

NATIONAL INSURANCE SCHEME OF BARBADOS

FAQ Frequently-Asked Questions & Answers



On Tuesday, August 10, 2022, the 17th Actuarial Report of the National Insurance Scheme was laid in Parliament. Since then, there have been many questions from the public, resulting from the content of that report. We have captured those questions that have been most frequently asked and today, the NIS answers some of those questions.

Q: Is it true we would not be here if the debt restructuring had not reduced the NIS portfolio by \$1.3bn?

A: No, that is not correct. The 17th Actuarial Report sets out the impact on page 28. If there was no debt restructuring the NIS Fund would still be in this place in 3 years time.

Q: Did the increases to non-contributory pensions in 2018 cause the current difficulties being faced by the NIS?

A: The NIS does not pay for the non-contributory pensions. This is paid for by Central Government. Money is voted by Parliament each year to pay these pensions. Therefore, Government's decision to protect some of the most vulnerable and poorest of our society through increasing non-contributory pensions did not impact the NIS.

Q: Did the build up arrears from Government and State-Owned Enterprises cause the current situation?

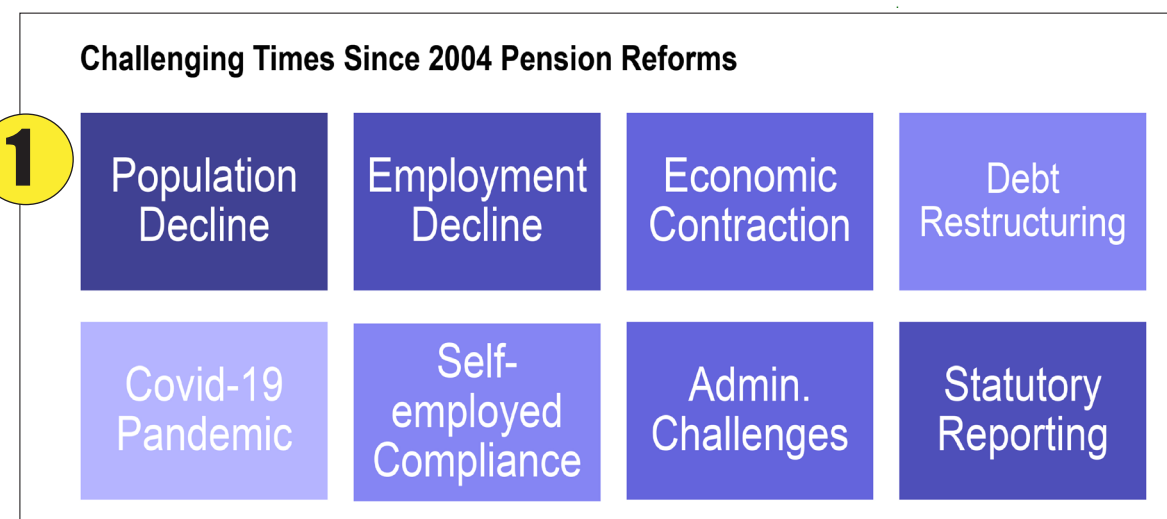
A: It did not cause the current situation but it contributed to it significantly. The debt restructuring exercise cleared all the Government arrears owed to the NIS in 2018. This was a total of \$469m. Had that not been planned the NIS would indeed be in a worse position today.

Q: What is the position with the unaudited accounts?

A: The NIS is required to prepare financial statements for each of its funds annually and to have them audited. The NIS has encountered difficulties in completing its audited accounts for the period 2012 to 2017 as a result of Government's change in its system of accounting from cash to accrual in 2007. An agreement has only recently now been reached with the Auditor General to correct this protracted problem. The agreement permits the NIS to use the cash accounting system for its revenue and accounts receivables. This will therefore allow for the accounts to be brought up to date for the period 2012 to 2017 by the end of this year 2022 and for the remaining accounts to be completed by June 2023.

Q: What is the National Insurance Scheme (NIS) and why is it important to me?

