Introducing a ‘Universal Pension Scheme’ in Bangladesh

In Search of a Framework

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Study Team

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Context

- Bangladesh’s dual graduation journey from a least developed country to a developing country, and from a low-income country to a lower-middle income country, entails a need to design and pursue policies that are commensurate with the growing expectations of its citizens for better social welfare and a more economically secured life.
- In view of the rising inequality in Bangladesh, a cause of serious concern, a UPS could also serve as a tool to reduce inequality in income distribution
- **Rise in Longevity**: The trend of increasing average life expectancy (72 years at present: 49 years at independence) is expected to raise the dependency ratio in Bangladesh in the coming years. Hence, forward thinking is needed to provide economic security in anticipation of this
- The issue of introducing a universal pension scheme (UPS) should be seen and examined from this broader perspective of the rising aspirations of the citizens of Bangladesh
- **Rapidly growing ageing population**: The number of people over 60 years of age in Bangladesh is projected to rise from about 12.6 million (8% of total population) in 2017 to 20.7 million (11% of total population) by 2031 and 42.3 million people (20% of total population) by 2051

Context

UPS as a foundation of social protection in Bangladesh is commensurate with the spirit of the SDGs and the SDG aspiration of *'leave no one behind'*

SDG targets related to providing social protection to the elderly population

SDG 1.3	Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable
SDG 3.8	Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
SDG 5.4	Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate
SDG 8.5	By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
SDG 10.4	Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality

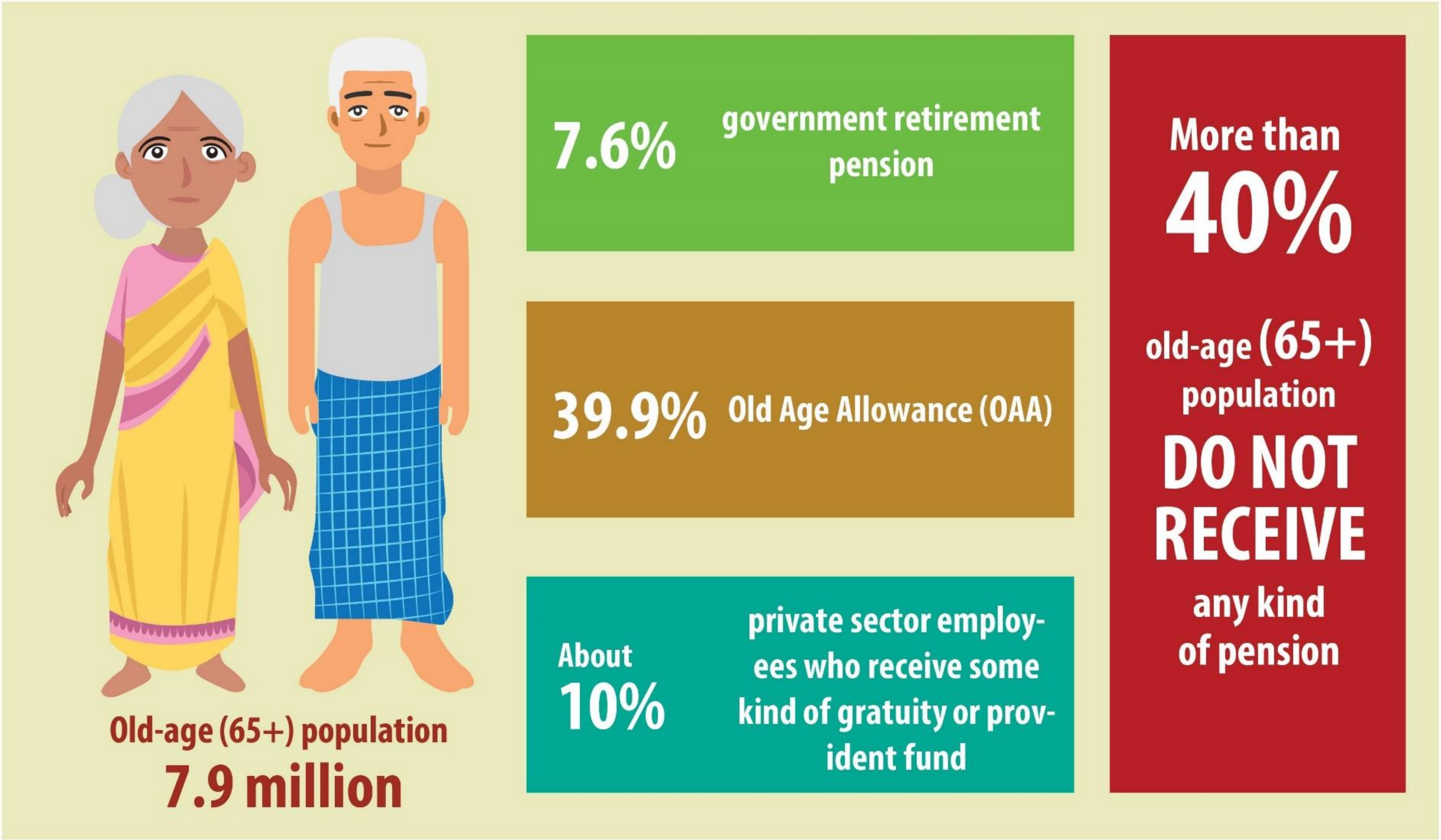
Context

National Commitments

The constitution of Bangladesh in Part II, Section 15(d)	Rights of the citizens “to public assistance in cases of demand arising from unemployment, illness or disablement, or to deal with the needs of widows or orphans or those in old age, or in other such cases” has been mentioned
Seventh Five Year Plan (7FYP) and the National Social Security Strategy (NSSS)	Need for a comprehensive pension system for the elderly in Bangladesh has been outlined in the plan and the strategy
National budgets for FY19 and FY20	Idea of a universal pension system for all ‘working population’, engaged in both formal and informal employment, has been articulated
Election Manifesto 2018	Introduction of the national social insurance and private voluntary pension are under consideration by the GoB
Government Committee	Government has constituted a Seven-member Committee for conceptualising a UPS for Bangladesh and prepare a draft for the Scheme

