



Closing the gap

Adequacy and coverage
of pensions in Sri Lanka

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Content

- What to consider when talking of pensions?
- What are the existing pension schemes?
- How sustainable are they?
- What is their population coverage?
- How adequate are the pension amounts?
- How costly to extend to all?
- Summary



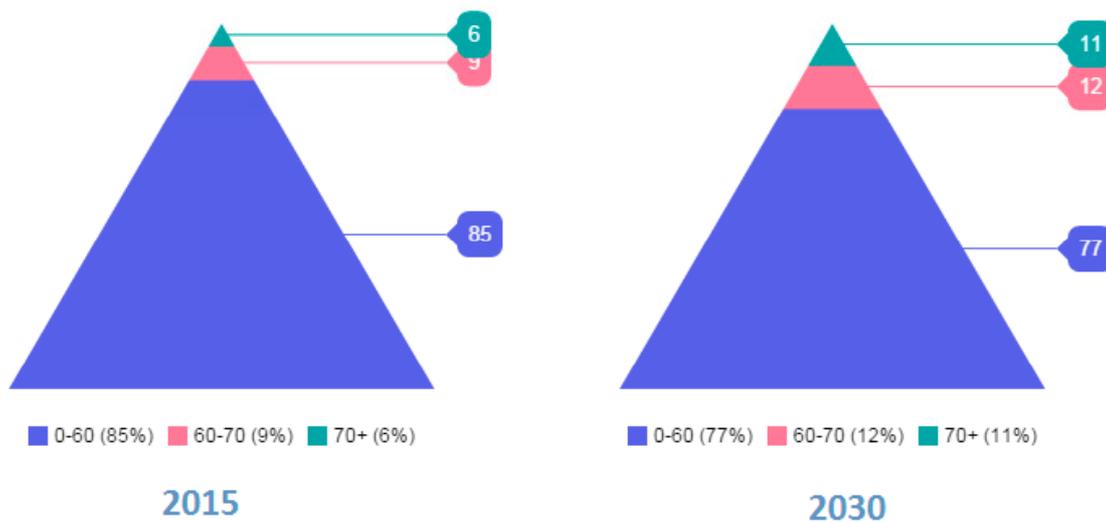
What to consider when talking of pensions?



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Sri Lankan population is ageing



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Source: Samarakoon and Arunatilake (2015)

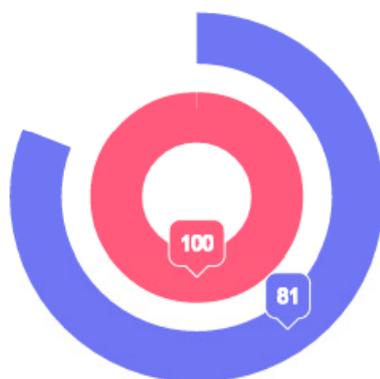


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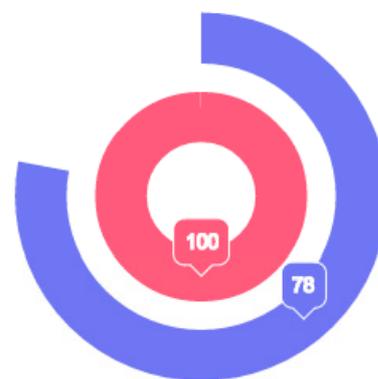
There are more elderly females than males

2015



■ Male (60+) ■ Female (60+)

2030



■ Male (60+) ■ Female (60+)



