

REFORMS TO THE NATIONAL INSURANCE SCHEME (NIS)

1 INTRODUCTION

The National Insurance Scheme (NIS) is a compulsory, contributory-funded social security scheme covering all employed persons in Jamaica. It offers financial protection to the worker and his/her family against old age and loss of income arising from injury on the job, sickness, and death. A recent Actuarial Evaluation of the NIS highlighted the need for reforms to the Scheme in order to ensure its long term viability and sustainability.

Social Insurance systems such as the NIS which provide a financial safety net for the elderly are under increasing pressures throughout the world. Major demographic changes caused mainly by rising life expectancy, improved health care and lower birth rates have resulted in significant growth in the proportion of older persons in the population.

Jamaica's current population of older persons 60 years and over is estimated at approximately 298,000 or about 11% of total population (STATIN). It is projected that by the year 2025 that number will increase to approximately 472,000 or about 14.5% of total population (ECLAC). Life expectancy at age 60 is 19 years for males and 22 years for females.

In light of these statistics, it is critical that the proposed reforms to the NIS are immediately undertaken.

2.0 CONTRIBUTIONS

Insured persons contribute to the National Insurance Scheme based on their level of income up to a maximum defined wage, known as the Insurable Wage Ceiling (IWC). The IWC was last increased in October 2003 from \$250,000 to \$500,000. The original structure of the contribution was also revised to reflect a rate of 2% by the employee matched by 2% by the employer for the National Insurance Fund (NIF) and a contribution of 1/2% by the employee matched by 1/2% by the employer for the National Health Fund (NHF).

Members of Parliament, Jamaica Defence Force Soldiers, Domestic Workers, Voluntary Contributors and Self-Employed Persons currently pay a Flat Rate contribution of \$20. This rate has not changed since 1996, and is inconsistent with the level of benefits paid to these categories of contributors.

2.1 INCREASE IN THE INSURABLE WAGE CEILING

Based on the Actuarial Recommendation, Cabinet has approved an increase in the IWC from **\$500,000 to \$1 Million per annum with effect from May 31, 2010.**

2.2 INCREASE IN THE FLAT RATE CONTRIBUTION

The Flat rate contribution made by Domestic Workers, Voluntary Contributors and Self-Employed Persons will be increased from **\$20 to \$50 per week with effect from May 31, 2010.** The method of contribution for Members of Parliament and members of the JDF will also be adjusted. Instead of contributing at the Flat Rate, they will now contribute to the Scheme at the same rate as other employed persons. That is, 2½ % of salary up to the IWC, matched by the employer. This adjustment to the mode of contribution will be effective May 31, 2010.

3.0 RETIREMENT AGE

Under the current provisions of the National Insurance Act, the retirement age is 60 years for women and 65 for men, provided they have ceased gainful employment. If the contributor works past the prescribed age, there is a five year period during which he/she continues to contribute to the Scheme.

3.0 UNIFICATION OF THE RETIREMENT AGES

In recognition of increasing life expectancy rates, the retirement ages for females and males will be unified by gradually increasing the female retirement age to 65 years. The change will be phased over a five (5) year period, commencing in 2011. The female retirement age will therefore be increased to 65 years in 2015 as outlined below.

TABLE I

Retirement Ages 2010-2015

Calendar Year	Retirement Age	
	Females	Males
2010	60	65
2011	61	65
2012	62	65
2013	63	65
2014	64	65
2015	65	65

4.0 BENEFITS

Qualification for NIS benefits is determined by the number of contributions made to the Scheme. In order to qualify for a pension, a contributor is required to make a

The benefits provided under the Scheme are:

- Retirement Pension or Grant
- Invalidity Pension or Grant
- Widow's/Widower's Pension or Grant
- Orphan's/Special Child's Pension or Grant
- Employment Injury Benefit
- Employment Injury Death Benefit
- Employment Injury Disablement Pension
- Maternity Allowance (for Domestic Workers)
- Special Anniversary Pension (for persons born before January 1, 1908)
- Funeral Grant
- Sugar Worker's Pension
- National Insurance Pensioners' Health Plan (NIGOLD)

