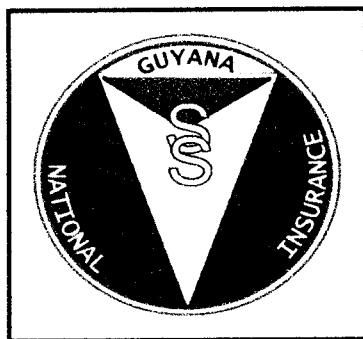


# **NATIONAL INSURANCE SCHEME REFORM PROJECT**



## **FINAL REPORT OF THE NATIONAL INSURANCE REFORM COMMITTEE**

*November 2007*



# NATIONAL INSURANCE SCHEME REFORM PROJECT

24<sup>th</sup> December, 2007

Dr. Roger Luncheon  
Chairman  
NIS Board  
C/o Office of the President  
New Garden Street  
Georgetown

Dear Sir,

I have pleasure in presenting to you the Final Report of the National Insurance Scheme Reform Committee.

The work of the Committee should have been completed in approximately four months by the end of October 2007. In the interest of thoroughness and completeness, it was found necessary for the work of the Committee to be extended another month. We are sorry for this but it was unavoidable.

We should of course look forward to a speedy implementation of the recommendations, once the Board has accepted them. Members of the Committee who have relevant skills are ready to assist if required to do so.

I shall hold myself in readiness to answer any queries or give any clarifications vis-à-vis the Report, in case such should arise.

Yours respectfully,

  
Rajendra Rampersaud  
Chairman  
NIS Reform Project



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## PREFACE

The work of the National Insurance Reform Committee has now been happily finalized and in this process a large number of persons and organizations had lent their support and help.

We would, in this regard, like to express our thanks and appreciation to Mr. Ovid Walton and his Project Coordinating Unit; Mr. Patrick Martinborough and the Staff of the NIS; the Hon Minister of Finance Dr. Ashni Singh; the Hon Minister of Labour Mr. Mansoor Nadir ; various professional and business organizations and persons including the Chancellor of the Judiciary, the Optometrists Association, the Forestry Association, the Miners Association, Medical Doctors attached to the NIS, Fishermen, Mini-bus Drivers/Operators and even Lawyers. The Committee was also able to access the experiences of the equivalent Schemes in Barbados and St. Lucia by visits of two Committee members to those countries to observe their operations. Their reports were particularly valuable in the area of investment of funds.

We have striven after brevity and directness and as such have excised much explanatory material, which through interesting and valuable per se, we assessed could obscure and would not further the easy adoption of our recommendations within NIS programs and activities.



## Chapter I

### INTRODUCTION

The National Insurance Scheme (NIS) came into operation in 1969 over 30 years ago. Since its foundation, it had been providing much needed and appreciated social benefits to its members. With the effluxion of time, however, its level of delivery and its impact on the Society has somewhat declined. Government understood this and felt that the time had come for the reviewal and reform of the Scheme.

A National Insurance Reform Committee was therefore appointed with Terms of Reference to advise on the reform and vivification of the Scheme. The details of these Terms are stated in the Executive Summary which follows.

The members of the Committee were chosen on the basis of the advice of the Actuary, Mr. Osborne as stated in his 2005 Report and consisted of representatives of the following:

***Government of Guyana; Consultative Association of Guyanese Industries Ltd; Ministry of Finance; Guyana Trades Union Congress; Federation of Independent Trade Unions of Guyana; University of Guyana; Private Sector Commission of Guyana; Guyana Consumers Association; Guyana Pensioners Association; Bank of Guyana; Political Opposition.***

In parenthesis, we may mention that in the future appointments of Committees based on various groups and organizations, assurance must be secured that the persons appointed by such organizations have knowledge, interest and capability to contribute to the work of the Committee and would be attending meetings and meaningfully participating. Such would be an essential adjunct to the recommendation of the type made by Mr. Osborne as mentioned above.



The Committee divided itself into the following four Sub-Committees:-

1.) **Investment/Financial Management/Pension** Sub-Committee with the following members

Mr. Christopher Ram/Mr. Rajendra Rampersaud - Chairman  
Mr. Paul Chan-A-Sue  
Mr. Lloyd Joseph  
Mr. Patrick Martinborough  
Mr. Patrick Dial

In September 2007, Mr. Christopher Ram resigned from the Committee to further his legal studies in Trinidad and Mr. Rajendra Rampersaud succeeded him as Chairman of the Investment/Financial Management/Pension Sub-Committee.

