

# SEYCHELLES



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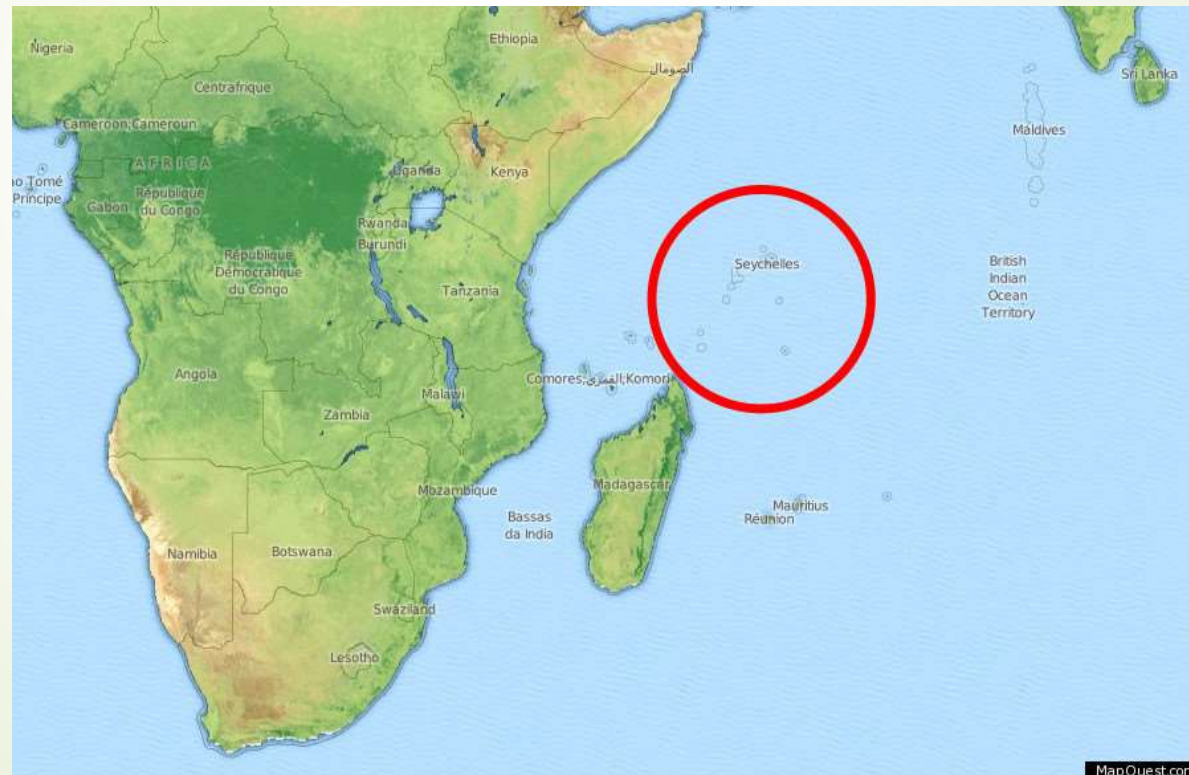




# SEYCHELLES

Republic of Seychelles is an archipelago in the Indian Ocean. The 115 – island country, whose capital is Victoria, lies 1,500 kilometres (932 mi) east of mainland East Africa.

Seychelles, with a population of roughly 93,000, has the smallest population of an independent African state.



