



March 2026

Consultation Paper

1. This consultation paper is published by the Financial Services Commission (the “FSC”) to consult on the proposal being put forward of the possible approaches for further developing the market to expand pension coverage and deepen pension adequacy for the informal sector in Jamaica. Feedback on this paper will be further evaluated as part of the decision-making process by the FSC upon the input of the relevant stakeholders. Stakeholders include, but are not limited to, Pensions Industry Association of Jamaica, Ministry of Labour and Social Security (“MLSS”), Investment Managers and Administrators of Approved Retirement Scheme, any other governmental and sector-based agencies and unions and the wider public.
2. After considering the submissions and feedback from all relevant stakeholders, in response to this consultation paper, the FSC intends to, if necessary, refine the proposal and initiate the implementation of the mechanisms outlined in the most optimal way possible. This paper is intended for discussion only and should not be interpreted as recommendations for legislative or regulatory amendment.
3. All relevant stakeholders are invited to provide their feedback on these guidelines.
4. Feedback is useful when it:
 - a. indicates the section and specific point to which a comment or feedback relates;
 - b. contains a clear rationale for the revision or states a specific area of concern;
 - c. provides evidence to support the views expressed; and
 - d. puts forward alternative approaches the FSC should consider.
5. Comments and feedback on the proposals should be submitted by the close of business on **May 22, 2026** by email to pensions@fscjamaica.org.
6. This consultation paper is available on the FSC’s website at <https://www.fscjamaica.org/category/media/guidelines/>.
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1 Executive Summary

As at December 31, 2025, contributors to the private and public pension arrangements amounted to less than 20% of the employed labour force and in 2016 approximately 31% contributed to the National Insurance Scheme (“NIS”). This low level of pension coverage has been a concern to the Financial Services Commission (the “FSC”) over the years and has led to the exploration of mechanisms that can encourage and increase contributions to pension arrangements, particularly by the informal sector. The voluntary nature of the Jamaican pension system places a greater emphasis on reducing costs and identifying how to best serve the informal sector to encourage their participation, ultimately aiming to improve their inclusion in the formal financial sector. As such, this document outlines the potential features, infrastructure, eligibility, distribution channels, disclosure requirements, and other arrangements that should be considered to facilitate pension products for the underserved.

Any proposal regarding the pension framework should be customer centric, considering the lifecycle of informal workers, which should eventually translate into product features that respond to those needs. In the Possible Models Analysis section, the pros and cons of the possible models for institutional setup within Jamaica was explored. It was determined that a specialised pension scheme for the informal sector (micro-pension product) was not the ideal option at this time, as the first two (out of three) Jamaican pension pillars already contemplate the inclusion of that sector. Instead, more work should be done on enhancing the flexibilities of approved retirement schemes (“ARS”) (market driven solution) and providing support to the Ministry of Labour and Social Security so that more reliance can be placed on the National Insurance Scheme (increasing coverage).

A diagnostic study of the informal sector workers in Jamaica was conducted in October 2020, aimed at assessing market challenges, audience perceptions, and to better ascertain the types of products and services that may be needed. One of the key findings of the study was that Jamaican informal workers have the propensity to save and approximately 60% of the 254 respondents indicated that they do save. The respondents expressed the need for easier ways to save for retirement and to access other financial products, like life and health insurance. Another finding was that enrolment is more complicated than it needs to be as stakeholders require more information than the regulation requires, and a more simplified know-your-customer process could support an easier uptake of the product. They also noted difficulties in making contributions, existing products not being flexible or appealing enough for the informal workers’ needs and financial education initiatives by the regulator and/or other stakeholders are needed.

The paper contemplated the incentives or solutions that could help overcome these barriers and motivate individuals to face retirement with the level of preparedness needed. The key recommendations for the product design are based on international experiences, as well as the market research carried out in Jamaica. These include incorporating a Defined Contribution (“DC”) component to the NIS benefit, ensuring a simplified enrolment process for individuals (make enrolment quick and easy), allowing small contributions via alternative means (mobile money, use of convenience stores, etc.), accounting for irregular income in this sector and allowing partial withdrawals as the need arises. Also, the outreach channels should include less traditional means to reach individuals and introduce the product in a way they understand from a source they trust.

On the administrative side, there needs to be a structure that can manage records and reconciling data at micro-contribution levels under a cost-effective structure and leverage technology to provide an infrastructure where the balances can be accessed virtually anytime, reflecting up-to-date balances, including yields. Operational platforms, such as a potential “Switch¹” through which contribution payments could be routed, facilitating greater levels of communication with the industry’s stakeholders, and the standards required for its facilitation were also explored. While implementing the Switch would not be a viable option due to the financial and logistical burdens it would create, the other solutions proposed will ensure increased efficiency and economies of scale, while supporting effective monitoring of the industry.

¹ A Switch facilitates the sharing of information by connecting all the stakeholders through a centralized body. Further details can be found in Section 11.

Emphasis is being placed on the importance of the oversight function and market development activities, which must be led by the regulators. The support of policy makers and regulators is needed, at a minimum, to provide regulatory changes to facilitate industry expansion of coverage and deepening adequacy. Naturally, there are different levels of support that policy makers and regulators provide to the national mandatory scheme, such as the NIS, and approved retirement schemes. If the regulators and the industry wish to expand coverage to more individuals, a more efficient, cost-effective and level playing field may improve the chances that all schemes can reach as many individuals as possible and allow multiple contribution collection points. A set of actionable items/recommendations are provided in this document, but they will require collaboration with all stakeholders in the pensions industry.

To enhance pension adequacy and coverage, it is proposed that a DC component be added to the pension benefit offered by NIS where contributors are able to make additional payments to add to their benefits, implementing annual awareness campaigns with ARS providers, as well as, linking short-term saving products to ARS for members to have immediate access to their funds saved and leveraging the use of technology such as digital wallets. The current legislative landscape does not include the provision of additional payments to NIS benefits. The FSC will oversee the implementation of the action items presented, as well as facilitate the analysis and implementation of any feedback. The implementation aligns with the vision of the National Financial Inclusion Council to achieve an inclusive financial system in which every adult and enterprise has access to and is able to make full use of a range of adequate, quality and affordable financial services. The proposed upgrade of the NIS and ARS frameworks provides greater inclusion to pension products for the general public, protecting against adverse events and poverty prevention.

2 Background

Jamaica has in place a three-pillar pension regime, which is aimed at encouraging citizens to plan for their retirement. It is envisaged that a combination of all three pillars will provide an employee or a self-employed person with a standard of living similar to what s/he had while working and that this income will be adequate to sustain him/her throughout retirement. Jamaicans may obtain retirement income from three sources: the National Insurance Scheme (“NIS”), occupational pension plans and personal savings. The Actuarial Analysis of the Sustainability of the NIS as at March 31, 2016, noted that approximately 31.4%² of the employed labour force contribute to the NIS. As at September 30, 2024, the private and public pension arrangements amounted to approximately 19.77%³ of the employed labour force⁴. Therefore, there is a large portion of the labour force that will be left vulnerable at retirement, specifically the informal sector and self-employed workers.

The continuing low pension coverage, despite the reform measures reflected in the legislative framework implemented over the last fifteen years, provides the imperative for concerted effort to facilitate development of mechanisms that can encourage and increase contributions to pension arrangements particularly by the informal sector in keeping with the policy and strategic direction under the country’s National Financial Inclusion Strategy and the National Social Protection Committee. As at October 31, 2021, the informal sector consisted of approximately 40.14%⁵ of the employed labour force, who are unaccounted for in the second pillar of the pension system. It was inferred from the survey conducted during the development of this paper that this low coverage is not due to a lack of desire but the perceived inability to plan for retirement.

² Source: <https://www.mlss.gov.jm/download/actuarial-review-of-the-national-insurance-scheme-nis-as-at-march-31-2016/>

³ This percentage includes members in specified pension plans and an approximation of the public sector pension scheme based on the number cited in the Source: <https://jis.gov.jm/finance-minister-thanks-civil-servants-accepting-restructured-compensation-package/>

⁴ The Jamaican labour force in 2024 was 1,417,000 according to the Source: <https://statinja.gov.jm/LabourForce/NewLFS.aspx>

⁵ Source: The Jamaica Labour Force Survey – 2021 Annual Review, published by the Statistical Institute of Jamaica (pg. 137) – workers from the agricultural sector were not included in the count.

Both informal sector workers and self-employed individuals are already contemplated under both the National Insurance Act and the Pensions (Superannuation Funds and Retirement Schemes) Act. However, given the number of individuals still not covered, the challenge remains in overcoming the regulatory, institutional and/or operational barriers necessary to establish, promote and encourage greater coverage. While retirement planning for self-employed individuals and the informal sector may not be a new problem, many efforts continue to focus on the “formalisation” of individuals, not only from the pensions perspective, but from the general social protection point of view. Policy makers and regulators are concerned about old age poverty, as well as access to long-term savings. Recognizing that “formalisation” of these individuals is important and knowing that efforts may take decades, if not generations, policy makers and regulators are asking what short and medium-term actions they can take. In carrying out these actions, the FSC is minded by Section 6(1)(e) of the FSC Act, which states that;

“For the purpose of protecting customers of financial services, the Commission shall - ...
 (d) promote public understanding of the operation of prescribed financial institutions;
 (e) promote the modernization of financial services with a view to the adoption and maintenance of international standards of competence, efficiency and competitiveness.”

As well as, Section 3 of the Pension Act, which states:

“(1) The Commission shall be responsible for the general administration of this Act.
 (2) The Commission shall – ...
 (f) carry out such other duties as may be necessary for the proper carrying into effect of the provisions of this Act.”

