



Survey of Private Pension Plans in The Bahamas  
2002 & 2003

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## Survey Of Private Pension Plans In The Bahamas (2002 & 2003)

### Introduction

This article provides an update on private pension plans in The Bahamas, based on the latest survey by the Central Bank, which covered the years 2002 and 2003. Preliminary data indicate that the value of domestic savings in private plans increased steadily since 1992, from just over \$300 million to in excess of \$800 million in 2003. The strongest growth episodes were correlated with similar periods in the economy, supporting steady improvements in labour force participation and coverage. What is evident from these results is that labour force participation in private schemes is most concentrated in sectors related to tourism, financial services, and communication and utilities (mainly public corporations). Savings have traditionally been invested in public sector securities and bank deposits, with a growing component earmarked for private capital markets instruments. On its present trend, the value of private pension assets could

surpass \$1 billion by 2006, with further medium term growth fuelled by the positive outlook for employment and incomes.

At end-2003, the estimated value of pension assets was equivalent to approximately 16.0% of GDP, which was slightly higher than the 15.6% estimated from the 2001 survey. Comparatively, this pool of domestic retirement savings ranked second in importance to the invested assets of the National Insurance Board (NIB), which approached \$1,152.8 million (22.2% of GDP) in 2003, and exceeded the invested assets of domestic life and health insurance companies, estimated close to \$570.0 million (11.0% of GDP) in 2003. Although less evenly distributed, the largest share of private individuals' savings is still held in bank deposits, equivalent to \$2,100.3 million (40.5% of GDP) in 2003. Credit unions also facilitate personal savings, estimated at \$150.1 million (2.9% of GDP) at end-2003.

**Table 1: Selected Indicators of Domestic Savings**

	1998	2001	2002	2003	1998	2001	2002	2003	Avg. Growth
	(B\$ Million)				(% of GDP)				01-03 (%)
Private Pension Funds	628.6	766.8	782.6	832.5	15.0%	15.6%	15.5%	16.0%	4.2%
National Ins. Board (Cash and Investments) <sup>1</sup>	746.2	991.5	1,069.3	1,152.8	17.8%	20.2%	21.1%	22.2%	7.8%
Life & Health Ins. Cos.(Current Assets and Inv) <sup>2</sup>	365.5	530.414	549.0	568.3	8.7%	10.8%	10.9%	11.0%	3.5%
Private Individuals (Bank deposits) <sup>3</sup>	1,510.8	2,009.0	2,059.7	2,100.3	36.1%	40.9%	40.7%	40.5%	2.2%
Credit Unions (Deposit and Shares) <sup>4</sup>	87.2	120.4	132.5	150.1	2.1%	2.4%	2.6%	2.9%	11.7%

### Sources:

<sup>1</sup>The National Insurance Board, Annual Statement of Accounts, <sup>2</sup>The Registrar of Insurance Companies (except 1998 and 2003, which are Central Bank estimates), <sup>3</sup>The Central Bank of The Bahamas and <sup>4</sup>The Department of Cooperative Development

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Outside of the civil service, private pension plans are expected to provide the main supplementary retirement income alongside National Insurance for most persons in the labour force. As such, the related benefits are also correlated with rising incomes since, comparatively, the NIB's coverage is capped to an annual wage of \$21,000. Although civil servants are eligible for an NIB benefit that is 10% less than private sector beneficiaries for the equivalent wage base, they also receive supplementary retirement benefits through the Central Government's pension arrangement. Hence, it is only the workforce which falls outside of these two groups that is most likely to be entirely dependent on NIB for retirement support.

Participants' entitlement to average financial savings in pension plans is less skewed than for savings represented in most, if not all, other private sources. For the insurance companies, not much detail is available on the average coverage or participation in life policies and annuities that fund the bulk of the sectors invested assets. However, in the case of private individuals' deposits in banks, about three-quarters of such savings are held in less than 5.0% of the accounts, while more than four-fifth of accounts represent less than 10.0% of the total value.

