Country Presentation – Sri Lanka

OECD-ADBI-IRDAI Roundtable on Insurance and Retirement Saving in Asia

24 – 25 May 2023
Hyderabad City, India

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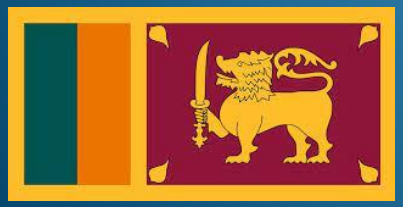

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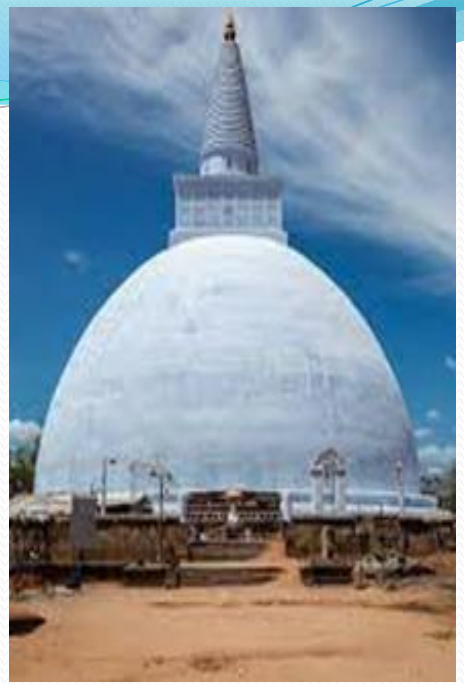
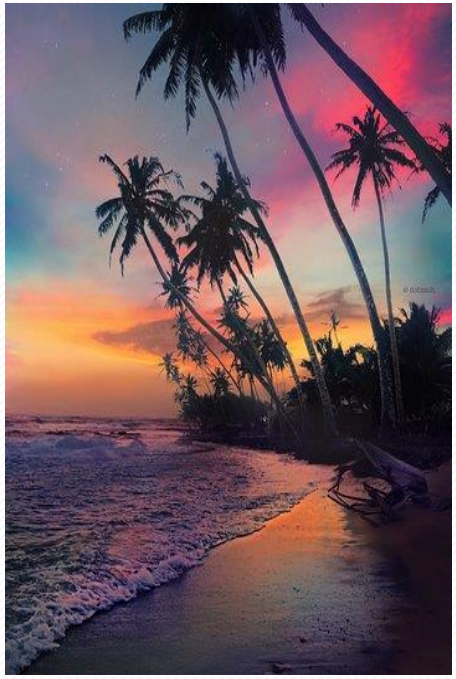
Sri Lanka Pensions





General Information

Country	Sri Lanka
Capital	Sri Jayawardenepura Kotte
Commercial capital	Colombo
Geographical location	6°56′N 79°52′E
Official languages	Sinhala / Tamil
Recognized language	English
Ethnic groups	74.9% Sinhalese 11.2% Sri Lankan Tamils 9.2% Sri Lankan Moors 4.2% Indian Tamils 0.5% Others
Religions	70.2% Buddhism 12.6% Hinduism 9.7% Islam 7.4% Christianity
Area	65,610.2 km^2
Population	22,181,000
Currency	Sri Lankan Rupee
GDP (nominal)	Total US$ 73.3 billion Per capita US$ 3,293

Pension Schemes in Sri Lanka

In Sri Lanka, pension or provident fund schemes perform differently with respect to coverage, adequacy and sustainability.

- Public Servants' Pension Scheme
- Employees' Provident Fund
- Farmers' Pension Scheme
- The Fishermen's Pension and Social Security Benefit Scheme
- The Pension and Social Security Benefit Scheme for Self-Employed Persons

Department of Pensions

- Established on 23.12.1970 as an A" Grade Department and it comes under the purview of Ministry of Public Administration.

Vision

A pensioners' community highly satisfied in economic and social aspects

Mission

Offering legal benefits to pensioners of public service and their beneficiaries, ensuring satisfaction of both recipients as well as service providers at an excellent level intertwining public sector with private sector through applications of modern technology and sustainable management techniques.

Public Servants' Pension Scheme

- Public Servants' Pension Scheme is Sri Lanka's largest pension scheme covering 498,079 pensioners.

- This is non contributory and tax-funded one.

