

ANNUAL SURVEY OF PENSION AND PROVIDENT FUNDS IN THE BAHAMAS 2016

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Name of Pension Fund: _____

File Reference Number: R D P F 010

OFFICE USE ONLY

Rec: _____

Checked _____

Please read this first.

Purpose of collection. This form collects information related to pension and provident funds which will be published in the Bank's Quarterly Economic Review, Financial Stability Report and Statistical Digest.

Confidentiality - The Bank guarantees the confidentiality of your completed form; only consolidated statistics are published.

Due Date - Please return the completed form to the Research Department by May 31 2017.

There follows a set of notes and definitions to help you fill in the form.

Help is Available - For assistance please call Ms. Martiniqua Moxey, Senior Research Officer, at 302-9821 (email: mgmoxey@centralbankbahamas.com) or Ms. Jewel Pratt, Research Officer, at 302-2711 (email: jepratt@centralbankbahamas.com).

Please keep a copy of this form - This will assist us to resolve any queries that we may have.

Thank you - Accurate statistics rely on your cooperation.

Person who should be contacted if any queries arise regarding this form.

Name: _____ Telephone: _____

Title: _____ Facsimile: _____

Email: _____

NOTES AND DEFINITIONS

This guide provides information relevant to the filling in by Pension Fund Administrators of the Pension Fund Survey template of the Central Bank of the Bahamas.

All items to be valued in thousands of Bahamian Dollars (B\$'000s) at Market Value and in accordance with International Accounting Standards (IAS) / International Financial Reporting Standards (IFRS). Market value means the most probable price that would be obtained for property in an arm's length sale in an open market under conditions requisite for a fair sale and where the buyer and seller are acting prudently, knowledgeably and willingly.

Instruments and payments denominated in US\$ or other foreign currency must be presented in Bahamian Dollar equivalents, in columns separately from those in the domestic currency (Bahamian Dollars).

Sectoral definitions relevant to the definitions below are provided in Appendix 1 to the notes and definitions document.

Section A: Name of fund and type of sponsor

Besides name of the fund, please provide the industrial sector of the sponsor, drawn from the drop down menu.

Section B: Type of Fund

Pension Funds: include an arrangement evidenced by a written agreement providing for the accumulation of funds from a company or its employees, or both, to be used for monthly or other periodic payments to the employees of the company after their retirement or their beneficiaries.

1 (i) Defined benefit plan:

A pension plan that guarantees the payment of a specified benefit at retirement age and provides annual contributions equal to an actuarially - determined amount sufficient to provide the specified benefit.

1 (ii) Defined contribution plan:

A pension plan that provides for an individual account for each participant and for benefits based on amounts contributed to the participant's account, including income, expenses, gains and losses.

1 (iii) Provident Fund:

Includes an arrangement whereby private contributions are made by employees and employers and benefits reflect a lump sum payment made up of all contributions on a member's account; plus interest accrued from date of first contribution.

1 (iv) Hybrid plan:

Combines elements of defined benefit and defined contribution, for example in a "Collective Defined Contribution" (CDC) plan, pension indexation of the defined benefit can be limited if returns are insufficient to meet actuarial targets.

2 (i) Compulsory plan:

Employees must join the plan as a condition of employment.

2 (ii) Voluntary plan:

Employees may choose whether to join the plan.

2 (iii) Non-contributory Pension Plan –

A pension plan in which the employer pays the entire contribution to the pension. (Contributory Plan - A pension plan to which participants contribute as well as the employer.)

2 (iv) An industry plan

Plan where many firms participate in the same plan with the same conditions for their employees.

3 Date plan was instituted

Date of original written agreement.

4 Date plan's fiscal year ends

Plan's annual accounting date.

Section C: Membership and benefits

(i): Number of active participants

Include the total number of active members of the plan as at the reporting date.

(i)(a) Average age of active participants

(i)(b) Percent of active participants over 55.

(ii) Number of pensioners

Include the total number of pensioners of the plan as at the reporting date.

(ii) (a) Value of annual benefit/lump sum payment

The amount of all benefits paid to and/or on behalf of retired members of the plan, including:

- The amount paid to the member as a result of the commutation of any pension benefit or part thereof.
- The total amounts paid that relate to the pension benefit payable to the member. This should exclude any amounts paid to beneficiaries as described under Value of Annual Benefit Paid to Beneficiaries
- Include the amount paid from the fund to purchase individual annuities for the payment of pension benefits to members

(ii) (b) Vesting requirement

Specify the time required in years before the rights to pension benefits are secured.