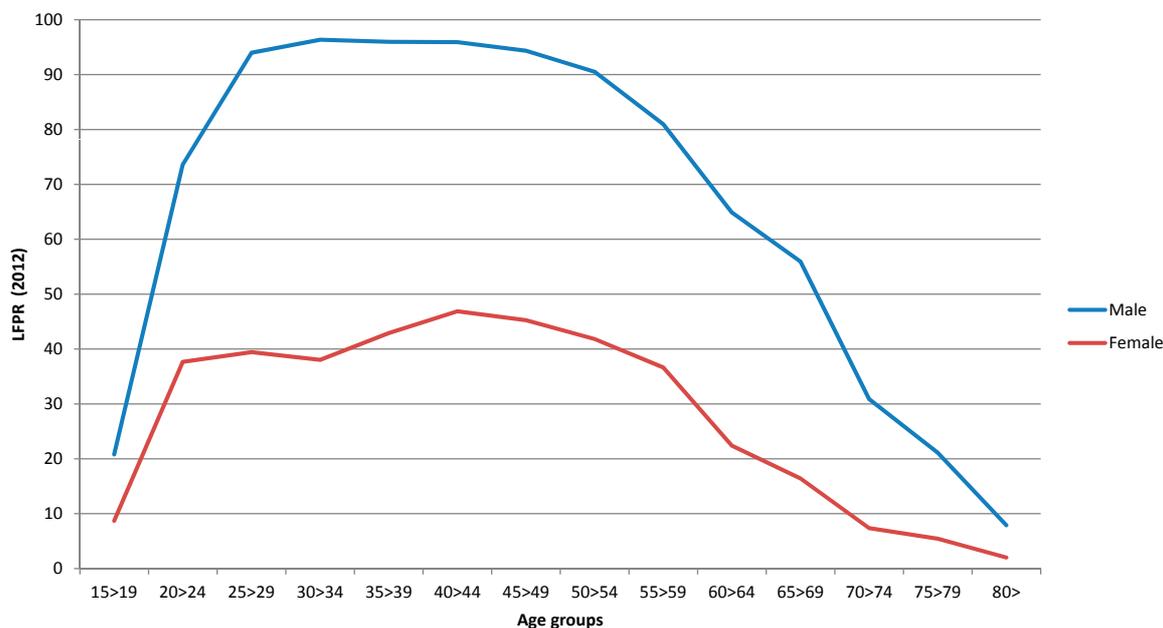
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Source: Samarakoon and Arunatilake (2015)



Most pension schemes are employment based, but not all females get employed



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Source: Samarakoon and Arunatilake (2015)

What are the existing pension schemes?



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Public sector
(1901)

- Public servants
- Armed Forces Pensions
- Widows/widowers & orphans
- 'Public servants provident fund'

'Private sector'
(1958)

- Employee provident fund
- Employee trust fund

Informal
(1987)

- Farmer's
- Fishermen's
- Self employed, etc.

Elderly assistance schemes
(2012 – national)

- Public Assistance Monthly Allowance (PAMA)
- Elderly Assistance Programme (EAP)



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Informal sector pension schemes

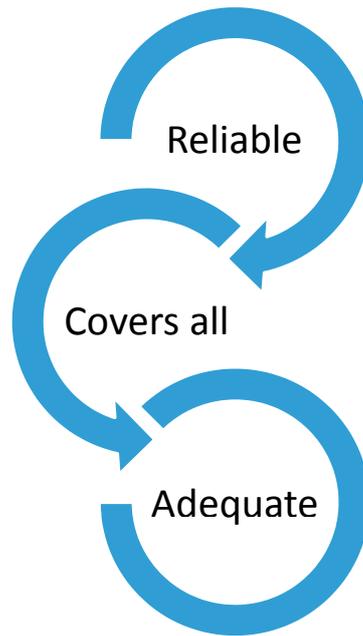
FMPS ⁴	1987	AAIB	Contributory sub by gov.
FSHPS ⁴	1990	AAIB	Contributory sub by gov.
Migrant worker pension scheme ⁵	2008	National Pension Trust Fund	Contributory sub by gov.
Sahana ⁷	1996	SSB	Contributory sub by gov.
Thilina ⁷	1999	SSB	Contributory sub by gov.
Isuru ⁷	1999	SSB	Contributory sub by gov.
Sarana ⁷	2006	SSB	Contributory sub by gov.
Surakuma ⁷	2006	SSB	Contributory sub by gov.
Dhanalakshmi ⁷	2006	SSB	Contributory sub by gov.