- The Widows'/Widowers' and Orphans' Pension Scheme (W&OP Scheme) extends this pension benefit to qualifying survivors of the permanent and pensionable public servants, specifically the surviving spouse, orphaned children /permanently disabled children and now covering 186,201 pensioners.

- The W&OP scheme is a contributory scheme, requiring public servants to contribute between 6% - 7% of their basic salary.

Pension Policy – Related Challenges and Opportunities

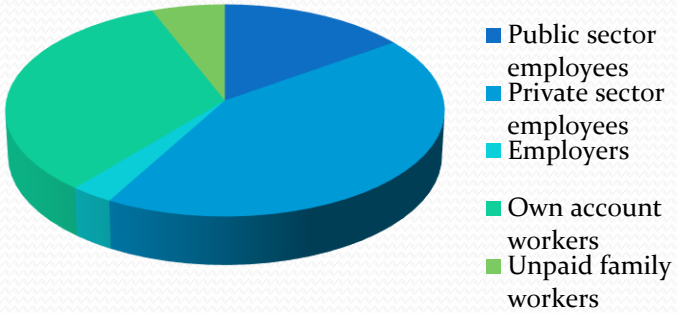
Challenges Ahead

1. Sustainability of Public Servants' Pension Scheme

- Public Servants' Pension Scheme creates a demand for public sector employments, putting extra pressure on the government budget.

Employment group	% of total labour force
Public sector employees	15.1
Private sector employees	42.9
Employers	2.9
Own account workers	33.1
Unpaid family workers	5.9

Total labour force – 8,547,000



Source : Annual Report 2022, Central Bank of Sri Lanka

Number retired (from 2017 to 30th April 2023)

Year	Civil (1)	Forces (2)	Total (1+2) (3)	Widows' and Orphans' pensions (4)	Total (3+4)
2017	17,212	5,883	23,095	8,380	**31,475**
2018	16,987	9,868	26,855	8,173	**35,028**
2019	17,264	9,441	26,705	7,116	**33,821**
2020	20,062	7,990	28,052	7,592	**35,644**
2021	17,165	8,115	25,280	7,214	**32,494**
2022	13,378	7,520	20,898	11,883	**32,781**
Up to 30th April 2023	9,726	3,078	12,804	4,538	**17,342**

Source : Department of Pensions, Sri Lanka

Summary of Pension Expenditure - 2015 to April 2023

Year	Civil and Forces pensions		Widow and Orphans' pensions		Total number of pensioners	Total pension paid (Rs. Million)
	Number of pensioners	Total pension paid (Rs. Million)	Number of pensioners	Total pension paid (Rs. Million)		
2015	378,520	120,092	181,940	35,200	560,460	**155,292**
2016	392,325	126,028	187,183	44,855	579,508	**170,883**
2017	410,702	136,100	190,165	44,930	600,867	**181,030**
2018	429,654	135,970	192,251	45,901	621,905	**181,871**
2019	446,653	154,171	193,331	48,409	639,984	**202,580**
2020	467,062	176,017	193,872	52,690	660,934	**228,707**
2021	480,950	188,394	191,246	52,781	672,196	**241,175**
2022	491,022	225,944	185,408	61,819	676,430	**287,763**
Up to April 2023	498,079	78,340	186,201	20,678	684,280	**99,018**

Source: Payment Database, Department of Pensions, Sri Lanka

2. Population Ageing

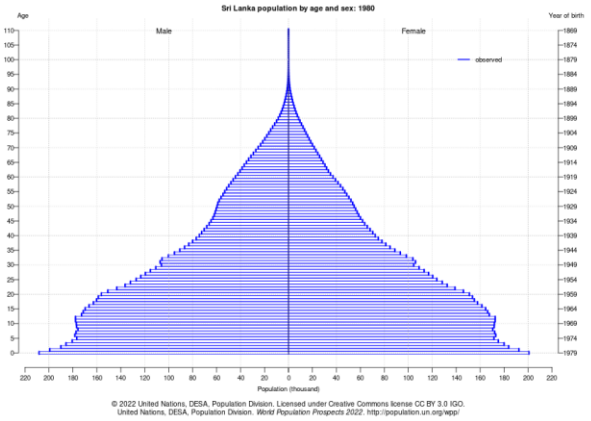
- Sri Lanka is one of the fastest ageing countries in South Asia.
- Age structure will gradually switch from a pyramid structure, typical of most developing economies, to a pillar shape, similar to that of many developed economies.
- Accordingly, Sri Lanka's old age population is rising at a rapid rate where it is estimated that 24.8% of the population will be over 60 years of age by the year 2050.