A: The NIS which was established in June, 1967, is



a safety net for the employed and self-employed. It was established to provide social protection for workers and those who reach retirement. These benefits range from pensions to sickness, maternity, disability, severance and unemployment benefits. All of these have proven to be vital to many of us, our children and grandchildren when we most need it. It is able to do so through the collection of contributions to the fund and as the NIS slogan goes "It's more than a contribution...it's your lifeline". This became most evident during the recent pandemic. The NIS benefits paid to tens of thousands of Barbadians is what kept their families afloat during that challenging period.

Q: Why should I pay into the NIS?

A: We should pay into the NIS because it is our key to social protection. It has been our safety net in good times and bad.

A good example is the NIS paying \$147.5 million to workers who did not have jobs during the height of COVID in 2021 - that is \$100 million more than it paid in 2019 and 2020. Where would those workers have been without NIS?

Another example, payment to the NIS will be one source of income when we retire. For some of us, it is our only source.

Q: What safeguards are being put in place to ensure that employers will pay into the NIS, the contributions they collect from their employees?

A: The NIS is undergoing a transition now. Amongst other things, this exercise will provide for enhanced capacity to address collections on a timely basis. The NIS is also reviewing and making recommendations to strengthen the law to ensure that it can be effective in enforcing the law to increase compliance.

Q: Is the NIS in crisis?

A: No, the NIS is NOT in crisis. The urgent action that is needed is to stop us from reaching a crisis in the late 2030s.

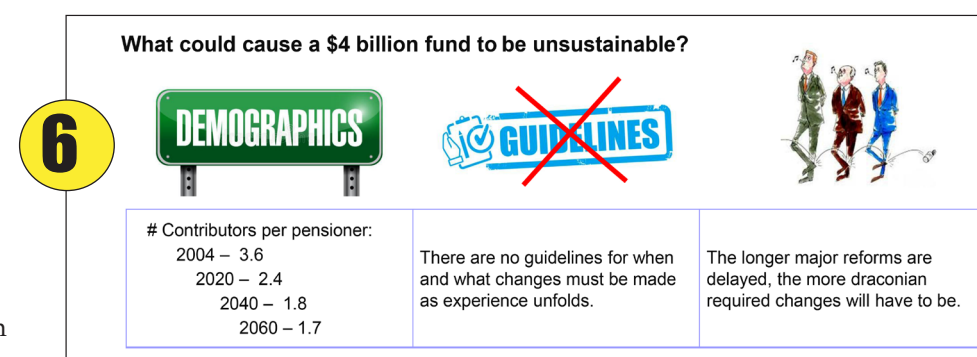
The Actuarial Report which was laid in Parliament last Tuesday, has shown us where we need to be – and we need to adjust course to get there. We therefore have to shape the stability of the fund past the 2nd half of the 2030s. This is a long-term project to ensure the scheme is sustainable – that it is there for Barbadians with adequate and affordable benefits when we need it.

Q: How did the NIS get into this precarious position in the first place?

A: Our fundamental challenge is that our working population is shrinking while our retirees numbers are increasing. At the same time, our economy has performed poorly since the 2008 global Financial Crisis. The absence of growth in Barbados since that period coupled with the build up of arrears owed by Government and State-Owned Enterprises of \$469 million to the Fund have also contributed to the current difficulties of the NIS.

