



FINANCE AND ADMINISTRATION COMMITTEE
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SUPPLEMENTARY RETIREMENT PLAN FOR SUPPORT STAFF

WCPFC15-2018-FAC12-11
19 November 2018

Paper by Secretariat

Purpose

1. The purpose of this paper is to seek the approval of the Committee for a supplemental retirement plan for support staff.
2. At FAC11 a paper requesting approval for the Secretariat to investigate a supplementary retirement plan for support staff (WCPFC14-2017-FAC11-11) was presented. FAC requested that:

the Secretariat review options to provide a supplementary retirement scheme for support staff, and to report back to FAC12 including the associated costs against a background of the overall support staff benefit packages.

Introduction

3. In FSM, the Secretariat, like all other employers, is required by law to contribute into the Social Security System for its support staff. Once an individual contributes to the system reaches retirement age, that individual may receive a monthly payment from Social Security. Unlike a provident fund scheme, the money contributed into the Social Security is not necessarily the amount a staff member will receive upon retirement as the payouts are determined and adjusted by the government office that oversees Social Security.
4. There is a concern among support staff that the amount of money from Social Security will not be enough to support them when they retire and that the Social Security system may not even be solvent when they reach retirement age.
5. Currently there are a number of employers who provide their staff with an additional retirement scheme. This retirement scheme is loosely based on a 401k plan

in the U.S. where employees can contribute to the plan and the employer can match a certain portion of the employees contribution. These funds are then actively managed by the staff member, invested and can then be accessed upon retirement.

6. A partial list of employer’s providing this supplementary retirement plan in FSM include the College of Micronesia, FSM Telecom, FSM Petrocorp, Pohnpei Utility Corporation, FSM Social Security, and the US Embassy.

Findings

7. In the group of comparator employers, the following health and life insurance are both provided to staff in addition to their salary. Different employers provide a different level of payment for these benefits. The Secretariat pays 100% of the costs for life and health insurance. The percentage of employer/employee payment of health and life insurance is presented in Table 1.

Table 1

| Employer | Life Insurance (employer coverage) | Life Insurance (employee coverage) | Health Insurance (employer coverage) | Health Insurance (employee coverage) |
|-----------------|---|---|---|---|
| COM-FSM | 64% | 36% | 52% | 48% |
| FSM Telecom | 56% | 44% | 52% | 48% |
| US Embassy | 64% | 36% | 52% | 48% |
| Vital* | 100% | 0% | 100% | 0% |
| PUC | 100% | 0% | 52% | 48% |
| WCPFC | 100% | 0% | 100% | 0% |

Note: Vital pays 100 of employee and 50% of any dependents health care.

8. If the FAC recommends adding the supplementary retirement plan to the other benefits of the locally engaged staff, the vesting period for the contribution would need to be determined. Funds that are not vested when an employee ends their employment with the Secretariat will be returned to the Secretariat. Any funds provided by the employee to the retirements system will be returned to the employee. A comparison of the vesting periods and eligibility times are provided in Table 2.

9. The second consideration for consideration is the maximum percent that an employer will match for the plan. The range is from 3% to 15% with an average closer to 10% and are provided in Table 2.

Table 2

| Employer | Time Until Eligible | Max Percent Match | Years Until Fully Vested |
|-----------------|----------------------------|--------------------------|---------------------------------|
| COM-FSM | 1 year | 3% | 7 |
| FSM Telecom | 3 Months | 10% | 10 |
| US Embassy | Immediately | 8% | 7 |
| Vital | 3 Months | 15% | 6 |
| PUC | Immediately | 10% | 10 |

Costs

10. The annual cost of administering the fund is \$3,500 USD.

11. Table 3 provides a breakdown of potential costs for the employer's matching component of the retirement system.

Table 3

| | 7% | 8% | 9% | 10% | 11% |
|--------------------|------------------|------------------|------------------|------------------|------------------|
| Local staff | \$ 23,372 | \$ 26,711 | \$ 30,050 | \$ 32,647 | \$ 36,728 |
| Guards | \$ 6,510 | \$ 7,440 | \$ 8,370 | \$ 9,093 | \$ 10,230 |
| Cleaners/Gardeners | \$ 5,565 | \$ 6,360 | \$ 7,155 | \$ 7,773 | \$ 8,745 |
| Total | \$ 35,447 | \$ 40,511 | \$ 45,575 | \$ 49,513 | \$ 55,703 |

Recommendation

12. The Committee is invited to recommend a supplementary retirement plan for locally engaged staff with a 8% matching contribution or other necessary recommendation to WCPFC15