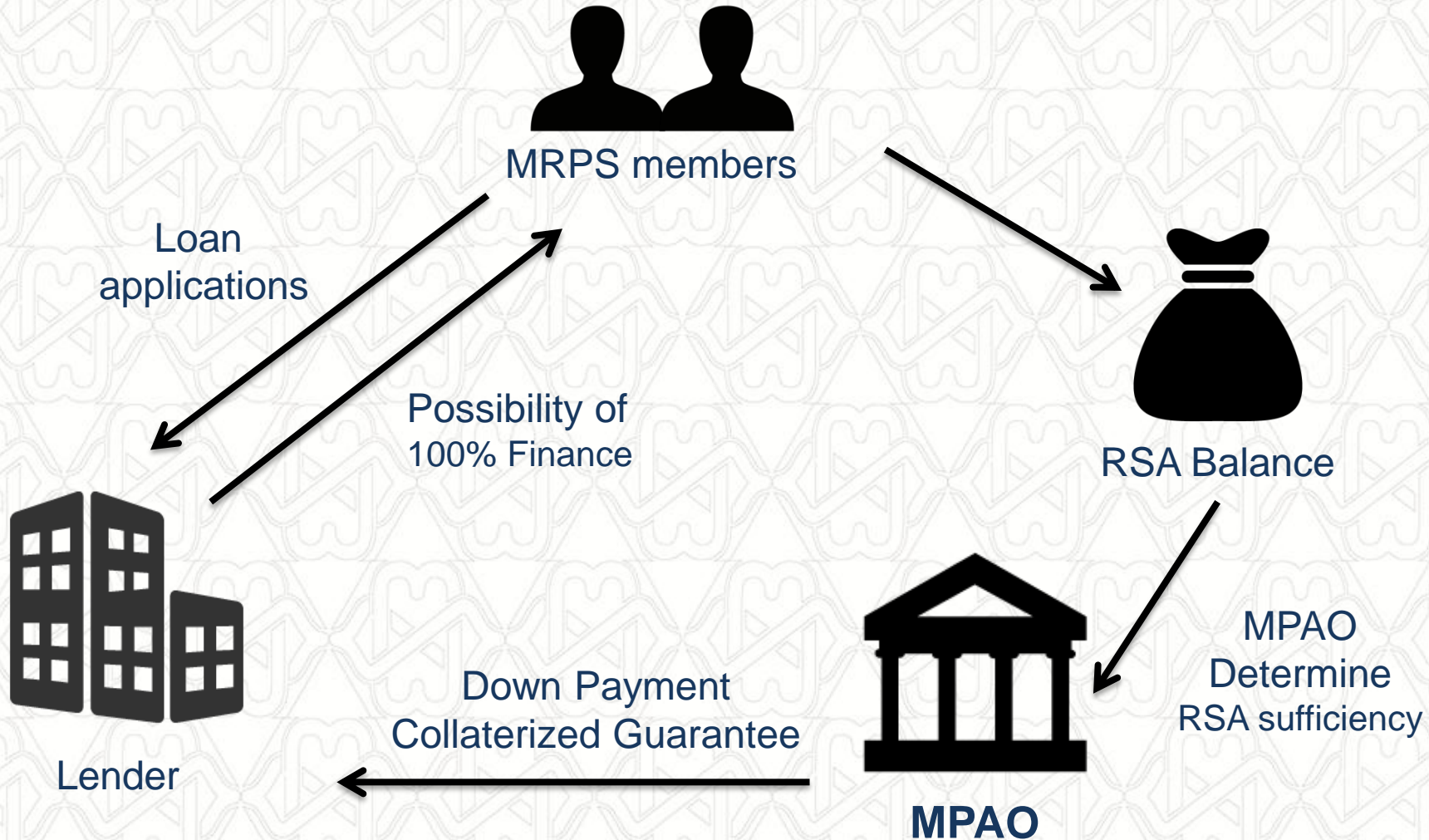
Collateralization of Pension Savings for home ownership

Collateralization of Pension Savings for home ownership

Concept

1. MPAO will allow members of MRPS with sufficient funds to collateralize their pension savings as down payment for house purchase
2. Collateralization would be allowed only for finished products
3. Members can pool their spouse balances as well
4. In cases of default, member balances will be released to the finance provider