Context

Current status of Old Age Pension in Bangladesh

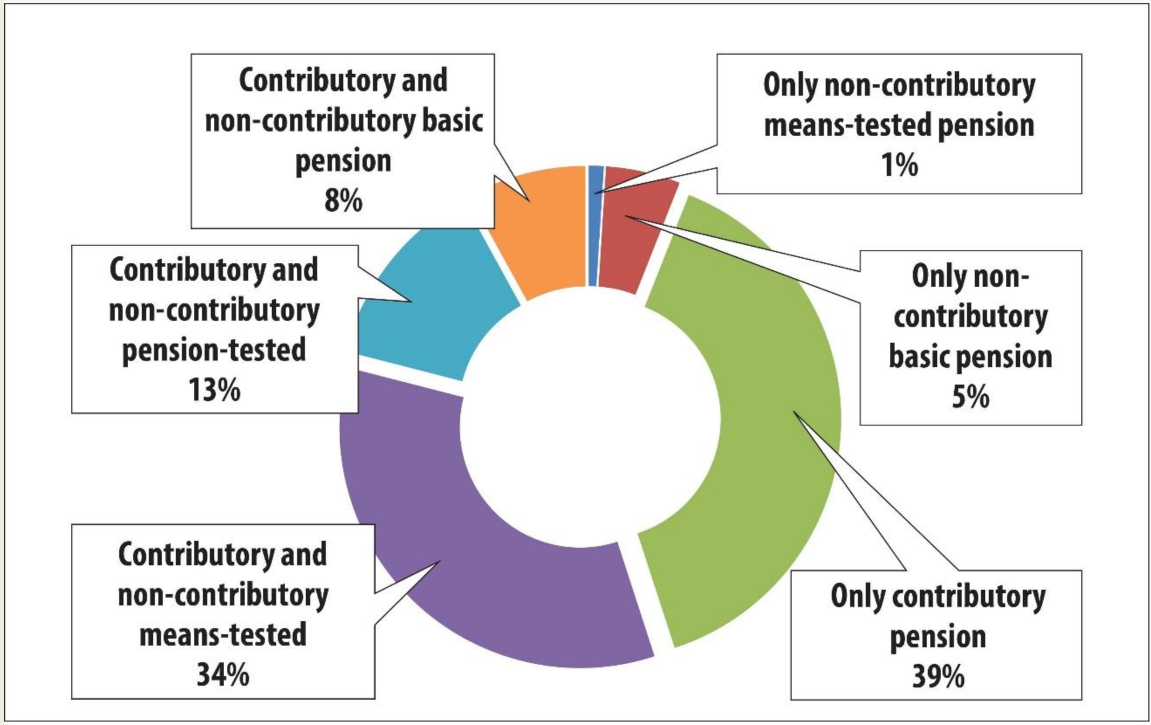


Source: Authors' estimation based on the data of Bangladesh Bureau of Statistics (BBS) and Ministry of Finance (MoF).

International Experiences Based on ILO Multi- Pillar Pension Model

- A total 186 out of 192 countries have at least one pension scheme in place for the elderly citizens in the form of periodic cash payment
- A majority of countries has adopted either ‘only contributory’ pension scheme (72 countries) or a mix of contributory and non-contributory means-tested pension schemes (64 countries)

Share of Countries Running Old-Age Pension Schemes, by Type of Schemes

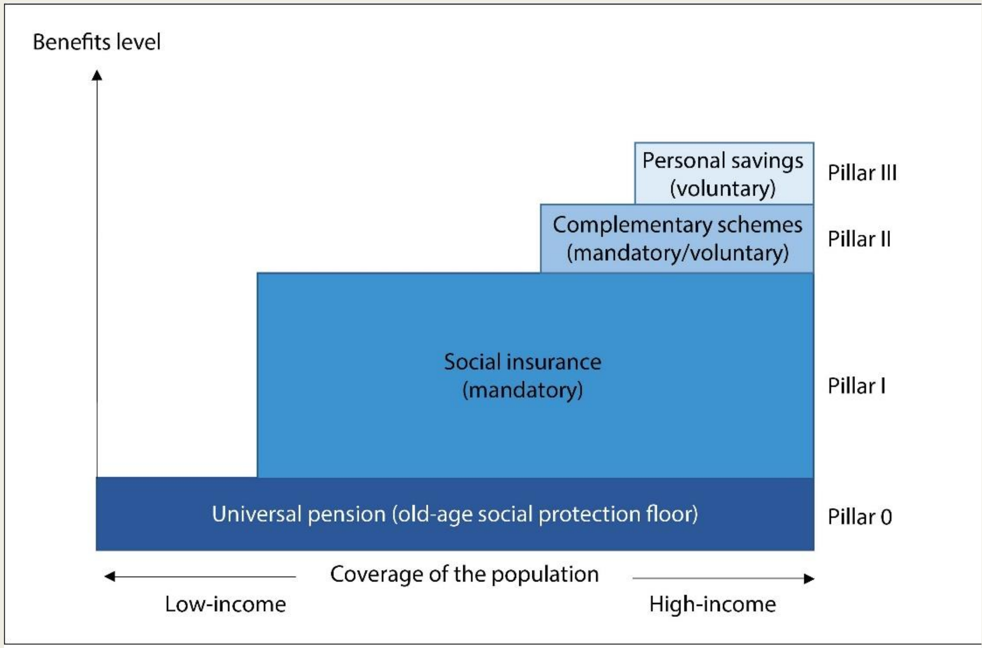


Source: ILO (2017).

