



Reform of Pension Schemes: Lessons Learned from Morocco

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ESCWA, UN, 8-9 September, 2011



Structure of the presentation

Overview of pension reforms in OECD countries.

Pension system organisation in Morocco.

Pension systems changes in Morocco.

Lessons learnt



Pension reforms in OECD countries

- Since the 1980s, the OECD countries have reformed their pension systems.
- Disability, unemployment have also been reformed.
- Each country's reform process was unique.



Pension reforms in OECD countries

- Trend to reduce pension benefits;
- Reinforce the link between contributions and benefits.



Pension systems unsustainable:

- Low retirement age;
- High replacement rate;
- Low contribution rate;
- High unemployment rate.



Pension reforms in OECD countries

- In most OECD countries that implemented significant reform in the last 10 years, the pension benefit was reduced by 22 percent (OECD).
- Italy, Sweden, France, Austria, Germany, and Japan reduced replacement rates.



Pension reforms in OECD countries

- The pension reform combines an increase in the retirement age with lower replacement rate.
- The risk of old-age poverty for low-income workers.



Pension reforms in OECD countries

- Commissions established to monitor pension systems and make recommendations for change.



Pension reforms in OECD countries

- Commission helped to put pension reform on the agenda.
- Long process.
- France, Germany, UK, Portugal, Sweden (the commission worked from 1984 to 1990).




Pension system MENA region:

- ❑ Pension systems in these countries remain fragmented:
 - ❑ schemes for civil servants, military, employees of state owned enterprises,
 - ❑ Schemes for self-employed,
 - ❑ Schemes for private sector workers.
- Low coverage rate;
- Large unfunded pension liabilities:
 - ❑ high replacement rates, low contribution rate.



Morocco's situation of pension system:

- Pension coverage very low:
 - only 30% of the working-age population are covered.
- Self-employed professionals, agricultural workers are not covered;
- Informal workers not covered.



Pension system in Morocco: organisation

□ **4 Pension schemes:**

- CNSS : employees in private sector;
- CIMR : additional scheme for employees in private sector;
- CMR : civil servants;
- RCAR : employees in public sector;

□ **2 Professional pension schemes:**

- OCP
- ONE/Régies de distribution d'eau et d'électricité .



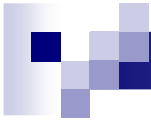
Financing:

- CMR, CNSS, CIMR : PAYG and funding reserves.
- RCAR : PAYG (1/3) and funded schemes (2/3).

