

# Financing Social Security/Risk in the Caribbean

Facing Challenges & Building Resilience

HEU Webinar Series

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Improving lives. Improving business.

# Let's talk about promises....


A promise is  
a comfort to  
a fool

Promise is a big word. It  
either makes something  
or it breaks everything!

Promises of  
**GOD**

Promises  
are made to  
be broken

Promises are the  
sweetest lies

A close-up photograph of a hand holding a cracked orange eggshell. The eggshell is broken into several pieces, with some sharp edges visible. The hand is positioned in the center of the frame, with fingers slightly curled. The background is a soft, out-of-focus landscape with warm, golden-brown tones, suggesting a field or a sunset. The overall mood is contemplative and symbolic.

**The promise given was  
a necessity of the past:  
the word broken is  
a necessity of the present.**

*Niccolò Machiavelli*

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# 4 Ingredients For a Sustainable SS/NI System

1. Healthy & Growing Economy

2. Good Design

3. Effective & Efficient Admin Systems

4. Honest & Responsible “Government” (Good Governance)

# ~~42~~ Ingredients For a Sustainable SS/NI System

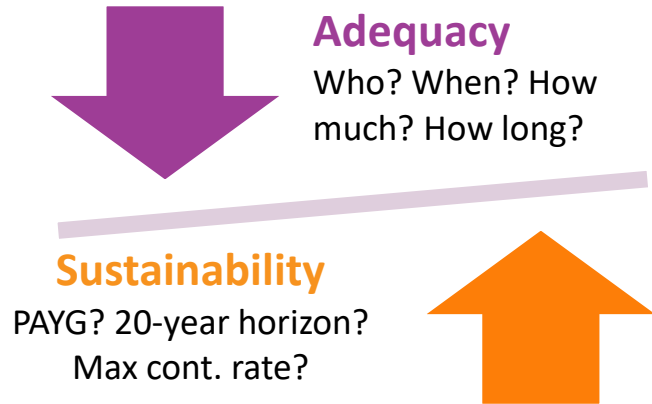
1. Healthy & Growing Economy

2. Honest & Responsible “Government” (Good Governance)

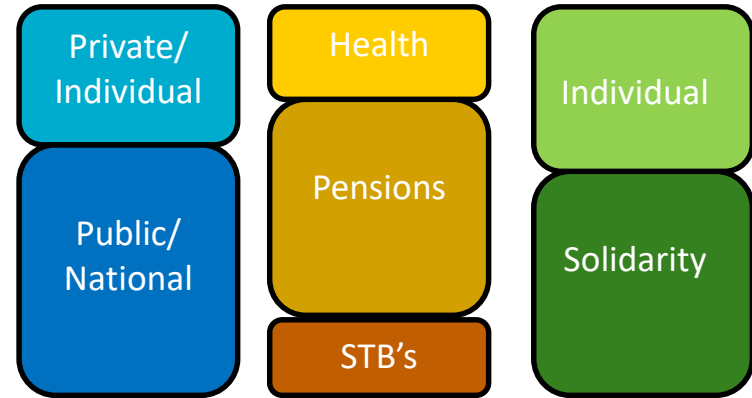
2(a) Good Design

2(b) Effective &  
Efficient Admin  
Systems

# “Good Design” is not a 1-time Activity



What is the right combination of income support for the next 50 years?



