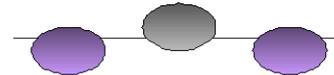


Reach and
achieve
Pension Reform
goals

**For the Highly Valued
Employees of the
Public Sector**

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Who am I?

- Magdalena Cooper-de Neuze, LUTCF, CLU, Ch.F.C
- *Partner, Milestones & Lifestyle Planning Services*
- *Pensions Consultant, Solid Life & General Insurance Brokers*

Principles *for the reform*

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Cessation of work is not
accompanied by
cessation of expenses.

.....Cato

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Principles *for the reform*

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- That all Public Sector Employees are highly VALUED Employees
- The GOJ's Employee Benefits programme is based on attracting and retaining highly skilled and qualified persons who will pursue their employment opportunity with focus, efficiency and world class customer service to the people of Jamaica and enquiries from persons in our global village

Principles *for the reform*

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- **Plan Design Considerations** (to be referred to as PDCs) will be the guiding principle upon which the reform is undertaken;
- **Suggested PDCs:**
 - Eligibility: *ARS for temporary staff*
 - Vesting
 - Contributory vs. PAYG non-contributory approach to funding the benefits

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Principles *for the reform*

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- Pensionable salary: on which benefits are payable and contributions made
- Accrual rate
- Indexation rate of pensions to be funded
- Type of Plan: Defined Benefit vs. Defined Contribution

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Principles *for the reform*

- Retirement ages: Normal, Early and Late, if applicable
- Portability with private sector plans
- Post-retirement benefits funding
- Application of surplus, if contributory type plan
- Maximum pension formulae

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Principles *for the reform*

- **Irrevocable trust**

- Trustees: as provided for under the Pensions Act 2004 and enabling Regulations 2006; Trustees Act 1897

- **Governing Legislations:**

- Harmonized public sector legislations
- Income Tax Act 1955
- The Pensions (Superannuation Funds and Retirement Schemes) Act 2004 and enabling Regulations 2006

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Principles *for the reform*

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- **Regulator:**
 - Financial Services Commission
- **Member communication programme**
 - Technology
 - Handbooks
 - Plain English principles applied to all communication strategies
 - Retirement Financial and Lifestyle Planning seminars

Principles *for the reform*

- Member Annual statements
- **Reporting requirements:**
- Pensions legislations
- **Transparency:**
- Pensions Act 2004 s. 38

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***"Governments do the right
thing in the end, but only
after exhausting all other
options."***



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**The Issues
in the
Pensions Reform Paper 2/2011**

The Issues

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- Long-term goal and objectives of the Reform
- Recommendations: 2, 3, 6, 7 to 9
- Plan Design considerations for the reform
- The Way forward

The Issues

- **Long-term goal and objectives of the Reform**
- Sustainable *pensions-eco-systems*
 - Harmonization of 30+ pieces public sector pensions legislations
 - Affordable funding method: accumulation and distribution phases
 - Regulatory framework for transparency
 - Renaming of Public Sector Pension Plan

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The Issues

- **Green Paper Recommendations**
- **Rec. 2:** *Comment* – tax-deductible contributions and a section of the Income Tax Act 1955 amended to include public sector Employees;
- **Rec. 3:** *Comment* – Best coordinated under the Ministry of Finance;

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The Issues

- **Green Paper Recommendations** *cont'd*
 - **Rec. 6:** *Comment* – Financial education should be combined with technology and outsourcing;
 - **Rec. 7:** *Comment* – Reform of NIS should not be undertaken at this time but that Employees be encouraged to participate in ARS for topping up in accordance with his/her retirement financial and lifestyle needs

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The Issues

- **Green Paper Recommendations**

cont'd

- **Rec. 8:** The Pensions (Civil Service Family Benefits) Act
Comment – this benefit plan should be offered to all Employees; Employees should be enrolled and name their beneficiary/ies