In analyzing the results of the latest pension survey, this article focuses on the developments in the industry since 2001, with an emphasis on sector groupings. A brief overview of the survey and methodology is provided, followed by a discussion of the profile of private schemes, and various plan features. The article then highlights the latest trends in investment patterns among pension plans and concludes with a discussion on the outlook and regulatory issues facing the industry.

### *Profile of Private Schemes and Survey Methods*

The 2002-2003 survey was sent to 300 existing and potential plan sponsors, including all banks and trust companies. From these, 236 responses were received, including 137 from mostly offshore banks and trust companies, which either did not sponsor a local plan or enrolled their employees in globally sponsored schemes

for which a separate apportionment of local employee's entitlement was not possible. As such, these plans are not analyzed in the results that follow.

The remaining 99 respondents were a subset of the 157 sponsors either providing data in previous surveys or for the first time. New data reported by these plans accounted for 81.1% of the estimated assets for 2003. From these returns, average sector growth rates were calculated and used to estimate the remaining 17.1% of plan assets for 2002 and 18.9% of the assets for 2003.

Surveyed funds fell into the categories of defined benefit, defined contribution and provident funds. Defined benefit plans provide a specified or guaranteed level of retirement benefit over the life of retirees, linked to the pre-retirement income history of the participants. To meet this obligation, these plans are required to maintain an actuarial balance between the present value of expected future benefits payable (liabilities) and the present value of assets, determined from accumulated savings and expected future contributions and returns. While fully-funded plans are those that maintain this actuarial balance, under-funded schemes are ones in which actuarial liabilities exceed the present value of assets, and over-funded schemes, one where such assets exceed liabilities. Higher, commonly unpredictable maintenance costs are associated with defined benefits plans since, to ensure retirement benefits, employers have to adjust periodic contributions, as less or more favourable demographic trends and return expectations dictate.

In comparison, defined contribution and provident plans have more predictable cost structures, but impose significant uncertainty on the expected future benefits, which are determined on the basis of the accumulated savings and returns during working years of the participant, based on contribution rates set in advance. The only difference between provident funds and defined contribution schemes is that the former disburse participants' benefits as single lump sum payments upon retirement, while the latter converts at least some of this entitlement into annuities, payable in installments. Since lump-sum benefits from provident schemes can also be invested and paid out as annuities, this distinction be-

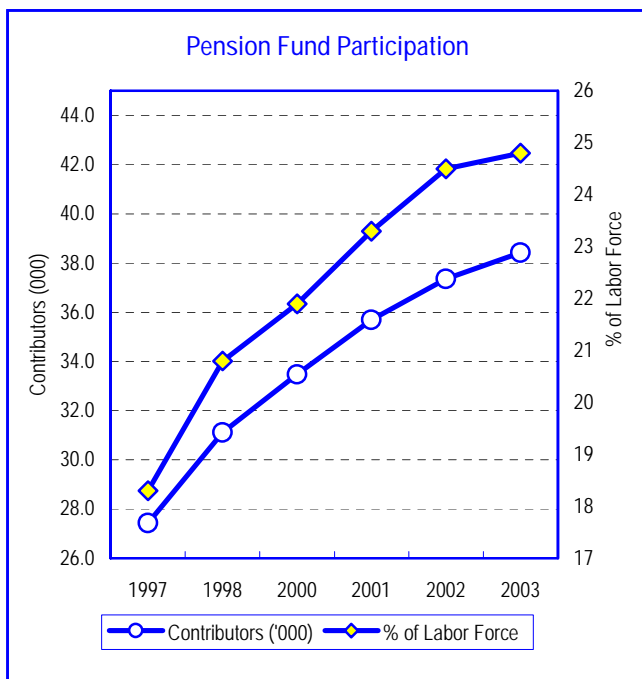
**Table 2  
Private Pension Investments By Industry**