(ii) (c) Expected pension payment next year

Aggregate amount to be paid from the fund, based on the actuarial calculation.

(ii) (d) Were pensions indexed to inflation in reporting year?

Did they rise at least in line with the rise in the Retail Price Index?

(iii) Number of beneficiaries

Beneficiaries (non-members) in receipt of payments from the fund as at the reporting date.

(iii) (a) Value of annual benefit paid to Beneficiaries

Include the following:

- Amount of all benefits paid to spouses, children and other beneficiaries.
- Amount paid out of the fund as a result of the death of a member.
- Amount paid out of the fund as a result of the withdrawal of the member from the plan. This amount is not to include any amount transferred to another pension plan as described in "Transfer Values Paid" (D(e)).

(iv) Total number of persons employed by the business

This should be the same as "number of active participants" for a compulsory fund, please explain if this is not the case in the comments box.

(v) Number of deferred pensioners

Include the total number of deferred pensioners of the plan (if any) as at the reporting date.

Section D: Contributions

(a) Employee regular contributions

Include all contributions made to the fund by members as required by the plan rules. These are often referred to as "ordinary contributions". Give the total amount and the rate (% of salary)

(b) Employer regular contributions

Include all contributions made to the fund by the employer excluding any amounts as described in D(c) "Additional Contributions". Give the total amount and the rate (% of salary)

(c) Additional contributions

This should include:

- Employee Additional Voluntary Contributions (AVC): Include all contributions made to the fund by members over and above their regular contributions, if any, in order to secure additional benefits.
- Employer special payments.
- Other Employer Contributions: Include all contributions made to the fund by the employer for the purpose of enhancing the benefit of any member(s) over and above their entitlement under the rules of the plan.

(d) Transfer values received

Include all amounts transferred into the plan on account of a member from another pension plan.

(e) Transfer values paid

Include all amounts transferred out of the fund on account of a member to another pension plan.

(f) Were contributions in reporting year below actuarial assumptions?

Section E: Assets

General Note: Interest bearing assets

Report all interest bearing assets net of accrued interest. Interest accruals on investments should be reported under "Interest Receivable".

Total assets (sum of i - xviii):

(i) Public Sector Securities

of which: Treasury Bills

Treasury Bills are short-term government securities with maturities of one year or less issued at a discount from the Face Value.

of which: Treasury Notes

Treasury notes are short term discount securities redeemable at face value on maturity, which in the Bahamas have the feature of automatic rollover at maturity (currently 30-180 days).

of which: Bonds of under 1 year to maturity

Report all bonds, debentures etc. with less than one year residual maturity (i.e. before repayment) issued by General Government in the Bahamas or abroad, which comprises the following subsectors: Central Government, Local Government, State-Owned Enterprise, State Owned Non-Financial Institutions, Public Utilities, Statutory Boards and similar bodies, Other Corporations and Quasi Corporations, State Owned Financial Institutions

of which: Bonds of over 1 year to maturity

Report all bonds, debentures etc. with more than one year residual maturity (i.e. before repayment) issued by General Government in the Bahamas or abroad, which comprises the following subsectors: Central Government, Local Government, State-Owned Enterprise, State Owned Non-Financial Institutions, Public Utilities, Statutory Boards and similar bodies, Other Corporations and Quasi Corporations, State Owned Financial Institutions

(ii) Cash and Deposits (demand/savings/time under one year maturity)

This includes all those assets in the form of cash and those that can be easily converted into cash. These include the following:

- **Cash (on hand)** Include all currency in the form of bank notes and coins held for the account of the plan on the reporting date.
- **Due From Banks (Cash at Bank)** This account represents the gross value of all credit balances in current operational accounts maintained with commercial banks.
- **Bank deposits (demand/savings/time under one year maturity)**
- **Other** any liquid asset balances not specifically mentioned above.

(iii) Savings/time deposits over one year maturity

This includes all savings and time deposits with commercial banks or other financial institutions including Certificates of Deposit with over one year residual maturity (i.e. before repayment).

(iv) Land/Real Estate/Building

Include property (land or a building or part of a building or both) held by the fund as owner, or as a lessee under a finance lease, to earn rentals or for capital appreciation or both.

(v) Employer's Business

Includes all forms of investment by the pension fund in the sponsor such as loans, bonds and equities.

(vi) Asset Backed Bonds

Include bonds or notes that represent pools of underlying assets, such as mortgages, home equity, and credit card and auto loans.

(vii) Corporate Bonds

Report all holdings of bonds, debentures etc. issued by Privately Owned Financial Institutions and Privately Owned Non-Financial Institutions.

