

NATIONAL INSURANCE CORPORATION

NIC PENSIONABLE AGE TO 61 YEARS COMMENCING JANUARY 2003

From the inception of the National Provident Fund (NPF) in 1970, the predecessor to the National Insurance Corporation, more commonly known as NIS, the age of retirement has been sixty years.

In the case of the NPF, the question of retirement was not an issue, since there was no pension. However, with the advent of the NIS, retirement as well as years of contribution were extremely important, since pensions were now being paid and these were dependent on years of affiliation to the system.

Sixty years has remained the retirement age for the receipt of a National Insurance pension until today. Once that age was attained, the benefit was paid. However, the Sixth Actuarial review of the operations of the NIC undertaken in 1996 revealed that this needed modification for several reasons.

The International Labour Office (ILO) who conducted the review, pointed out that the retirement age for St Lucia was among the lowest in the World. Coupled with the very few years (10 Years) one was required to contribute in order to receive a pension, the system in St Lucia was deemed one of the most generous in the World. The implication of that generosity could be disastrous for the NIC if not checked in time.

The review revealed several vital facts, among which was the considerable drain that the current pension arrangement was having on the reserves of the National Insurance.

Though on the surface all seemed well, the data pointed out that in the years ahead, the system would run into difficulties and by the end of Year 2030, the National Insurance would have to start selling off its assets in order to meet its pension liabilities.

To avert this impending crisis, the Organisation was faced with several options, all of which were geared to address the imbalance in the pension system. However, it has always been the intention of the NIS to select the one that would cause the least hardship and discomfort to contributors.

The following are the strategies that were proposed by the ILO –

1. Modify benefits provisions while keeping contributions unchanged @10%
2. Increase the contribution rate to 20% without changing the benefits provision
3. A mix of the two

Among the several approaches recommend, the ones selected were:

1. The gradual raising of the pensionable age from 60 to 65 over a period of 15 years; (one year added every three years until age 65)
2. The gradual raising of the contributing years from ten to fifteen over a period of fifteen years. (one year added every three years until fifteen years)

Although this is intended to safeguard the system, those measures have not gone without a considerable amount of misunderstanding and misinformation, ranging from the genuine to the deliberate.

The National Insurance has engaged in every conceivable form of Public Relations available in order to appraise the contributors in particular and the public at large about the necessity to amend the National Insurance pension system and the reasons for doing so.

The Organisation has gone to great pains and expense to explain to persons that if the adjustments are not made NOW then there might not be a pension for a future generation. However, the misunderstanding still persists.

The National Insurance has made it absolutely clear that the retirement age will not move from 60 to 65 in one go, but over a fifteen-year period, yet persons in the community continue to hammer away at the issue of 65 Years that persons have await their pensions.

The National Insurance is not in need of funds to meet current commitments, neither has its funds been depleted warranting the NIC to provide the measures under discussion as reasons why it is modifying the pension age—This theory is incorrect and can only lead to confusion and uncertainty, which the community as a whole can do without.

As has been explained above, the retirement age will be 61years from January 2003 and will remain at sixty-one for three years thereafter. It is only to protect the viability of the fund and guarantee future generations a pension.

Persons who attain the age of 60 years in 2003 and who have the required number of years of contributions (12 years or 144 months) and have retired from gainful employment can apply for and receive an early retirement pension.

National Insurance
For the Benefit of us all

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