Age Distribution - 2022

Age group	Number
0 – 14 years	5,603,000
15 – 64 years	14,840,000
65 years and over	1,738,000

Source : Annual Report 2022, Central Bank of Sri Lanka

Population Change – Sri Lanka



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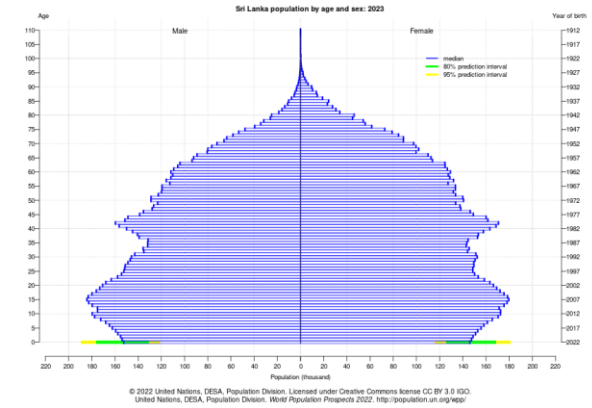
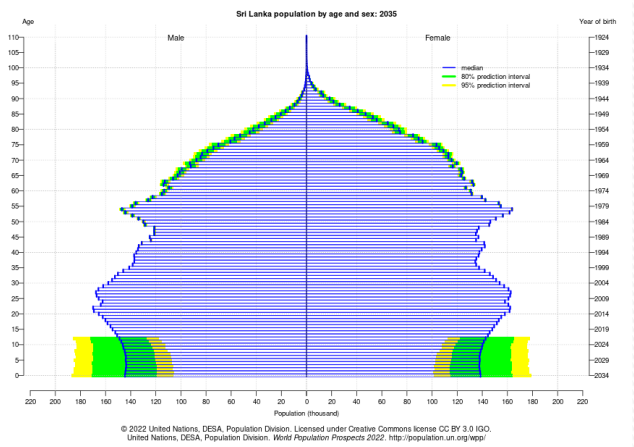
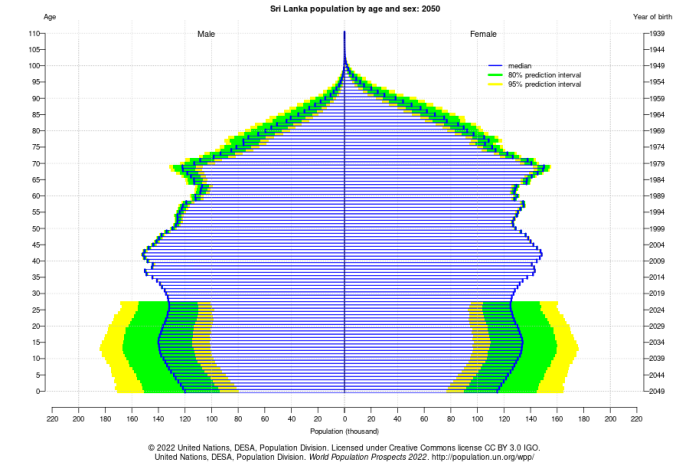