(viii) Equities (listed and unlisted)

Listed equities include the total value of all Ordinary Shares and Preference Shares, whether in financial institutions or other companies which are **quoted** on a stock exchange and fall within the following sectors. Commercial Banks, Privately Owned Other Financial Institutions, Privately Owned Non-Financial Institutions.

Unlisted equities includes the total value of all Ordinary Shares and Preference Shares, whether in financial institutions or other companies, which are **not quoted** on an organized stock exchange, but includes stocks traded by a Broker/Dealer over the counter.

(ix) Mutual Funds

Include investments in facilities for the participation by persons or beneficiaries under a trust or other scheme, in profits or income arising from the acquisition, holding, management or disposal of securities or any other property. A "mutual fund" means (a) a mutual fund within the meaning of the Bahamas local regulation; or (b) mutual fund authorised under the law of an approved foreign jurisdiction. Issuers may include Commercial Banks and Private other financial institutions.

of which: Equity Based

Mutual funds investing completely or largely in equities

of which: Bond Based

Mutual funds investing completely or largely in bonds

(x) Hedge funds

A limited partnership of investors that uses high risk methods, such as investing with borrowed money, in hopes of realizing large capital gains

(xi) Other investments

May include the following, inter alia:

- Deposit Administration Contract: the amount of funds held in any deposit administration contracts and deposited in the general fund of an insurance company.
- Guaranteed pension funds: A group annuity contract is issued by a life insurance company to a tax-qualified retirement plan. In group annuities, employees do not own shares of specific funds, but own "units" in the underlying pooled investment.
- Unit-Linked Investments/Non-Segregated Managed Funds Includes the amount funds held in any unit-linked investment or nonsegregated managed fund.
- Other Investments Includes any other investment not listed above.

General Note: Net loans and mortgages

These accounts shall reflect the aggregate book value of the principal balances on all extensions of credit, after deduction of Provision for Loan Losses. The figure reported should exclude add-on or unearned interest. Interest accruals on loans should be reported under Interest Receivable.

(xii) Mortgages

Include all loans secured by real estate mortgage deeds and other liens on real estate.

(xiii) Loans other than mortgages

Include loans other than real estate mortgages.

of which: Loans to members

Loans granted to members of the fund in virtue of their membership (see also Section J).

(xiv) Provisions for loan losses

This includes the accumulated provision maintained by the pension fund to protect it against possible losses in its loan portfolio as at the reporting date. This balance is increased by the amount charged against income in each period for the purpose of increasing the provision and decreased by the amount of loan recoveries in each period. The provision is comprised of two separate items; a general loan loss provision and a specific loan loss provision. (These are combined in the data)

Accounts Receivable

For an adequate presentation of the financial statement, the balance of this Account should be reflected net of Sub-Account Provisions.

(xv) Accrued contributions

Include any contributions due but not yet collected.

(xvi) Interest/Dividend/Rent Accrued

Includes the following:

- Interest includes interest earned or accrued but not collected on interest bearing assets. Interest receivable on performing loans should be transferred to item H (i) – Interest Income. Interest receivable on loans which have been classified as non-performing should not be transferred to income, but debited to this item with a corresponding credit to the Provision Item Provisions for Losses on Interest Receivable on Loans (see (xvii)).
- Dividends: Include under this item all income earned but not collected on those investments which generate dividend income.
- Rent: Include under this item all income earned but not collected on those investments which generate rental income.

(xvii) Other accounts receivables

Includes the following:

- **Provisions** This is a credit balance account on the asset side, the purpose of which is to protect the pension fund against possible losses on receivables. It is distinct from Provisions for Loan Losses (item xiv). It includes:
 - **Provisions for Losses on Interest Receivable on Loans** This should include the accumulated provisions kept by the pension fund to protect it against losses already taken into income.

- **Other provisions** This should include the accumulated provision kept to reflect the fact that interest accrued and reported under Non-performing Loans, should not be taken into income.
- Also included in this Account are the amounts receivable on the sale of assets, etc.
- This includes all miscellaneous receivables as at the reporting date.

(xviii) Other assets

Include prepaid expenses as well as transactions of a transitory nature which are in the process of regularisation. Items in suspense should be used only for temporary recording until the offsetting entry is received or fully identified and posted to the proper account. These items should not be allowed to remain in the account for any significant length of time.

- **Prepaid Expenses** Include cash outlay for any services the benefits of which will be realised in future periods.
- **Other** Include all other assets not accounted for above.