International Experiences Based on ILO Multi- Pillar Pension Model

- ILO Model of Pension Scheme is a multi-pillar scheme, which was prepared by the ILO to move forward sequentially towards a comprehensive UPS. The ILO model could serve as a good reference for Bangladesh in view of introducing a UPS
- The Bangladesh UPS could learn from international best practices and be consistent with the ILO model. The ILO model is built on the principles of social security including universality, social solidarity, adequacy and predictability of the benefits, responsibility of the state, non-discrimination, financial and economic sustainability, transparent management, and stakeholder involvement
- The three pillars in the ILO model embody a combination of different social protection instruments where each pillar plays one or multiple functions to meet the objectives of a national pension system

ILO multi-stage pension model



Source: Adapted from ILO (2018).

International Experiences Based on ILO Multi- Pillar Pension Model

Pillar 0

(Social Protection Floor)

- A non-contributory pension scheme financed through government budgetary allocations
- Guarantees a minimum income security to all the senior citizens in a country beyond a specified age
- Implemented by countries with higher levels of informal employment and high incidence of poverty
- At least 60% of countries have adopted this pillar through introduction of basic, means-tested or pension-tested schemes
- For example, **“Renta Dignidad” in Bolivia, “Mukhyamantri Vridhjan Pension Yojna” in India**

Pillar I

(Social Insurance Pillar)

- A contributory mandatory pension scheme following a defined benefit (DB) method financed through contribution from employers and employees
- Delivers higher levels of pension benefits for the older population to help them maintain a reasonable standard of living after retirement
- Adapted by countries to include people working in the informal sector such as self-employed workers and workers in non-standard forms of employment
- Developing countries prefer DB scheme since it provides a minimum flat rate benefit to all participants which increases with the years of contribution
- For example, Latin American and Sub-Saharan African countries including **Costa Rica, Lesotho, and Timor-Leste**

International Experiences Based on ILO Multi- Pillar Pension Model

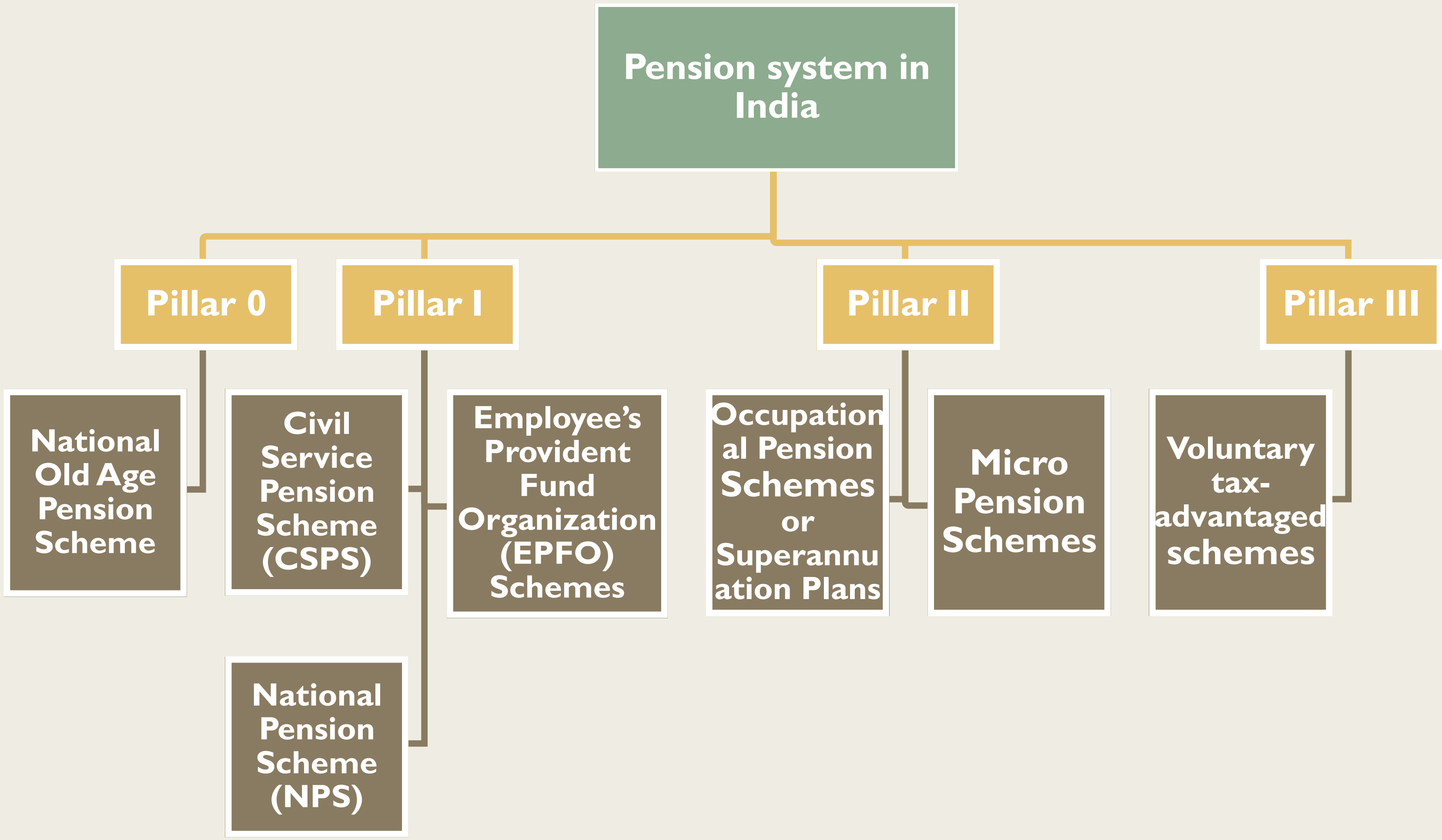
Pillar II
(Complementary Pillar)