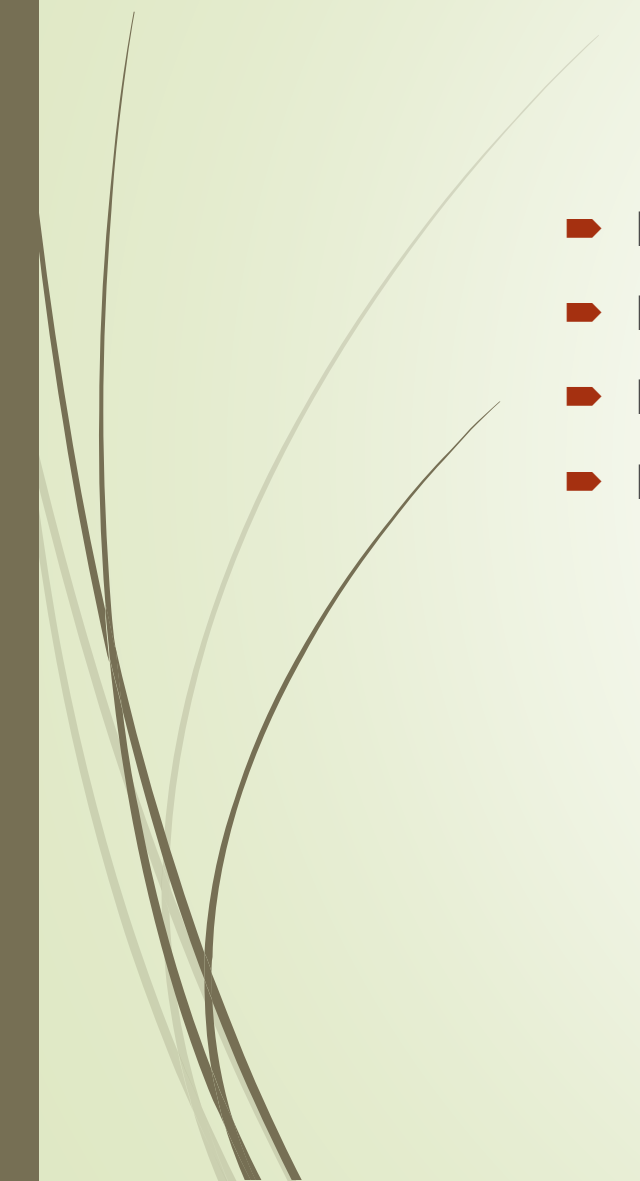


# ECONOMIC CONDITIONS (AS AT 2015)

- ▶ High INCOME COUNTRY
- ▶ GDP \$1.9 BILLION
- ▶ GDP PER CAPITA US\$15,600
- ▶ FISCAL SURPLUS 3.8%
- ▶ GDP GROWTH RATE 4.6%
- ▶ INFLATION RATE 4%
- ▶ UNEMPLOYMENT RATE 3%



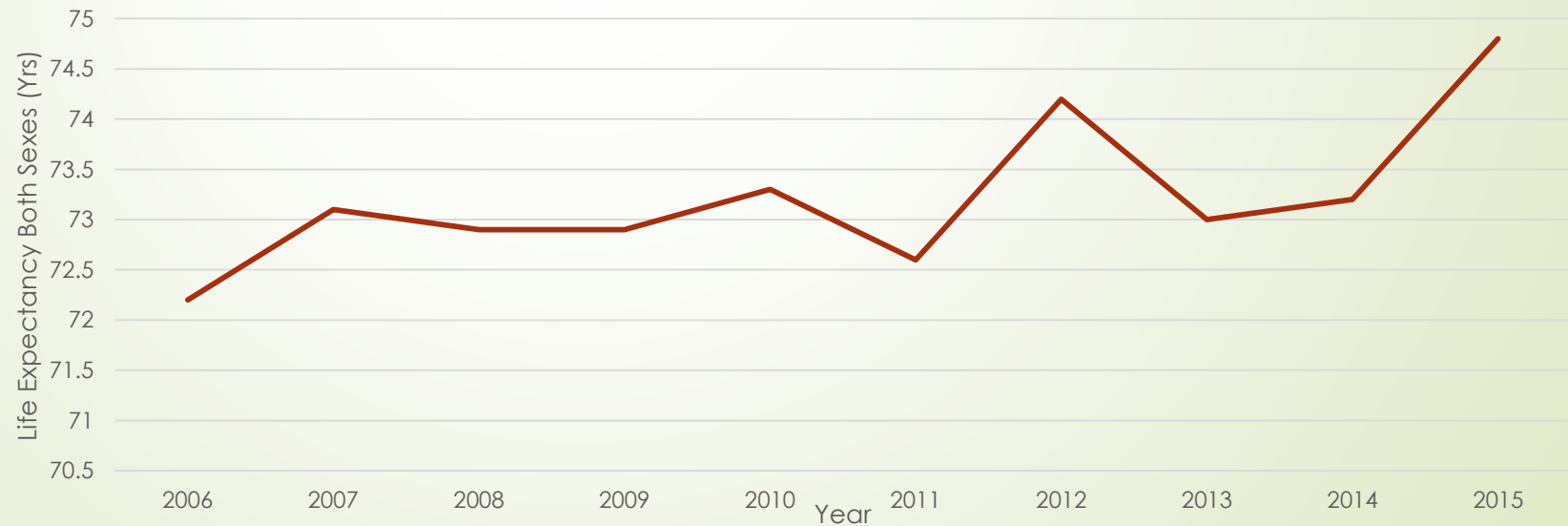
# DEMOGRAPHIC CONDITION

- Population 93000
  - Fertility rate is 1%
  - Population above 65 is 7%
  - Labor force 53%
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# Life Expectancy at birth (yrs ) in figures