2023

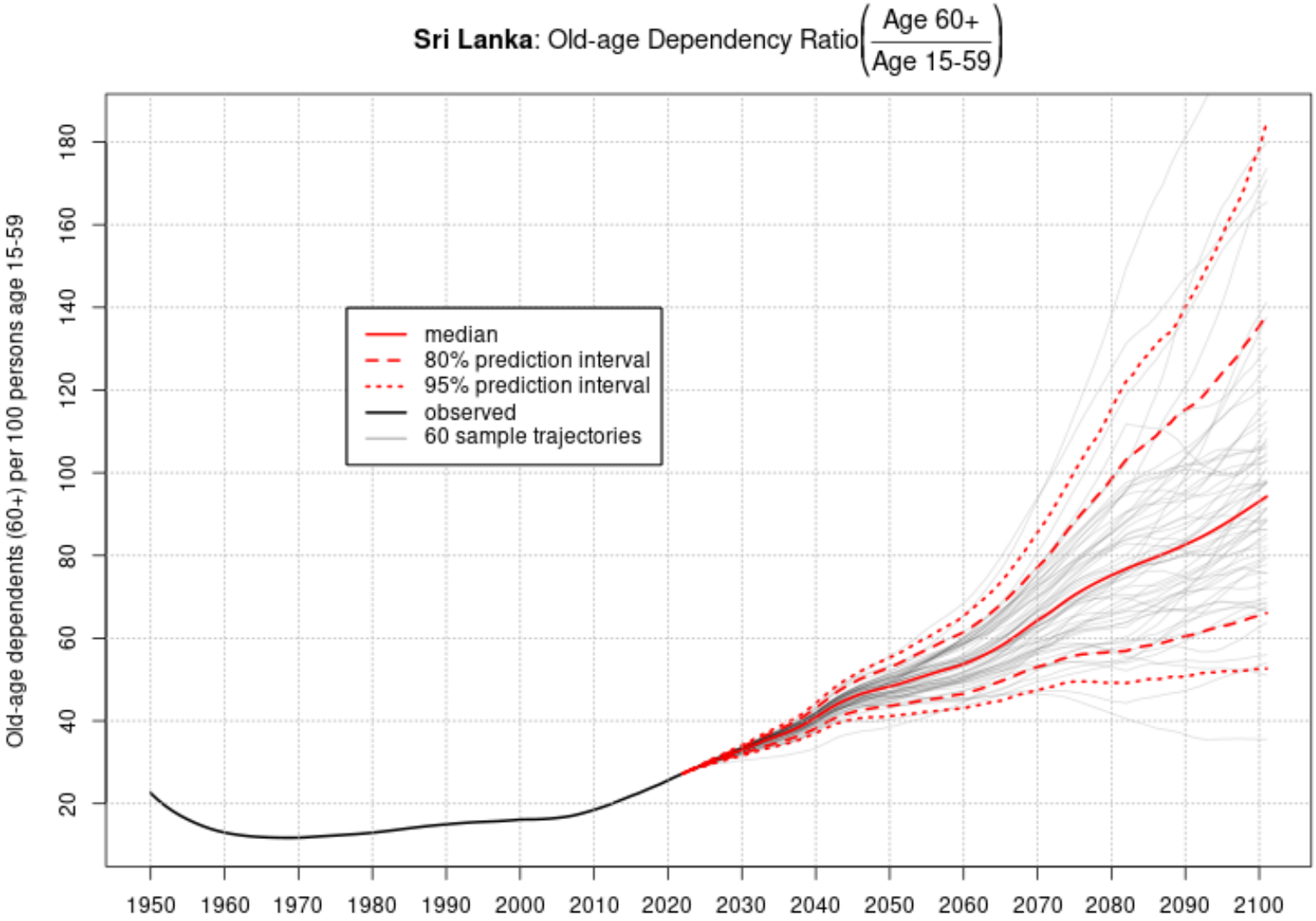


2035



2050

Source : World Population Prospects 2022



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United Nations, DESA, Population Division. *World Population Prospects 2022*. http://population.un.org/wpp/

3. Lacking income support in retirement life for most elderly

- Many studies suggest that only 15-25% of the labour force are eligible for suitable retirement benefits.
- The challenge for Sri Lanka is how to expand the coverage in a way that is fiscally sustainable and effective.

Accordingly, the country is in a critical juncture,
where it is now required to make decisions
to expand social security programs,
increase coverage,
reform funding mechanisms and
introduce sustainable pension programs.

Opportunities / Recommendations

1. Establishing a new pension scheme purely on contributory basis

- Proposed National Contributory Pension Fund
  - Applicable for the employees recruited after 01.01.2016
  - Contribution of public employee – 8%
  - Contribution of employer – 12%

2. Increasing the retirement age to 63 years

- Optional retirement age of the public sector – 55 years
- Compulsory retirement age of the public sector – 60 years
- Expectation of life at birth (2017) – 75.5 years

3. Pension for private sector

- The public sector still attracts many employees due to the pension scheme.
- Private sector employees are not eligible for pensions but they are members of the most significant savings and investment fund in Sri Lanka.
- The demand for a pension program for the private sector is still valid in the present context.

4. Pension for all

- Pension is a vital component of a Country's Social Security Policy.
- Those who do not earn a fixed income cannot contribute to a monthly pension scheme.
- It is important to introduce a voluntary contributory pension scheme for those and increase the ease of access.

5. Expansion of the insurance schemes for pensioners

- Fairfirst Insurance scheme
- Agrahara Insurance Scheme

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