4.1 INCREASES IN PENSIONS AND ALLOWANCES

Arising from the Actuarial Review, pensions and allowances will be increased as outlined below with effect from July 1, 2010:

TABLE II

Increases in Pensions and Allowances

CATEGORY OF PENSION	Previous Weekly Rate	Weekly Rate July 1, 2010
a) Old Age, Invalidity, Widow's/Widower's Pension <ul style="list-style-type: none"> ▪ Full Basic Rate ▪ ¾ Rate ▪ ½ Rate 	\$2,000 \$1,500 \$1,000	\$2,400 \$1,800 \$1,200
b) Maximum Wage Related Benefit	\$1,100 (See 4.1)	\$1,100 (see 4.1)
c) Sugar Worker's Pension	\$1,000	\$1,200
d) Orphan/Special Child Allowance	\$3,500	\$4,200
e) Dependent Spouse's Allowance (addition to Old Age and Invalidity)	\$670	\$800
f) Special Anniversary Pension (for persons born 1908 and earlier)	\$1,000	\$1,200
g) Maternity Allowance (8 weeks payable to domestic workers only)	\$3,700	\$4,070 (Tied to National Minimum Wage)
h) Employment Injury Benefit and Disablement Pension	\$250 - \$2,500	\$320 - \$3,200

4.2 MAXIMUM PENSION PAYABLE

In addition to the Basic Pension there is a Wage Related Benefit based on the total value of contributions made to the Scheme. This represents an additional amount of 6 cents per week for every \$13 contributed, and is only paid to Old Age, Widow's/Widower's and Invalidity pensioners. The current maximum wage related component is approximately \$1,100 per week. As a result of the increase in the IWC, future beneficiaries will receive an improved Wage Related Benefit.

With the new pension rates, the maximum weekly pension and wage related benefit payable will be increased from \$3,100 to \$3,500 per week. This will be further increased to \$4,300 per week if the pensioner has a dependent spouse.

4.3 EMPLOYMENT INJURY BENEFIT AND DISABLEMENT PENSION

Employment Injury Benefit and Disablement Pension are payable where an insured person suffers injury, disablement or death in connection with his/her employment. The amount paid is based on the degree of disability as determined by the NIS Medical Board. The current maximum level of Employment Injury Benefit and Disablement Pension is \$2,500 per week. This will be increased to **\$3, 200 per week with effect from July 1, 2010.**

4.4 EMPLOYMENT INJURY DEATH BENEFIT

Where an employee suffers a work related fatal injury, an Employment Injury Death Benefit of \$150,000 is payable. This will also be increased to **\$166,400 with effect from July 1, 2010**, which is equivalent to 52 weeks at the weekly Employment Injury Benefit rate.

4.5 INCREASES IN GRANTS

A Funeral Grant is payable on the death of a contributor/pensioner or on the death of the contributor's/pensioner's spouse. All other grants are one off payments which are made in cases where the contributions made are insufficient for the claimant to qualify for a pension. These grants will be increased **with effect from July 1, 2010** as outlined below:

TABLE III

Increases in Grants

CATEGORY OF GRANT	Previous Grant	Grant as at July 1, 2010
Funeral Grant	\$60,000	\$70,000
Old Age Grant	\$30,000	\$40,000
Invalidity Grant	\$30,000	\$40,000
Widow's/Widower's Grant	\$30,000	\$40,000
Orphan's and Special Child's Grant	\$40,000	\$48,000

4.6 INCREASES IN NIGOLD BENEFITS

The National Insurance Scheme Pensioners' Health Plan (NIGOLD) was introduced in 2003 to provide assistance to NIS pensioners with medical expenses. The benefits payable under the NIGOLD have not been increased since its introduction.