International Experiences

Several countries have implemented different strategies to expand pension coverage in the formal sector. Mexico, for instance, leveraged the defined contribution mandatory pension system to significantly increase the channels by which individuals can make voluntary contributions. The introduction of pension contribution through convenience stores in 2014 was a cornerstone of the regulator’s supply side policy to increase voluntary savings.

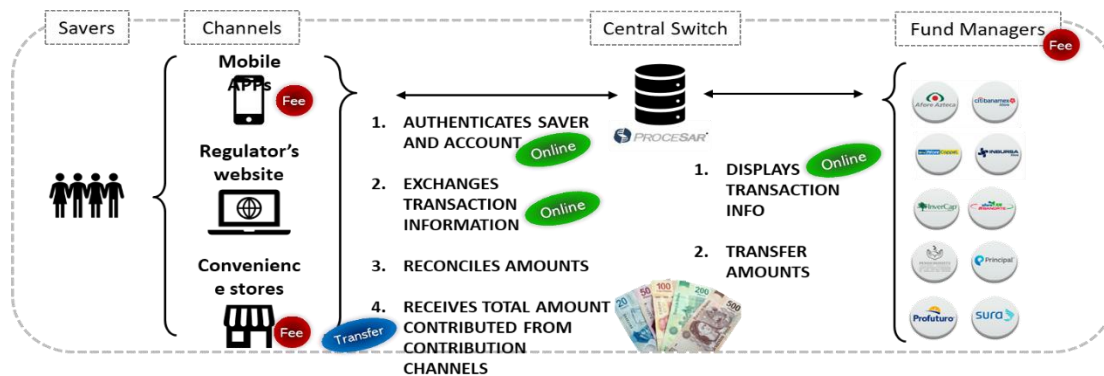


Figure 1: Mexican voluntary contribution system

While this initiative was not specifically targeting the informal sector, the number of voluntary savings contribution points⁶ grew to approximately 1,700 in just 5 years, by 2019. The minimum contribution in the Mexican case was set to \$50 MXP (equivalent to about \$2.50 US dollars at the time of this report) with all fees absorbed by the pension fund administrator. The other characteristic of these voluntary contributions is that they are allowed to be withdrawn by members within six months after making their first voluntary contribution. The Mexican regulator

⁶ Savings contribution points, mostly referring to convenience stores, pharmacies, etc.

continues to encourage voluntary savings by linking it with different benefits (for example, health insurance, life insurance, etc.).

In the case of Kenya, a new pension scheme was created in 2009 where individuals were allowed to make contributions as small as \$0.20 USD to an individual account. The pension scheme, championed and initially heavily promoted by the regulator, attracted over 78,000 contributing members by 2017. The key enabler in Kenya has been the leveraging of informal sector associations as outreach channels, using field agents who are trusted within the community. Kenya also leverages the mobile money application as the main means to make contributions to the scheme. This is free of charge to the members making contributions and allows members to withdraw the full voluntary savings after three years; albeit this is a complex process. Among the main challenges for sustainable growth in the case of Kenya, were the issues surrounding outreach and the establishment of a solid administrative platform to provide individuals with online access to view their balances. Both policy makers and regulators are working to strengthen administrative and conduct demand-side research to develop appealing products and expand scheme membership.

Similarly, Rwanda's social security administration established a new pension scheme for informal sector workers. This new scheme runs on its own administrative platform, leveraging national ID as a mechanism to open the individual accounts for all individuals. The administration component was established to run a dedicated system based on defined contributions. On the product configuration, Rwanda established a tiered benefit approach where the government offers different incentives for members who contribute to the scheme. These incentives include a government matching contribution, a life insurance policy, as well as a funeral expense insurance as incentives for those who reach a certain minimum contribution level.

Ghana has introduced informal sector pension schemes as part of its voluntary defined contribution tier. The pension system stakeholders, including the formal sector pension scheme running the mandatory contribution system, have introduced new ways to enroll and capture contributions from individuals in the informal sector. Ghana's regulations allow account holders to allocate contributions between short-term (5 year) and long-term accounts, with a 50/50 split being most common. Pension administrators have adapted their enrolment and contribution process to align with channels and mechanisms that informal sector workers use. These include, leveraging a network of mobile money operators, or in some cases, using local agents to enroll individuals who have been trained to provide information and enroll individuals, as well as introducing fee-free contribution channels through mobile money and standing orders on mobile wallets.

Finally, in India the Atal Pension Yojana (APY) scheme is structured as a national pension scheme, running on top of the administrative platform that exists for the public sector pension scheme. Their eligibility to enroll is open from 18 to 40 years of age, and the government offered a 50% match of the contributions for enrollees that initially subscribed to the scheme. Enrolment to the scheme was also done online, leveraging a network of private banks who would receive compensation for every member enrolled and the persistency of contributions of a member. On the product configuration, the APY system offers individuals who enroll an assurance of the outcome of their contributions, guaranteeing they will have a specific monthly pension for different levels of contribution. The benefit is not pegged to inflation, which facilitates the scheme to manage the commitment of the pension guarantee.

Lessons Learnt - Jamaica

The challenges in expanding pension coverage are great and there have not been significant advances in covering informal sector workers by the private sector. Some efforts have been made but given the outreach costs and some internal capacity, these seem to have been abandoned by the industry, with the exception of the stakeholders involved in the implementation of the Tourism Workers Pension Act, who also expressed concern over the implementation details of that Act.

Without an effective policy, regulatory and business response to broad-based pension exclusion and poverty among Jamaican future elderly may emerge as the dominant cause of increased poverty in the country. A large,

excluded workforce presents the FSC with a challenge and an opportunity, as it represents a huge untapped market for long-term retirement savings that could help fuel economic growth, employment and infrastructure development. The promotion of a mechanism to leverage the current industry setup, and the development and use of more savings products, could assist in responding to the needs of the low-income population, to extend pension coverage and improve adequacy. Regulators should continue exploring voluntary and nudge mechanisms, and potential linkages to attract informal sector and self-employed workers into the NIS and approved retirement schemes, encouraging micro level contributions.

3 Statistical Findings and Key takeaways from the Diagnostic Study

This section presents key statistical findings on Jamaica's pension landscape and results from the diagnostic study that informed the assessment of coverage gaps and demand for inclusion. The chart below shows the portion of workers in each segment of the labour force that is contributing to a private pension plan. The latest data available was used in this assessment; the industry data on the private pension systems as at September 30, 2024⁷ was compared to the labour force statistics as at October 31, 2024⁸.

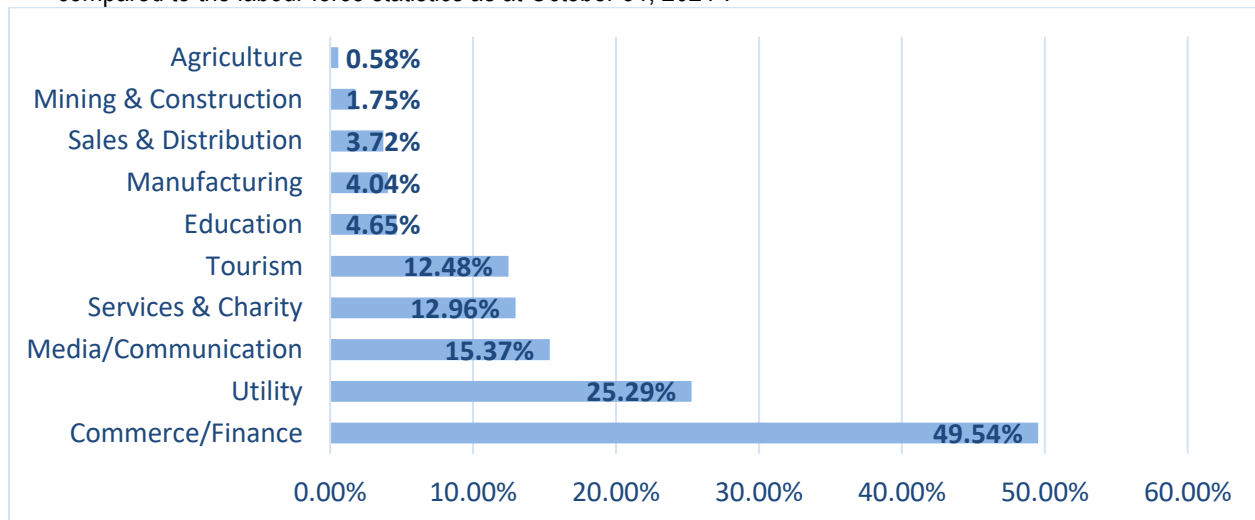


Figure 2. Percentage of workers in each labour force segment contributing to private pension plans.

This shows that workers in agriculture, mining, construction, sales, and distribution sectors are significantly underrepresented in Jamaica's second pension pillar. The chart below shows the portion of workers in each occupational group that is estimated to be in the informal sector. This data was computed based on the estimates provided in the Jamaica Labour Force Survey – 2021 Annual Report and the labour force statistics as at October 31, 2021. The diagram reveals that a large portion of crafts & related trade workers, agricultural and fishery workers, elementary occupations, plant & machine operators, etc. are estimated to be conducting business informally.

