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LETTER OF ADVICE

The Honorable Minister of Public Health, Social Development and Labor
Mr. Richinel Brug
Government Administration Building
Soualiga Road 1, Pond Island

Philipsburg, November 17, 2025

Reference: SER/25/RvdM/049

Re: Indexation of AOV/AWW 2025.

Honorable Minister Brug,

On June 27, 2025, the Social and Economic Council (SER) received a solicited request for advice from the Ministry of General Affairs and the Ministry of Public Health, Social Development and Labor (VSA) regarding the draft National Decrees on the indexation of the General Old-Age Insurance (AOV) and the General Widow(er)'s and Orphan's Insurance (AWW) for 2025.

In response to this request, the Council herewith submits its advice, presenting its observations and advice on the proposed indexation measures. This advice builds on the SER's previous recommendations of November 2022 and takes into account subsequent legislative amendments, developments in the Consumer Price Index (CPI), and the sustainability of the AOV and AWW funds.

On Thursday, November 13, 2025, the draft AOV and AWW decrees were discussed during SER's board meeting.

Background/Information Received

The Government's request included the draft AOV and AWW indexation decrees, the accompanying explanatory notes, CPI data references, and financial projections based on information provided by Social & Health Insurance (SZV).

The documents and data reviewed were:

- Draft National Decree AOV 2025
- Draft National Decree AWW 2025
- Explanatory notes, including the financial paragraph
- CPI figures applied using Quarter 2 of 2024: 4.41%



- Projected financial impact tables that included the income, expenditure, and fund position

Summary of Key Facts

Point	Summary
CPI Applied	4.41% (Q2 2024)
Legal Basis	AB 2023, no. 45 (Q2 CPI method)
Missed Years	2022, 2024 (no legal basis)
Fund Position (2025)	Income: XCG 2.02M / Expenditure: XCG 4.85M
Sustainability Concern	Reserves projected to decline by 2027 without premium indexation

Legal Context

In its 2022 advice, the SER highlighted the absence of a legal basis for indexation following the Department of Statistics methodological shift from an August-to-August CPI to quarterly CPI reporting. As noted in the request, this gap was formally addressed through amendment of the relevant legislation via National Ordinance AB 2023, no. 45, which entered into force in 2023.

As a result, indexation using the second quarter CPI is now legally mandated. Missed indexations in 2022 and 2024, and the retroactive correction in 2023, stemmed from this legislative repair process.

SER's Observations

1. CPI & Basis for 2025 Indexation

The request applies the legally required CPI method, using the second quarter of 2024 inflation figure of 4.41% to determine the 2025 indexation. This approach reflects the updated legislation and is in line with the SER's earlier advice on November 25, 2022.

2. Retroactive and Delayed Indexation of Premium Income Limit

The SER notes that no legal basis existed to index in 2022 and 2024 prior to the legislation of AB 2023, no. 45. The 2023 indexation was therefore applied retroactively, and premium income limits were last indexed in 2021 and are now being adjusted cumulatively to 2025.

In its 2022 advice, the SER emphasized that delayed indexation undermines both purchasing power and fund sustainability. SER's position remains unchanged.

3. Fund Sustainability

Based on the financial information provided by the SZV and included in the advice request, the AOV/AWW funds continue to face structural pressure. For 2025, SZV projects total income of approximately XCG 2.02 million, while expected expenditures amount to approximately XCG 4.85 million. This results in an annual

shortfall of nearly XCG 2.83 million, reflecting the combined effect of missed indexations in previous years and the adjustments now required to restore benefit levels.

Table 1: Overview Premium Income Limit Increases 2014-2025

Implementation Year	CPI	Max. Premium Income Limit	Min. Premium Income Limit	Unemployed with Taxable Income	
2015	2.8%	XCG 92,446.00	XCG 7,605.90	XCG 7,605.90 - XCG 61,741.09	Indexed
2016	2.2%	XCG 94,480.00	XCG 7,773.23	XCG 7,773.23 - XCG 63,099.39	Indexed
2017	0.9%	XCG 100,000.00	XCG 8,227.42	XCG 8,227.42 - XCG 66,786.22	Indexed
2018	0.5%	XCG 100,500.00	XCG 8,268.56	XCG 8,268.56 - XCG 67,120.15	Indexed
2019	2.0%	XCG 102,510.00	XCG 8,433.93	XCG 8,433.93 - XCG 68,462.55	Indexed
2020	2.71%	XCG 105,288.02	XCG 8,662.49	XCG 8,662.49 - XCG 70,317.89	Indexed
2020/2021	-	XCG 117,091.61 ¹	XCG 9,633.62	XCG 9,633.62 - XCG 78,201.06	Not indexed
2022	2.84% ²	XCG 120,417.01	XCG 9,907.21	XCG 9,907.21 - XCG 80,421.97	Not Indexed
2023	4.91%	XCG 126,329.48	XCG 10,393.65	XCG 10,393.65 - XCG 84,370.69	Not Indexed
2024	0.05%	XCG 126,392.65	XCG 10,398.89	XCG 10,398.89 - XCG 84,412.88	Not Indexed
2025	4.41%	XCG 131,966.56	XCG 10,857.48	XCG 10,857.48 - XCG 88,135.49	Indexed

The data also shows that, without continued and timely indexation of the premium income limit, the reserves of the AOV/AWW funds would begin to be depleted as early as 2027. This represents a significant shift forward of roughly three years compared to the timeline under a scenario where premium indexation is applied consistently. Such circumstances highlight the importance of maintaining stability between contribution income and benefit obligations.