	1998	2000	2001	2002P	2003P
<b>INDUSTRY</b>	<b>(B\$ '000)</b>				
Construction	505	742	939	926	1,101
Communications & Utilities	241,663	239,874	250,780	256,741	270,986
Education	7,613	9,084	9,883	10,630	11,728
Financial Sector	152,206	186,332	195,578	191,192	198,679
Health	656	1,126	1,225	1,093	1,042
Hotel & Restaurants	129,568	154,325	164,621	170,980	185,126
Manufacturing	20,537	40,839	39,280	32,690	35,846
Non - Profit Organizations	304	805	832	833	1,044
Oil Companies	15,048	15,250	15,250	15,808	16,689
Other Services	18,492	25,988	27,864	31,177	35,652
Private Distributions	14,483	17,040	18,569	23,891	26,715
Professional Services	5,706	8,920	9,116	10,900	11,694
Real Estate	4,581	6,584	5,831	4,885	5,173
Transportation	17,207	23,832	27,033	30,885	31,006
<b>TOTAL</b>	<b>628,569</b>	<b>730,741</b>	<b>766,801</b>	<b>782,631</b>	<b>832,481</b>
<b>INDUSTRY</b>	<b>(% Distribution)</b>				
Construction	0.08	0.10	0.12	0.12	0.13
Communications & Utilities	38.45	32.83	32.70	32.80	32.55
Education	1.21	1.24	1.29	1.36	1.41
Financial Sector	24.21	25.50	25.51	24.43	23.87
Health	0.10	0.15	0.16	0.14	0.13
Hotel & Restaurants	20.61	21.12	21.47	21.85	22.24
Manufacturing	3.27	5.59	5.12	4.18	4.31
Non - Profit Organizations	0.05	0.11	0.11	0.11	0.13
Oil Companies	2.39	2.09	1.99	2.02	2.00
Other Services	2.94	3.56	3.63	3.98	4.28
Private Distributions	2.30	2.33	2.42	3.05	3.21
Professional Services	0.91	1.22	1.19	1.39	1.40
Real Estate	0.73	0.90	0.76	0.62	0.62
Transportation	2.74	3.26	3.53	3.95	3.72
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: The Central Bank of the Bahamas Survey on Pension Funds & Central Bank estimates

tween the two types of plans is ignored, and both are grouped together in the analysis that follows.

According to the survey results, defined contribution (provident) plans remain the more commonly sponsored scheme in The Bahamas, accounting for 112 of the surveyed plans with analyzed returns, compared to 45 defined benefit plans. Most of these, however, are more recently established schemes among smaller businesses and correspondingly, only enlist 12.4% of all covered participants. As evidence of this increasing preference, approximately 24.1% of the plans established before 1981 were contribution-based schemes, rising to 82.0% of plans established since 1981.



New data obtained on defined benefit plans showed that, of the 24 plans that provided information on funding for 2003, 6 were over-funded by an aggregate \$13.2 million. Of the remainder, 5 were under-funded by a total of \$12.3 million and 13 were fully funded.

Private arrangements surveyed were mostly administered through insurance companies (40.6%) and by banks and specialized private pension managers (26.5%). A significant fraction of plans also fell under self-management (32.9%), and were generally sponsored

by financial institutions or accounting firms which possessed in-house investment management capabilities.

Of the schemes surveyed, approximately half required mandatory employee participation. Based on the type of plan, defined benefit schemes had a higher rate of compulsion (63.6%), as compared to defined contribution and provident funds (43.2%). Approximately 25% of the smaller companies, having a profile of less than 100 employees and with predominantly defined contribution schemes, made it mandatory for their employees to participate, as compared to nearly 60.0% of the other 43 sponsors, having more than 100 employees.