⁷ Source: <https://www.fscjamaica.org/pensions-industry-statistics-september-2024/>

⁸ Source: <https://statinja.gov.jm/LabourForce/NewLFS.aspx>

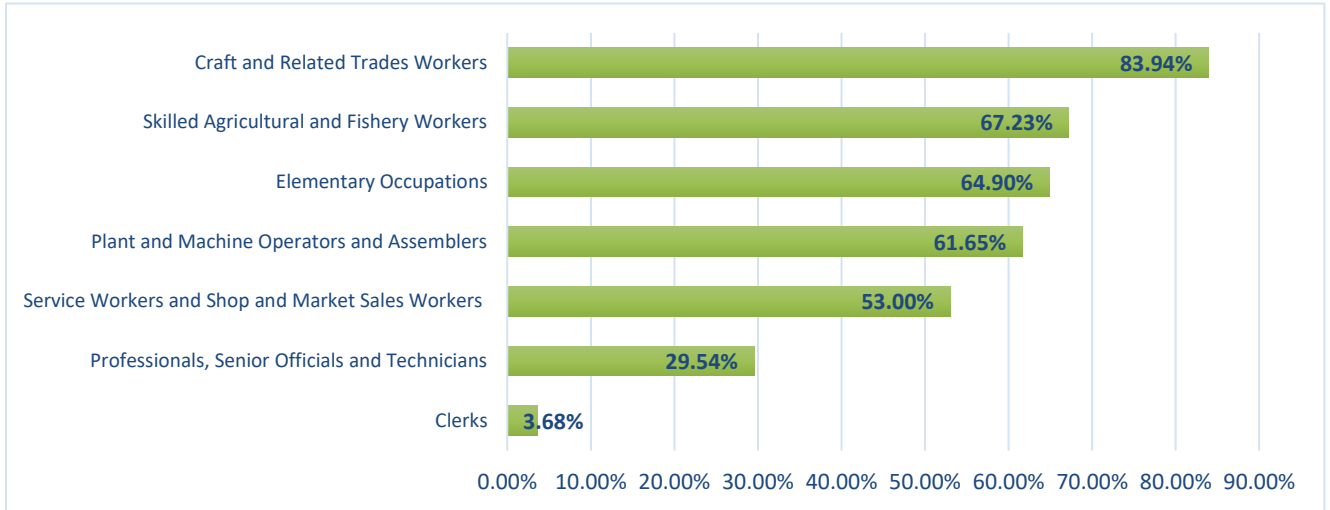


Figure 3: Portion of the occupation group that is estimated to be informal

The Jamaica Labour Force Survey – 2021 Annual Report showed that approximately 59% of the informal labour force was male. It also found that the largest industry group in that sector was wholesale and retail trade (including motor vehicle repair) at 31.2%; followed by construction at 21%⁹. Both charts illustrate the key markets that should be targeted in the efforts to expand pension coverage to the informal and self-employed workers.

A survey was conducted among informal workers in Jamaica in October 2020 with the objective of determining the characteristics of the workers in the informal sector, their financial habits, and their attitude towards retirement savings. The study was aimed at assessing market challenges, audience perceptions, and to better ascertain the types of products and services that may be needed. The total number of people surveyed was 579, through online and face-to-face interviews and, after industry quotas were determined, by mirroring the general demographics of the population, a sample of 254 respondents was used in the analysis.

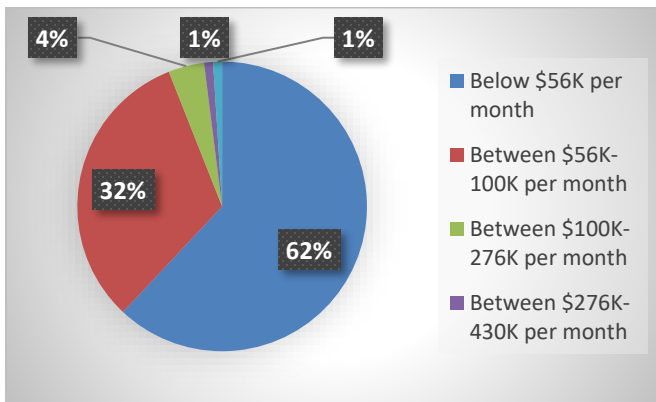


Figure 4. Informal workers' monthly income in thousands

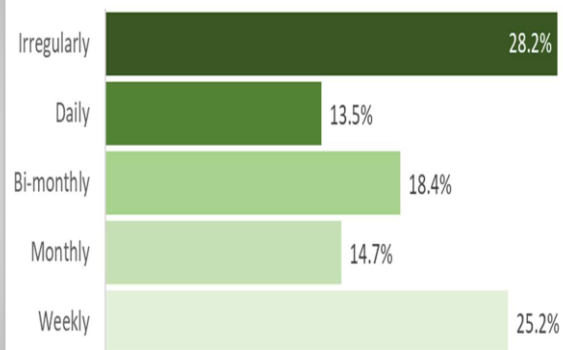


Figure 5. frequency of income for informal workers

Figure 4 above shows that about 94% of the informal population are earning below the minimum tax level at which they need to pay income tax. The typification of the informal sector as a homogeneous group of individuals who cannot save has been observed in different countries, but in the case of the market research in Jamaica, the

⁹ The number of informal workers in the agricultural and fishery group was not provided in this report.

informal sector and self-employed have the capacity and willingness to save, and some may already save in different mechanisms¹⁰, however, not necessarily for pensions.



Figure 6. Do informal workers have some pension arrangement?

18.4% of the respondents indicated that they did not have any form of pension arrangement. While 62% indicated that they did not have any formal pension arrangement (1st or 2nd pension pillars), 68.1% stated that they have invested in assets as preparation for retirement, such as buying livestock or resources (taxi, farming, land, or house), or they have a savings account (the third pension pillar – personal saving). Though 38% of the respondents declared they were contributing to a formal pension arrangement, 73.6% could not list the names of any of the retirement schemes/arrangements in the island, including NIS.

It is also clear that informal sector workers need more information on retirement preparedness and the existing options in the pensions industry. Despite most of the respondents having some sort of arrangement for retirement, as shown below, 83% of respondents do not consider themselves prepared enough to meet their financial needs after retirement.

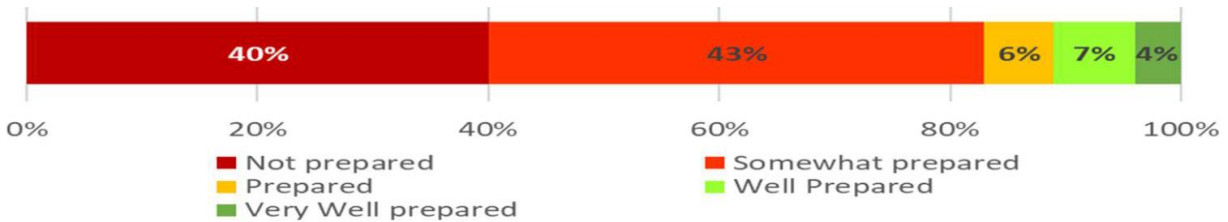


Figure 7. How prepared respondents feel to meet their financial needs in old age?

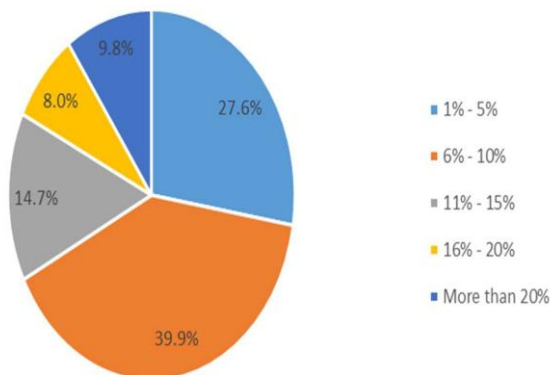


Figure 8. Percentage of income that informal workers save for Retirement

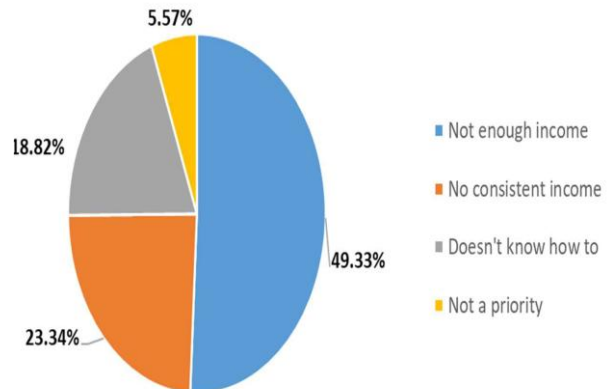


Figure 9. Main barriers for informal workers to save for retirement

¹⁰ 59.5% of the respondents indicate that they were saving. Some individuals save in assets, land, or investments which may be riskier and do not have a pension focus

Most of the respondents believe that the main reason they cannot start saving for retirement was insufficient or inconsistent income. Out of the respondents who declared they save for retirement, 67.5% save between 1 to 10% of their income, and almost 10% of informal workers are saving more than 20% of their income for retirement. Only 6.7% of the respondents listed NIS as a pension arrangement or scheme, which is understandable as this scheme offers more than just a retirement benefit. Nevertheless, it speaks to the informal workers' limited knowledge of the various saving vehicles for retirement.

