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Turks & Caicos Islands National Insurance Board 11th Actuarial Review

To: All Media

The main purpose of the Turks and Caicos Islands National Insurance Programme is to provide relevant social insurance protection through a wide range of benefits to the people of these islands, primarily our contributors and their dependents. To fulfil our mission, decision-makers must ensure the Fund remains viable into perpetuity.

Section 45(1) of the National Insurance Ordinance provides for the National Insurance Fund to be actuarially assessed every 3 years. As part of the review, the National Insurance Board's income and expenditure levels are examined, including the current benefit and contribution rate structures, to safeguard the Fund's future viability.

Having concluded the 11th Actuarial Review, The Actuary, where necessary, made recommendations towards ensuring that the Turks and Caicos Islands National Insurance Board operates on sound financial and actuarial bases and provides adequate and affordable levels of income for current and future generations.

The Actuary found no material differences in the fund outlook projections compared to the 10th Actuarial Review (2022). The critical projection years are 2037, 2047, and 2066.

- The NIS is projected to have sufficient contribution income to cover expenses until the year **2037**
- A negative cash flow is projected in 2047, *and if there are no further reforms*, the Reserve Fund is projected to be fully depleted by the year **2066**.

The Best Estimate projections indicate that the current average contribution rate of 11.9% will suffice for the next 40 years; however, the retirement benefits, even after recent reforms, are still overly generous, suggesting that further reforms are necessary to reduce long-term expenditure, especially since retirement benefits comprise 77% of total expenditure.

The number of monthly pensions paid increased by 48% from 2,440 to 3,771, while the number of contributors for each pensioner declined from 9.4 to 6.5.

Recommendations were proposed for improving the long-term sustainability of the Fund, and to seek to retain the purchasing power of pensions and other benefits in payment.

The recommendations address the following areas:

- **Adjustment of Pensions Accrual Rate**
- **Increase the number of years for Pension averaging calculation**
- **Restrict access to a minimum pension to persons aged 65 years**
- **Review of Survivor's Benefit Provision**
- **Review of Self-employed contribution payment options and extend two additional benefits to the sector**
- **Benefit Increases**

1. Retirement Benefit Accrual Rate

In light of the significant increase in pension benefits, the new accrual rate for the Retirement Pension benefit will be amended as follows for people aged 49 years and under on April 1, 2022:

It was therefore recommended by the Actuary that the schedule of accrual rates be changed so that accruals are less heavily weighted to the first 20 years of contributions, but be smoothed over 40 years at 1.5% per year for a maximum replacement rate of 60%.

The qualifying conditions for the Retirement Pension for persons aged 50 years or more on April 1, 2022, will remain unchanged, and they will receive a pension based on the current benefit formula.

2. Pension Averaging Calculation

The number of years over which insurable wages are averaged for pension calculations will increase from the best five (5) years of contributions to the best seven (7) years in the last 10 contribution years. This establishes a closer relationship between the insured person's earnings and pension amounts.

3. Restrict Access to Minimum Pension to Persons Aged 65 Years

Effective January 1, 2026, the National Insurance Board will no longer subsidize early pensions for those under age 65. The pension earned must exceed the minimum pension rate for a person to qualify for an early pension.

4. Review of Survivors' Benefit

The current system, in which 100% of the maximum survivors' benefit is payable to a single child, but only 50% to a spouse and 75% to a spouse with one child, is inequitable and needs correction. The maximum available benefit would only be paid to a single child if the dependent is an orphan.

5. Amendments for the Self-Employed Sector

Persons in the self-employed sector earn differently from employed persons. The current structure was designed primarily for employed persons and at times contributes to participation in the NIB being low and SEPs understating their wages and/or contributing less frequently than they should.

A new approach to the Self-employed person's contributions that takes into account the nature of their work and earnings is recommended. The self-employed will now have the entire contribution year to pay their contribution without penalty, and they will be able to do so with greater flexibility. They will now have the opportunity to pay for the full year in advance or pay quarterly, monthly, or at any other interval they choose. Penalty fees will accrue on any outstanding balance from the previous year from January of the following year.

Additionally, it was recommended that the benefit coverage to self-employed be extended to include Unemployment and Employment Injury Benefits, for which self-employed persons are not currently covered.

6. Benefit Increases

The last set of pension increases in the TCI took effect in January 2023. With cumulative inflation during 2023 and 2024 of 8.5%, a small pension increase is justifiable.

- **Pensions-in-Pay**

Retirement, Invalidity, Survivors', Death and Disablement pensions in pay will be increased based on the inflation experienced since the last increase as follows:

- Pensions-in-Pay which were awarded on or before March 31, 2017 be granted a 6% increase;
- Pensions-in-Pay awarded April 1, 2017 to March 31, 2021, dates inclusive, be granted a 4.9% increase;
- Pensions-in-Pay awarded April 1, 2021 to March 31, 2024, dates inclusive, be granted a 2% increase.

No increase is recommended for pensions awarded April 1st 2024 and after.

- **Minimum Pensions, NCOAP and Grants**

Increases have been approved for minimum pensions, grants and the NCOAP to retain their value, based on the inflation experienced since the last increase as follows:

- Primary minimum pension be increased from \$460 to \$485;
- Spouse minimum pension be increased from \$340 to \$360;
- Dependents minimum pension be increased from \$135 to \$145;
- NCOAP be increased from \$345 to \$365;
- Maternity grant be increased from \$680 to \$720;
- Funeral grant and dependent's funeral grant to be increased from \$2,720 to \$2,860 and from \$1,765 to \$1,855, respectively; and
- Death Grant and dependent's death grant to be increased from \$2,720 to \$2,860 and from \$1765 to \$1,855, respectively.

Please feel free to contact us at 946-1048 (Grand Turk) or 941-5806 (Providenciales) for further details. You are also invited to visit our website at www.tcinib.tc or our Facebook page to see detailed information on the recent legislative changes.

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