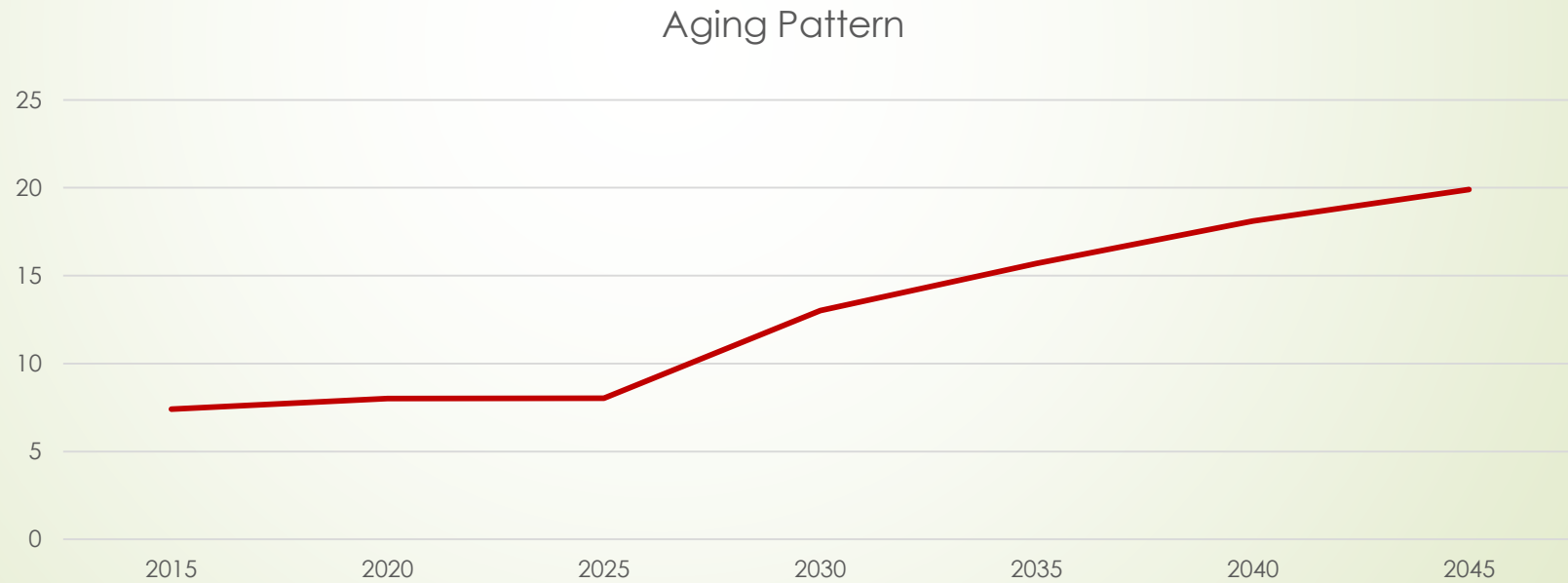
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Both sexes	72.2	73.1	72.9	72.9	73.3	72.6	74.2	73	73.2	74.8
Male	68.9	68.9	67.7	68.4	69.7	67.7	69.3	70	68.4	69.8
Female	75.7	77.7	78.9	77.9	77.4	78	79.6	77	78.3	79.8

Life Expectancy



# Aging pattern over 65

Year	2015	2020	2025	2030	2035	2040	2045
Percentage	7.4	8.01	8.02	13.01	15.7	18.1	19.9