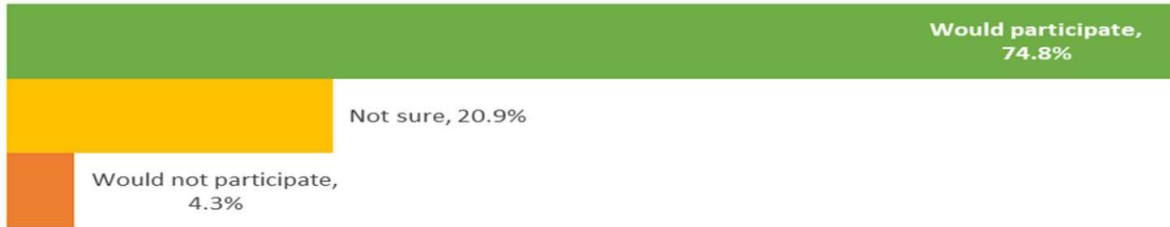


Figure 10. Informal Workers Willingness to use a Micro Pension Product

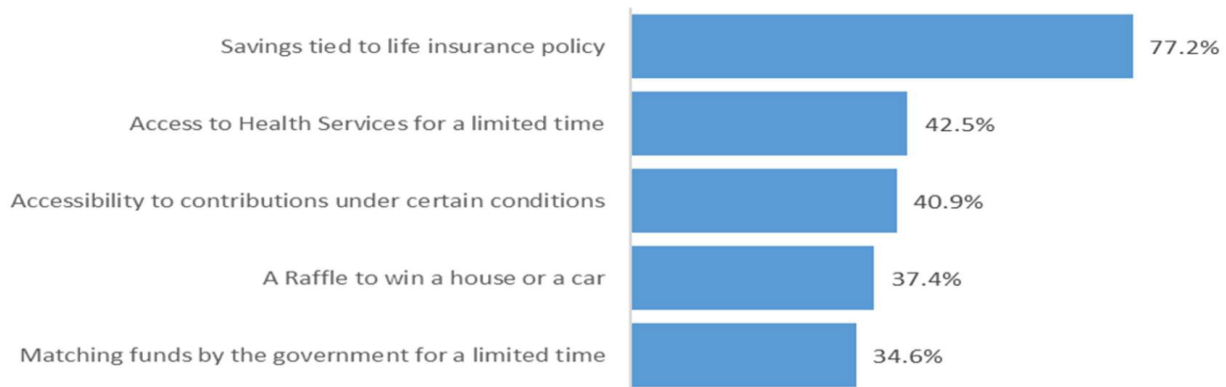


Figure 11. Incentives that could motivate informal workers to use a micro pension product

When asked about bundled products, respondents identified life insurance, health insurance, and accessible savings accounts as most desirable. The respondents stated that they would be willing to save in a micro pension plan that allows them to contribute small amounts, demonstrating their openness to participate in the scheme.

4 Pros and Cons of Possible Models and Institutional Setup

The question that policymakers and regulators should consider when establishing a framework for expanding pension coverage is: what is the best pension arrangement, with the basic characteristics needed to reach the desired audience while ensuring long-term viability? Options to consider include: (a) a micro-pensions product (single specialized informal sector pension scheme); (b) increased reliance on the National Insurance Scheme, or (c) enhanced flexibilities of Approved Retirement Schemes. These institutional setups are discussed below and the optimal models highlighted.

4.1 Micro-pensions Product

A micro-pensions product could be designed for low income and informally employed persons, allowing sporadic or irregular contributions as low as JMD \$400. The micro-pension product could be spearheaded at the national level by the FSC or any other related government agency, where economies of scale (brought about by large membership and assets under management) may be reached. The voluntary national pension scheme in Rwanda is an example of this type of structure. This alternative is similar to the concept of the Tourism Workers Pension

Scheme, but the product should be more flexibility than that scheme, thereby allowing for participation from individuals across industries. The main aim is to make the product sustainable and scalable. In the cases of India and Kenya, national schemes were set up, but the administration and management is done by a private entity, set up for that specific purpose.

Persons 18 to 55 years would be eligible to join the national micro pension scheme. Due to the small size of contributions, persons above the age of 55 years would not be eligible to join the scheme, as they would not have sufficient time leading up to retirement, within which to accumulate substantial pension savings. The micro pension scheme would target informal workers as well as self-employed persons, most of which are low-income workers who do not earn a steady income. Participants of the scheme could be permitted to save up to JMD \$300,000, which represents 20% of the minimum taxable wage, without any verification on income required. Of the respondents in the market research, 74.8% indicated that they would participate in a pension arrangement that allows them to make small contributions.

Proposed Product Features

Market research done indicated that a national micro-pension product would be attractive to the target market if it featured, among other things, the following characteristics:

- A simplified enrolment process:
Enrolment could be done via the National Identification System (NIDS) database, which is currently being designed, requiring that participants in the NIDS would simply need to opt into the micro-pensions product and the information necessary for the individual's enrolment would be pulled from the NIDS database. In an event where enrolment is not linked to the NIDS database, enrolment could be done using successive account levels. Each account level would necessitate the collection of a different set of information from participants, allowing for information to be collected in stages.
- Pension product bundling (with other financial services):
Jamaicans are familiar with the concepts of health and life insurance, the benefits of which can be paired with a pension product. Such integration would enhance scheme appeal and link retirement savings to comprehensive financial planning. However, if the contributor is not interested in such a bundle, the product should be flexible to allow for participation in the pension product solely. In addition, the micro pension scheme could be linked to remittance collection, the most common secondary source of income for respondents of the survey.
- Facilitates partial withdrawals:
Many persons who earn a low income do not possess an emergency fund or any other contingency planning arrangement. Due to the inconsistent nature of their earnings, they may find it difficult to plan for emergencies and as such, would find the scheme unattractive if it did not allow for partial withdrawals.

Product Feasibility

The desired characteristics of the micro-pension scheme make the arrangement likely to be economically infeasible. The challenges associated with the proposed micro-pension arrangement are largely financial and logistical. The logistical challenges are such as would be expected for any nation-wide project and are not likely to extend beyond the implementation phase.

A national micro-pension scheme is expected to face serious funding challenges, due to the expected inconsistency in the remittance of contributions and the small amount of these contributions. Additionally,

accommodating flexible payment schedules without imposing penalties would require substantial economies of scale. It remains unclear whether the required economies of scale needed to ensure the profitability of the project can ever be achieved (despite the willingness indicated from the survey). The system would therefore need to be accompanied by significant outreach and marketing efforts, which represent a sizeable operational cost. In addition to the outreach cost, capital to acquire the type of technological infrastructures needed for the enrolment process, contribution remittance, record keeping and disclosure requirement, among other things, seems insurmountable and it is not clear who should bear these costs. Most importantly, such a scheme would duplicate existing platforms capable of serving this market, potentially competing with both the mandatory NIS and voluntary ARS frameworks.

Below is a summary of the challenges and benefits associated with establishing a national micro-pension product:

WEAKNESSES & CHALLENGES		BENEFITS
Need for Legal Reform		Policy and Legislative Changes in the Works
<p>Requirement for legal reform and regulatory changes to allow for:</p> <ul style="list-style-type: none"> - reduced enrolment requirements - reduced requirements surrounding the collection of contributions - elimination of requirement for sales agents to be certified. - Possibility for unlocking benefits. 		<p>Based on the anticipated low contributions, members would already qualify for “simplified due diligence”, where they simply need a valid ID to enrol and contribute (no regulatory change needed).</p> <p>Also, the possibility of unlocking benefits in times of financial hardship is currently being explored by the FSC.</p>
Competition with ARS and Replication of NIS		Additional Option for Retirement Saving
<p>A national micro-pension scheme may potentially compete with the already-existing ARS and would serve a similar, albeit more focused, purpose as the NIS. This would result in a duplication of costs, as well as additional complexities, for the same benefit to citizens.</p>		<p>Low-income workers are provided with an additional framework within which to save towards retirement – one that targets them and is tailored to their needs and wants.</p>
Unprofitability	Need for ‘No-Fee’ Guarantee:	Low-Income Workers Provided with Low-Cost Retirement Saving Option
	<p>Ideally, the scheme would operate without charging management, administrative and other fees. Costs associated with the scheme’s operations would likely represent another expense for the government. This may end up creating a financial strain in other sectors and ultimately make policy-makers unenthusiastic about the project. If the cost is incurred by the members, the credited interest may be too minuscule to be of any material benefit to the members.</p>	<p>Informal Workers are afforded the opportunity to save for retirement at the same pace at which they earn.</p>
	Excessive Marketing Costs:	Increased Sensitivity Surrounding Pension Saving
<p>A micro-pension scheme would also require significant outreach efforts, including marketing and advertisement campaigns to ensure that the average citizen is not only made aware but is encouraged to utilize the micro-pension scheme. This represents another significant operational cost.</p>	<p>Outreach efforts associated with a micro-pension scheme would increase sensitivity surrounding pension savings, in general. With roughly 80% of the work force not enrolled in a public or private pension plan, a widescale campaign focused on micro-pensions would likely result in increased membership in other pension savings arrangements as well.</p>	
Leveraging Technology:	Disclosure requirement	
<p>It would be ideal for contributions to be remitted through multiple access points. However, implementing a system that can communicate across multiple collection points (like a “Switch”) to the scheme’s administrator would require significant capital.</p>	<p>Information regarding the member’s account would be available at the click of a button, so they are always informed of the performance of their fund. They would also be able to update their contact details or any other changes.</p>	
Need for Large Numbers		Simplification of Industry Processes
<p>The success of the micro pension scheme would require large economies of scale for participants to receive material benefits. This means that the scheme would need to build significant traction, even in its very early stages of</p>		<p>Simplification of key pension industry processes, resulting in the inclusion of a greater share of the population, much of which is currently uninformed about these processes</p>
		Seamless enrolment process

operation. Otherwise, the scheme would quickly become unviable.