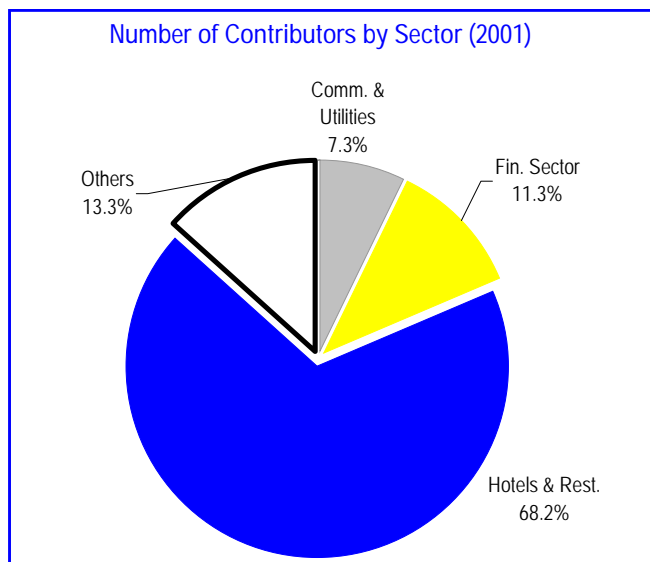
Assets accumulated in the various plans were closely linked to length of period for which schemes existed, with large plan sponsors more likely to have schemes of longer existence. Some 50 of the schemes surveyed were established during the 1980s, amassing 36.4% of the reported industry assets. Only 7 funds were established before the 1970s, including the two largest plans sponsored by public corporations, and accounted for 30.0% of total assets. Of the remaining companies, 17 schemes were established during the 1970s, amassing 14.5% of the industry's assets; 62 during the 1990s, with 12.4% of assets and 21 within the recent 13 years, with less than 1.0% of total assets.

### Labour Force Participation

Labour force participation in private pension schemes, which reached 23.3% of the employed workforce in 2001 increased to 24.5% in 2002 and 24.8% in 2003. Since the 2001 survey, the number of participants covered increased by 4.6% to 37,352 in 2002 and further by 2.9% to 38,422 in 2003. Just over two-thirds of the participants were employed in the hotel and restaurant sector, where, 2,274 participants were added since 2001. Financial sector schemes accounted for 11.3% of local participants, followed by the communications and utilities schemes (7.3%) and private distribution companies (2.8%). On average, each of the other sectors accounted for less than 2.0% of the industry's total participants.

## Contributions Ratios

Weighted by total assets, the average contribution paid into pension plans decreased as a fraction of employee salaries, to 11.9% in 2003 from 12.0% in 2002, while remaining above the 9.8% contribution rate for 2000 and 2001. The trend was mainly affected by higher employer payments into defined benefit plans, which averaged 11.7% of salaries in 2003, almost unchanged from 2002, but notably higher than the 9.2% for 2001. For defined contribution schemes, the 12.9% average contribution rate for 2003 was less markedly changed from within the 12.0% range for 2000 and 2001, but slightly eased from 13.3% in 2002, when more sponsors would have had to offset negative returns from domestic equity investments.



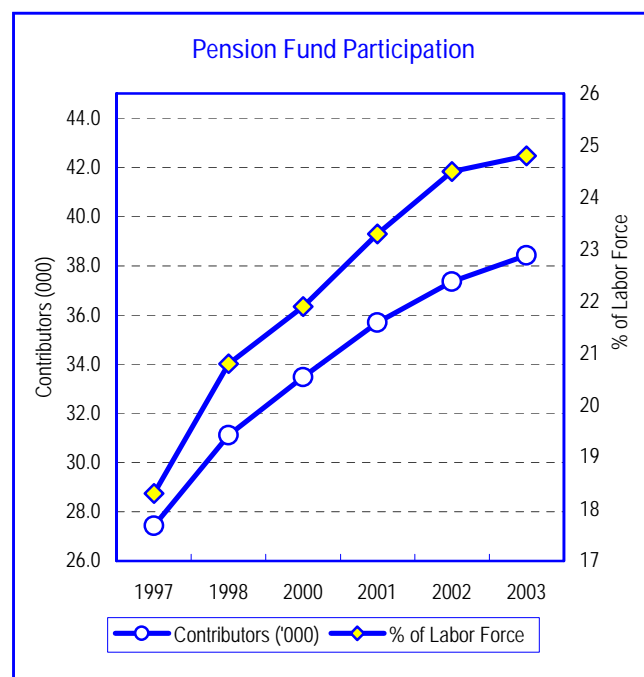
Employers generally funded the largest fraction of plan contributions, equivalent to 10.3% of salary in 2003, compared to 7.9% in 2001. The difference was more sizeable for sponsors of defined benefit schemes where, because of additional payments needed to offset lower returns, the average employer contribution rate rose to 11.0% during 2002 and 2003, compared to 8.2% in 2001. For defined contribution schemes, the employer payments averaged 7.1% of salaries in 2003, only slightly increased from 2000 and 2001.