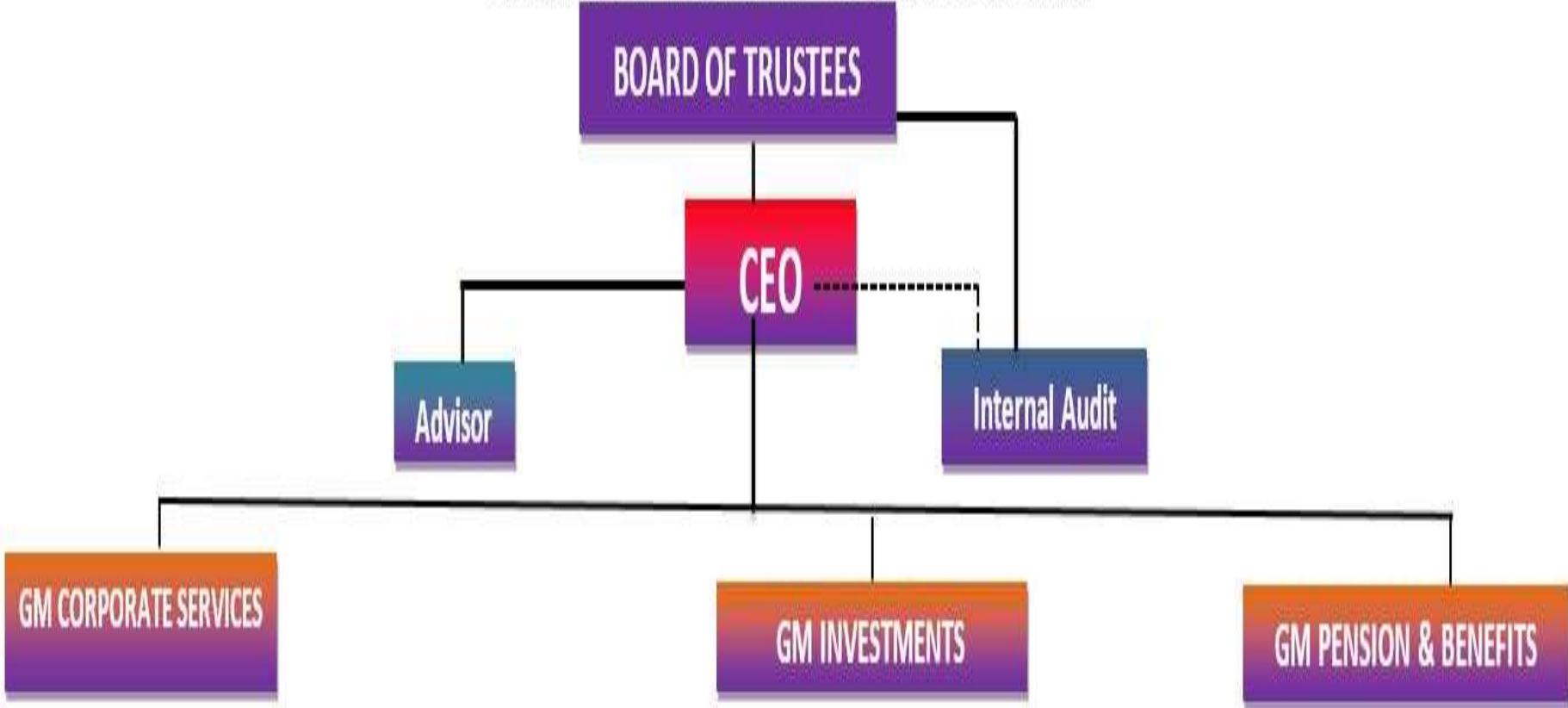


# Evolution of pension system

- ✓ National Provident fund in Colonial days until December 1978
- ✓ Social security Fund from January 1979 to 2012
- ✓ Seychelles Pension Scheme from 1991 to 2005
- ✓ Seychelles Pension Fund (SPF) was established in 2006
- ✓ SPF has a defined benefit pension system
- ✓ Retirement Ages: 63 years -mandatory retirement age or 60 years -optional
- ✓ Coverage: All employees in formal employment, self-employed, part-time & casual workers
- ✓ Contribution rates: 4% - 2% employees & 2% employers