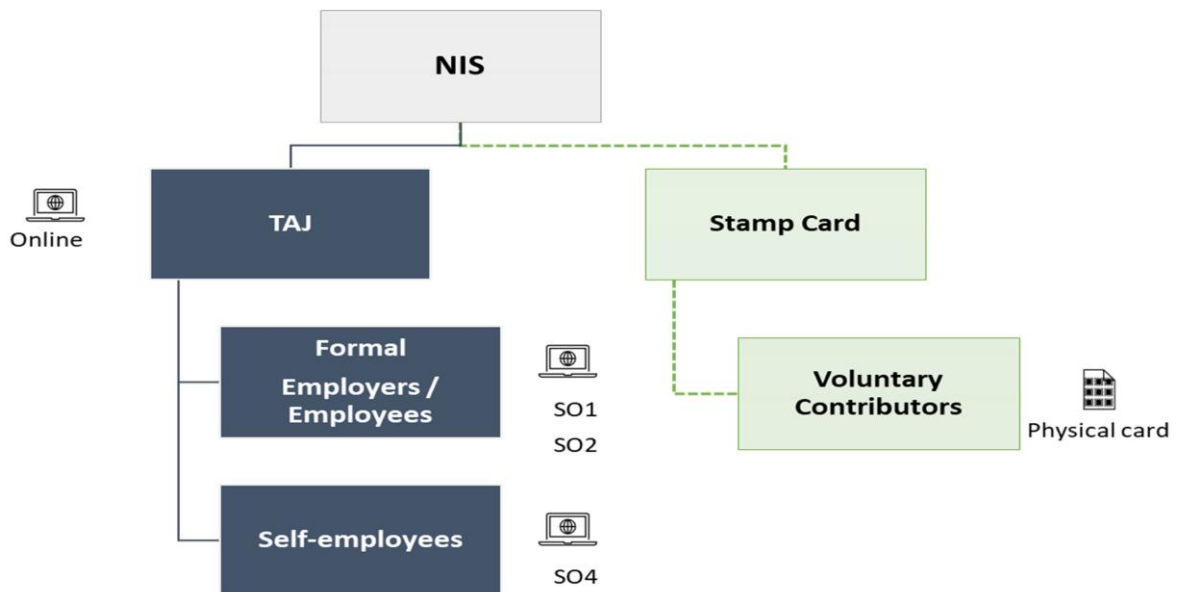
Table 1: Pros and Cons of a Micro-Pensions Product

4.2 National Insurance Scheme

NIS is a compulsory contributory funded social security scheme, first introduced in 1966 under the administration of the National Insurance Act and governed by the Ministry of Labour and Social Security (“MLSS”). It offers financial protection to employees and their families and contributions go towards covering costs such as anniversary pensions, employment injury benefits, funeral grants, maternity allowance, benefits for invalided, orphans, retirees, children with special needs, widows/widowers and the NI Gold Plan (A health care programme for pensioners). The NIS expended \$20 billion to more than 133,000 pensioners at the end of March 2021¹¹.

All employees aged between 18-70 (65 for women) must contribute. Additionally, it provides additional alternatives for members who want to contribute as self-employed or voluntary contributors. Voluntary Contributors could be gardeners, helpers, farmers, Jamaican citizens residing abroad, etc. The Actuarial Analysis of the Sustainability of the NIS as at March 31, 2016, estimated that the contributions will replace roughly 8% to 10% of the contributor’s income¹². However, that report was produced before the increase in the contribution rate (from 5% to 6% in 2020), the minimum contribution (from \$100 per week to \$250 in 2021), and insurable wage ceiling (from \$1.5 million to \$5 million in 2022).

Self-employed contributors must declare the income they expect to receive at the beginning of the year. Based on this declaration, individuals are either directed to contribute through the SO4 form or to make contributions through the stamp card system. Those who are directed to contribute through the SO4 system are subjected to contribute the mandatory 6% of income (up to a maximum of \$300,000 annually), which should be paid on a quarterly basis. For the other contributors, the NIS issues the stamp cards every year; the card has 52 slots (one for each week of the year) and the stamps can be purchased at the post offices.



Below is a summary of the challenges and benefits associated with using the NIS as the pension product for the informal sector:

¹¹ Source: <https://jamaica.loopnews.com/content/actuarial-reports-nis-be-completed-next-year>

¹² Source: <https://www.mlss.gov.jm/download/actuarial-review-of-the-national-insurance-scheme-nis-as-at-march-31-2016/>

WEAKNESSES & CHALLENGES	BENEFITS
<p>Pension Adequacy</p> <p>Some self-employed individuals may not have coverage beyond the mandatory NIS contribution, in which case they will likely not have enough saved for retirement as the NIS only provides a small replacement rate for individuals.</p>	<p>Existing Database</p> <p>NIS has a well establish database on which information for contributors of varying socio-economic backgrounds is available, dating back to 1966.</p>
<p>Manual System</p> <p>Once the calendar year has ended, the voluntary contributors must submit their physical stamp cards to the head office and the information is uploaded to the system referencing the member's NIS number.</p> <p>If individuals lose the Stamp Card within the yearly, all their information on the card will be lost.</p> <p>Additionally, the enrolment process requires individuals to walk into a branch to enrol and provide earnings estimates.</p>	<p>Outreach</p> <p>FSC can easily pursue a joint strategic effort with the MLSS to encourage more participation. Marketing strategies, such as influencer marketing, content marketing and offline marketing strategies such as billboards, posters and brochures can be used to raise awareness of the NIS, its benefits as well as to inform the public of the risk of not having adequate coverage at retirement.</p>
<p>Limited Contributions</p> <p>The cost of each stamp is fixed so a voluntary contributor cannot pay more than the value of 52 stamps per year. For the other contributors, their rates are fixed at 6% or \$300,000 annually if wages exceed the insurable wage ceiling.</p>	<p>Eligibility Requirement</p> <p>It is already a mandatory scheme for which the insurable population, which includes employed persons, self-employed persons, and voluntary contributors, are required by law to participate.</p>
<p>Tax Perception</p> <p>Given its mandatory nature, it is often perceived as a tax rather than for the many benefits it provides.</p>	<p>Coverage and Accessibility</p> <p>NIS over the years has managed to cover almost a third of the local workforce and due to its design, registration and participation takes little to no effort.</p>
<p>Long-term Funding of Scheme</p> <p>The scheme was in deficit as at March 31, 2016, with a solvency ratio of 14.02%¹³ and the funds is projected to be exhausted by 2050¹⁴.</p>	<p>Contribution Channels</p> <p>The “pay points” (post offices and anticipated expansion to include NCB) seems sufficient for all members.</p>

Table 2: Pros and Cons of the NIS for the informal and self-employed workers

4.3 Approved Retirement Schemes

The ARS in Jamaica is recognized under the Pensions (Superannuation Funds and Retirement Schemes) Act, to enable its members to save for their pension at retirement. The scheme must be approved by the FSC to operate. Currently, membership is open to Jamaican residents who are at least 18 years old. Persons must be self-employed or employed in a non-pensionable post (they should not be members of an approved superannuation fund). As at September 30, 2024, there was thirteen (13) operational ARSs in Jamaica, with 84,327 members (representing 51.1% of private pension contributors) and assets totalling \$79.04 billion (10.11% of the total pension assets). Each ARS has its own rules for enrolling and mechanisms for making contribution payments and they must comply with the minimum Know Your Customer Information required under the Proceeds of Crime Act.

¹³ Source: Actuarial Review of the National Insurance Scheme as at 2016 March 31 (p.8)

¹⁴ Source: <https://jamaica-gleaner.com/article/commentary/20230502/editorial-nis-relieve-needs-more>

WEAKNESSES & CHALLENGES	BENEFITS
<p>Fees</p> <p>Investment management and administrative fees are generally more than desirable for micro-pension arrangements. There may also be point of sales fees charged in remitting contributions to the investment manager depending on the medium used to remit the contributions.</p>	<p>Outreach</p> <p>Given the number of ARS currently available, resources could be pooled to assist with the development and coordination of public awareness campaign, ensuring the provision of sufficient, practical and simple information on pension issue and on pensions projection.</p>
<p>Legislation/Enrolment Process</p> <p>There may be voluminous KYC requirements for enrolment. Members must complete a physical form, which may contain language presuming a certain level of financial literacy, as well as they are required to submit a significant set of documents. Self-employed or informal sector workers may simply not have all the information at the time of enrolment, which may prevent them from registering.</p> <p>Also, it is a challenge for self-employed individuals to determine regular and predictable income to which the 20% contribution rule must apply at enrolment.</p>	<p>Eligibility Requirement</p> <p>The schemes were established for the low-income and self-employed workers.</p> <p>Frequency of Collection:</p> <p>At least once per year, frequency of payments is flexible as long as the total annual amount does not exceed 20% of annual gross income.</p>
<p>Contribution Rate:</p> <p>May set minimum contribution – in some instances a specific portion of one’s salary (for example, at least 5%) and in other instances at least \$1,000.00 per month.</p> <p>Difficult to part with funds for long term savings and to keep up with contributions</p>	<p>Contribution Rate:</p> <p>Employer has the option to contribute on the members’ behalf whereas micro-pension would be solely funded by the contributor</p>
<p>Withdrawal features:</p> <p>Do not allow for partial withdrawal and the prospect may find this unattractive.</p>	<p>Legislative Reform</p> <p>The possibility of unlocking benefits in times of financial hardship is currently being explored by the FSC.</p>
<p>Contribution Channels</p> <p>Each administrator negotiates cost with each third-party collection agencies, which can give way to differentiated pricing, allowing a collection channel to dictate the potential success or benefits a scheme can provide to their customers.</p>	<p>Access to additional saving product</p> <p>Administrators typically offer some other saving products to complement the ARS, where the member can withdraw their funds partially or totally.</p>
<p>Accessibility</p> <p>The informal sector workers who do not have a regular bank account may be excluded from participating in a scheme if that is the only mechanism to contribute.</p>	

In a market-oriented structure, multiple ARS administrators would reach out to individuals and provide variations of product configurations and incentives. Some administrators are supported by technology tools, as seen in Mexico and Ghana, where the latter established a mobile application to facilitate enrolment (self-enrolment is allowed in Ghana) and contributions. In Mexico, the industry also leverages technology solutions like a Switch.

Below is a summary of the challenges and benefits associated with using the ARS as the pension product for the informal sector:

Table 3: Pros and Cons of ARS for informal and self-employed workers

Based on the analysis and reasons stated above, it was determined that creating a single micro-pension product may not be the best course of action for Jamaica at this time. However, it was noted that more efforts should be placed on ensuring that ARS are accessible, understandable, and sufficient for every Jamaican employed in a non-pensionable post (inclusive of self-employed and informal sector workers) and assistance is provided to the MLSS in its efforts to increase the number of NIS contributors. Possible solutions to the challenges noted in the tables above will be discussed in the subsequent sections of this document.