2.) **Benefits/General** Sub-Committee; with the following members:

Mr. Seepaul Narine - Chairman  
Mr. Patrick Dial  
Ms. Sibyl Cort  
Mr. Rajendra Rampersaud  
Ms. Eileen Cox  
Mr. O'Neil Greaves  
Mr. Jairam Petam  
Mr. Gerald Neblett

3.) **Legislation/Compliance** Sub-Committee; with the following members:

Mr. Lloyd Joseph - Chairman  
Mr. Christopher Ram  
Mr. Seepaul Narine

4.) **ICT/Organization/Human Resources/Communication** Sub-Committee; with the following members:

Mr. Earl John - Chairman  
Mr. George Robinson  
Mr. Trevor Thomas



Mr. Jairam Petam

Mr. O'Neil Greaves

These Sub-Committees were meant to reflect the functional areas of the NIS and with intent that the Sub-Committees' recommendations be easily and effectively programmed into NIS activity.

The Committee and its Sub-Committees had approximately four months from July to October 2007 in which to complete their work. They commenced work immediately after appointment and every Sub-Committee met weekly. The Chairmen of all four Sub-Committees met at the end of each week for a clearing-house meeting.

Individual Sub-Committees also met various stakeholder groups and organizations which had special bearing on their respective work. The entire Committee met in plenary session on average once every three weeks.

Owing to the fact that the various Committees strove after thoroughness and to arrive at as factual and as realistic recommendations as possible, the agreed time closure at the end of October 2007 had to be extended to November and this time extension helped to bring about greater perfection to the Report.



## Chapter II

### EXECUTIVE SUMMARY

This Executive Summary consists of:-

- (i) **The Revised Terms of Reference under which the Committee acted**
- (ii) **The Scope of Work which informed the deliberations of the four Sub-Committees.**  
**The Scope of Work is sufficiently detailed in many respects to further guide and enrichen the Reform process when it would have been embarked upon.**
- (iii) **Brief statement of Methodology used.**
- (iv) **Condensation of the recommendations of each of the Sub-Committees.**

#### (i) Revised Terms of Reference for NIS Reform Committee

The Reform Committee is required to:

- i) Examine all aspects of the National Insurance Scheme, including policy formulation, statutory requirements, organization structure, operational procedures and processes, and the overall financial viability of the Scheme;
- ii) Conduct a comprehensive analysis of the efficacy of the organization's delivery capacity, and make recommendations for the general and specific improvement in quality and timeliness of its services and products.

In carrying out this undertaking the Reform Committee is expected to examine all relevant documentation, including the following:

- i) Reports of the National Insurance Scheme
- ii) Reviews of the Management and Operations of the National Insurance Scheme by various analysts, including Actuarial Reviews
- iii) Recommendations received from the general public
- iv) Submissions from identified stakeholders, (e.g. health service providers, actuaries, identified companies and worker representation)
- v) Dedicated recommendations of the Board of the National Insurance Scheme
- vi) Submissions from the Executive Management of the National Insurance Scheme
- vii) Views of the Appellate Tribunal of the National Insurance Scheme
- viii) Any other source of information and/or expertise relevant to the reform process
- ix) Models of comparator organizations and systems throughout the Caribbean; as well as those by the International Labour Organization.



- x) **Legislation**
- xi) **Any other related issue.**

## **(ii) Scope of Work**

The scope of examination and recommendations may include, but are not limited to the following:

### **Benefits In General**

- a) Removal of restrictions, other than those related to contributions, on accessing benefits once earned through stipulated number of contributions
- b) Determination of Rates of Reimbursement for Medical Care Benefits
- c) Provision of a revamped Medical Care Benefit, with revised eligibility criteria, based on contributions only
- d) Removal of all gender bias in accessing benefits, eligibility for which is based on contribution.
- e) **Consideration of the payment of unemployment or any other benefit**
- f) **Any other related issue.**

### **Income Ceiling**

A comparative analysis of relevant models to determine an Insurable Income Ceiling, taking into account:

- i) The Guyanese Social Insurance Policy Factor;
- ii) Income Distribution in Guyana Factor.