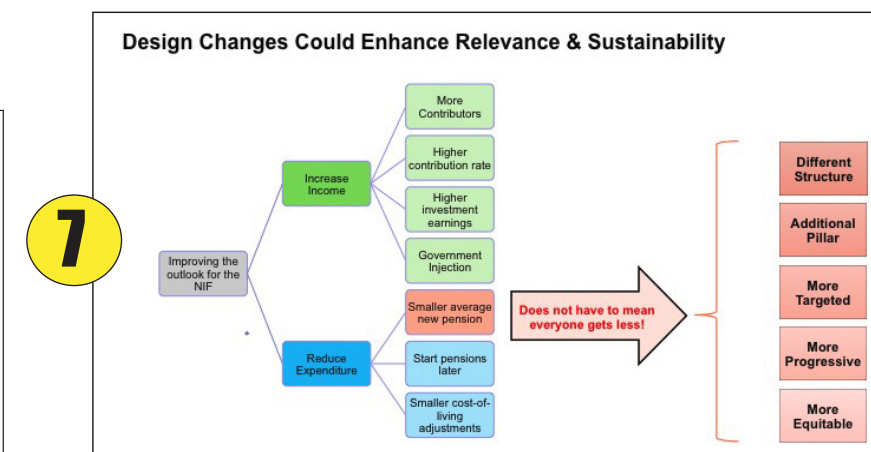
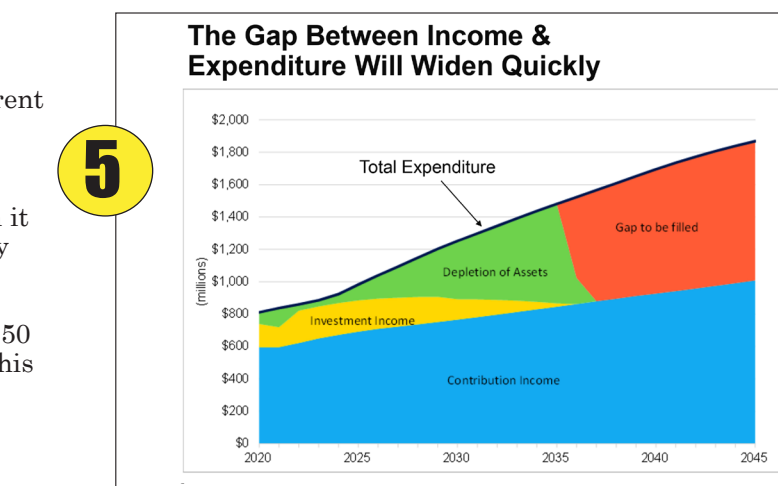
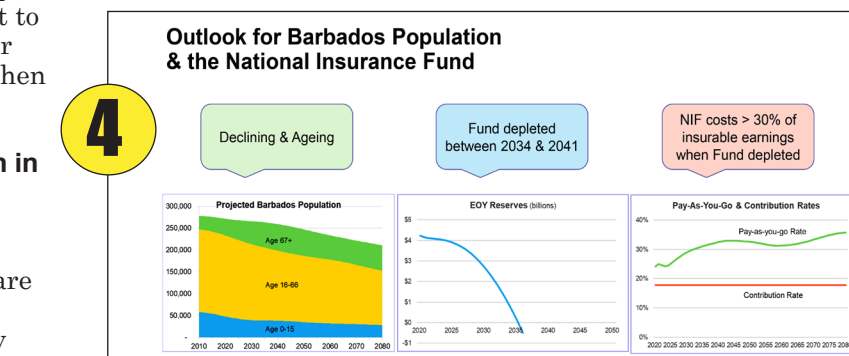
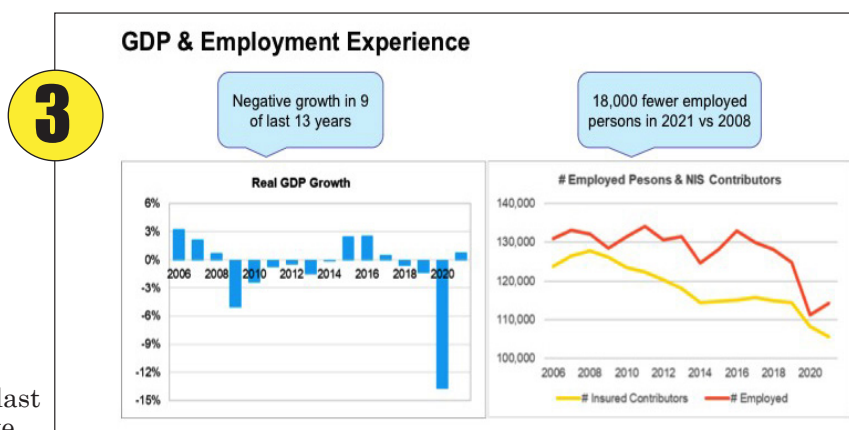
In addition, the sharp decline of almost 24 000 contributors (workers) since 2008 has significantly reduced contributions by almost 20% at a time when it was expected that the numbers would have grown by about 25% from the peak numbers of 2008.