5 Outreach Programme & Financial Literacy

One of the challenges of pension systems is the asymmetrical information that exists between users of the pension products and the pension service providers. Another is that informal workers believe they do not have enough consistent income to save. Consequently, most Jamaican workers do not participate in formal institutions to facilitate retirement investing. Given the foregoing, the marketing of any retirement solution to informal workers has to be done through deliberate sensitization, highlighting the benefits to be derived from long term participation (this includes any collaboration with the MLSS to increase NIS coverage). The regulator must continue to take the lead in establishing financial education efforts for this target audience. The regulator can help in the following ways:

- Develop and coordinate public awareness campaigns, ensuring the provision of sufficient, practical and simple information on pension issues and on pensions projections and potentially establish dedicated programmes. Annual fairs may be facilitated where retirement scheme providers may purchase booths to promote their product and key players may be engaged as speakers at the fair.
- Support and facilitate the coordination among stakeholders to address financial literacy on a larger scale.
- Become more active, facilitating workshops between administrators and associations such as unions and other sector-based agencies to raise people's awareness on the importance on saving for retirement.
- Developing a financial literacy strategy focused on the informal sector and self-employed workers would be necessary, with specific roles and responsibilities for both government agencies and private stakeholders.
- Continue to strengthen the schools' Financial Education Programme to ensure persons are better equipped as they enter the work force.

5.1 Distribution and Outreach Channels

The consultant gleaned from interviews with pension plan stakeholders that some administrators had attempted to market micro-pension type products but were unsuccessful either due to product unattractiveness, outreach costs or difficulty in transmitting the information in a language the informal sector understands. Other concerns were the failure of workers to consider long-term investment products, specifically those which did not allow withdrawal mechanisms.

The consultant posited that it is important to establish channels for specific segments of the target market to improve coverage and to maximize the chances of inclusion of most of the constituents belonging to these groups. This approach would facilitate greater coordination in the enrolment and contribution process through the engagement of key industry players. Based on the spread of these industries, ARS could reach many, regardless of their geographical location. The following recommendations were made:

- Television, radio, social and printed media advertisements will be integral in arming potential users with the information they will need on the pension products and their benefits.
- Banks and other financial institutions are good partners to facilitate distribution channels. Bank branches can serve as service centres to collect contributions and provide customer service support and improve financial inclusion for the informal workers.

- The FSC should facilitate the coordination between administrators and other stakeholders to encourage groups in the informal sector to save for their retirement. The efforts in extending coverage may be difficult to achieve by a single private player or groups of players, without discussions with other stakeholders, which could be facilitated by the FSC.

6 Eligibility & Enrolment

The results of the market research confirm that the informal sector in Jamaica is heterogeneous and the eligibility criteria for these workers should be flexible to ensure maximum participation. However, it was also noted that the eligibility criteria for ARS does not exclude those members. Also, the fact that formal workers are already contributing to ARS would effectively ensure the sustainability of the products and increase funding.

The Pensions Act does not have a minimum standard for enrolment forms or the enrolment process, therefore, each administrator determines the information necessary from the applicants. In addition to the information requested on the enrolment form, the administrators of ARS usually require the following documents:

- a) Valid Photo ID (Driver's license, passport, national ID);
- b) Proof of Residential Address (Utility bill, bank statement, recent mail with post office stamp affixed – all of which must be no more than 3 months old); and
- c) Proof of income, in the case of self-employed persons (audited accounting statement).

Complex processes or stringent information requirements may act as a deterrent for informal sector workers. The account enrolment requirements for the informal sector should be free and could be relaxed by taking similar actions that banks have taken recently following amendments to the Proceeds of Crime Act ("POCA") in late 2019. These amendments give financial institutions more flexibility to use a risk-based approach while maintaining compliance with the other relevant laws. These newly designated "low-risk accounts" could attract thousands of people previously excluded due to the inability to satisfy the Know Your Customer ("KYC") requirements. This relaxation of requirements would reduce the complexity of the enrolment process. Enrolment could be simplified and potentially usher in a new KYC framework whilst lowering transaction costs:

Enrolment via National Identification – A method of doing simplified enrolment may be the leveraging of a national identification number, once established, given the recent ongoing efforts to establish a national identification system (further outlined in section 4.1 above). Biometric data could be used, or the new national identification number could be referenced to obtain the available data from the national registry. This option would allow administrators to request one or two data points from the national registry to obtain the necessary information, where available.

The informal sector pension fund established in Rwanda (as mentioned in Section 2 above) leveraged the national ID as the main "entry point" for the scheme to obtain members' information. The practical effect of this was that members would be "pre-registered" to the scheme, simply waiting for them to contribute. This feature is effective as individuals would be invited to activate their account and commence contributions as opposed to enduring an enrolment process.

7 Licensing and Other Government Driven Tools

Organizations, such as the Rural Agricultural Development Authority, and trade unions have expressed interest and willingness to participate in a pension scheme for their over 200,000 members who are usually not targeted by private sector administrators. As such, these organizations should be evaluated, and synergies identified based on the willingness of those users to participate in a pension scheme. Other government services could also be linked to membership (enrolment and contributions) in a pension arrangement. For instance, taxi drivers, food handlers, etc. who require a specific licence may be required to show proof they have enrolled and contributed to an ARS or NIS, thus including a segment of self-employed workers who may not contribute otherwise. The political economy of these linkages must be carefully analysed to avoid conflicts with groups which would be detrimental

to the objective. However, different behavioural tools exist that would encourage participation when conditioning a government licence is not possible.

7.1 Linking Social Protection Arrangements and NIS

A combination of a more modern enrolment and contribution processes implemented by NIS and an ARS could be an appealing product for individuals. A combined single enrolment and contribution process could be managed and split among a group (or one administrator) to redirect the defined benefit contributions to NIS and maintain the defined contribution component. Another alternative would be to incorporate a DC component to the NIS benefit or for a separate DC account be maintained for all contributors. With this separate account, contributors could make additional payments, up to the limits under the Income Tax Act, to add to their retirement benefits.

7.2 PIAJ Auto-Enrolment Proposal

On April 19, 2022, the Pension Industry Association of Jamaica (“PIAJ”) shared with the FSC, its proposal for increasing pension coverage across the island, making enrolment into a pensions arrangement automatic upon employment. The proposal is that each employer would be required to identify its pension provider, and if they do not have one in place, they would be required to identify an approved retirement scheme for its employees. Once employed, if the employee is not already contributing to a pension arrangement, they will be automatically enrolled in the ARS selected by the employer but will be given the option to withdraw from the scheme. Behavioural studies have shown that the power of individual inertia could reduce the opt-out rate and the results in many other countries has been higher levels of pension savings, with participation often in the range of 50%-70%. PIAJ noted resounding support for the introduction of an auto enrolment programme from stakeholder groups such as the Business Processing Industry Association, the Jamaica Confederation of Trade Unions, Jamaica Employer’s Federation, National Financial Inclusion Secretariat, Private Sector Organisation of Jamaica, the Jamaica Chamber of Commerce, JAMPRO, Approved Retirement Scheme Providers, the Financial Deepening Implementation Committee and the American Chamber of Commerce.

8 Disclosure Requirements

Providing information to the users of any pension arrangement is critical for the member to understand the product and its benefits. Individuals in the informal sector will better understand the benefits of the long-term investment products if they receive information about how the scheme would respond to their future needs. Regulation 12(3) and 12(4) of the Governance Regulations stipulates very specific content that needs to be provided to members of pension plans. However, there will need to be greater requirements for the content to informal sector workers, which the FSC could publish through bulletins and advisories.

Different levels of disclosure could be achieved through the various channels that could be used in the outreach strategy. A proposal of the disclosure of information about operational rules and mechanisms is presented in Appendix I.

9 Contribution Channels

There are several channels available in Jamaica to make contributions, such as the administrators’ branches and payment methods through the multi-transaction agencies (Paymaster and Bill Express), which have online services and branches to make general payments. Members are limited in making contributions under the conditions offered by the administrator managing the ARS. Another problem with the contribution collection channel is that if a member changes location (which maybe common among informal sector workers), there is the possibility that there will not be a branch or an alternative collection channel available to the member. This is an example where cessation of contribution may occur, not due to the lack of interest, but a lack of suitable contribution channels for payments to be made.

Ideally, contribution payments should be made through readily available outlets and electronic means that would not charge a fee to members. It will be fundamental to establish better channels to make contribution payments easier for members, including allowing the usage of convenience stores and digital payment mechanisms. In some countries, like Mexico, the regulator issued specific regulation that ensures no fee is charged for individuals making contributions and established a single fee structure for contributions that administrators pay the outlets, banks and service providers in collecting and sending contributions to the investment managers/administrators.

9.1 Mobile Solutions

Mobile payment services offer a novel way of paying for goods and services. Over time this has become a popular and trusted source. This can be seen as the use of technology to allow users to connect via smart phone or other devices to payment outlets. A good example of such initiative is the M-PESA Service in Kenya. M-PESA is a mobile money service which was introduced by a mobile service provider, Safaricom. It allows people to make small transactions without the creation of formal bank accounts. This initiative expanded the financial inclusion thrust as non-banked individuals were able to send and receive money through these outlets. M-PESA also provides the transaction infrastructure for the MBO Pension Plan, which is the pension plan for self-employees in Kenya. These technological innovations are significant because they enable individuals to make contributions in a simple and cost-effective manner.

