

# Debunking NIS Myths

By Sheena Mayers-Granville

Executive Director

Barbados Employers' Confederation

Unexpectedly in 2020 both employers and employees have had to rely heavily on the national safety net, National Insurance Scheme (NIS), in unprecedented numbers. Of course, this has led to questions about the long-term survival of the scheme. As a national scheme, with over \$4 billion in assets, all Barbadians have an interest and have the right to, and should, ask legitimate questions. However, I have observed comments in recent times that suggest there are a few areas where misinterpretation or misunderstanding has occurred. Therefore, some fundamental facts around NIS need to be established.

Firstly, there is no single NIS Fund, rather as contributions are paid into NIS there are placed into funds; the three largest funds are:

- Severance Fund – only employers pay into this fund. It is used to advance severance to employees where employers are unable to pay and also to provide employers with a 25% rebate on severance payments.
- Unemployment Fund – originally only employees paid into this fund and it provides a temporary benefit when employees lose their jobs. However, in recent years given the Fund's insolvency, employers have diverted their severance contributions to the Unemployment Fund to assist employees.
- National Insurance Fund – This is where other short-term and long-term benefits are paid from including sickness, maternity, disability, and pension benefits. Both employee and employers pay into this fund.

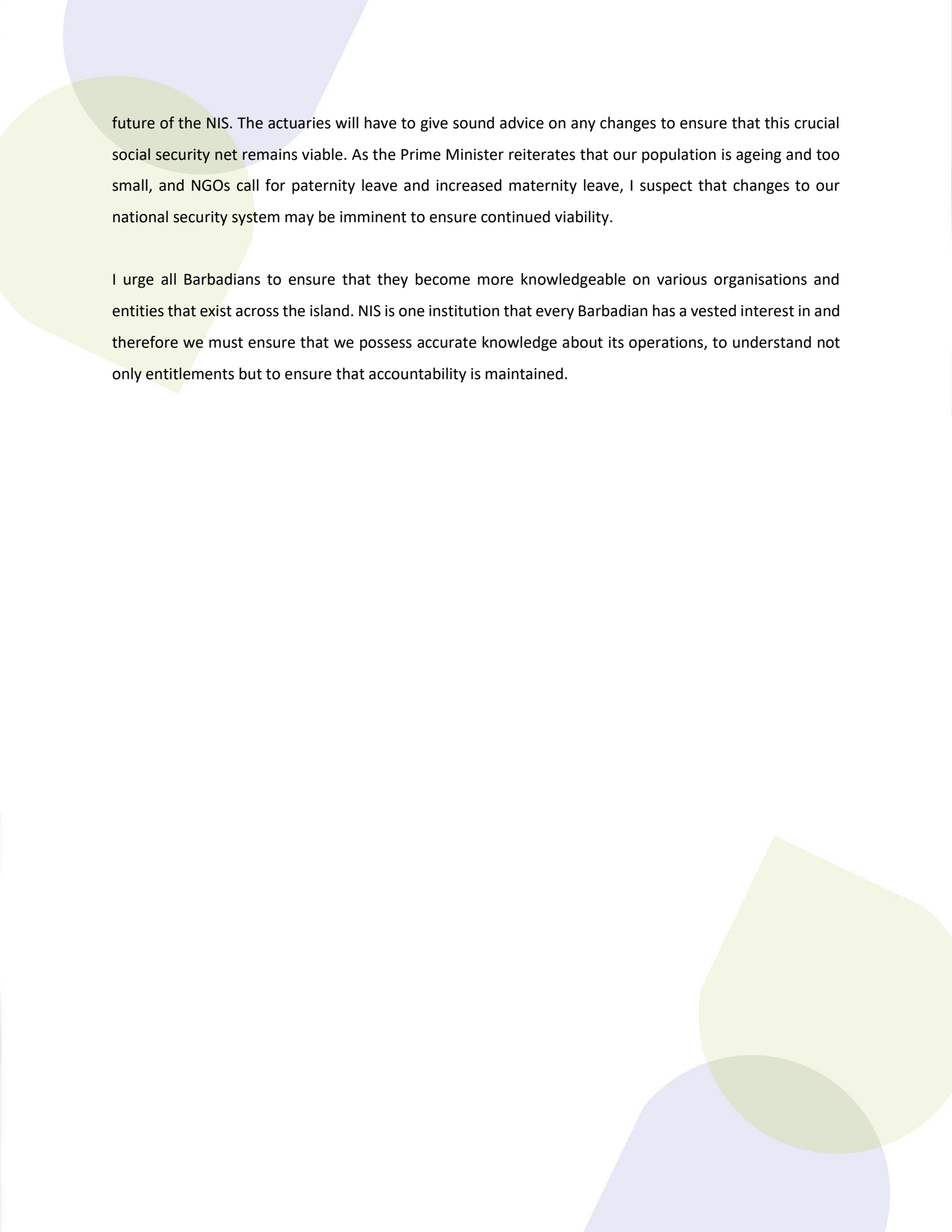
Secondly, there seems to be a false assumption that employers escape their severance liability when persons are referred to the Severance Fund for assistance. This is incorrect. Under legislation, the NIS has the right to recover severance paid on behalf of employers and can even apply interest. This was always a feature of legislation and remains unchanged. As the Severance Fund assist employers to pay severance, we must remember that is money only paid by employers which is maintained separately from any monies that will be used to pay pensions.