# SEYCHELLES PENSION FUND ORGANISATION CHART

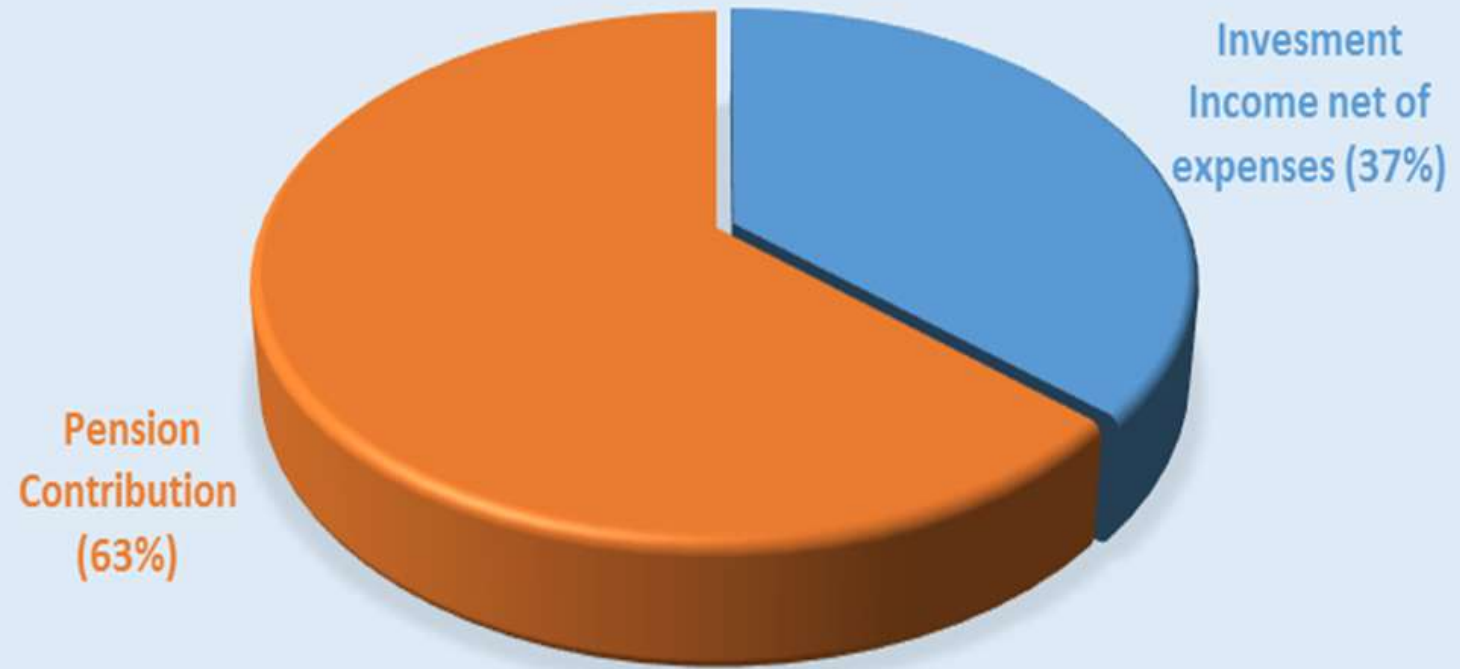




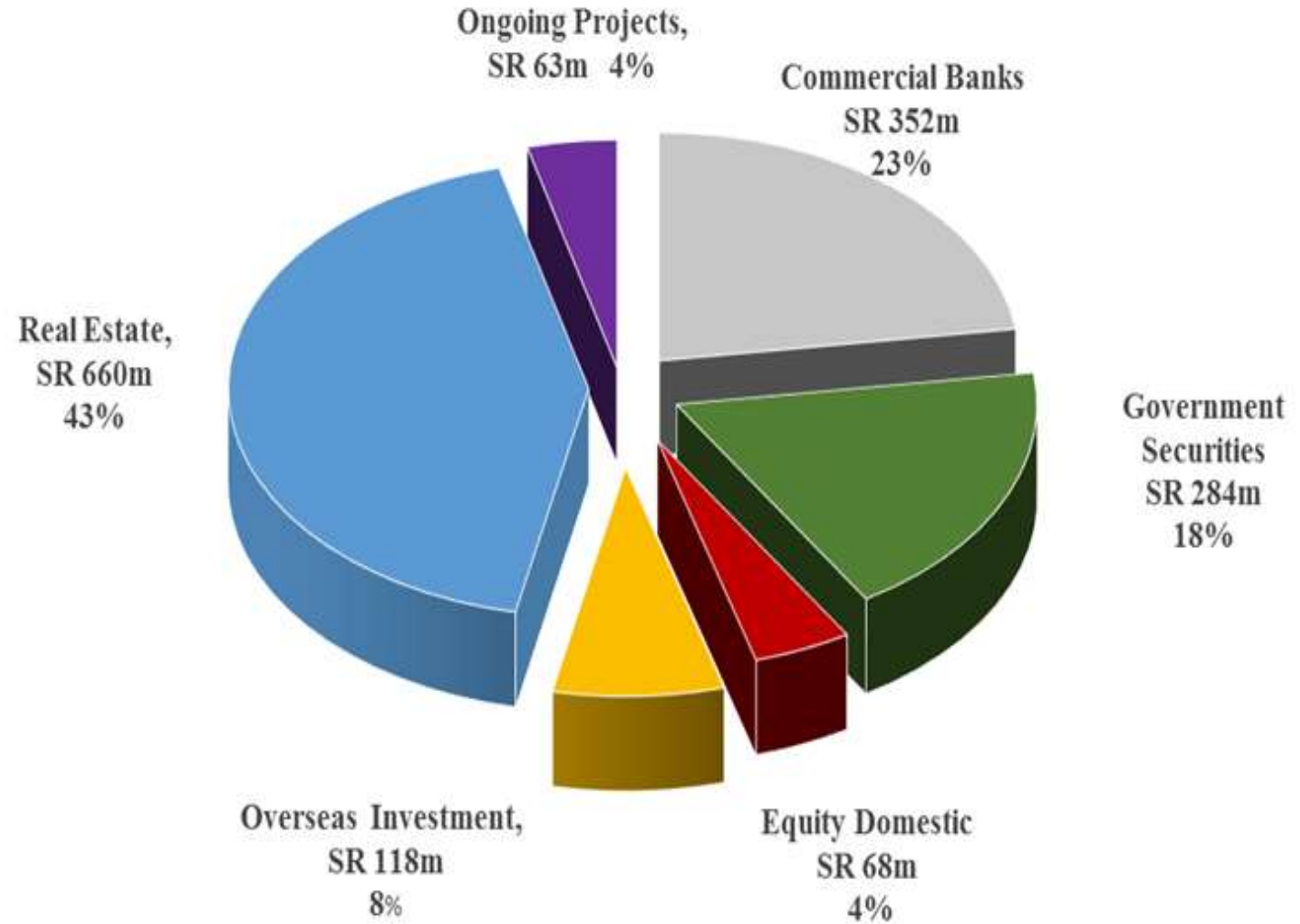
# CURRENT SYSTEM

- ▶ 3 Pillar system
- ▶ Coverage is 86%
- ▶ Benefit formula: accrual rate of 1.75% per year based on 5 year salary average, valorized to wage growth
- ▶ Average replacement rate is 32%
- ▶ Maximum individual replacement rate is around 67%
- ▶ As recorded lengths of service increases the accrual rate decreases to 1.5% in 2020 and 1% in 2040
- ▶ The SPF assets is 11.7% of GDP