### **Legislation**

Amongst others, consideration of:

- a) More stringent legislation to be applied to employers and self-employed persons who default in their contributions to the Scheme and in other areas of compliance.
- b) Legislation mandating employers **and NIS** to furnish employees/**contributors** regularly with information regarding their deductions to the Scheme.
- c) Legislation allowing employee contributors, individually and collectively, to take legal action to recover misappropriated contributions from defaulting employers.
- d) **Any other related issue**

### **Governance and Organization**

- a) Comprehensive review of, and recommendations for the general restructuring of the National Insurance Scheme, including:
  - i) The Mission Statement of the National Insurance Scheme
  - ii) The Constitution of the **Board and its Committees**
  - iii) The decision-making process
  - iv) The management component to be instituted in order to discharge the expanded responsibilities of the organization
  - v) The reporting relationships and communication procedures
  - vi) The statutory powers of the General Manager and the latter's relationship with the Board



- vii) **Consider forms of mandatory disclosure to stake-holders, of identified NIS information**
- viii) **Any other related issue.**

#### **Human Resources**

- a) Assessment of the range of management and support Human Resources Skills that may be necessary to discharge the recommended new and modified operations; **specifically enhance** the role of the Inspectorate in enforcing compliance.
- b) Assessment of the need for establishing a dynamic Performance Management System that will contribute to more effective delivery of services by the National Insurance Scheme.
- c) **Any other related issue.**

#### **Operations**

- a) Expanding locations and improving mechanisms for encashment of vouchers
- b) Converting fully to payment of benefits by cheques
- c) **Any other related issue.**

#### **Investment Income and Policy**

- a) Review of the Investment Performance of the National Insurance Scheme, Actuarial Reports; Consultations with relevant parties including those authorized to make and implement the Investment Policy of the National Insurance Scheme, to ensure and enhance its sustainability, through diversification, as necessary.
- b) **Any other related issue.**

#### **Information Technology**

- a) Computerization – services, record-keeping, expansion of e-business applications to upgrade the efficacy of the Scheme's operations.
- b) **Any other related issue.**

#### **Financial Management**

- a) Review of the Financial Management Structure, accounting, practices towards enhancing standards of accountability.
- b) **The status, role and Reporting relationship of the Internal Audit Function vis-à-vis the Board and the external auditors.**
- c) **Appointment, role, reporting relationship of the External Auditors.**
- d) **Any other related issue.**

#### **(iii) Methodology**

The Committee familiarized itself with the documentation produced by the NIS including the Annual Reports, Actuarial Reports, Report of the 2006 Inaugural Workshop, IADB's Review of the NIS 2005,



the various internal reports generated by NIS including the Report on the Public Consultations held country-wide by NIS on all major issues (2007) and the Legislation.

There were wide ranging Consultations with staff members of the NIS, and various stakeholders including the Optometrist Association, Judicial officers, the Miners Association, the Forest Products Association and the Medical Doctors attached to NIS.

Each of the four Sub-Committees held meetings every week together with a clearing – house meeting of the Chairmen of the Sub-Committees at the end of every week. Plenary sessions of the Committee were held every three weeks, on the average.

Observation visits to Barbados and St Lucia by two committee members to compare our Scheme with theirs with intention of recommending the adoption of any operations and procedures which may be more effective than ours.

#### **(iv) Condensation of Recommendations of each of the four Sub-Committees**

We decided to give condensations of each Sub-Committee's Recommendations rather than to integrate the four sets of recommendations into one. The two basic reasons for this approach is that as the recommendations of the four Sub-Committees stand, they can easily be referenced to and programmed into NIS functions and secondly, we felt that it would lead to greater clarity and ease of reference and avoid the unraveling that would inevitably have to be done in a coalesced report.

The Sub-Committees are dealt within the following order:

- (a) Investment/Financial Management/Pension Sub-Committee**
- (b) Benefits/General Sub-Committee**
- (c) Legislation/Compliance Sub-Committee**
- (d) ICT/Human Resource/Organisation/Communication Sub-Committee**

(a) Investment/Financial Management/Pension Sub-Committee

The basic assumption of this Sub-Committee was that the finances of the NIS were in impending crisis and that in about five years expenditure would begin to exceed total income. It is estimated that in 2013 the reserves would begin decreasing and be depleted by 2022. A positive indication of this disastrous scenario was that already in the year 2006, annual expenditure had exceeded contribution income. The Sub-Committee's Recommendations were directed towards reversing these negative financial trends and restoring permanent financial stability to the Scheme.

Investment: It is recommended that an Investment Management Committee be appointed by the Finance Minister to administer investment of funds of the NIS with safety, liquidity and yield being guiding principles. Investments would be made locally as well as overseas. NIS Funds could be used to improve competitiveness in the local money and bonds market bringing development and social benefits in its train. The higher returns earned could begin the process of improving financial viability of the Fund.

Financial Management: The financial statements of the NIS are prepared under International Financial Reporting Standards (IFRS) except that contribution income is not prepared under the accrual system but is accounted for on a cash basis. This leads to an anomaly and can have negative effects as for example reducing the compulsion to pressure delinquent employers. This should be rectified and contribution income brought within (IFRS).