The annually renewable benefits payable under the NGOLD will be increased **with effect from July 1, 2010** as outlined:

TABLE IV

Increases in Annual NIGOLD Benefits

CATEGORY OF BENEFIT	Current Maximum	Maximum as at July 1, 2010	% Increase
Prescription Drugs	\$4,000 per annum	\$5,000 per annum	25%
Diagnostic Services	\$3,000 per annum	\$4,000 per annum	33 1/3%
Dental & Optical Services	\$2,000 per annum	\$3,000 per annum	50%
Doctors' Visits	\$500 per visit	\$500 per visit	-
Hospital Room & Board	\$800 per night	\$800 per night	-
Hospital Outpatient Service	\$6,000 per disability	\$6,000 per disability	-
Surgeon's Fees	\$30,000 per procedure	\$30,000 per procedure	-
Assistant Surgeon's Fees	\$12,000 per procedure	\$12,000 per procedure	-
Anaesthetist's Fees	\$12,000 per procedure	\$12,000 per procedure	-

5.0 CONCLUSION

The reforms being introduced are intended to ensure the long term viability and sustainability of the National Insurance Scheme, while maintaining realistic benefits for contributors. The Actuaries have indicated that the adjustments in benefits are affordable with the revised contribution structure. The value of the NIF as at **March 31, 2010 was \$62.2 Billion**, and is projected to be \$253 Billion by 2033/34, representing a conservative annual growth rate of 12.9%.

A handwritten signature in black ink, appearing to read 'Pearnel Charles', written in a cursive style.

Pearnel P. Charles, MP, CD, JP

Minister of Labour and Social Security

April 20, 2010

ATTACHMENT 1

PROJECTED INCOME AND EXPENDITURE OF THE NI FUND

Fiscal Year	Fund at Start of Year	Contributions	Investment Income	NIS Benefits and Expenses	Net Income	Fund at End of Year
	\$M	\$M	\$M	\$M	\$M	\$M
2009/10	56,575	6,136	7,156	9,193	4,099	60,674
2010/11	60,674	9,116	6,862	11,121	4,857	65,531
2011/12	65,531	5,800	7,115	11,501	5,414	70,945
2012/13	70,945	10,529	7,328	12,833	5,024	75,969
2013/14	75,969	11,306	7,498	13,288	5,515	81,484
2014/15	81,484	12,145	8,016	14,788	5,373	86,858
2015/16	86,858	13,042	8,575	15,253	6,364	93,222
2016/17	93,222	14,003	9,172	16,998	6,177	99,399
2017/18	99,399	15,032	9,811	17,611	7,232	106,630
2018/19	106,630	16,132	10,486	19,667	6,951	113,582
2019/20	113,582	17,314	11,206	20,362	8,158	121,740
2020/21	121,740	18,583	11,968	22,710	7,841	129,582
2021/22	129,582	19,943	12,777	23,563	9,157	138,739
2022/23	138,739	21,386	13,623	26,397	8,612	147,351
2023/24	147,351	22,937	14,507	27,493	9,950	157,302
2024/25	157,302	24,600	15,422	30,757	9,265	166,567
2025/26	166,567	26,385	16,373	32,055	10,703	177,270
2026/27	177,270	28,289	17,343	35,973	9,659	186,929
2027/28	186,929	30,325	18,326	37,668	10,983	197,912
2028/29	197,912	32,517	19,303	42,284	9,535	207,447
2029/30	207,447	34,869	20,277	44,231	10,915	218,362
2030/31	218,362	37,396	21,227	49,589	9,034	227,396
2031/32	227,396	40,087	22,140	52,084	10,143	237,539
2032/33	237,539	42,973	22,974	58,562	7,385	244,924
2033/34	244,924	46,069	23,720	61,507	8,282	253,206

IWC - \$1,000,000 p.a.

Benefits increased by 20% in 2010 and 10% every two years thereafter

Females retire at age 65