## TOTAL INCOME FOR 2015

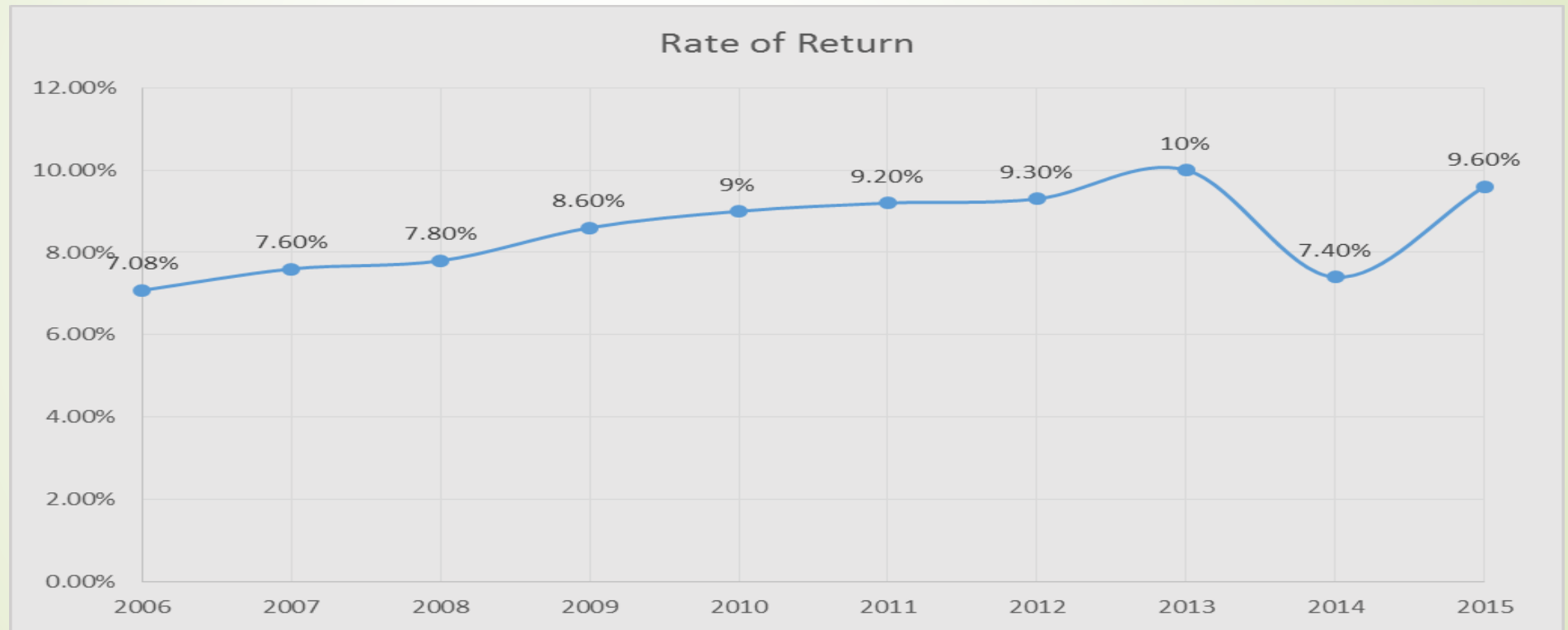


## Seychelles Pension Fund Investment Portfolio as at 31 December 2015





# Rate of Return from Investments





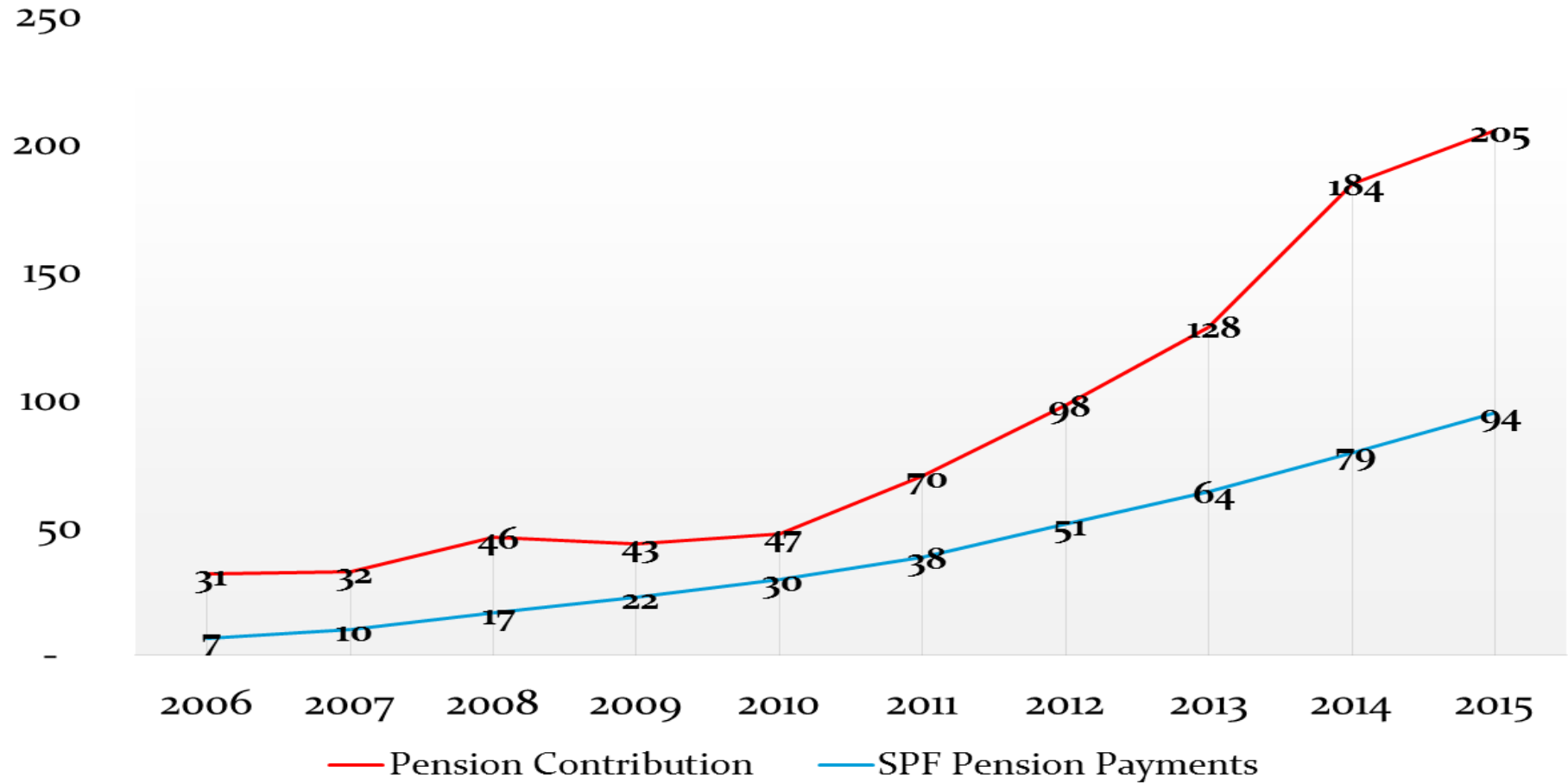
## DIFFERENT TYPES OF BENEFITS AVAILABLE