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The Issues

- **Green Paper Recommendations**
cont'd
- **Rec. 9:** Indexation of pensions.
Comment – an indexation rate should be established and funded in the accumulation phase

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The Issues

- The 8 fundamental principles for an Employee Benefits programme for highly valued Employees:
 1. There must be an Employer contribution;
 2. The benefits must be a condition of employment
 3. Minimum portion of the group must participate

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The Issues

4. Minimum number of persons from each sector must participate
5. Eligibility requirements
6. Maximum limits for any one person
7. Automatic determination of benefits
8. A central & efficient administration agency

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Under current Income Tax legislations
for the **private sector** it takes 37.5
years to achieve 75% maximum
pension: 2% accrual rate

.....

In the **public sector** the accrual rate is
2.2%; if 75% is the maximum
pension objective it will take 34
years to achieve maximum pension

(handout)

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The Way forward

- **Recommendations:**

- 1) Harmonization of public sector pensions legislations which provide retirement benefits in the event of disability, old age and upon death;
- 2) PDCs: guide the change
- 3) Defined Contribution
'Contributory' plan: transfer of risk from GOJ to Employees

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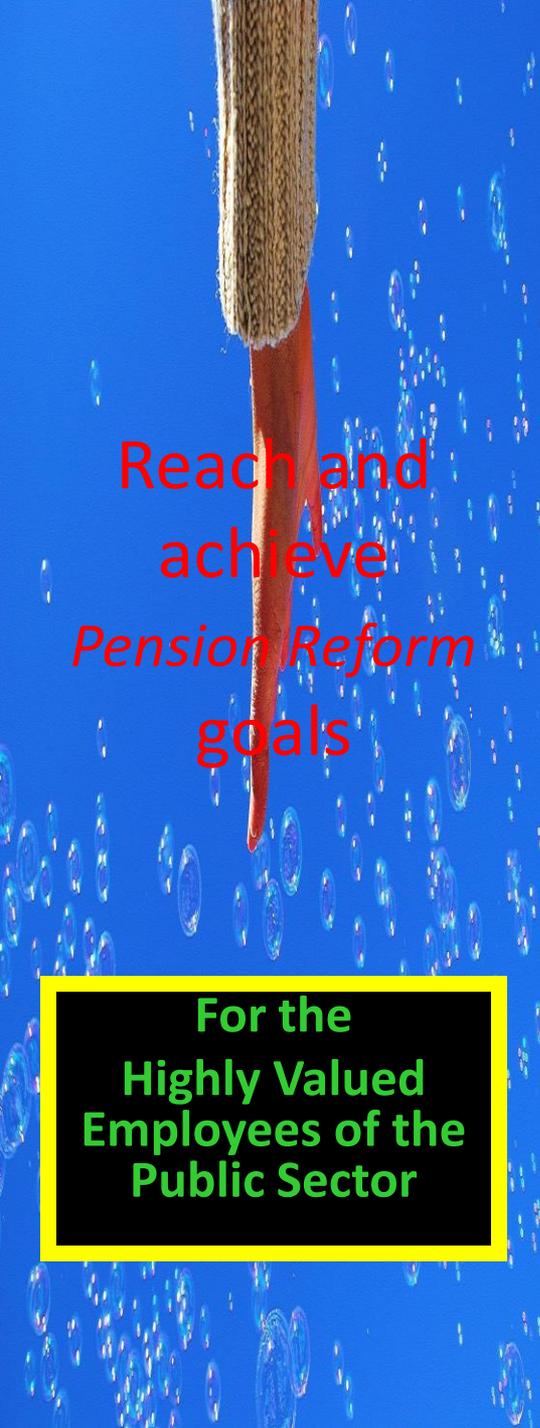
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The Way forward

- **Recommendations:**
 - 4) Plan established under an irrevocable trust
 - 5) Funded post-retirement benefits in the Accumulation Phase
 - 6) Member communication programme
 - 7) Regulatory body: Financial Services Commission

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- *Questions*



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- Thanking you
for
your kind attention