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A good pension system is ...



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How reliable are the pension schemes?



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Public sector

- Non-contributory - Treasury funded
- Widow(er)s & orphans - contributory

'Private sector'

- Contributory

Informal

- Contributory subsidized by government

Elderly assistance schemes

- Non-contributory
- Treasury funded



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What share of population is covered?

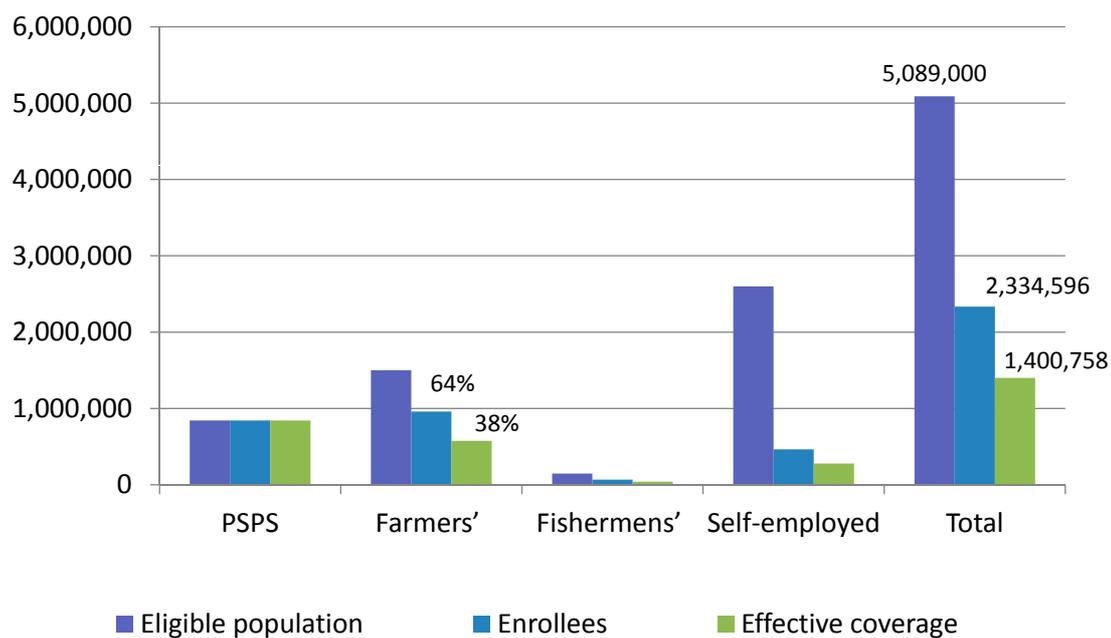


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Coverage of different pension schemes (2012c)



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Source: Samarakoon and Arunatilake (2015)