- ✓ Normal Retirement
- ✓ Permanent Incapacity Pension
- ✓ Surviving Spouse's Pension
- ✓ Post-retirement Surviving Spouse's Pension
- ✓ Children's Pension
- ✓ Post-retirement Children's Pension
- ✓ Migration Allowance
- ✓ Pre-retirement Death Gratuity

Total beneficiaries has increased from 877 in 2006 to 4,218 in 2015. (20% increase)

Total benefits paid has increased from SCR9.9m in 2006 to SCR99.4m in 2015. (9.9% increase)

## Pension Contribution and SPF Pension Payments for period 2006 to 2015 (SCR'm)





# REFORM

## 1. Improve Financial Sustainability

- Remove optional retirement age of 60 years
- Increase retirement age from 63 to 65
- Cap the covered wage at 5 times average wage
- Cap on pension payouts on double of average wage
- Tax on pension above 50,000
- Further diversification of investments





# REFORM - contd

## 2. Improve the adequacy of pension benefits

- ▶ Increase total contribution rate from 4% to 6% in 2017 and to 8% in 2018
- ▶ Further increase in contributions by 2% in 2019 resulting in 10%
- ▶ Increase in salary averaging period for pension computation from 5 years in 2016 to additional year every year thereafter upto 30 years in 2041.
- ▶ Social fabric- Medium long term policies in the return of young Seychellois settled abroad, better maternity benefits and facilities for women in employment and vigorous public sensitization to improve the birth rate

## 3. Improve the governance and institutional arrangements

Appointement of CEO and Board of Trustees



# Macro Economic Effects

- ▶ Increasing the working age and contributions which leads to increase in revenue for the long term
- ▶ Creating a social equality by having a fixed retirement age, capping of declared salary for contributions and pension payouts and taxing on high pensions.
- ▶ Strengthening the social protection system by ensuring social security and improvement in labor force participation
- ▶ Income smoothening
- ▶ Reduction in expenditure improving the fiscal space



# Communication and PR Strategy

- ▶ SPF board represents members from Trade Unions, Employers and Chamber of Commerce.
- ▶ Need to get approval from Ministry of Finance and Cabinet
- ▶ Approval from the National Assembly for legislation
- ▶ Gazette for Public information (advance notice)
- ▶ TV, Radio, news papers and Social Media used for Public Education
- ▶ Focus group discussions



# Conclusion

- Create labor market opportunities
  - To address the aging population issue
  - The current system has sustainability issues
  - Fiscal imbalance
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