- This is a complementary contributory pension scheme, can be either mandatory or voluntary
- Can either be a DB or a defined contribution (DC) pension scheme financed by employers' contribution and is privately managed
- Followed to raise the pension benefits from Pillar 0 and Pillar I
- **Czech Republic and Latvia:** the second pillar represents a relatively limited mandatory DC scheme, fully funded and privately managed
- **Canada:** some occupational pension schemes are operated by the employers and allow voluntary entry
- **Australia and Switzerland:** Mandatory entry schemes are provided directly by employers or through private pension companies

Pillar III
(Voluntary Personal Savings)

- A complementary pension system that represents voluntary private pension scheme for those with the financial capacity to make additional personal savings
- Managed by private pension administrators under full market competition and government regulation
- **Latvia:** voluntary supplementary schemes whereby individuals and employers can make contributions to a private pension fund
- **USA and United Kingdom:** group voluntary pension schemes with a maximum contribution rate of 18% and 17.5% respectively

The Indian Pension Model



The Indian Pension Model

Pillar 0	Pillar I		
National Old Age Pension Scheme	Civil Service Pension Scheme (CSPS)	Employee’s Provident Fund Organization (EPFO) Schemes	National Pension Scheme (NPS)
• Non-contributory means-tested pension scheme • Introduced in 1995 • “Mukhyamantri Vridhjan Pension Yojna” – first basic non-contributory Pension Scheme launched by Bihar in April 2019	• Traditional DB pension scheme • Funded by PAYG method • Regulated under the supervision of both Central Government and the State Government	• Came into effect in 1951 • Three types: ➢ Employees' Provident Fund Scheme (EPFS) ➢ Employees' Deposit Linked Insurance Scheme (EDLIS) ➢ Employees' Pension Scheme (EPS)	• Launched in 2004 to move from DB to DC scheme • The government of India has started a co-contributory scheme, ‘Swavalamban Scheme’ in the union budget of FY2011

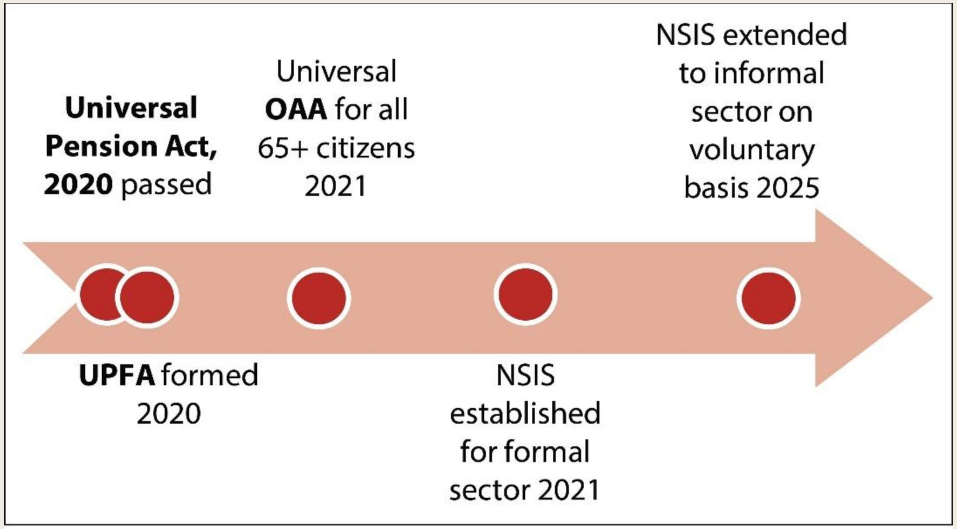
The Indian Pension Model

Pillar II		Pillar III
Occupational Pension Schemes or Superannuation Plans	**Micro Pension Schemes**	**Voluntary tax-advantaged schemes**
• Operated under the Income Tax Act and supervised by the tax authorities • Include both DB and DC pension schemes • Managed by the organisation itself or by the Life Insurance Corporation of India (LIC)	• Provided by the microfinance institutions • The pension benefits are provided to the members in exchange of low contributions and with low premiums • The eligibility age under this scheme is usually 58 years to 60 years	• Introduced by the Public Provident Fund (PPF) in 1968 • Followed DC saving option using personalised accounts • Uses income tax rebates as incentives for participants • Participants are allowed to withdraw their money either on a monthly basis or at a single go

Proposed Model for Bangladesh

- A Universal Pension Act will need to be enacted which will create the scope for forming a Universal Pension Fund Authority (UPFA) in Bangladesh
- A universal non-contributory OAA, in line with Pillar 0 may be implemented by the government for all the senior citizens above 65 years of age in the country, excluding the holders of government pension and private sector provident fund and gratuity. The non-contributory pension will be a basic flat rate pension which could be fixed on the basis of national poverty line and provided on the basis of age and residence
- The OABP of Maldives and “Mukhyamantri Vridhjan Pension Yojna” in Bihar of India are good reference points in this regard

Proposed actions and timeline for Bangladesh



Source: Authors’ elaboration.