In addition to these financial trends, Sint Maarten continues to experience demographic shifts, including an expanding population of pension beneficiaries. As the ratio of contributors to beneficiaries declines over time, financial pressures on the system will increase. These dynamics highlight the importance of consistent indexation practices, timely legislative alignment, and continued monitoring of demographic and financial trends to protect the long-term viability of the AOV/AWW funds.

SER's Concerns

4. Social and Economic Considerations

Maintaining the real value of AOV and AWW benefits is essential to safeguarding the financial well-being of some of Sint Maarten's most vulnerable residents, including seniors, widows, and orphaned children.

¹ The 2021 indexation (XCG 117,091.61) represented a cumulative CPI adjustment for the years 2015–2020, totaling approximately 11.1%.

² Source: Department of Statistics, Press Release, January 18, 2022.

These benefits often serve as a primary source of income for households with limited economic alternatives and help ensure stability and independence later in life.

In recent years, both global and local price increases have placed significant pressure on household budgets in Sint Maarten. Rising food, energy, and housing costs make it increasingly difficult for fixed-income beneficiaries to meet basic needs, especially without periodic adjustments to their benefits. By protecting the purchasing power of AOV and AWW recipients, government policy not only supports individual households but also strengthens social cohesion and reduces poverty risks.

Consistent with SER's earlier advice in 2022, the SER reiterates the importance of timely and predictable indexation of AOV and AWW benefits. Delays or retroactive adjustments should remain exceptional. Although retroactive indexation may be unavoidable during periods of legislative transition, it creates administrative challenges and strains funding liquidity.

The SER also stresses the need to regularly adjust the premium income limit to ensure the long-term sustainability of the AOV/AWW funds. Increasing benefits without updating contribution thresholds weakens the financial balance of the system.

To help keep the pension system sustainable, the SER suggests that Government explore ways to build a financial cushion, for example, by setting aside extra funds when the economy is doing well. This reserve could then help cover costs during difficult times, such as after a hurricane or during an economic slowdown, so that pension payments remain secure.

Additionally, decisions on AOV/AWW indexation should align with broader social security and pension reforms. Maintaining transparency on fund projections, demographic trends, and reserve levels will support informed decision-making and reinforce public trust.

Furthermore, the SER strongly advises that all efforts be made to avoid the use of AOV funds for cross-financing of the ZV/OV medical insurance funds managed by SZV. Each social insurance fund should remain financially independent to ensure transparency and to preserve the integrity of its reserves.

Advice

Given the information provided and after a thorough assessment of the social, economic, and legal implications of the request for advice, the SER unanimously/majority hereby advises the following:

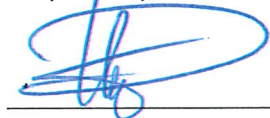
1. To preserve transparency and public trust, the SER advises that the financial independence of each social insurance fund be maintained. Any form of liquidity sharing or cross-financing between the AOV and the ZV/OV funds should be avoided and transparently reported.
2. Based on the information provided and the analysis outlined above, the SER supports the proposed indexation of the AOV and AWW benefits for 2025, in accordance with the legally established second quarter CPI method.

3. To ensure the timely annual indexation to minimize administrative burdens and maintain public confidence in the AOV/AWW schemes.
4. The premium income limit should be adjusted annually in line with inflation, ensuring the ongoing financial sustainability of the funds to minimize the negative on the fund.
5. The Government is advised to establish a financial buffer or reserve mechanism to ensure that premium income remains sufficient to cover benefits payments during periods of economic instability or natural disasters.
6. The solvability and health of the AOV/AWW funds should be aligned with broader social security and tax reforms ensuring policy consistency.
7. The Government in collaboration with SZV should seek to conduct in-depth research on long-term fund sustainability of all social funds considering aging and economic shocks.
8. With respect to the indexation of the wage limit, the CPI table³ provided by the Department of Statistics indicate an overall increase of 13.5% using 2018 as the baseline year. However, the new proposed income limit reflects an increase of 30% compared to the 2018 level. The SER advises that for future indexation, a consistent and transparent methodology be maintained to prevent such discrepancies from recurring and to ensure alignment between CPI trends and premium adjustments.

(Note: Advice point 8 is not mentioned throughout the advice however was added by the board members during the board meeting held on Thursday, November 13, 2025)

We trust to have informed you sufficiently herewith. Should you require any additional information after reading the above, please feel free to contact us at your earliest convenience.

Respectfully,




Mr. Harlec G.F. Doran
Chairman



**Sociaal
Ekonomsche
Raad Social
Economic
Council**

GR 17/11/2025



Mr. Gerard M.C. Richardson
Secretary-General

³ Department of statistics STAT. Table1. CPI- January 2024. Page 5/7.