9.2 Jamaica mobile infrastructure

Recently, to improve financial inclusion in Jamaica, the financial services industry introduced several Electronic Retail Payment systems. To facilitate operation in this new environment the Bank of Jamaica published Guidelines for Electronic Retail Payment Services, which provides the operating parameters that must be satisfied by providers who intend to offer electronic retail payment services. In March 2020, a FinTech company in the NCB Financial Group launched a digital wallet called, **Lynk**. With Lynk, users of any bank in Jamaica can send and receive money in real time, pay fees (which could be expended to contribution remittances) and there are no transfer fees. It is also being marketed as a product that does not need Wi-Fi or data for utilization¹⁵. Three other commercial banks are at varying stage of the wallet provider's onboarding process¹⁶. Although the technological infrastructure is already in place in Jamaica to be able to incorporate payment for ARS and approved superannuation funds, no service provider has this payment system in place. Stakeholders should consider establishing a link with a mobile wallet, bearing in mind the potential fees. High fees compounded by charging individuals general consumption tax for contributions would prove too costly to the efforts of investing for retirement. Specific Person to Business (P2B) fee structures may need to be negotiated with mobile wallet operators in order to reduce transaction fees as much as possible. Different alternatives can be leveraged with mobile banking infrastructure.

9.3 Linking to remittances

Remittances are the most common secondary source of income for informal workers in Jamaica, having represented 17.7% of the Gross Domestic Product for the 2023 period¹⁷. However, where citizens have temporarily gone abroad for work and opt to continue contributing to a pension plan in Jamaica, there may be challenges remitting same. International remittance agencies represent a solution to this issue, where contributions can be sent directly to the member's pension account. If the Switch system could be implemented (discussed in Section 11 below), it could provide administrators with the opportunity to create linkages with international remittance agencies.

¹⁵ Source: <https://www.lynk.us/#features>

¹⁶ Source: <https://boj.org.jm/wp-content/uploads/2024/03/2023-BOJ-Annual-Report.pdf> (pg. 83)

¹⁷ Source: <https://tradingeconomics.com/jamaica/remittances>

10 Certification of Agents

Regulation 5 of the Pensions (Superannuation Funds and Retirement Schemes) (Registration, Licensing and Reporting) Regulations require the sales representatives to be registered with the FSC and that they are successful in the relevant examinations. Additionally, these persons must meet the qualifications detailed in the regulation, being an Associateship of the Chartered Insurance Institute qualification or the equivalent, and a certificate from the College of Insurance and Professional Studies in the class(es) of insurance business for which registration is being sought.

Although it is essential that sales representatives have the requisite qualifications to perform their function with respect to formal sector products, these requirements may be counterproductive if applied to representatives who are of the same ilk as informal sector workers. Less strenuous requirements linked specifically to the target market could serve as a solution to the before-mentioned concern after the appropriate training. This would be accompanied by an analysis of what information should be presented to informal sector workers to register without the presence of a sales representative, in addition to the establishment of a simplified enrolment process. Communication channels, such as educational videos could be referenced by the agents to provide correct information (reducing the risk of misinformation). The effort to facilitate flexibility in the regulatory requirements could be linked to e-Pension accounts, mentioned previously.

11 Switch Standards and New Regulation

The Switch is a mechanism which facilitates data transfer between different participants connected to the platform. The Switch also provides economies of scale for operations and serves to establish an ecosystem among administrators, custodians and banking and non-banking institutions. Implementing a switch in the industry may result in additional regulation, as well as modifications to regulation outside the scope of FSC's regulatory framework. For a switch to be trusted, it requires a governance structure that provides certainty. The following aspects would be considered as part of the regulatory framework or minimum required standards:

- Switch ownership,
- Switch objective,
- Process and fee structure of contracting of switch services,
- Switch Administrative Structure,
- Switch Governance,
- Service levels, Security and Quality,
- Transactional process manuals,
- Supervision, control and surveillance,
- Termination of contract, and
- Guarantees and penalties.

In Mexico, there are specific regulations issued to ensure all industry participants have equal, private and secure access to the contribution pay points. In Chile, though the pension industry is more mature, a Switch was also established by industry participants to facilitate contribution payments, however, with less regulation and established fee structures than in Mexico.

11.1 Switch alternative to facilitate administration

The scope of the Switch may vary depending on its purpose. It can play only an intermediary role among the stakeholders receiving and forwarding information between stakeholders and service providers, or it could be the most critical player within a system having a database centralized with clients' data and facilitating the necessary validations required. A switch tracks and controls all transactions from their origin to their final destination.

11.2 Advantages of implementing a Switch

The Switch gives an opportunity for the administrators to engage with only one entity as shown in *Figure 12*. This Switch would manage relationships between all administrators and the different contribution channels.

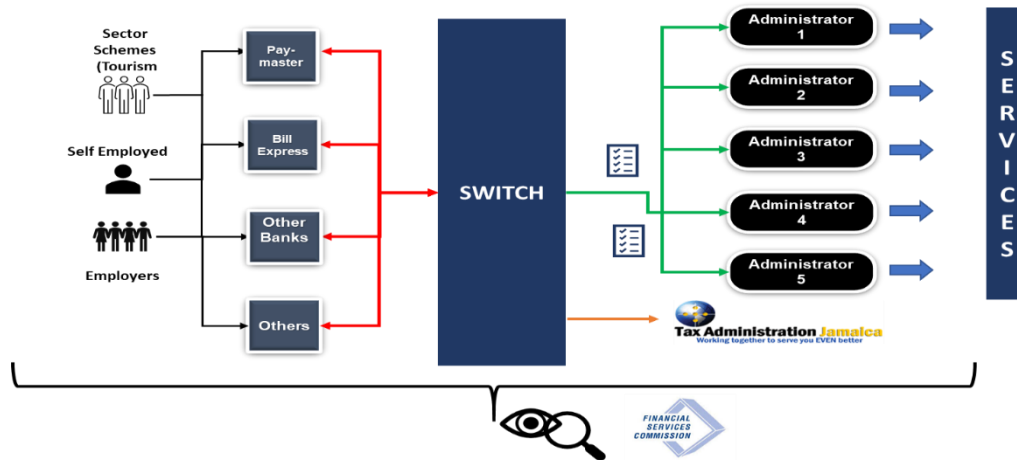


Figure 12: Contribution collection configuration with a Switch

The existence of a switch entity that centralizes the transactions between the participants should additionally aim at reducing operational and transactional costs. A fee structure applicable to all administrators should allow the centralized entity to become viable to operate over time, resulting in participants of the pension system paying transaction fees to the switch entity leaving the Switch to establish commercial agreements for the operations to channel these fees to the different service providers. Having a switch provides an easy way for administrators to plug into all contribution collection channels, and facilitates a single communication point between the channels, the administrators and the pension participants.

11.3 Switch options with and without a centralized Database

The Switch can interact in different ways with the participants, depending on how such interaction is desired, as well as what information is to be "shared" with the Switch. The following options may be some of the possible configurations in which a switch could be performed:

OPTION	1) The Switch validates the member's info in a centralized database ("DB")	2) The collection channel sends the member's info directly to the Administrator for it to validate in their own DB (Administrator/ Scheme Number/ required)	3) The collection channel sends the member's info to all the administrators for them to validate in their own DB
Requirements	Create a centralized database with all the Administrators' information cooperation	The contribution process requires the member to know the Administrator's Number	No additional requirement
Advantages	Transaction time is reduced to seconds since it is a 1-1 communication	Transaction time depends on the Administrator's speed to validate the information, but time is reduced since it is a 1-1 communication	<ul style="list-style-type: none"> • There's no need to make modifications to any DB or create a new one • There's no additional number required to make contributions

Disadvantages	Coordinating the administrators to bring the DB together might take a long time.	The requirement of an additional number might prove challenging and ultimately a deal-breaker for some members	<ul style="list-style-type: none"> • Transaction time is considerably longer since it is needed to communicate with all the administrators. • In the case the member has more than one product with more than one administrator, they would need to specify which product they want to contribute to.
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Table 5: Options for the possible configurations of a Switch

11.4 Governance of the Switch

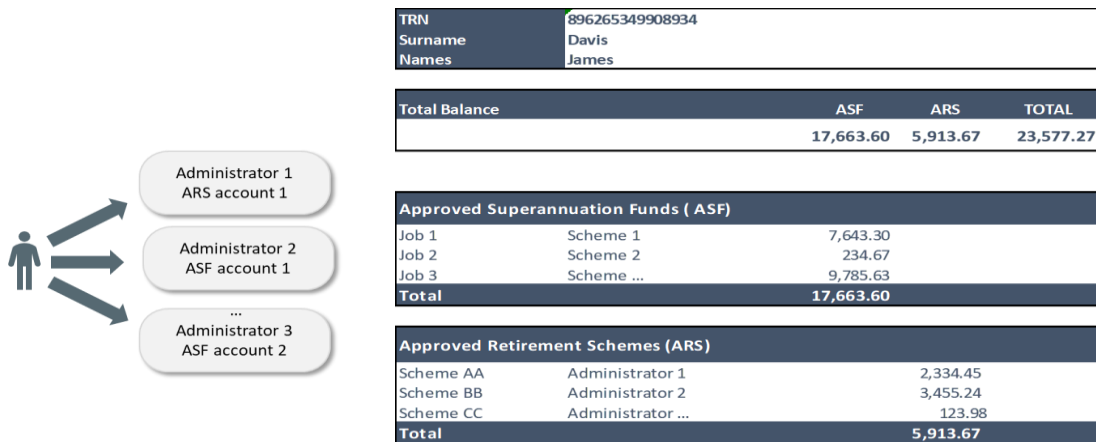
The establishment of a switch requires a specific institutional arrangement where corporate governance is key in ensuring equal opportunity and building trust in the privacy and management of information and transactions for all administrators. The institutional design may vary with modifications to the key aspects of the following:

- Establishment of the ownership and corporate governance of the Switch.
- Determining who is responsible for operating the Switch.
- Policies, procedures, and processes to ensure the privacy and security of all confidential information when accessed and transferred to the relevant stakeholders.
- Identification of relevant laws, best practices, and test metrics to ensure the integrity of all the transactions.
- An efficient fee structure that leverages the economies of scale of the Switch.

