

National Insurance Scheme



Embracing changes: Towards a new NIS

Minister of Labour, Hon. Colin Jordan, in a Ministerial Statement on Friday unveiled the main changes to the National Insurance Fund. The full detail of the changes can be found in the “Principal Recommendations for the Revitalisation of the National Insurance Scheme” on www.nis.gov.bb.

The goal of these changes is to secure the future of the National Insurance Scheme and ensure its long-term sustainability. The changes came as result of extensive consultations including with the Tripartite Group of Government, Unions and the Private Sector; the faith based community; Non-Governmental Organisations; and the general public. Appendix B of the Principal Recommendations sets out the considerable scope of the process.

Barbados has the biggest pension payouts in the English-Speaking Caribbean – so it is critical that we protect it. **The Revitalisation measures will meet the needs of the NIF over the next 25 to 30 years.**



Here are key highlights of the changes to the NIS:

- **EXISTING PENSIONERS:** No change in current pension amounts.
- **CONTRIBUTION RATES:** There will be no increases for employees or employers in the Contribution Rates.
- **PENSIONABLE AGE:** There will be a one year increase in the retirement age over 11 years. This will take two steps. From 67 to 67.5 in 2028; and to 68 in 2034. These adjustments reflect trends in longevity and are essential to maintaining the fiscal sustainability of the National Insurance Fund.
- **COMPULSORY ADJUSTMENT MECHANISMS:** Implementations of CAM’s to drive a new Funding Policy for the National Insurance Fund that keeps it at a level equal to between 2 and 3 years’ benefit expenditures. The policy will be legislated and requires timely action so that never again will we be tardy in keeping our system viable and effective (See Appendix A of the Principal Recommendations).
- **SELF-EMPLOYED PERSONS (SEP):** Development of a new system to facilitate ease, flexibility and convenience of paying in to earn social insurance coverage and boost enrollment numbers. Right away, SEPs may now pay contributions without schedules, pay any amount at any time during the year, receive payment receipt by email and review/track payments on the portal.
- **QUALIFYING FOR OLD-AGE PENSION:** There will be an increase in the number of contributions required – it now moves from from 500 weeks (10 years) to 750 weeks (15 years) by 2031, **with no effect on those 60 or older on January 1, 2024**. This measure better aligns contribution income to benefit expenditure.
- **WAGES USED:** There will a change from “Best 5 years” to the “Best 10 years” of wages or salaries used for contributors to get a pension. This promotes adherence to the scheme by those who self-declare.
- **EARLY REDUCTION & LATE ADJUSTMENT FACTORS:** There will be an increase from 6% to 9% per annum to reflect increasing longevity for those who retire early; and incentivise those who choose to retire later.
- **ANNUAL PENSION ADJUSTMENT:** There will be a 3% cost-of-living increase to all contributory pensioners in 2023, with up to 1.5% annual increases thereafter, except when 3-year average price inflation is higher than 3%. In this case the Actuary will advise on the appropriate amount.
- **OLD AGE PENSION FORMULA:** There will be changes to the pension formula for future Old Age Contributory Pension (OACP) awards that gradually result in smaller average new pensions over 5 years that are seven percent smaller. (See Appendix E for projected impact).

The Revitalisation measures further cover several other aspects of the NIS with the goal that it becomes the comprehensive system of social protection that reflects Barbados’ value system. In the coming days the NIS will meet the public and media with a communications programme to present the new measures.