On the matter of NIS reporting, in 2017, the 15<sup>th</sup> Actuarial Report noted that the NIS has not issued NIF annual reports since 2009 and has not submitted to the Minister audited financial reports since 2004. This does not mean that there is financial irregularity at NIS. Any irregularity would be revealed in an audit and unless one has been completed it would be reckless to imply such. This is a legacy issue that has come to the fore on more than one occasion, and still warrants concern and attention. The past two (2) Chairpersons of NIS have both explained that legislation requires that the Auditor General performs the audit and a lack of resources in this office as well as technical issues hamper the effort but they are assiduously working on the backlog. However, this also does not mean that financial statements are not prepared, in fact the Board of Directors receives and reviews management accounts monthly to inform decision making.

Typically, the annual report of an entity provides interested parties with the information on the entity. Investors review them, NGOs such as trade unions refer to them and Government officials can review them for information to aid in decision making. But an annual report cannot be published without audited financials. The NIS is required to submit annual reports to the Minister of Labour; which in turn should be laid before parliament and published for the general public. Therefore, in the absence of audited financial statements it has been more than a decade since the Barbadian public has had a view of the National Insurance Fund. While the Board of Directors is addressing this issue, the Barbadian public at large does have the right to ask questions regarding the current status of the fund.

Let's now consider actuarial valuations. Most persons are familiar with accounts and financial statements, however actuarial reports are different and are critical in insurance and financial forecasting. The main purpose of periodic actuarial reviews is to determine if the social security system in Barbados operates on a sound financial basis and if it provides adequate and affordable levels of income protection. Where considered necessary, recommendations aimed at ensuring that these objectives can be achieved for current and future generations are made. Employers with pension plans are aware that actuarial reports are due every 3 years. In May 2017, the last actuarial report was presented to the Board for the period 2012-2014. Therefore, a report is outstanding for the period 2015-2017 which is being prepared and we are now approaching the end of the next reporting cycle which will be 2018-2020.

With the changes to the financial and economic landscape, first brought about by the government debt restructuring programme and now the COVID-19 crisis, an actuarial opinion will be critical to charting the



future of the NIS. The actuaries will have to give sound advice on any changes to ensure that this crucial social security net remains viable. As the Prime Minister reiterates that our population is ageing and too small, and NGOs call for paternity leave and increased maternity leave, I suspect that changes to our national security system may be imminent to ensure continued viability.

I urge all Barbadians to ensure that they become more knowledgeable on various organisations and entities that exist across the island. NIS is one institution that every Barbadian has a vested interest in and therefore we must ensure that we possess accurate knowledge about its operations, to understand not only entitlements but to ensure that accountability is maintained.