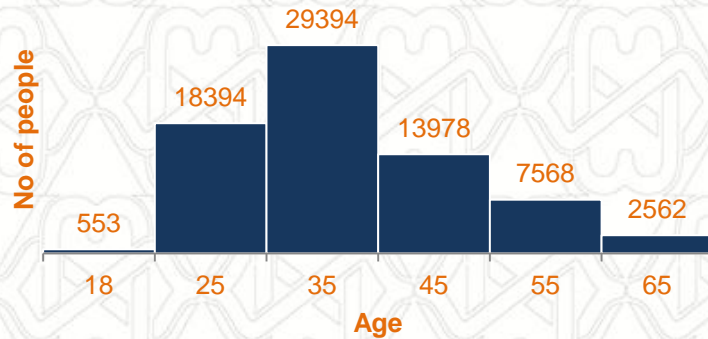
Concept



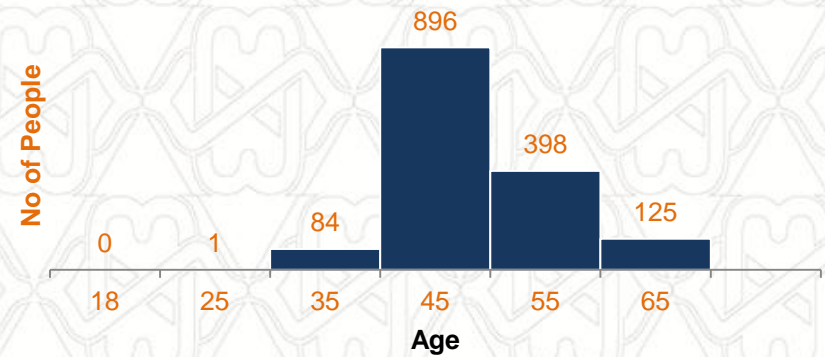
Age Distribution Based on RSA Balances

(Figures in MVR 000's)

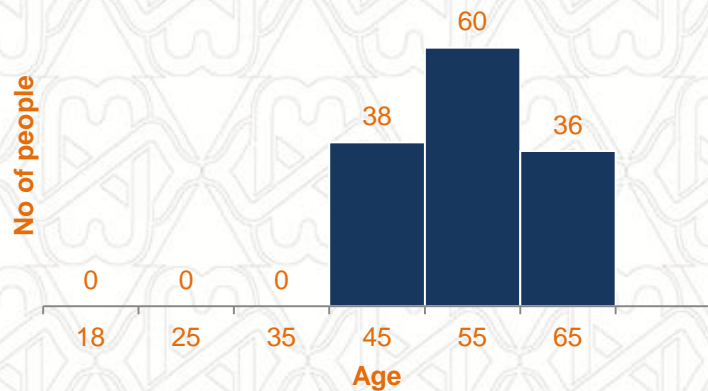
RSA MVR 0 - 300



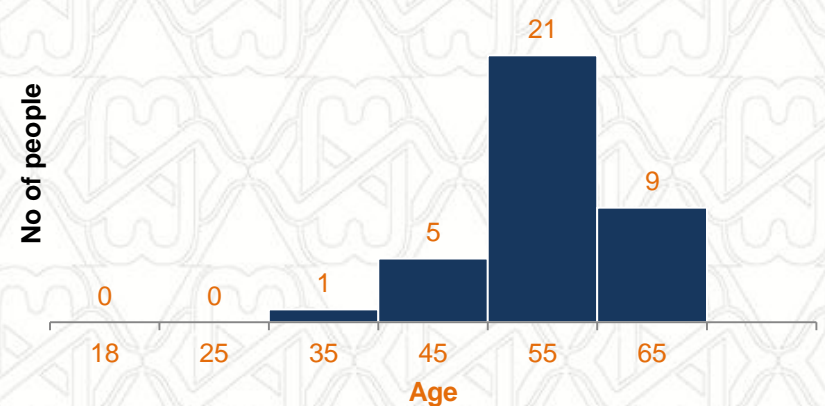
RSA MVR 300 - 600



RSA MVR 600 - 900



RSA MVR 900 - 1200



Based on MRPS data..

| | Social Housing | Middle Income | High End |
|------------------------------------|------------------|----------------|-------------|
| Value of Property | 0.7 to 1 Million | 1 to 3 Million | 3 Million + |
| Members with eligible salary bands | 3774 | 4557 | 190 |
| Members with sufficient RSA | 3253 | 2583 | 170 |
| Members fulfilling both criteria | 2016 | 791 | 14 |

The main hindrance individuals are facing in getting a loan is the inability to pay down payment

Implementation Issues for Products in Development

- Legal amendments for RSA collateralization
- Institutional arrangements for Disability Insurance Scheme
 - Insurance arrangements
 - Definition of disability
 - Who decides on disability eligibility claims



Challenges to Investment

Challenges to Investment

- MRPS is based on the concept of a funded scheme. This requires growth of the asset base and self-sustenance of the system.
- The objective of MRPS is providing an adequate pension.
 - In terms of old pension scheme 20/40/60
 - In terms of cost of living

Challenges to Investment

- The adequacy can be achieved through diversified investments
 - In terms of risk return characteristics
 - Portfolio mix
- In the case of Maldives the available investments are limited and markets are illiquid.
- This poses challenges to create optimal portfolio mix
- For all practical purposes, MPAO' s investments are restricted to short term treasury bills

Challenges to Investment

- Financial market development is a necessary component of administering funded schemes
- The current inflow of MVR 807 million per year is expected to grow for the next 20 – 30 years significantly.
- This creates the supply side of the financial market development. The demand side needs to be developed through innovation in product structuring and financial intermediation

Financial Market Development

- A bond market and an equity market needs to be developed
 - Treasury bond market
 - Corporate bond market
 - Funds
 - Equities
 - Derivative and other risk mitigating products

Role of MoFT

- Creating a treasury bond market
- MoFt represents government in SOEs. SOEs can issue corporate bonds
- MPAO will be able to diversify across industries
- Cashing in equity in SOEs to MRPS.



Thank you