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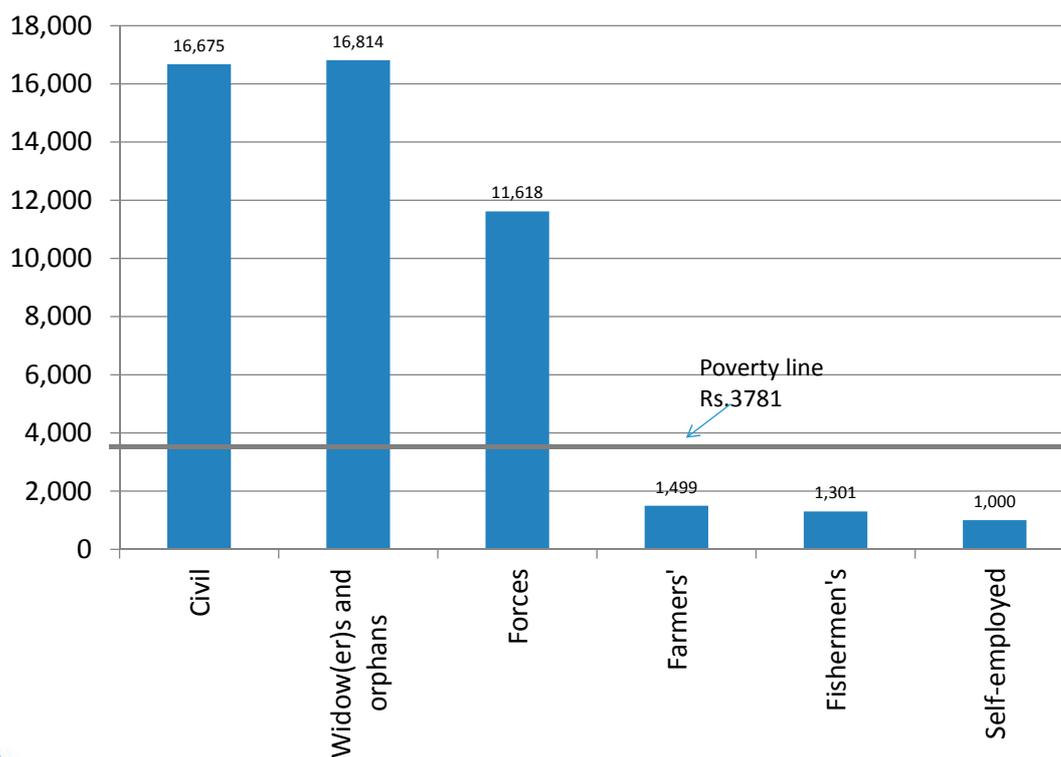
How adequate are the pensions?



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Average monthly pensions (Rs.)



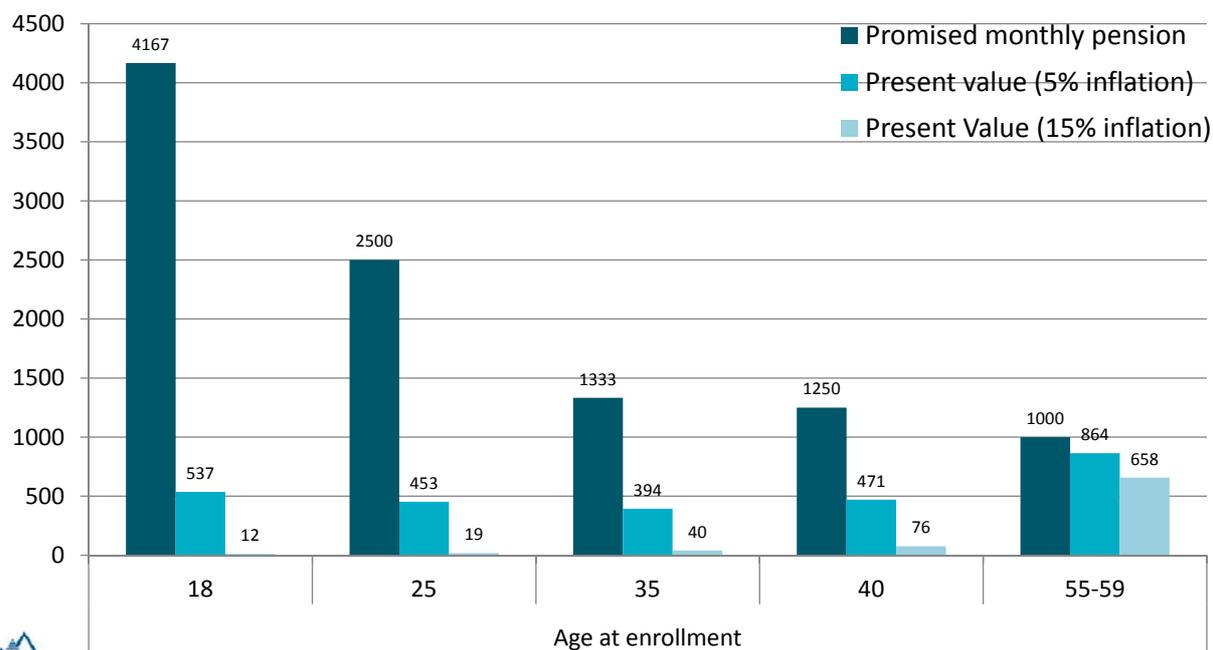
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Source: Samarakoon and Arunatilake (2015)



Present value of future pensions (Rs.)

