



Barbados Pension Legislation

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CONSULTANTS + ACTUARIES

Barbados Pension Framework

- > Tier 1 The National Insurance Scheme – 2008 \$2.9b in assets
- > Tier 2 Private Pension Plans - Estimated assets \$1.5b - \$2.0b & Public Sector Plans for employees
- > Tier 3 Personal savings

This presentation focuses on Tier 2.
All Tier 2 Plans are harmonised with NIS so reducing their obligation by > 50%

Regulation of Private Plans- History

> **Income Tax Act 1966**

> **Occupational Pension Benefits Act
2003**

- Passed 2003
- Proclaimed February 1st 2011
- Regulations February 15th 2011

Regulator

- > Was Inland Revenue
- > Then Supervisor of Pensions
- > From April 1st 2011 – The Financial Services Commission
- > Fiduciary responsibility placed on:
 - Administrator
 - Actuary
 - Attorney at Law

Scope

- **All Pension Plans covering Barbados employees must register.**
- **Income Tax Act recognises OPBA registration.**
- **Registered Plans may cover employees outside of Barbados but OPBA applies to Barbados employees only.**
- **Individual RRSPs remain under the Income Tax Act**
- **The Crown is exempted!**

Principal Functions

- > **Protection of employees through:**
 - Minimum benefits
 - Funding requirements
 - Restrictions on how benefits are paid
 - Right to information
 - Asset Requirements
- > **Encouragement of Pension Plans by:**
 - Tax incentives
 - Multi Country
- > **Regulation through:**
 - Statistics from annual returns
 - Mandatory registration
 - Fines for offenses

Employee Protection – Minimum Benefits

- **50% Rule**
- **Vesting after 3 years**
- **Minimum Death Benefit**
- **Harmonisation with NIS**
- **Spouses benefits**
- **No gender discrimination**
- **COLA (pension increases)**

Employee Protection – Funding Requirements

- > **Triennial Actuarial Valuations**
- > **Minimum Employer contribution rates:**
 - Current year cost plus
 - Special payments to fund greater of solvency deficit and going concern deficit.
- > **Annual valuations where there is a “Solvency Concern”**
- > **Contributions must be paid < 30 days**

Employee Protection – How Paid

- **Max retirement age**
- **Locking-In of benefits**
- **Life Annuity or Drawdown arrangement**
- **Maximum commutation 25%**
- **AVCs may be taken in cash.**
- **Deadlines on notification and payment of benefits**

Employee Protection – Right to Information

- > Explanatory Booklet before joining**
- > Joining can not be mandatory.**
- > Annual benefit statement (prescribed content)**
- > Right of access to:**
 - Plan documents
 - Audited accounts
 - Actuarial Valuation
- > Subject to individual privacy**

Employee Protection – Asset Restrictions

- Annual Financial Statements
- Annual audit for funds > \$3M
- Require a SIP&G with annual review.
- Limits on concentration.
- No local requirement.
- Equity Limit
- Real Estate Limit 20%
- Amendments not yet available

Encouragement of Pension Plans

> Tax Incentives

- ER contributions not a benefit in kind
- Tax exemption for investment income
- Tax exemption for ee contributions
- At retirement up to 25% in cash tax free

Regulation

- > **Mandatory registration**
- > **Annual returns**
- > **Fees, Fees, Fees**
- > **Fines for offenses**

Implementation

- > **Act gave 12 months for all plans to register BUT**
 - FSC established April 2011 with few staff and most hires not until early 2012
 - Ambiguous clauses needed clarification before plans could be redrafted
- > **Pension Advisory Council**
 - Comprised of stakeholders
- > **Sheer volume**

Other Issues

> Exemption of the Crown

- Member information is poor
- Often long delays in computing benefits