As for the portion of contributions made by employees, these averaged some 5.8% of salary, for defined

contribution and provident schemes, but remained close to 1.0% for defined benefit schemes, where non-contributory schemes were more commonly featured. Despite this variance on a consolidated basis, in instances where plans were contributory, the most common rate for employees was 5.0% of salary. Some schemes also had a voluntary component that allowed participants to contribute more than the minimum.

## Pension and Benefits Payout

Since the 2001 survey, the number of pensioners increased by 2.7% to 2,928, with most of the retirees added in the hotel sector. Over this period, annual pension payments rose from \$12.5 million to \$13.5 million. However, the dependency ratio, as measured by the average number of pensioners to active plan participants softened to 1:13 in 2003, as compared to almost 1:12 in 2001. As to the net financial burden of supporting pensioners, the ratio of pension payments to the estimated \$69.8 million in contributions for 2003 was 19.3%, close to the 21.0% for 1998, but much less than the elevated ratio between 27.0% and 30.0% in 2000 and 2001, when downsizing and early retirements increased the required outlays for the public sector telecommunications company.



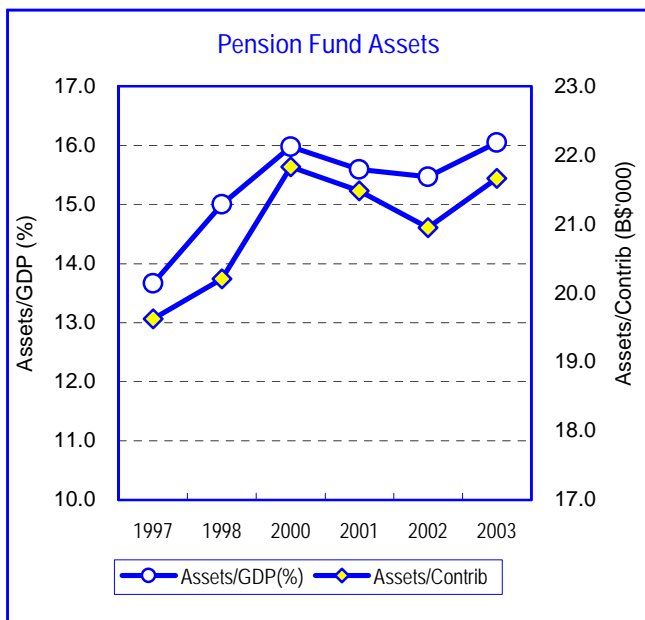
**Table 3  
Private Pension Investments**