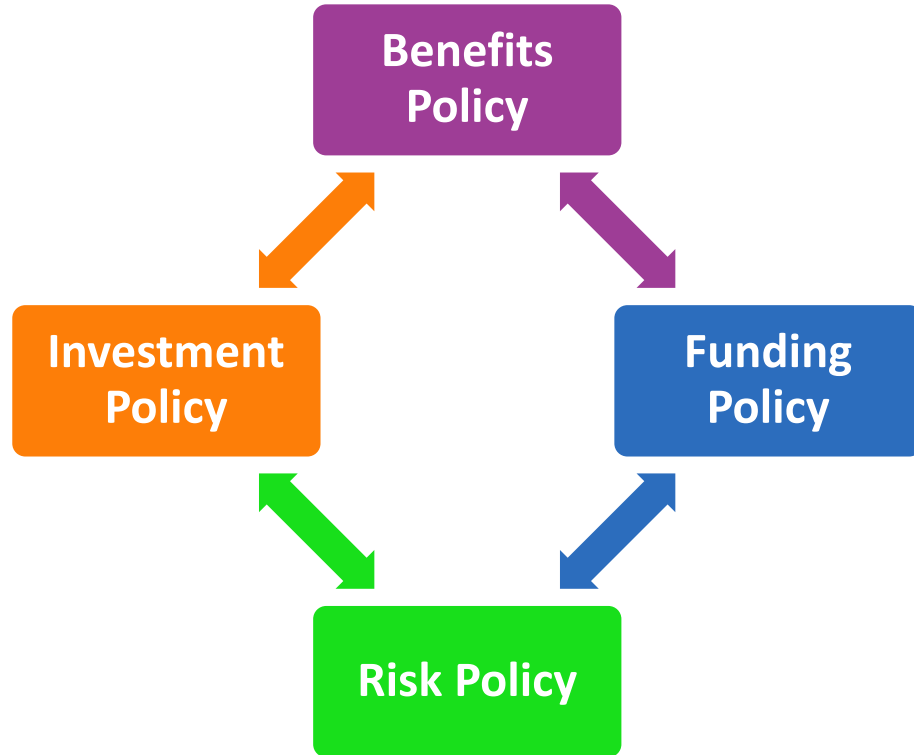
**CHOICES HAVE CONSEQUENCES**

*Not acting is also a choice!*

If you cannot guarantee the desired  
outcome then you should

**Plan for and manage risk proactively!**

# Honest & Responsible Government Requires 4 Policies, 3 Questions & Execution



What are we trying to accomplish?

What are we trying to avoid?

When these 2 conflict, what takes priority?



# Ultimately, only 2 things to protect against

The Real Risks ...	Become Real ...	Because	Mitigating Strategies
1. Not having enough cash to make promised benefit payments when they are due	- When cash flow is negative and need to liquidate investments	<ul style="list-style-type: none"> <li>- Fail to increase cont. rate</li> <li>- Poor compliance</li> <li>- Poor investment choices</li> <li>- Generous benefits</li> <li>- Weak management/boards</li> <li>- Weak governments</li> </ul>	<ul style="list-style-type: none"> <li>- The 4 Policies</li> <li>- Cash flow projections</li> <li>- Investments consistent with projected cash flows</li> <li>- Honest &amp; responsible leaders who <u>EXECUTE</u></li> </ul>
	- When assets depleted		
2. Not providing adequate coverage when it is needed	<ul style="list-style-type: none"> <li>- Temporary job loss</li> <li>- When SEP's unable to work &amp; earn</li> </ul>	<ul style="list-style-type: none"> <li>- No Unemployment benefit</li> <li>- Short-sighted (SEP)</li> <li>- Lack of political will</li> </ul>	<ul style="list-style-type: none"> <li>- Mandatory coverage</li> <li>- Severe consequences for avoidance</li> </ul>
	- When benefits are cut 20 years from now to avoid a 20% contribution rate	- See list in #1 above	- See list in #1 above

# Final Thoughts

- NI/SS Leaders must be **OUTCOME** focused
  - Objectives, preferences and what ifs
- Don't be overly optimistic depending on “hoped-for” outcomes
  - Prepare rational responses to specific potential outcomes
- Holistic approach to assessing where we are and where we really want to be
  - NI/SS, other gov't support programs, employment laws, pension legislation
- Tell your public the truth, early!

## Facing Challenges & Building Resilience



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## Thank You



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