The process of computerizing the accounting functions should be speedily completed. Together with this, a systems audit to ensure the integrity and security of information entered into the system must be instituted. The system must generate payment and pension vouchers.

The audit service should be put up for tender and there should be audit rotation.

A deadline must be set for the responsible Minister to table the NIS annual report in Parliament

NIS Reform Project



The senior staff of the Internal Audit and Finance Division should be fully facilitated in obtaining higher professional qualifications in their respective fields.

**Accounting Records**, both manual and electronic, and in particular contribution records, need to be constantly secured and properly arranged for easy finding.

**Pensions:** There are three types of pensions – Old Age, Invalidity and Survivors – which absorbed approximately 83% expenditure in 2006. Old Age Benefit absorbs about 66% of total expenditure. These percentages keep growing every year and have to be quickly rationalized if the Scheme is to remain financially viable.

**Such rationalization could be addressed as follows:** By having the approximately half of the country's workforce who are self-employed to be insured by the NIS. Several of the present NIS rules and procedures will have to be changed to be more accommodating to the self-employed such as permitting the self-employed to pay their contributions at any time within a year. Extending insurance to the self-employed in a more comprehensive way would help to improve NIS finances. By employing the formula in calculating Old Age Pensions where the total insurable earnings during the period the person contributed be divided by number of years of contributions. The contributions would be indexed to the inflation rate year by year. This formula would be fairer and would save the fund money.

By having the age of receipt of Old Age Pension be extended to 65 years in keeping with the increasing longevity of the Guyanese population and as obtains in other CARICOM states.

There are other optional recommendations such as increasing the number of contributions payable to qualify a contributor for a pension. The NIS finances would improve considerably if the Pensions system is reformed.

### **(b) Benefits/General Sub-Committee's Report**

The Recommendations of the Benefits/General Sub-Committee could fall into two categories:- The first category relates to those benefits which form the bulk of the day-to-day activity of the NIS and the



second consists of initiatives which the NIS should embark upon to increase its social impact and expand its membership.

In the first category it was recommended that the pensionable age be increased to 65 years and that Public Servants who retire at 55 years be allowed reduced pensions, such a pension group being eliminated in about 10 years. Certain age related ailments are recommended to qualify for benefits. Invalidity Benefit, Survivors Benefits, and Industrial Injury Benefit to be rationalized and the quantum respectively granted for Funeral, Constant Attendance, Spectacles, Dental Care and Maternity Benefits to be increased. Sickness benefit to be reformed to accommodate seasonal workers. With regard to Sickness Benefit Medical Care, action must be taken to stabilize Medical Charges; Standards of Care to be established; sub-standard pharmaceuticals to be eliminated from the market.

The second category proposes the intensification and extension of NIS Education/Information activity to effectively inform about NIS benefits on offer, the CARICOM Social Security Agreement and "Preventative Medicine, Information efforts in the Secondary Schools must be initiated and sustained and Social Security should be integrated as part of the syllabus of the CXC examinations.

Certain administrative action should be taken to increase quality of delivery. These include an annual statement of contributions being sent to each contributor, ensuring that the Scheme's dilatory delivery be successfully addressed, errant employers be made to honor their obligations and the state confusion of which has pervaded the Scheme's records for the period 1989 to 1998 be eliminated in 2008, even at some financial loss to the NIS.

The Dependants Pension Fund should be absorbed into the NIS by a formula satisfactory to all stakeholders.

The Self-employed could be brought within the Scheme by a number of accommodations including being allowed to pay their contributions at anytime within a calendar year, extending Injury Benefit, Injury Benefit Medical Care and Disablement Benefit to them, given special training to Inspectors who work with the Interior Industries, and adoption of some of the techniques of commercial insurance. **Domestics** to be classified as self-employed.



Unemployment relief or benefit was regarded as futuristic at present

**(c) Legislation/Compliance Sub-Committee**

This Sub-Committee recommended on the question of Legislation in the work of the NIS and methods of extending insurance to sections who are uninsured.

**Legislation:** A strong recommendation was made for the establishment of a Legal Department in the NIS; change in NIS Legislation to permit use of the Commercial Court; facilitation of Garnishee Proceedings; making it impossible for self-employed persons to obtain licenses to ply their trade except they had NIS compliance; and to make the legal definitions of self-employment and self-employed simpler and without any ambiguity. It was also recommended that the Inspectorate and Compliance Departments be given comprehensive training in NIS Laws and Regulations.

**Compliance:** The self-employed to be brought within the NIS by extending accommodations to this group including options of payment of contributions seasonably or periodically.