	<b>Total</b>				
	1998	2000	2001	2002	2003
	<b>(B\$'000)</b>				
Total Fund	628,571	719,480	766,798	782,631	832,480
of which:					
BGRS	188,232	239,537	253,791	281,382	305,551
Bank Deposits	203,123	197,608	220,486	203,577	205,572
Real Estate	4,716	7,332	7,060	12,675	12,788
Employer's Business	3,698	7,216	7,146	6,674	7,077
Mortgages	77,375	43,795	38,207	35,370	32,021
Bonds	1,749	644	663	3,253	3,105
Equities	76,132	120,502	129,545	132,457	142,082
Mutual Funds	9,885	25,899	36,701	29,702	32,095
Loans	9,562	9,359	9,236	10,124	11,510
Contributor Arrears	9,005	3,480	5,103	5,290	10,368
Dividends	7,723	9,345	10,332	10,714	10,225
Other Investment	37,371	54,763	48,528	51,412	60,086
	1998	2000	2001	2002	2003
	<b>(% Distribution)</b>				
Total Fund	100	100	100	100	100
of which:					
BGRS	29.95	33.29	33.10	35.95	36.70
Bank Deposits	32.32	27.47	28.75	26.01	24.69
Real Estate	0.75	1.02	0.92	1.62	1.54
Employer's Business	0.59	1.00	0.93	0.85	0.85
Mortgages	12.31	6.09	4.98	4.52	3.85
Bonds	0.28	0.09	0.09	0.42	0.37
Equities	12.11	16.75	16.89	16.92	17.07
Mutual Funds	1.57	3.60	4.79	3.80	3.86
Loans	1.52	1.30	1.20	1.29	1.38
Contributor Arrears	1.43	0.48	0.67	0.68	1.25
Dividends	1.23	1.30	1.35	1.37	1.23
Other Investment	5.95	7.61	6.33	6.57	7.22
Memorandum Items:					
* Weighted Avg. Rate of Return	8.1	9.19	4.01	4.00	5.86
* Weighted Avg. Contrib. Rate	10.09	9.77	9.78	12.02	11.93

Source: The Central Bank of the Bahamas Survey on Pension Funds & Central Bank estimates

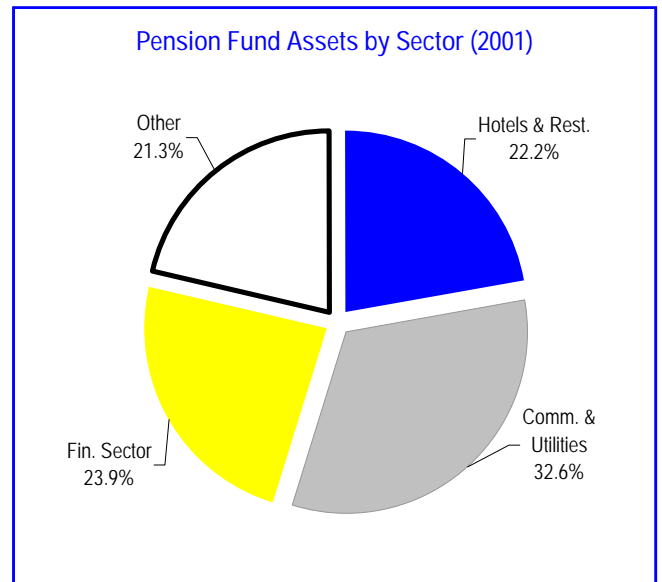
### Asset Size and Distribution

During 2001-2003, average annual growth in private total pension assets slowed to 4.2%, from an average annual 10.5% during 1998-2001. This placed estimated assets at \$832.5 million, from a revised \$766.8 million in 2001. Yearly trends however, indicate that by 2003, some pickup in growth was evident at 6.4%, compared to the low point of 2.1% in 2002. The average annual rate of return on investments which, along with increased numbers of contributors, influenced asset accumulation, registered a rebound to 5.86% in 2003, following more depressed levels near 4.00% in both 2001 and 2002. With returns continuing to outpace the increase in contributors and the average contribution rates also elevated, average savings per active participant rose further to \$21,667 during 2003, from \$21,483 in 2001.



An analysis of the concentration of pension assets by sector of employment, indicate that plans of communications and utilities companies amassed the largest share of assets, at \$271.0 million (32.6% of the total), a result of both the size of these companies and the longer period for which plans were in existence (Table 2). Financial sector sponsored plans held 23.9% of the total assets; hotel and restaurant sector plans, 22.2% and other private sponsors, a combined 21.3%.