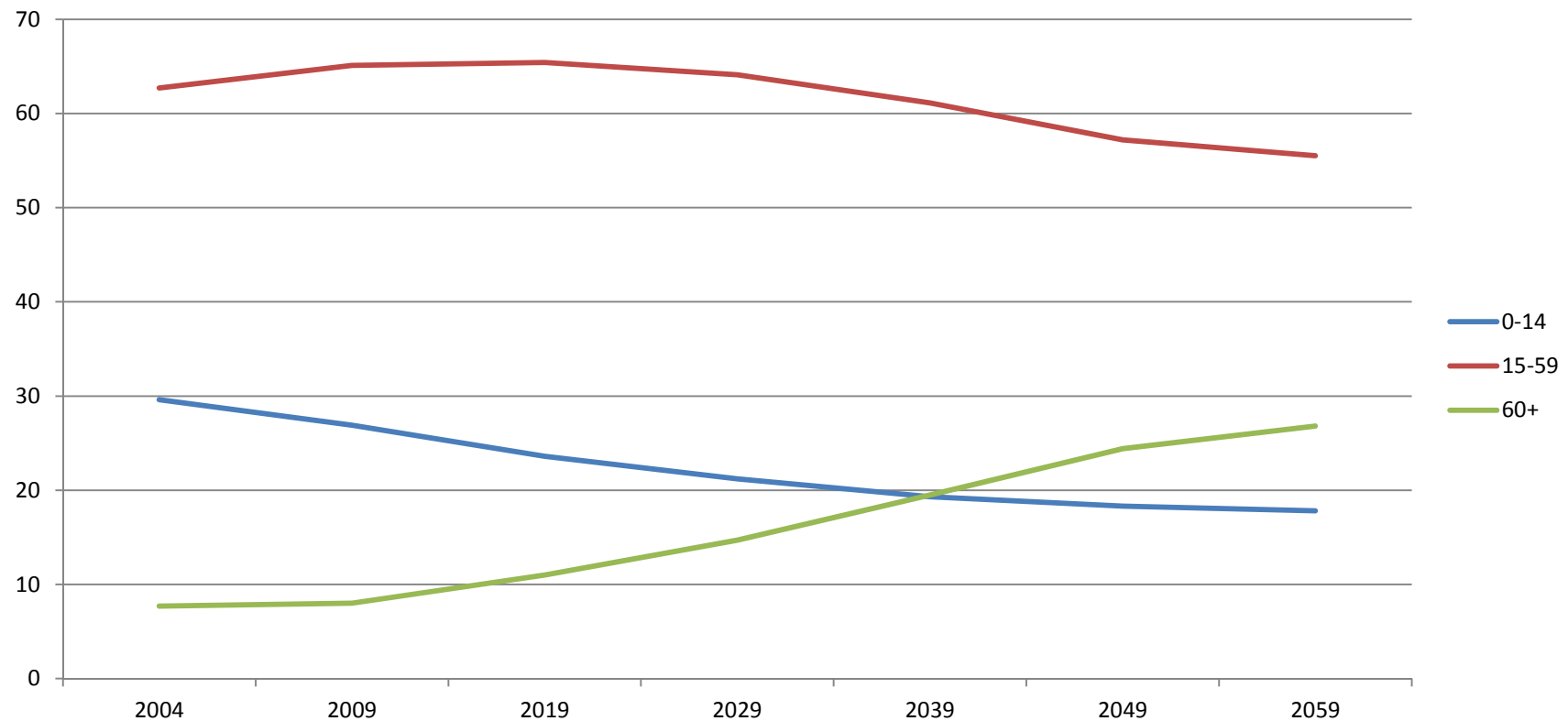


Dependancy ratio:

- CNSS: from 4.6 to 1 (2025)
- CMR: from 7.5 to 3.3 (2040)
- RCAR: from 7.5 to 2 (2050)



Population 2004-2059 (CERED, HCP).





Implicit debt:

- The CMR is not expected to survive beyond 2019.
- The CNSS can honour its commitments up to 2016.



Pension reform process:

- Dec. 2003: commissions were established to monitor pension systems and make recommendations for change.
- 2006: Proposal to increase retirement age (65 years old) rejected by union.
- 2007: Proposal by Unions to have a new round of pension system evaluation.



Recommendations for change:

Several options:

- Keeping the pension schemes for private sector and public sector;
- Develop a single national fund for workers;
- Develop similar methods to evaluate pension system in private and public sector;
- Raising the retirement age.



CNSS Schemes: Changes during 1990's and the 2000's.

- Introduction of Minimum pension;
- Contribution rate increased from 9,12% to 11,89% (2002);
- Salary ceiling increased: from 5 000 dhs to **6 000 dirhams.**
- November 2004 (Loi 17-02):
 - Wage reference for pension calculation: from 26 months salary to 96 months.



CMR : Changes during 1990's and 2000's.

- New Financing: PAYG with the introduction of accumulation (Fonds de réserves, France).
- Accrual rate: from 2.5% to 2%.
- Benefit ceiling: 100%.
- Contribution rate: from 14% (2003) to 16% (2004), 18% (2005), 20% (2006).



Changes during 1990's and 2000's:

- Fragmented pension systems were integrated under the Régime Collectif d'Assurance et de Retraite (RCAR).



Conclusion: lessons learned

- Pension schemes have conducted many changes to reinforce their pension system.
- Pension schemes have anticipated the main challenges facing their system.



Conclusion: lessons learned

- The government strategy in Morocco:
 - the transparency of the policy dialogue ;
 - the consensus for reform.
- A comprehensive approach to reform including all pension schemes and institutions (civil society).
- Global pension reform in 2011 or 2012.



Conclusion:

- Providing information and increasing the public's awareness of the challenges facing the pension system can help to recognize the need for reforms.
- Information is crucial: The public must believe that change is needed.
- The challenge today: to take an integrated and long-term view of pension reform.