The category of voluntary contributors be reviewed and expanded with the object of bringing overseas Guyanese into the Scheme

That in the Caribbean where reciprocal arrangements and polices exist under the CARICOM SOCIAL SECURITY AGREEMENT, an actuarial assessment be conducted to determine how the pension element of any contribution period by a Guyanese national living and working in any Caribbean country would be repatriated to Guyana so as to increase the amount of pension payable at some future date.

**(d) ICT/ Organisation/Human Resource/ Communication Sub-Committee**

The areas covered by this Committee were fundamental to the functionality of the Scheme.

**ICT:** had long been recognized as of vital importance to the scheme and this was reflected in the several internally-generated Reports on the subject. Efforts to bring the Scheme fully into the world of ICT will have to be more energetic and focused. A first step in this direction must be the upgrading of



the human resources involved in this field as well as modernizing the relevant technology (IT) at the NIS.

**Organisation:**

The COFA Act give the Board a number of Executive Functions which have now with the effluxion of time devolved on the Executive. These executive functions must be formally transferred to the province of Executive and must be properly delineated.

A Deputy Chairman needs to be appointed.

The financial and work conditions of the Inspectorate need to be reviewed. These would include travelling allowances, duty free vehicles, job descriptions, geographic areas. It is recommended that NIS appoints a Task Force to report on this subject.

The NIS Board should be subject to a system of phased appointment so as to ensure continuity.

The Management must revitalize itself by constantly adverting to standard administrative procedures and processes such as design and adaptability of Data formats to be processed by various units; ensuring the prompt transmission of information and decisions; reporting-deadlines must be set and observed; supervision must be of a constant high quality; periodic performance evaluation; performance standards set out productivity evaluated.

The Scheme's Mission Statement needs to be revised.

Establishment of a resident Legal Unit which could cut down the time lag caused by outsourcing legal advice and also would be useful in assisting with the process of updating the NIS Act and Regulations.

**Human Resource**

Care should be taken in keeping to the complement of staff and to avoid any over-running of this complement. Vacancies should be filled.

Job descriptions should be re-written for all jobs. A job evaluation should follow with a compensation survey. Detailed guidance in this process is given in the body of the Sub-Committee's Report.



The principle of rewarding higher levels of performance with incentives or increments has become somewhat blurred with across the board increases which have been used of recent years. The meritocracy principle must be reaffirmed and effectuated with the active resuscitation of Performance Appraisal system.

NIS staffing is systematized on the hierarchical principle which contains within its core the succession principle. The hierarchical principle linked with the succession principle hold out career prospects as well as for timely preparation by aspirants for next higher job levels. Succession to the various offices should always be kept within sight by Administration.

Training or Human Resource Development should be a permanent activity in which officers who would be moving upwards in the hierarchy should participate and be also made available to officers of outstanding performances and capability; such training would improve morale and motivation as well as efficiency.

It may be useful for the officer responsible for Personnel Management to have an executive- type Human. Resources Management Committee to ensure consistency in application of all rules and procedures relating to Human Resources Management and development and to supervise the proper implementation of a disciplinary code.

### **Communication**

The present Communication section of the NIS needs to be redesigned and more professionally resourced to project a positive image of NIS and establish more collaborative linkage with identified stakeholders. The section, for example, must be able to deal with informational inquiries from members of the public and should be able to guide contributors who may have queries.



### Chapter III

## SUMMARIES OF RECOMMENDATIONS OF THE FOUR SUB-COMMITTEES

We considered it useful to place the Summaries of Recommendations of the four Sub-Committees together so that they could easily be compared and digested for future action. These details of the Recommendations also serve as an authentication and amplification of the Executive Summary.

Recommendations which overlapped or duplicated each other were weighted leaving the recommendation with the Sub-Committee under which it could more appropriately fall. On the other hand, recommendations which were similar were left undisturbed in their Sub-Committees if the orientation and flavour presented another facet.

We would like to remind readers that many individual items which are mentioned in the summaries of recommendations are further amplified in their respective sub-committee's report. For example, the age-related ailments mentioned in No. 3 of the Summary of the Benefits/General Sub-Committee are detailed in that sub-committee's report.

### Financial Management/Investment/Pensions Sub-Committee

#### Investment

1. **Positive Real Rate Of Return**

The NIS should target a real rate of return of 3% or an amount as advised by the Actuary on its investment with an appropriate mix of short term, medium and long term investments. This rate of return was considered a reasonable level at a Seminar on Social Security Investment in the Caribbean (2004).