Please specify "Other Investments"

Give instrument, issuer and amount of each type

Additional questions:

(xviii) Average rating of bond portfolio

A bond credit rating represents the creditworthiness of corporate or government bonds. It is not to be confused with an individual's credit score. The ratings are published by credit rating agencies and used by investment professionals to assess the likelihood the debt will be repaid. The Moody's and Standard and Poor's ratings, and a numerical index (1 low risk to 9 high risk) are given in Appendix 2 to the notes and definitions. Average together the ratings of bonds by value using the numerical index shown. Give the name of the agency used.

(xix) Largest investment in a single entity other than the sponsor

Includes all forms of investment in the entity such as loans, bonds and equities. Note also the percent of voting shares held by the fund in that entity, if any.

(xxi) Average residual maturity of bond portfolio

The average residual maturity of the bonds by value (i.e. the time remaining before the bonds are repaid).

(xxii) Percent of equities sold in year

What percentage of the equity portfolio was sold in the reporting year?

(xxiii) Percent of mortgages (if held) over three months past due

For pension funds holding mortgages as an asset, what percentage of mortgage loans are delinquent in terms of repayment of principal or interest over more than 3 months?

(xxiv) Average loan to value ratio of mortgages (if held)

For pension funds holding mortgages as an asset, estimate the current average ratio of the loan outstanding to the value of the property which is the security.

Section F: Liabilities

This class reflects all those accounts which represent obligations by the pension plan arising from its operations. The main component is the **Pension fund** which reflects the total value of the assets that have been accumulated to fund the obligations of the pension plan. This comprises of all money which is held by or on account of the trustees in pursuance of the plan's trust deed and rules. This amount does **NOT** represent the actuarial present value of the plan's obligations (F(iii)).

(i) Pension Fund Balance

Enter the value of the accumulated fund balance of the pension plan (it is the assets of the pension fund less "other liabilities" as defined below).

(ii) Other Liabilities

This Account reflects obligations incurred by the plan in the usual administration of its function and includes the following:

- **Pensions Payable** Include all amounts due to pensioners as at the reporting date that have not been already paid out. Amounts that are due to members who were entitled to deferred pensions and are now eligible to receive these payments, but have not yet begun to receive payment, will be included under this Account.
- **Refunds Payable** Include all amounts that are to be refunded as at the reporting date but have not been already paid out. This will include amounts due to members who have withdrawn from the plan with a return of contributions. It will NOT include amounts due to beneficiaries as a result of a member's death.
- **Transfer Values Payable** Include all amounts that are to be transferred as at the reporting date that have not been already paid out.
- **Sundry Creditors** This includes all miscellaneous amounts payable as at the reporting date.
- **Amounts Due to Beneficiaries** Include all amounts that are to be paid to beneficiaries as at the reporting date but have not been already paid out. This will include amounts due to beneficiaries as a result of a member's death.
- **Other** Include all other liabilities not accounted for above.

(iii) Actuarial liabilities

The actuarial present value of the plan's obligations (including "other liabilities"), as calculated by the actuary. (Ignore if plan is defined contribution or provident fund.)

There are two definitions, first the 'Accumulated Benefit Obligation' (ABO) (actual/wind-up/accrued/solvency). This is an approximate measure of a company's pension plan liability. The accumulated benefit obligation (ABO) is estimated based on the assumption that the pension plan is to be terminated immediately; it does not consider any future salary increases. Meanwhile, a pension's projected benefit obligation (PBO) (ongoing/going concern) is an actuarial liability equal to the present value of liabilities earned and the present value of liability from future compensation increases. Please state both measures.

Section G: Funding status

The surplus or deficit is defined as assets less actuarial liabilities. (Ignore if plan is defined contribution or provident fund.) State which measure is used in the calculation (ABO or PBO).

Section H: Operating income

(i) Interest

Includes all income (collected and accrued) produced by interest earning assets such as funds due from bank accounts, investments and loans. Includes the following:

- The amount of interest earned during the reporting period on all Treasury Bills, Treasury Notes, Public Bonds, and other domestic and foreign interest producing investments.
- All interest earned (collected and accrued), and discounts on all assets and all past due interest charges on loans
- All interest earned (collected and accrued) on any other assets.

(ii) Dividends

Include all income (i.e. distribution of earnings) from holdings of equities.

(iii) Rent

Include all income from holdings of real estate.