(farmer's pension scheme - if pension starts at age 60)



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Source: Samarakoon and Arunatilake (2015)

How costly to extend to all?



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Success of different pension schemes...

Contributory pensions

- Unsuccessful in low income countries with a large informal sector (Willmore, 2008)

non-contributory pensions – means tested

- e.g., India and Bangladesh
- Issues: problems with targeting, costs of targeting

non-contributory pensions - Universal

- e.g., Nepal
- Issues: costly, benefits also to the wealthy



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Depends on how extended ...



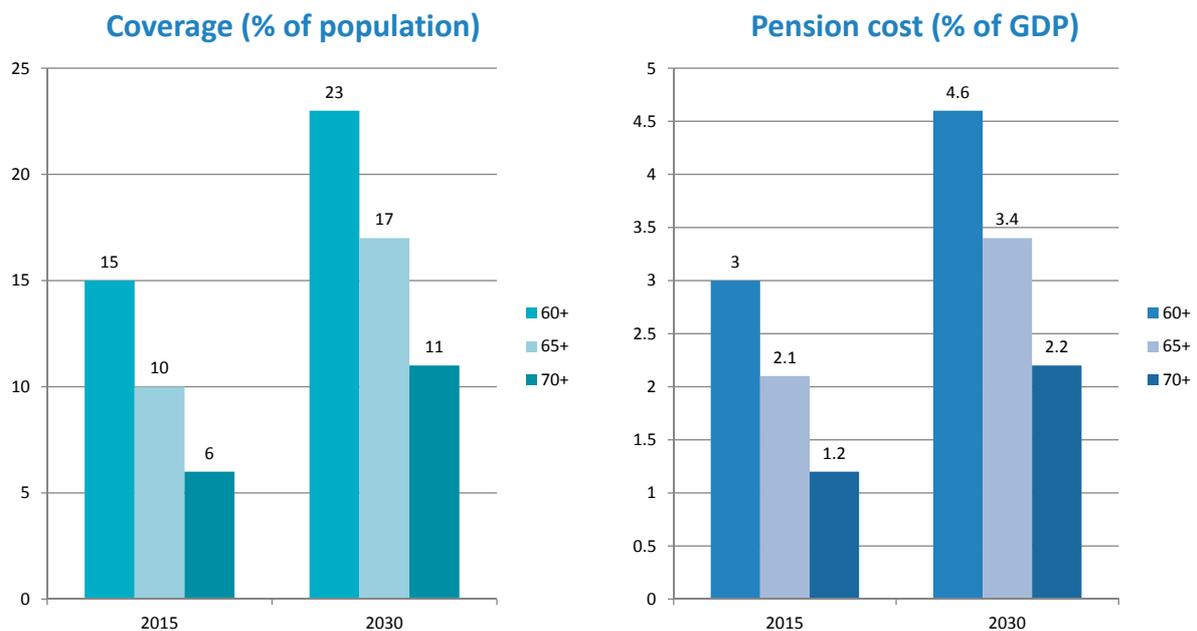
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Cost and coverage of a universal pension

(20% of per capita GDP)



Summary



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Issues with current schemes

- Immediate need to extend coverage
- Immediate need to improve adequacy
- Reduce dependency on the treasury
- Better choice



Reference:

Samarakoon and Arunatilake, 2015,
Retirement – can all afford it?, Institute of
Policy Studies of Sri Lanka.

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