2. **Portfolio Mix of Investments**

The portfolio mix should be correlated with the expenditures for the payment of benefits. For instance, if the payment of longer term benefits is equivalent to sixty percent of expenditure



then longer term investment should be around sixty percent. Consideration should also be given to financial market conditions. There can be some tilt towards short term investments when interest rates are high and vice versa when rates are low.

3. **Develop Institutional Investor**

The NIS being an important Institutional investor can help to improve the competitiveness of Guyana's money and bonds markets that can issue commercial paper for investment.

However, the constraints need to be removed while the regulations on the equity markets that will improve disclosures and corporate governance, need to be strengthened to improve domestic investments. It can also create the conditions for the development of the capital market through a more competitive corporate bond market. This was alluded to by the Minister of Finance in a speech on October 14, 2007 to the Technical Seminar on Debt by the Commonwealth Secretariat. However, constraints to developing the corporate bond market should be addressed that can provide better investment and growth opportunities in Guyana, with use of the liquidity from the NIS that attracts real rates of returns.

The Board of Directors should have full discretionary power to direct, allocate, rebalance or liquidate the Fund's investments in compliance with the terms of this investment policy. The Board upon the recommendation of the investment Committee shall initiate or delegate to do all investment transactions.

4. **Amendment of The NIS And COFA Act**

The National Insurance Social Security Act and Cooperative Financial Act (COFA) that currently places all NIS investment decisions in the hands of the Minister of Finance should be amended. This cumbersome process resulted in lost opportunity for the NIS and a reduction of the asset value. These Acts should be amended to place such decision making in the hands of the Board that is appointed by the Government with the Minister of Finance having the oversight responsibility. The new Act shall include the investment policy guidelines.

5. **Investment Manager And Committee**

An investment Manager should be appointed who reports to the Board on behalf of the Investment Committee appointed by the Minister of Finance. The investment committee should comprise of four persons appointed by the Minister of Finance, with the appropriate skills and representation of the major stakeholders. The Investment Manager can outsource investments on the International market to International portfolio managers. In this regard, it should be noted that there exists in Guyana a Merchant Bank which successfully handles the international portfolio of one of the major Commercial Banks as well as other commercial entities.



**6. Objectives of Investment**

Investment objectives should be safety, liquidity and yield. Safety of principal is the principal objective of the Fund's investment programme. Investments must ensure the preservation of the Capital in the overall portfolio. Liquidity – the portfolio to be flexible to meet all cash requirement. The portfolio should be structured so that investments mature concurrently with cash needs.

The Financial viability is dependent on the growth of the reserves which project at a yield or real rate of 3%.

**7. Social Investment**

The NIS approves loans or commits monies to projects which in themselves are not lucrative investment but nevertheless confer significant benefits to society. These investments should not be more than 10 percent.

**8. Performance Monitoring And Measurement**

There should be at least quarterly reviews of NIS investments by the Board. These reviews should measure performance against targets (quarterly and annually). These reviews should be presented to the Minister of Finance. In assessing the performance of a Scheme's investments two issues would have to be considered – the extent to which reserves are backed by invested assets or the efficiency with which assets are invested i.e. the actual rates of return.

There should be clear and appropriate benchmarks to allow the governing body of NIS Investments to assess performance, update asset allocation strategy and to make adjustments to investment policy and strategy.

**9. Prudential Limits of the Portfolio**

The investment policy of the NIS Reserves should be based on prudent principles and appropriate quantitative restrictions. It should take into account the following concepts risk management, diversification and dispersion, currency matching, duration and maturity.

**10. Guidelines for Investment**

The guidelines for investments of the NIS should be part of the Act. Over a five year period NIS should target moving 30 percent of its assets/investments into a foreign investment that includes both regional and extra regional sources. The phasing of this move should take into consideration monetary and exchange rate stability.



## **Financial Management/Audit**

### **11. International Accounting Standard**

The NIS financial and accounting statements are prepared under International Financial Reporting Standards (IFRS) with one very significant departure. Contribution income is not prepared under the accrual system but is accounted for on the cash basis i.e. when cash is received. Since the deduction and payments of contributions is a statutory obligation, we recommend a change in the accounting policy so that contributions are accounted for on the accruals basis as required by the IFRS and as practiced by other Caribbean territories.

### **12. Audit Rotation**

The policy of audit rotation as part of the overall government policy should also cover the NIS: In cases where the benefit exceeds the costs it is recommended that external audit of the NIS be put up for tender to ensure integrity of the process.

## **Pensions**

The recommendations are based on the objective that annual income received from contributions by the Scheme must exceed the annual expenditure for the next twenty years.