Our failure to achieve the increased number of contributors has cost the NIS today an additional \$150 million per year in revenue growth. Finally, all of this has been compounded by the COVID-19 pandemic. The NIS made significant payouts to laid-off and unemployed workers to the tune of \$147.5 million. What we are doing now is acting strategically and purposefully to shape the future we all want in the 2nd



2 Number of Contributors

Year	Employees	Self Employed	Employers	Employers + Self Employed	Employees + Self Employed
2007	123,143	3,659	8,272	11,931	126,802
2008	124,177	4,027	8,312	12,339	126,204
2009	122,304	4,088	8,171	12,259	126,392
2010	119,972	3,860	7,990	11,850	123,532
2011	118,968	3,695	7,828	11,523	122,663
2012	117,145	3,449	7,753	11,202	120,594
2013	114,993	3,309	7,610	10,919	118,302
2014	111,640	3,140	7,386	10,526	114,780
2015	110,083	2,810	7,170	9,980	112,893
2016	110,789	3,037	7,076	10,113	113,526
2017	111,033	3,216	6,959	10,175	114,249
2018	110,720	3,233	6,844	10,077	113,953
2019	109,306	3,398	6,722	10,120	112,704
2020	104,811	3,295	6,427	9,722	108,106
2021	102,262	3,323	5,909	9,232	105,585
2022 Projected	100,792	3,592	5,909	9,501	104,384



half of the 2030s and beyond. We do not want to be panicking ten years from now where harsher measures will then have to be implemented.

Q: Is further investment one of the options to help revitalise the Fund? If so, what are some of the investment opportunities that the NIS may be considering?

A: The NIS is always looking for strong investments that would help grow the Fund. Successful investments will no doubt help to revitalize the Fund. We currently have a strong investment portfolio worth \$3.9bn. We will once again review our Investment Guidelines to ensure that the NIS Fund does not keep all of its eggs in one basket and that it gets the best possible returns for its investments.

Q: How many "dead" people have received NIS pensions?

A: This should never happen. When someone dies we rely on information from the Registry, and communication from the relatives of the deceased to inform us. The system provides for the payment of the pension until the NIS is notified about the passing of the pensioner by the Registry or the NIS receives a death certificate from the family. The Auditor's General Report of 2020 identified 10 people out of almost 100 000 persons, whose families had for a few months received cheques after they had passed. It should not have happened, but it was in NO way the standard of what happens. The NIS is committed to ensuring that it does not happen again.

Q: If everybody paid as they should, would that help to regularize the fund and help us with these challenges?

A: Yes, it would help but this will not be enough to put the fund on a sustainable footing. The problem is structural. The size of the deficit being projected for the Fund is simply too large. Economic growth, a good design for the fund, increased numbers of people working and efficient governance are all key factors for a healthy NIS Fund.

Q: Why does it take so long (sometimes months) to process applications for benefits?

A: Many of the systems and forms used by the NIS need to be modernized to allow the NIS to be more responsive to the needs of our stakeholders. We must use the technology that is there. We must provide a menu of options as it relates to the benefits being offered. The NIS is currently adjusting its structure, its systems and its IT processes to provide these benefits in a timely and more efficient manner.

Q: Will the retirement age be raised again; or will benefits be lowered?

A: No decisions have yet been made but all options have to be considered. However, whatever decisions are made will be introduced over an extended period of time to ensure minimal disruption to contributors.

Q: Is the report from the Actuary going to be made public for the general public to review?

A: Yes, it has already been made public. Anyone wishing to review the report may do so by logging into the NIS website @ www.nis.gov.bb.

Q: Can I decide that I do not want to pay NIS?

A: No, contributing to the NIS is mandatory for persons who are gainfully employed and earn more than \$21 per week. Paying NIS helps to build the Fund. It is for our benefit, our children's benefit and that of our grandchildren. The Fund is set up to assist us when we are unable to work or for when we have retired. It is in our best interest to pay our contribution.