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INTERNATIONAL SOCIAL SECURITY ASSOCIATION
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Good Practices in Social Security

Good practice in operation since: 2008

Communication of the investment strategies of the National Pensions Fund

A case of the Ministry of Social Security, National
Solidarity and Reform Institutions

Ministry of Social Security, National Solidarity and Reform Institutions
Mauritius

Communication of the investment strategies of the National Pensions Fund

Summary

The National Pensions Scheme was established under the National Pensions Act 1974. It is a mandatory pension scheme for employees in the private sector and is managed by the National Pensions Fund. The responsibility for the investment of the surplus fund is entrusted to an Investment Committee set up under the provision of the Act. The implementation of the decisions of the Committee is undertaken by the staff administering the Fund. The Fund has accumulated some USD 2.5 Billion since its creation.

During the financial turmoil in 2008, the National Pensions Fund seized the opportunity to invest in the stock exchange as the prices of the stocks had gone down substantially. This was seen as an investment strategy to support the stock exchange of Mauritius against a crash. As a communication strategy, it was decided to meet members of the press and to release press communiqués at regular intervals to inform members of the public of the rationale behind the investment decisions and also to provide them with a detailed breakdown of our portfolio.

As a result of the communication strategy mentioned above there is a perception that the Fund is operating in a transparent manner and there are fewer questions regarding investment decisions of the National Pensions Fund.

This good practice is highly recommended to all member countries

CRITERIA 1:

What was the issue/problem/challenge addressed by your good practice? Please provide a short description.

During the financial turmoil in 2008, the whole world experienced a severe crash on their financial markets, whereby many banks and other financial systems collapsed. The shares on the world's stock exchanges experienced a significant fall in their prices. In Mauritius, when the price of shares fell by more than 25 per cent, the National Pensions Fund Investment Committee took the decision to invest on the stock market, as it was seen as a good investment opportunity. That strategic move indicates how a threat was turned into an opportunity.

That decision was, however, viewed by the public, newspapers, politicians and other stakeholders as a strategy put forward by the National Pensions Fund to support the stock exchange against a crash.

CRITERIA 2:**What were the main objectives and the expected outcomes?**

In a spirit of transparency, the Investment Committee took the decision to meet members of the press and to issue press communiqués, to explain the rationale behind the decision taken. The National Pensions Fund made it clear through the media that it was never the intention of the Fund to support the market but to seize this opportunity as an investor to buy shares during a down market period, as these shares were being offered at a discounted rate.

It was henceforth decided that the National Pensions Fund would meet with the press every six months and that the quarterly performance report would be published on the web site of the Ministry, under whose aegis the National Pensions Fund operates.

CRITERIA 3:**What is the innovative approach/strategy followed to achieve the objectives?**

The quarterly performance reporting is made available to the public as follows:

- i. through press releases;
- ii. through the website.

In addition, the Investment Committee holds a press conference every six months, whereby all the local newspapers, our national Radio/Television and private radio stations are invited to attend. The following information is provided:

- i. the half yearly performance of the fund;
- ii. the rationale behind the investment decisions taken.

The performance is reported in absolute terms and comparative figures with our targeted figures of inflation +4 per cent and performance of other private pension funds are provided.

The future strategy of the fund is also explained in detail and reasons for any new investment strategy are provided. The processes followed are also explained and in cases such as acquisition of assets, the procurement process is published on the website. During the press conference members of the press are given the opportunity to put questions to the Chairman and members of the Investment Committee.

The following are some of the information that has been disclosed to the press and of which they were not previously aware:

- i. the targeted return of inflation +4 per cent based on actuarial report;
- ii. details of the actuarial report (also available on the web site);
- iii. details of the Investment Guidelines.

CRITERIA 4:

Have the resources and inputs been used in an optimal way to achieve the set objectives and the expected outcomes? Please specify what internal or external evaluations of the practice have taken place and what impact/results have been identified/achieved so far.

According to the National Pensions Act, an Investment Committee is set up to determine and decide on strategies for the investment of funds.

The Investment Committee is tripartite and its composition according to the Act is as follows:

- Chairperson (Financial Secretary);
- three Government Officers chosen by the Minister of Social Security;
- three representatives of employers;
- three Representatives of employees.

The role of the Investment Committee is to decide on the investment strategy and policy so as to achieve the targeted return of inflation +4 per cent.

Hewitt LY Ltd has been selected as the investment adviser to the Committee. They operate under an agreement to provide a full advisory service designed to ensure that the Committee is fully briefed both to take decisions and to monitor the work of those to whom the authority is delegated to implement the decisions of the Committee. They are paid an agreed fixed monthly fee for services rendered. This structure has been chosen to ensure that cost-effective, independent advice is obtained.

Details of the information to be provided to members of the public with respect to the investment portfolio are prepared by the Investment Adviser along with the two accountants who are posted on a permanent basis to the accounting unit. The two accountants are assisted in their tasks by junior officers of various grades.

The communication strategy is not outsourced to professional organizations but is worked out by members of the Investment Committee on the basis of information provided by the two accountants and the Investment Adviser. The communication exercise is thereafter entrusted to the Chairman of the Investment Committee and the members. The Investment Adviser is also present during the press conferences.

In addition, all information relating to investment of the fund is published on a regular basis on the website of the Ministry.

CRITERIA 5:

What lessons have been learned? To what extent would your good practice be appropriate for replication by other social security institutions? Please explain briefly.

The sensitization campaign has created a lot of interest among members of the public and most importantly among private sector employees regarding the manner in which their money is being managed. The functioning of the National Pensions Fund is now transparent and we receive fewer queries from the public, the Trade Union and the press at large.

We highly recommend the replication of such practice to other social security institutions because good governance dictates the proper dissemination of information which shall be made available freely and easily to every stakeholder.