Proposed Model for Bangladesh

- After successful accomplishment of Pillar 0, a contributory national social insurance scheme (NSIS) following Pillar I may be introduced for the employed population in Bangladesh
- Pillar I pension model could be established using PAYG DB or DC scheme based on the principle that employers and employees will jointly contribute
- **Phase one:** Pillar I will cover only the formal sector labour force to be subsequently extended to the informal sector, including the self-employed
- **Phase two:** The pension benefit will be paid according to the amount accumulated from the contribution

The Needed Legal and Policy Reforms

- The OAA was introduced in Bangladesh in 1998 in line with Article 15(d) of the Constitution of Bangladesh
- The Provident Funds Act (PFA), 1925 guides the government employees' provident fund system
- The current legislative framework in Bangladesh includes the General Provident Fund (GPF) Rules of 1979, the Contributory Provident Fund (CPF) Rules of 1979, the Government & Autonomous Bodies Employees Benevolent Fund & Group Insurance Rules of 1982, the Financial Institution Act of 1993, the Companies Act of 1994, and the Insurance Development and Regulatory Authority Act of 2010
- PFA 1925 does not cover private sector employees' provident funds and its participation is limited to government public servants
- Tax deductions and incentives are subject to approval by the National Board of Revenue (NBR) under the Income Tax Ordinance, 1995
- Private trusts in Bangladesh are guided mainly by the Trusts Act 1882

The Needed Legal and Policy Reforms

- Trusts Act, 1882 fails to consider capital market activities due to absence of dedicated set of regulations and necessary infrastructure
- Trust Act (Amended), 2000, enacted at a later stage permits both public and private sector pension funds to be invested; up to 25% of the total funds could be invested in listed securities
- A single Pension Act incorporating the Acts related to provident fund and pensions in Bangladesh could create a two pillar model of pension in the country like the one in operation in Maldives. The Maldives Pension Act (2009) establishes a two-pillar pension system, including a non- contributory pension scheme “OABP” and a contributory scheme “MRPS” based on the DC method
- Investment of pension funds and active investment in the capital market have been restricted by a certain limit by the Trust Act 1882. The new legislation will need to ensure

Proposed Institutional Framework

Government (GoB)

- Designated trustee for purposes of financial matters
- Can take a decision to use the fund without the consent of public sector employees
- It is important to distinguish between the responsibilities of the government as an administrative authority and as a ‘trustee’ entrusted to deal with pension benefits and manage the funds

Finance Division (FD) under Ministry of Finance (MoF)

- The only public institution managing both GERP and OAA
- Responsible for allocating a certain amount of money for GERP and OAA in all fiscal budgets

Proposed Institutional Framework

Formation of a separate Pension Office

- To operate autonomously under the MoF to facilitate the operation of the UPFA and manage the overall process following the passing of Universal Pension Act
- Could be divided into various groups and the overall administrative responsibilities would be distributed among the different groups
- The Pension Office would also be responsible for knowledge dissemination, public awareness raising and educating the participants of the scheme

Registration activities

- Dedicated entity to take the responsibility of registering eligible people under both the pension schemes (both non-contributory social protection pillar and a contributory social insurance pillar)
- The registration of Pillar 0 beneficiaries should be carried out in all each Upazilas to ensure universality of coverage so that all eligible people can receive basic pension benefit

Proposed Institutional Framework

Formation of 15 member committee for implementing Pillar 0 at local level

- Committee chair: Upazila Nirbahi Officer
- Committee adviser: Upazila Chairman
- **Main responsibilities:**
  - *finalize the list of beneficiaries in the upazila*
  - *ensure the delivery of non-contributory pension scheme to the recipient's bank account*
  - *monitor the overall implementation of the pension programme at the Upazila level*
  - *explore if there is any duplication in beneficiary selection and take measures to address the problem (i.e., to address problems of exclusion and inclusion)*

Proposed Institutional Framework

Pension Benefit Collection

- The beneficiaries under Pillar 0 would collect their pension benefit on a monthly basis similar to the current OAA through bank account

Contribution collection

- A separate body will be set up which will be responsible for getting together the amount of contribution from different organisations, paid by both employers and employees of those organisations. They would eventually transfer the contribution amount to pension accounts of the participants

Proposed Institutional Framework

Fund Management

- UPFA would act as a ‘trustee’ to ensure proper utilization of pension funds
- Membership: Government representatives, private sector employers and employees
- The cumulative fund collected from government and private sector contribution could be converted into NSIS with the assistance of an insurance company such as the Jiban Bima Corporation. They would oversee investment of pension funds in a variety of financial instruments such government bonds, treasury bills, corporate stocks, and derivatives
- Eligibility age for receiving pension:65 years
- Withdrawal method: Account holders can withdraw money as a lump sum amount or could opt for phased withdrawal or a combination of these methods

Financing Framework for Pillar 0

- Non-contributory OAA in Bangladesh is directly and fully financed by the government revenue
- Pillar 0 can be established by extending the OAA (either with current basic minimum or considering the national poverty lines) for all the elderly people (65+) in the country excepting government employees and private sector gratuity holders
- Currently, the OAA of Tk. 500 is being paid on a monthly basis which covers only 39.9% of old age people (65+). The expenditure for this is equivalent to 0.1% of the country's GDP and 0.9% of the total revenue

Financing Framework for Pillar 0

Cost Estimation Formula:

Cost of pension = Benefit per beneficiary × Number of covered population

* GERP and private sector provident fund or gratuity holders have been excluded

For example, in 2017:

