

**SUPERVISORY AND REGULATORY COMMISSION  
OF SOCIAL SECURITY INSTITUTIONS**

**THE REFORM OF THE CIVIL SERVICE  
SCHEME IN SENEGAL**

**Alpha NDIAYE**

# OUTLINE

- 1. Some Statistics
- 2. Brief description of the system
- 3. Main reasons to reform
- 4. Measures adopted
- 5. Justification for the choice
- 6. Brief evaluation of implementation problems
- 7. Future prospects

# SOME STATISTICS (2004)

- Population : 10,000,000
- Labor force: 3,000,000
  - o/w covered by a pension scheme: 252,431
  - o/w which civil servants: 56,466
- Government budget
  - Expenditures: 22.8 % of GDP
  - Revenues: 21.4 % of GDP
  - Wage bill : 5.5 % of GDP

# BRIEF DESCRIPTION OF THE SYSTEM

- I. Two pension plans in Sénégal
  - FNR that covers the majority of civil servants
  - IPRES covering private sector salaried workers plus about 1/3 of the public sector employees
  
- Both plans:
  - Are financed on a pay as you go basis
  - Are defined benefit
  - Together cover less than 10% of the labor force

# SUMMARY OF FNR AND IPRES SCHEME (2004)

<b>Basic Indicators</b>	<b>FNR</b>	<b>IPRES</b>	<b>Total</b>
<b>Membership</b>	<b>Number</b>		
<b>Contributors</b>	56,466	195,965	252,122
<b>Pensioners</b>	39,605	108,320	147,925

# Parameters (2004)

Basic Indicators	FNR	IPRES
Contribution Rates	% of gross wage	
Total	35	14
O/w employer	23.0	8.4
O/w employee	12.0	5.6

## II. Indicators of FNR

- Due to hiring freeze, contributors have remained roughly constant at around 60,000 for a decade
- Pensioners are at around 31,000
  - Old age 32 %
  - Early retirement 14 %
  - Invalidity 9 %
  - Survivors 44 %
  - Normal retirement age 55 years
- But various retirement age specific to different groups

# Total

Year	men	women	total
2004			
Civil	24.209	7.685	31.894
Uniformed	24.451	121	24.572
<b>Total</b>	<b>48.660</b>	<b>7.806</b>	<b>56.466</b>
Retired	18.183	1.109	19.373
Reversed	139	18.289	18.428
Orphans	921	883	1.804
<b>Total</b>	<b>19.243</b>	<b>20.362</b>	<b>39.605</b>

# Indicators (year 2002 before the reform)

Basic Indicators	FNR	IPRES	Total
Finances	% GDP		
Contribution revenue	0,67 %	0,77 %	1,44%
Pension spending	0,85%	0,57%	1,42%
Deficit/surplus	-0,18%	0,21%	0,03%
Reserves	0,00%	0,76%	0,76%
Gross pension liability	25,1%	18,0%	43,1%

# Main reasons to reform

- Fiscal pressure
  - FNR deficit = 9 billions of CFA Francs
  - Deficit financed by national budget
  - No longer permitted because of government commitment to contain its budget deficit under certain limits following its agreement with the Bretton-Woods Institutions
  - Inequity with the IPRES scheme members

# Measures adopted law enacted in 2002 for FNR reform

Reform	Details
Base expansion (1)	Contribution base to include augmentations
Base expansion (2)	Contribution and benefit base to include residence allowance and complement special
Retirement age	Standard age to 60 from 55
Accrual rate	1,8 % per year of service (compared with 2)
Averaging period	3 years (compared with 1 year)
Majoration	10% for 3 children (compared with 10% for 3 children plus 5% for each further child up to 100%)
Family allowances	6 children maximum
Bonification	3 children maximum
Contribution rates	12% employee (compared with 15%) 23% employee (compared with 20%)

# Justification for the choice

- Principle : increase revenues and decrease pay out

# BASE EXPANSION 1

- 1 This simply correct a technical flaw because the augmentations were part of the benefit base but not the contribution base. Thus, the effect will be increase of revenues effect on pension liabilities.

# BASE EXPANSION 2

2 The inclusion of “residence allowance” and “complement special” increase both pension revenues and liabilities. However, while the contributors increase immediately benefit payout occurs only over a number of years

### 3 Retirement age and accrual rate

- New retirees will have contributed for five years longer. But because they will receive a larger benefit, the law reduces the accrual rate from 2% to 1,8 %

# 4 Average period

- Final salary is extended to the average of the final three years salaries. Benefits are reduced

# Major impacts of FNR reform

Effect of main changes to the FNR on present value of benefits and contributions

Scenario	Change in net present value		
	benefits	contributions	Overall
Pre-reform	-	-	-
Base expansion : augmentation	+5%	+28%	+2%
Base expansion : others	+28%	+37%	-20%
Retirement age	+4%	+17%	0
Accrual rate	-10%	0	+10%
Averaging period	-5%	0	+5%
Majoration	-6%	0	+6%
Family allowance	0	0	0
Employee contribution rate	0	-20%	-5%
<b>Post-reform</b>	<b>+8%</b>	<b>+54%</b>	<b>+5%</b>

# IMPLEMENTATION PROBLEMS

Problems were expected from labor unions. However, the reform implementation was quasi- easy for many reasons :

- New political context : newly elected President
- Increase of public service salaries in the same years
- Decrease of employees contribution rate from 15% to 12% and increase of employer contribution from 20% to 23 %
- Increase of retirement age from 55 to 60 years : a major demand of labor unions.

# Lessons and future prospects

- Study on the opportunity and the feasibility of the merging of FNR and IPRES
- Conclusion of the study:
  - Merging is not wise now because of profound disparities between the 2 schemes : generosity, validity of information systems, contribution rates, opposition of labor unions
  - Opportunity is the transfer of all public employees from IPRES to FNR
    1. But loss of 28,000 contributors for IPRES that should be compensated financially
    2. FNR will be better off
    3. Good for the public finances