This should be done by:

- a) Reducing the cost of Old Age Pension and Invalidation pensions in the long term and
- b) Increasing income in both the short and long term

### **13. Reducing the Cost of Pensions**

Change the definition of 'Relevant Wage' from 'the 3 years which give the highest average insurable earnings within the last 5 years to the person attaining the age of 60 years.....' to 'the total of the indexed insurable earnings during the entire period the person contributed divided by the number of years of contributions.'

Reducing the average weight allocated to the accumulation of the total percentage of the pension from 1.7% to 1.5% over a 10 year period.

The first recommendation has the effect of reducing the pension range by moving the lower end of the range upwards and the upper end downwards. It also eliminates the bias that is inherent in the present definition of that parameter.

The second recommendation has the same effect as increasing the pension age from 60 years over a 10 year period.

14. Increasing Income In Both the Short and Long Term

Simplify the conditions for self employed persons to pay contributions to the Scheme by using a wage - group approach and allowing payments to be made at any time and in any manner chosen by the contributor on or before the 15th day of January in respect of the previous year.

Investment of the NI fund in a structured manner that is legislated so that it could reap the maximum returns,

The first recommendation is a short term measure of increasing income which has in its wake long term liabilities. This was discussed earlier.

The second recommendation is the only way of increasing income in the long term. That is addressed in the Investment section of the report.

Benefits General Sub-Committee

1. 2.

Old Age Pension- pensionable age to go to 65.

Old Age Pension - reduced pension at 55 for Public Servants - to be phased out in 10 years with the pensionable age being raised to 60 or 65 years;

Benefits for age - related ailments.

New category of "Temporary invalid".

Discrimination based on age and sex removed from Survivors Benefit

Funeral benefit to be increased.

Constant Attendance Benefit to be increased.

3. 4. 5. 6. 7.

8.

Peculiarities of seasonal employment to be taken into account in awarding sickness and Medical Care Benefits.

NIS to establish Clinics for limited testing and purveying medical advice and education. Equitable relationship is established between local and overseas medical expenses paid by NIS.

Standards of Medical Care to be established for various treatments.

. Testing of pharmaceuticals and withdrawal of sub-standard drugs

9. 10.

11.

12.

I



13. Medical records to be kept by NIS for the life- span of the contributor.
14. Eye Care – spectacles: Strengthening professionalism in this activity and preventing unqualified persons from dispensing spectacles.
15. Dental Care Grant to be increased.
16. Maternity Benefit Grant to be increased.
17. Industrial injury benefit – employers to pay for first three days of incapacity due to injury.
18. Disablement Benefit to be increased.
  
19. Initiatives in connection with Education and Information:-
  - An aggressive programme of public education to explain the portfolio of benefits on offer;
  - Disseminate information on CARICOM Social Security Agreement;
  - Education on the Preventative aspects of Health Care;
  - Contact between the public and Education/Information Section to be made easier and more efficient;
  - Holding sessions in every school term with upper forms of the Secondary Schools outlining NIS activity;
  
20. Initiatives in Administrative Activity
  - Statement of contributions to be sent annually to every contributor;
  - Employers who withhold employees' contributions must be prosecuted and NIS Officers who are negligent to do this must be disciplined;
  - A weekly check on the Scheme's delivery, especially on elimination of outstanding claims;
  - All pension claims for period 1989 to 1998 should be liquidated by end of 2008, even at a loss for the NIS;
  - District offices must service contributors within their districts and such persons should not come to Georgetown specifically to do NIS business;
  - Part of Inspectors duties should be to assist employers to correctly complete their NIS documentation.



21. The Dependant Pension Fund should be absorbed into the NIS and the process in so doing be refined with the assistance of the Guyana Consumers Association, the Actuary and other stakeholders.
  
22. Extension of benefits to the self-employed:-
  - Comprehensive and continuous campaign be conducted to inform the self-employed of the Scheme's portfolio of benefits;
  - Allow the self-employed and certain seasonal workers to pay their contributions at anytime in a calendar year;
  - Domestic servants serving with private households or persons be permitted to register among the self-employed;
  - Injury Benefit, Medical Care and Disablement Benefit to be extended to the self-employed;
  - A minimum monthly average income should be set for the self-employed;
  - Some of the techniques used by commercial insurance should be adopted such as a bonus to the Inspector for every self-employed he insures;
  - Ensuring that benefits due to contributors in Interior industries and in Fishing are promptly granted;
  - NIS Personnel who are involved with non-coastal industries and Fishing should be trained in the workings of such industries.