Number of elderly people (65+) = 7.9 million

Number of GERP beneficiaries = 0.6 million

Private sector gratuity holders = 0.8 million

Financing Framework for Pillar 0

Assumptions

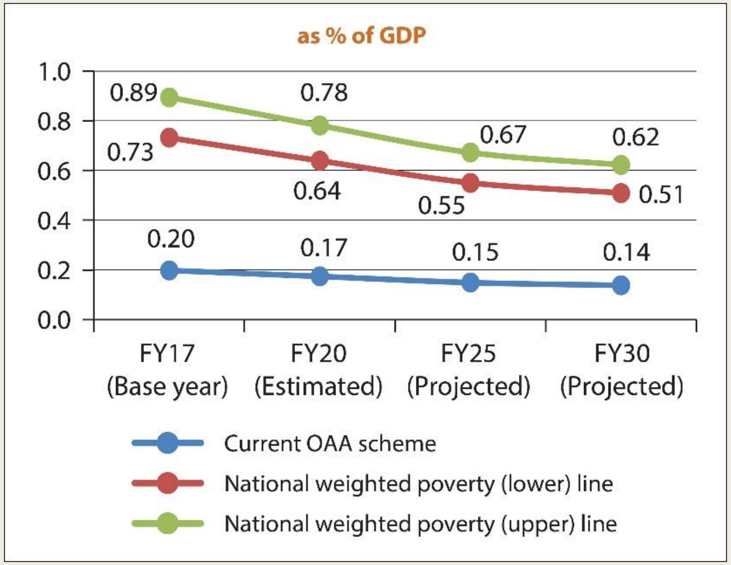
FY17 has been considered as the base year for estimation purposes. The projections for FY20, FY25 and FY30 were made on the basis of the following five assumptions:

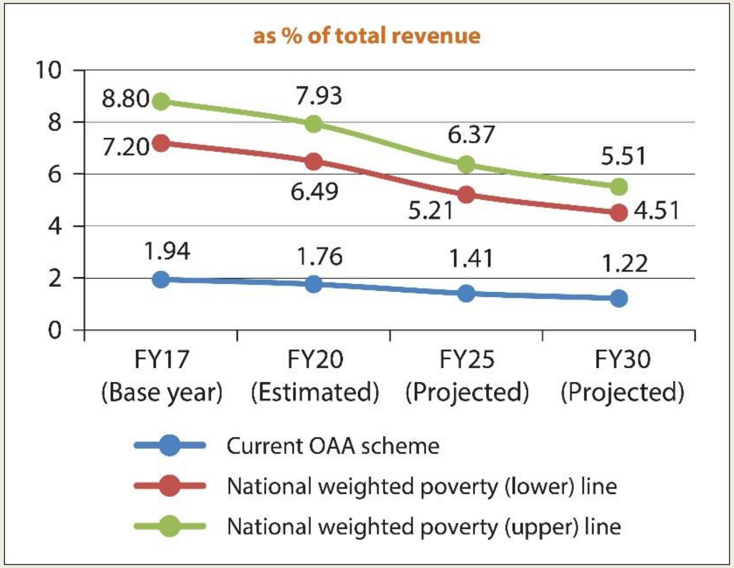
- Number of government retired pensioners is considered to be fixed at 0.6 million per year (Social Safety Net Programmes FY16-17)
- Provident fund and gratuity holders are considered to be fixed at 0.81 million (LFS 16-17)
- Average growth rate of nominal GDP in Bangladesh has been taken to be 13%
- Compound annual growth rate of revenue collection has been envisaged to be 15%
- The monthly benefit rates for OAA (Tk. 500), national lower poverty line, NLPL (Tk. 1,853) and national upper poverty line, NUPL (Tk. 2,264) were adjusted for FY20, FY25 and FY30 considering an annual inflation rate of 5%

Financing Framework for Pillar 0

- A benefit of Tk. 1,853 per month in FY17 (equivalent to lower poverty line) would cost: 0.5%-0.7% of the GDP and 4.5%-7.2% revenue annually
- The corresponding cost would increase to 0.6-0.9% of the GDP and 5.5%-8.8% of revenue annually to provide a benefit of Tk. 2,264 (equivalent to upper poverty line) by FY30
- It will still be lower than the government-funded GERP scheme which is equivalent to about 0.8% of the GDP and about 8% of the total revenue in FY20

Cost Requirements for Universal OAA





Financing Framework for Pillar 1

Assumptions

FY17 has been considered as the base year. The projections for FY20, FY25 and FY30 were made on the basis of the following six assumptions:

- Number of government retired pensioners is taken to be fixed at 0.6 million per year
- Number of government employees is taken to be fixed at 2.3 million per year
- Number of OAA recipients is considered to be fixed at 3.2 million per year
- Formal sector share in total employment is considered to be fixed at 15%
- The compound annual growth rate of average wage is taken to be 8%
- The compound annual growth rate of total employed population in Bangladesh is considered to be 4%

Financing Framework for Pillar 1

- ❑Pillar I can be established by using pay-as-you-go (PAYG) defined benefit (DB) scheme

- ❑**DB Scheme**: A social insurance scheme where the pension benefit amount is fixed beforehand and on the basis of the amount, current workers contribute for current pensioners' benefits with the expectation that future generation will also pay for their retirement benefits

Cost estimation formula using PAYG:

Amount of contribution (annually) = Contribution by individual employee× Total employed population

Contribution by individual employee (monthly) = Average wage in the economy× Contribution rate

Contribution rate = Replacement rate × System dependency ratio

System dependency ratio = Number of covered population / Number of contributors(employed population)

Financing Framework for Pillar 1

- **Replacement rate:** percentage of national monthly average wage that is paid as pension benefit. A 20% replacement rate means average pension is given which is equivalent to 20% of the average earnings of an individual
- **Dependency ratio:** ratio of total number of eligible retirees and total number of contributors (employed population)
- A low dependency ratio indicates that more people who are economically active, are contributing for eligible retirees which essentially leads to lower contribution rate and less burden for the current workers and vice versa
  - In FY17, at the replacement rates of 15% and 20% respectively, if all the private sector workers (58.5 million) would contribute for all the eligible old age population (4.15 million), the dependency ratio would stand at 7% and the corresponding required contribution rate would be 1.1% and 1.4% of monthly average wage of Tk. 13,258
  - In contrast, at the replacement rates of 15% and 20% respectively, if only the formal private sector workers (6.8 million) would participate to contribute for the same number of eligible retirees in FY17, the dependency ratio would stand at 60% and the corresponding required contribution rate would be 9.2% and 12.3% respectively of monthly average wage of Tk. 13,258