Further dialogue with the industry may support the establishment of a switch based on the specific objectives of the regulator and the administrators.

11.5 Additional option of leveraging a Switch to improve pension outcome through a dashboard

A Switch could also be leveraged to function as a dashboard, in addition to its core purpose, to facilitate a holistic view of their investments throughout the pension industry. It could allow members to look for personal and aggregate information about all schemes they have contributed to during their lifetime. This would allow members to locate unclaimed benefits from various administrators.



The dashboard, through a Switch, could be utilized to facilitate a single retirement benefit to be awarded, or to consolidate an individual's balances at the end of their career without taking the money out of the system, thus reducing lump-sum payments related to commuted benefits for small pensions in favour of drawdown or annuity products.

12 Other General Design Features

Partial Withdrawal: Another important feature would be allowing participants access to emergency saving, which would provide relief to members in unforeseen circumstances, such as the recent COVID-19 pandemic. ARS are not allowed to permit partial withdrawals and, as such, pairing the ARS with a short-term saving product could be beneficially. Members would establish the portion of contributions that should go to the respective accounts upon enrolment (percentage split could be based on different age groups). Thereafter, they would have unlimited access to withdraw from the short-term saving product. Also, the possibility of unlocking a portion of the contributions (allowing ARS members to withdraw up to 20%, at most twice during the period of membership) in times of financial hardship is currently being evaluated in Phase II of the Pension Reform.

Minimum Contributions: There should be no compulsory contribution (of the 13 ARS already in existence, four prescribe a minimum amount, with two stating that the members should contribute at least 5% of earnings). Also, most informal sector workers earn less than the minimum taxable wage and therefore, should be allowed to save up to JMD 300,000, which represents 20% of the minimum taxable wage and 6% of the insurable wage ceiling, without any verification on income required by the administrator.

13 Summary of Recommendations for Inclusive Pension Product Design

Features	How does the feature address the informal workers' needs?
Quick Enrolment	The process needs to be easy and quick to enrol new members to overcome the feeling that pension products are too complicated.
Allows small contributions	Income is variable among informal workers, but there is a high percentage of informal workers in Jamaica with low income. ARS should allow those workers to make small contributions. Try to leverage technology to send reminders and make contributions automatic; incorporate the use of mobile wallets.
Flexible contribution scheme to adapt to Informal workers' variable income stream	Informal workers have highly variable income streams. Some have an irregular income, and some earn income daily, weekly, fortnightly, monthly, etc. Irregular income makes it harder to plan for emergencies or special events that might require them to spend more. Additionally, it makes it harder for administrators to plan for contribution inflows. Contributions payments should be flexible, with no fees for late or missed contributions.
Linking ARS with a short-term saving product - allowing access to a portion of fund	Informal workers from the survey indicated a preference for partial withdrawals, however, contributions are locked in ARS until retirement, death or transfer. Linking the ARS with a short-term saving product would address the concern that, if needed, the member would have immediate access to the funds saved in their saving account and the pension remains intact.
Accessible channels - available throughout the island and are already a part of the users' everyday life.	Users should be able to get information about the pension scheme and services before the benefit is released. Experiences have shown that associating with other participants in the financial industry, like retail stores, supermarkets or post offices (already the case with the NIS in Jamaica), can help expand coverage. These channels are not only physical spaces but also other digital spaces where users already spend time, like social media, Mobile Apps and Websites. These channels can also include spaces where users already work or carry out tasks: workers associations, trade associations and markets.
Financial Education	Informal workers believe that their insufficient or inconsistent income limits their ability to save, but most of them are already saving. It also appears that most Jamaican workers do not know the formal institutions that facilitate retirement investing.

	The marketing of ARS to informal workers should seek to highlight the simplicity of the product and the benefits that the user can get from it. Workers should be provided with useful information to improve their financial wellbeing.
Push NIS, which already covers other financial benefits.	Jamaican workers noted that life insurance and health insurance policies are products that would make a pension product more attractive, particularly since health insurance would provide an alternative funding source for medical emergencies. However, based on the low coverage, many persons fail to connect that this is already covered in the NIS. The outreach network of MLSS could be leveraged with FSC and pension service providers, allowing an easier and cost-effective way for providers, who may find current outreach efforts expensive and/or unviable.

Table 6: Summary of recommendations for product design, based on results of the Market Research Study

14 Conclusion

Private industry practitioners find providing pension products to the informal sector and self-employed workers very difficult and not profitable. The challenges arise in finding appropriate pension administration, a good pension product and efficient outreach channels to engage the target population. In all of the international experiences presented, the government (either social protection agencies, regulators and/or policymakers) has taken a very active approach in the expansion of coverage compared to their typical supervisory role and, as part of the mandate, sometimes leading the efforts themselves. In some jurisdictions, pension sector regulators have taken the lead, in others, the social protection agencies lead, and in other jurisdictions, the Ministry of Finance takes a lead role to coordinate the sectors across insurance, pensions and other micro-finance institutions. Nonetheless, a strictly prudential approach from regulators and policymakers would not be enough to extend coverage to the informal sector and self-employed, and coordination between different stakeholders is necessary.

Having reviewed the diagnostic study, as well as literatures on international experiences and after consultations with internal and external stakeholders, it was determined that a micro-pensions product would not be feasible for Jamaica. However, it was stressed that the ARS framework could be strengthened for greater accessibility and more support could be given to MLSS, in their effort to increase the coverage of NIS. The specific activities which FSC will undertake, in conjunction with other stakeholders, are summarized below.

Barriers	Goals	Action Plan
Financial Education & Outreach	Increase pension coverage	The outreach network of MLSS could be leveraged with FSC and pension service providers, allowing an easier and cost-effective way for providers. <i>Annual awareness campaigns/fairs with ARS providers, and associations/sector</i> Recommend that MLSS produce statements for contributors outlining the prospective NIS pension benefit.
Enrolment	Simplify the enrolment process	Discuss the possibility of facilitating e-KYC initiatives with TAJ & National ID <i>Workshop with industry to clarify enrollment requirements; including the enrolment of individuals who work seasonally overseas.</i> Encourage Simplified Due Diligence for members who contribute less than J\$300k (20% of J\$1.5M) annually.
Contribution Collection	Simplify the remittance process	Find ways to leverage technology to send reminders and make contributions automated; incorporate the use of mobile wallets.

	and encourage saving of any amount	Encourage ARS providers to not charge fees for late or missed contributions.
Access to funds	Allow members some access to fund while leaving their pension intact	Encourage ARS providers to link the ARS with short-term saving products, the members would have immediate access to the funds saved in their saving account and the pension remains intact.
Adequacy of NIS Benefit	Deepening pension adequacy	Discuss with MLSS, the possibility of increasing the pension benefit offered by NIS by introducing a DC component or separate DC account; contributors will make additional payments to add to the benefit.

Table 7: Summary recommendations identifying regulatory intervention and market development

Appendix I

Step / Level of disclosure	Disclosed information	Purpose of the level of disclosure	Possible Channels
First Contact with the Scheme	<ul style="list-style-type: none"> - Enrolment <ul style="list-style-type: none"> o Simplified Procedures o Mechanisms (online, locations, authorized entities, and agents) - How the scheme works <ul style="list-style-type: none"> o Minimum contribution amounts and fees o Recommended Periodicity - Funds Availability <ul style="list-style-type: none"> o Simplified version of the availability of funds - Benefits - Customer Service Information - Website of the pension scheme 	<p>Give a quick but complete first glance of the scheme to potential users</p> <p>Incentivize individuals to join the ARS</p> <p>Not to overwhelm potential users with too much information</p>	<p>Promoting agents.</p> <p>Broadcast, online and printed materials for the promotion of the scheme.</p> <p>All communications that could constitute the first point of contact with potential users.</p>
Enrollment	<ul style="list-style-type: none"> - All information disclosed in the previous step - Enrolment <ul style="list-style-type: none"> o Complementary Forms (e.g. beneficiaries) o Contract or proof of enrolment - How the scheme works <ul style="list-style-type: none"> o Fees (with a focus on exit fees/restrictions) <ul style="list-style-type: none"> ▪ Simplified version of all fees related to the scheme operation o Penalties for early withdrawals, etc. o Capitalization - Funds Availability <ul style="list-style-type: none"> o Cases o Conditions o Recovery mechanisms 	<p>Provide the necessary information for users of the scheme to get going with the product</p> <p>Provide more information on specific concerns in users that are already interested in the product or that are already enrolling</p>	<p>Member Manual</p> <p>Detailed printed material for individuals that expressed interest in the scheme (e.g. subscribed to a "more information" list in a promotional link or through the customer service phone number, asked about it in social media or through promoting agents")</p>
Active customer after a year	<ul style="list-style-type: none"> - All information disclosed in the previous steps - How the scheme works <ul style="list-style-type: none"> o Fees <ul style="list-style-type: none"> ▪ Detailed version of all fees related to the scheme's operation: investment, administration, etc. ▪ Exit fee (if applicable) - Funds <ul style="list-style-type: none"> o Availability o Yields o Exceptions - Exit and cancelation mechanisms (if available or not) <ul style="list-style-type: none"> o Cases o Conditions o Penalties - Institutions involved in the scheme's operations <ul style="list-style-type: none"> o Scheme operators o Fund Administrators o Trustees o Investment Societies 	<p>To provide all the information about the scheme for users looking for specific details on special cases</p> <p>To disclose all the institutions involved in the operations of the scheme, although it should be made clear that the Scheme is the first contact in case of an issue or need for any clarification.</p>	<p>Website of the Pension Scheme</p>