(iv) Other operating income

Includes the following items:

- **Market Value Appreciation/(Depreciation) of Investments** Include the amount of any income arising from the revaluation of marketable securities and/or resulting from increases in the carrying amount of long-term assets, and also foreign exchange gains and losses.
- **Gain/(Loss) on Sale/Disposal of Investments** Include the amount of any financial gain or loss realized on the disposition of an asset.
- **Other** Include any other income to the plan not specifically mentioned above.

Section I: Rate of return

The (gross) rate of return may be defined as total operating income as defined in Section H divided by the assets of the fund on average during the reporting year.

Section J: Operating expenses

Include those accounts which reflect ordinary and recurring financial costs and expenses incurred during the period.

(i) Administration fees

Include the amount of all expenses of an administrative nature. This would include any fees payable to the trustees and/or an insurance company for the administration of the plan.

(ii) Investment fees

Include the amount of all expenses of an investment management nature. Do not include investment management fees associated with unitized investment instruments where these amounts are reflected in the net investment returns from these investments.

(iii) Other professional service fees

Includes the following:

- **Actuarial Fees** Include the amount of all expenses incurred for actuarial services rendered. Do not include these amounts if they are paid directly by the employer or sponsoring company.
- **Legal Fees** Include the amount of all expenses incurred for legal services provided. Do not include these amounts if they are paid directly by the employer or sponsoring company.
- **Audit Fees** Include the amount of all expenses incurred for auditing services provided. Do not include these amounts if they are paid directly by the employer or sponsoring company.
- **Other** Include any other expenses incurred for professional services not mentioned above.

(iv) Other operating expenses.

Includes all operating expenses not included in other Accounts.

Section K: Does the fund provide loans to members?

(i) Does the fund provide for loans to members?

Answer yes or no.

If yes, interest rate charged.

Give percent

(ii) May employees pledge their pension assets as security?

Answer yes or no.

Section L: Administration and asset management

Specify whether the administration and asset management are conducted by:

- (a) Bank/Trust Company**
- (b) Insurance Company**
- (c) Own Company**
- (d) Other, please specify**

Two boxes are given to allow for the possibility of separation of administration from asset management. If the sponsor is itself a bank/trust company or insurance company, and conducts its own administration and asset management internally, tick Boxes C only.

Section M: Group Annuities

This section seeks to provide more detail on group annuities identified above as "other assets" (F (xi)). As stated there, for guaranteed pension funds, a group annuity contract is issued by a life insurance company to a tax-qualified retirement plan. In group annuities, employees do not own shares of specific funds, but own "units" in the underlying pooled investment. If such a case applies to your fund, please state the following:

- (a) Size of group annuity assets (B\$'000 amount)**
- (b) Number of contributors**
- (c) Number of beneficiaries**
- (d) Value of benefits paid (B\$'000 amount)**

Section N: Auditing and actuarial assessment

Give regular frequency of audit and actuarial assessment in years.

Section O: Board structure

(a) Number of board members

(b) Number of independent board members

Independent board members are either employees or individuals unrelated to the sponsor.

Section P: When was the last actuarial assessment?

Specify the year

(a) Assumption regarding annual salary increases

Percent as specified in the last actuarial assessment.

(b) Assumption regarding annual pension increases

Percent as specified in the last actuarial assessment.

(c) Assumption regarding annual interest rate pre retirement

Percent as specified in the last actuarial assessment.

(d) Assumption regarding annual interest rate post retirement

Percent as specified in the last actuarial assessment.

(e) Mortality table used

Give the name, country and date of the mortality table used in the last actuarial assessment.

Section Q: About the sponsor

(a) What year is the latest financial statement of the sponsor?

Specify year

(b) What accounting standard is adopted?

Specify name (IFRS, US GAAP, etc.)

(c) If IFRS is adopted, what is the bond yield used to discount pension liabilities

Give percent.

(d) What is the annual pre-tax profit of the sponsor in the latest financial statement? (B\$'000 amount)

Enter a loss as negative.

(e) What is the debt of the sponsor in the latest financial statement? (B\$'000 amount)

(f) What are the total assets of the sponsor in the latest financial statement? (B\$'000 amount)

(g) What is the credit rating of the sponsor, if any?

Give rating and name agency giving the rating also.

Section R: Miscellaneous (mainly for Defined Contribution plans)

(a) Is there any guidance on life cycle investing?

Life-cycle investment strategies state that the amount of assets accumulated to finance retirement allocated to risky assets (e.g. equities) should fall as people get closer to retirement.

(b) What is the interest rate credited on contributions?

(c) What is the expected rate of return?

(d) Are pension payments made direct from the plan?

This implies that total expenditure exceeds total income