Financing Framework for Pillar 1

Assumptions

FY17 has been considered as the base year. The projections for FY20, FY25 and FY30 were made on the basis of the following six assumptions:

- Number of government retired pensioners is taken to be fixed at 0.6 million per year.
- Number of government employees is taken to be fixed at 2.3 million per year.
- Number of OAA recipients is considered to be fixed at 3.2 million per year.
- Formal sector share in total employment is considered to be fixed at 15%.
- The compound annual growth rate of average wage is taken to be 8%.
- The compound annual growth rate of total employed population in Bangladesh is considered to be 4%.

Financing Framework for Pillar 1

DB method: Option A

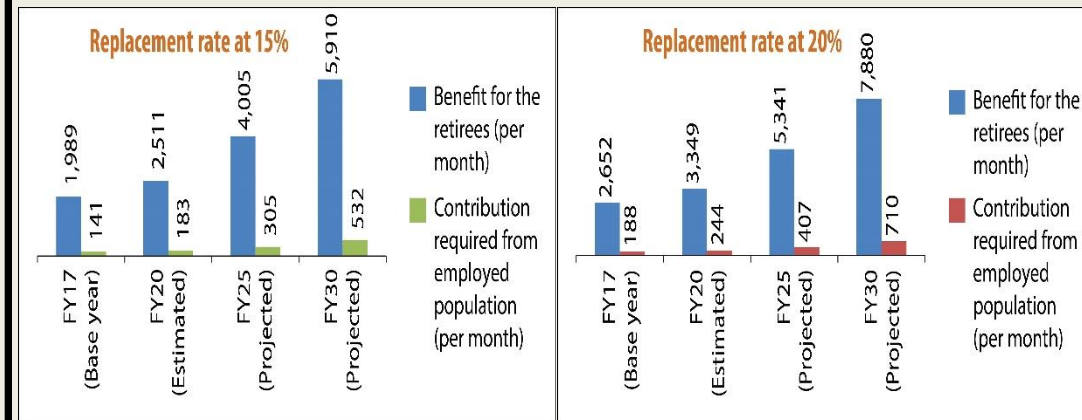
Following the DB method, if the government decides to provide fixed pension benefits of Tk. 2,511 (replacement rate is 15%) or Tk. 3,349 (replacement rate is 20%) to all eligible pensioners (65+), excluding GERP and OAA beneficiaries in FY20, it would require a monthly contribution of Tk. 183 or Tk. 244 respectively from all the private sector workers in the particular fiscal year

DB method: Option B

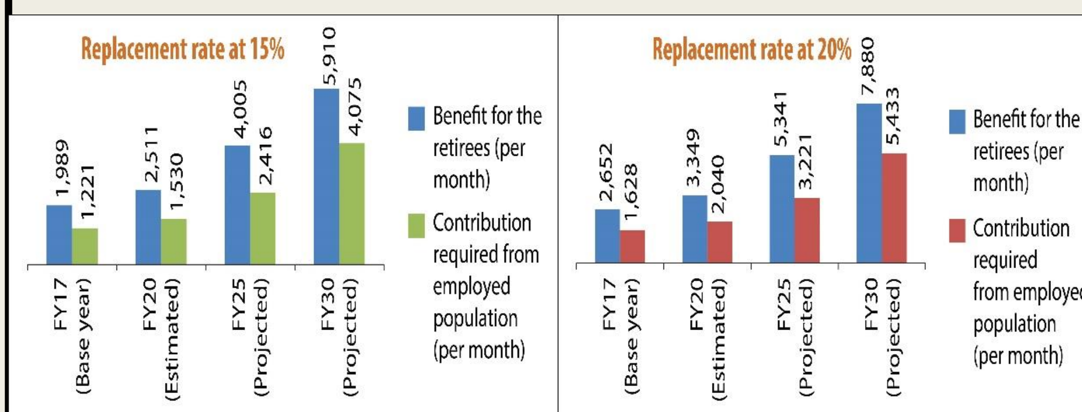
If only the formal private sector workers participate in the scheme on a mandatory basis (based on our proposed NSIS, phase I), the corresponding contribution requirement would increase by eight times to Tk. 1,530 and Tk. 2,040 per month respectively to finance the same level of pension benefits for the eligible retirees by FY20

Pillar I financing options

Option A. Private Sector Workers (All) Contribute to Pay for Eligible Retirees (65+), Excluding OAA and GERP Beneficiaries



Option B. Private Sector Workers (Only Formal) Contribute to Pay for Eligible Retirees (65+), Excluding OAA and GERP Beneficiaries



Financing Framework for Pillar 1

- However, there is a significant risk associated with having a DB plan due to the possibility of the pension not being funded properly and returns from investment not being generated as expected.
- **Defined contribution (DC)** schemes remove such risk of a pension-contribution shortfall by fixing the contributions which are made instead of fixing their promised benefits.
- GoB following the DC method, could require a mandatory contribution of 20% of employee's pensionable wage (basic salary declared in the employment contract), requiring a minimum of 10% each from the employee and the employer
- Each employer will open a **Retirement Pension Account (RPA)** for employees and will collect and make contribution on employees' behalf
- **The contribution rate** need not be constant over the course of a career. Contributions from both parties will be tax-deductible
  - The contribution rate can be adjusted annually in line with the changes in level of salary of the employees using an indexation method