## Legislation/Compliance Sub-Committee

### List of Recommendations

1. The Legal Department should immediately be re-established and a Legal Adviser/s be appointed as the Head of the Department.
  2. There should be introduced immediately training programmes to upgrade the skills of the Inspectorate and Compliance Departments with regard to enforcement of the existing National Insurance laws and regulations.
  3. The National Insurance Act be amended to permit access to the Commercial Division of the High Court of the Supreme Court of Judicature specifically to recover contributions due and payable to the National Insurance Fund by non-complying employers, and self employed contributors.
  4. That the National Insurance Act be amended to facilitate **Garnishee Proceedings**.
  5. That the National Insurance Act be amended and the meaning of **self-employment** simplified by listing and defining categories of employees thereby removing the difficulty whereby employees are defined as self-employed by employers seeking to avoid paying contributions on behalf of certain categories of employees.
  6. That simultaneously with the above, the methodology for the payment of contributions by self-employed persons, be simplified by the re-introduction of **bands of contribution**, giving self employed persons the option of paying contributions seasonally or periodically as determined by the nature of the particular business or kind of employment.
  7. That the National Insurance Act be amended making it compulsory for certain categories of self-employed persons to obtain licences to ply their trade or carry on business only upon the production of a certificate issued by the N.I.S showing full compliance with the National Insurance Act, relating to the payment of contributions.
  8. That the self-employed regulations be amended to enable self-employed persons to receive **“short-term” Industrial Injury Benefit** but subject beforehand to actuarial assessment.
- Making NIS attractive by the introduction of novel ideas.**
9. That by expanding the meaning of and re-defining the category of persons who may qualify as **Voluntary Contributors**, Guyanese living overseas will be able, upon payment of a **flat rate Voluntary Contribution** qualify for certain limited kinds of benefits and medical care treatment.
  10. That in the Caribbean where reciprocal arrangements and protocols are already in existence, an actuarial assessment be conducted to determine how the **pension element** of any



contribution paid by a Guyanese national living and working in any Caribbean country would be repatriated to Guyana so that the increase in the amount of pension payable at some future date would be higher upon reaching the pensionable age.

## **ICT/Organization/Human Resources/Communication**

### Recommendations

1. The Board may wish to consider, similar to other extant Sub-Committees of the Board, the establishment of a Remuneration Committee that should be mandated to periodically analyze the recommendations of management on remuneration and conditions of service.
2. The restructuring of the Public Relations and Service Committee to access expertise from outside the Committee.
3. Instituting a system of phased membership so as to ensure that there is continuity in the Board.
4. The activities of the NIS must be clearly delineated to distinguish between “strategic and “operational” issues. The former to be associated with the Board and the latter with Executive Management.
5. NIS should, at the earliest determine a Strategic Communication Plan, and the job content of the Public Relations Officer to be revised in sync with the Plan. It may be appropriate to change the Job Title of the PR Officer to Communication Manager. The Board may wish to facilitate a strategic workshop to work out a communication strategy.
6. A succession plan would have to be instituted that provides a progression system within the organization. All development interventions must be clearly guided and informed by the succession plan. In this regard, a Deputy General Manager should be appointed.
7. Job descriptions should be re-written for all jobs, since it would appear that with changes in technology, work methods and content, jobs may have been fundamentally changed over the years. This should be done to facilitate a thorough job evaluation that should also include a compensation survey. In particular, the conditions of service of the Inspectors should be reviewed to provide an environment to allow for the execution of their duties more efficiently.
8. A detailed review of the existing organizational structure that takes into consideration the possible inclusion of new jobs; as well as the need for the modification of existing jobs as a consequence of revised responsibilities that would result from the reform



process. This would have to take into consideration, also the establishment of a Legal Unit, and the appointment of an Investment Specialist.

9. The NIS must be able to accurately determine the required manpower establishment, the current manpower establishment (permanent and temporaries) and vacancies in the establishment.
  
10. The NIS should seek to implement an effective Performance Management System that informs on merit increases, training and development needs, and succession planning.
  
11. The Inspectorate should be considered a special category of employees due to the nature of their work, and the importance of their input to the operations of NIS. Their conditions of work should be reviewed to include the provision of transport and access to flexible working time.

## APPENDICES

Though the recommendations and the essence of the Reports of the four Sub-Committees have been encapsulated in Chapters ii and iii, we considered it necessary to carry the Sub- Committee Reports in full as part of our final report.

These Sub-Committee Reports add authenticity to the work of the Reform Committee and form a useful reference and guide in clarifying and amplifying issues and recommendations.

The Reports of Sub-Committees appear in the following order:-

1. **Investment/Financial Management/ Pension**
2. **Benefits/General**
3. **Legislation/Compliance**
4. **ICT/Human Resource/Organisation/Communication**