Financing Framework for Pillar 1

- There will be a **contribution period** with 10 years as minimum and a maximum of 20 years throughout the participant's employment period
- **Pension plan benefits** will be determined mainly by contribution rates and returns on the plan's investments. DC pension plans will operate as effective long-term savings accounts
- Members will be eligible for **early pension withdrawal** if the balance in their RPA is sufficient to provide them lifetime monthly payment that is at least twice the amount of Pillar 0 pension amount prevailing at the time of retirement. The monthly pension payment will be calculated by dividing the balance in the member's RPA at the time he/she reaches 65 years considering life expectancy of 72 years (at present). Thus, pension benefit will be calculated for a total of 82 months
- Cases where the calculated monthly payout is less than the Pillar 0 pension benefits, the least minimum amount will be paid on a monthly basis until the RPA balance is exhausted

Financing Framework for Pillar 1

- **The informal sector workers**: GoB may face difficulty in allocating the money to provide Tk. 1,853 or Tk. 2,264 to all old age people with 65+ under Pillar 0. Therefore, it can also encourage informal sector employees including the self-employed persons to participate in this scheme on a voluntary basis. They may be persuaded to agree with the proposal, since a monthly OAA of Tk. 500 –Tk. 2,264 is unlikely to be adequate for ensuring a decent life and economic security following retirement

Key Challenges

Low tax-GDP ratio

- Bangladesh's very low tax-GDP ratio of about 10% is a key Constraint in introducing universality in Pillar 0 in Bangladesh
- Without visible improvement in the revenue collection situation, introduction of UPS will be a fiscally challenging aspiration
- Introducing UPS, without raising more revenue could result in lower allocation for other competing expenditures

Limited private sector involvement

- Provident fund in Bangladesh was only introduced for the government employees in 1982. Later, some private organisations also started their own provident fund and gratuity systems. Currently, very few private sector employers have a system in place for mobilizing contribution from the employees and provide pension benefit to their employees
- Without a mandatory and active participation of private sector employers, Pillar I will be difficult to operationalise in the Bangladesh context

Key Challenges

Large informal sector

- Bangladesh's labour market is predominantly of informal nature. Majority of the employed population do not have any formal pension plans from their employers
- Informal sector workers tend to be scattered across the country which will make it difficult to reach those people resulting in high administrative cost
- In case of contributory pension scheme, workers with low income will not be willing or able to contribute. This would mean high administrative and transaction costs
- It will then be difficult to take advantage of economies of scale

Low level of financial inclusion

- Nearly 50% of the population in Bangladesh are still unbanked, while only 41% have access to financial institutions
- Almost half of the elderly population in Bangladesh is out of coverage of the banking system
- The central bank in Bangladesh identified ten barriers to financial inclusion including poor banking infrastructure, geographical coverage or high average distance from household to bank branches
- People are also not aware of the advantages of holding a bank account

Key Challenges

Weak administrative and management capacities

- Due to restrictions, which limit the level of investment in government and government approved securities, neither the public nor private sector schemes in Bangladesh are active participants in the capital market
- Asset management companies in Bangladesh are not many, making it difficult to manage public or private funds
- No regulations are in place for institutional investors who could manage the fund for investment
- Currently, the banking sector of Bangladesh is not adequately prepared to provide the secure service needed for operationalisation of the UPS

Recommendations

Enhancing revenue mobilisation

- An additional 2-3% GDP equivalent of tax will be needed to be mobilised to establish Pillar 0 UPS
- The government has taken a number of reform initiatives including the implementation of VAT and SD Act 2012, launching of the VAT online project and to bring more people under the tax net. According to the Action Plan for the period of 2018-2023, by implementing the public finance management reform strategy for the period 2016-2021, the government envisages to raise the tax-GDP ratio to **14%** by 2023. If this target is reached, it will provide fiscal cushions for introducing a modicum of UPS in Bangladesh

Recommendations

Bringing the private sector on board

- ❑ In order to implement Pillar I UPS, mandatory and active participation of private sector employers will be required
- ❑ Administration and regulation of contributory pension scheme for employed people will also require that private sector pension fund companies get involved in the market since they have the capacity to offer professional services and ensure competitive investment returns

Ensuring financial inclusion

- ❑ Greater financial inclusion will be needed as a precondition for introducing the UPS

Recommendations

Managing pension funds in a professional way

- Introduction of UPS will require significant qualitative improvement in the work of all concerned authorities including regulatory bodies
- Since Pillar I is a social insurance pillar, it will call for a sound professionally run insurance industry and adequate opportunities to invest the pension funds
- Purchase of government bonds is safe but other options will also be needed including treasury bills, fixed deposits and corporate stocks. Thus, management of the investment portfolio will be important
- The funds will need to be invested in income generating activities to get adequate returns to make the scheme a reasonably profitable venture. This will call for an improved investment climate and creation of appropriate opportunities that would make the scheme a viable business model
- Fundamental reforms of the asset management companies (e.g. insurance companies, banks etc) will need to be undertaken before the UPS can be introduced in full measure

Recommendations

Managing pension funds in a professional way (continued)

- The governance of the pension fund will call for addressing a number of concerns: these relate to transparency and accountability, design, implementation and operational strategy, delivery of quality services to the beneficiaries, keeping overhead administrative and fund management costs within acceptable limits, robust supervision, appropriate monitoring and oversight mechanism to prevent leakages and wastage

- There is a need for a qualified authority to oversee the investment decisions of pension fund assets and proper management of liquidity reserves to facilitate smooth transfer of incomes to beneficiaries after retirement

THANK YOU