The investment distribution of plan assets for 1998-2003 is shown in Table 3. Since the mid-1990s, the schemes have become more heavily invested in equities and mutual funds, which together accounted for an almost stable 21.3% of investments. However, the dominant share of investments continues to reside in public sector securities—mainly Government bonds—which gradually increased in importance since 1998, to 36.7% of the 2003 assets. Conversely, bank deposits, the second most important asset group, steadily decreased in share to 24.7% of investments in 2003. The remaining assets were spread among other investments, including real estate, loans and mortgages to participants, accrued dividends and contribution arrears and were equivalent to a marginally increased 17.3% of the total.



On a geographic basis, reported plan assets invested outside of The Bahamas totaled \$125.7 million (or 15.1% of the industry total), increasing at an average annual pace of 2.2% since 2001 (Table 3B). These belonged for the most part to financial sector sponsored plans, with approximately half of such portfolios composed of private capital instruments and one quarter, of foreign government securities. The next significant category was "other" uncategorized assets (17.1%) which increased in relative share since 2001.



**Table 4A**  
**PRIVATE PENSION INVESTMENTS: BY INDUSTRY/ASSET ALLOCATION**

	Securities	Deposits	Real Estate	Employer's Business	Mortgages	Bonds	Equities	Mutual Funds	Loans	Contributor Arrears	Dividends	Investments	Other Total Assets
													(B\$'000)
							<b>2001P</b>						
Communications & Utilities	82,160	88,425	71	0	25,527	0	25,745	0	0	4,348	7,618	16,885	250,779
Construction Companies	308	150	10	0	186	0	274	0	0	0	12	-2	939
Education	372	318	3	0	1,027	0	542	560	0	0	48	7,012	9,883
Financial Sector	62,251	61,138	1,230	6,060	3,447	623	16,902	25,622	618	292	1,561	15,854	195,577
Health	425	63	0	0	0	0	647	90	0	0	0	0	1,225
Hotels & Restaurants	65,531	34,295	0	0	0	0	53,512	5,364	0	0	0	5,919	164,621
Manufacturing Companies	13,439	4,506	321	0	883	0	15,102	4,797	0	0	231	0	39,280
Non-Profit	720	9	0	0	0	0	103	0	0	0	0	0	832
Oil Companies	2,364	7,065	16	0	317	0	1,578	0	2,270	0	4	1,636	15,250
Other Services	15,077	5,476	106	0	1,942	0	4,919	0	124	34	113	73	27,863
Private Distribution	4,059	6,950	146	1,087	4,164	0	975	247	61	0	382	498	18,569
Professional Services	2,378	3,609	718	0	66	40	1,600	0	175	0	54	477	9,116
Real Estate	264	1,501	1,858	0	146	0	1,845	0	0	0	31	186	5,831
Transportation	4,443	6,981	2,581	0	501	0	5,800	20	5,988	430	277	12	27,032
<b>Total</b>	<b>253,791</b>	<b>220,486</b>	<b>7,060</b>	<b>7,146</b>	<b>38,207</b>	<b>663</b>	<b>129,545</b>	<b>36,701</b>	<b>9,236</b>	<b>5,103</b>	<b>10,332</b>	<b>48,528</b>	<b>766,798</b>
							<b>2002P</b>						
Communications & Utilities	87,292	94,244	0	0	21,164	0	25,912	1,272	0	4,073	6,906	15,878	256,740
Construction Companies	320	109	15	0	165	0	308	0	0	0	11	-2	927
Education	439	324	11	0	1,103	20	551	598	0	32	53	7,498	10,631
Financial Sector	63,601	50,694	1,213	5,380	4,201	3,193	17,844	23,740	586	378	1,552	18,809	191,191
Health	413	7	0	0	0	0	418	13	0	0	6	236	1,093
Hotels & Restaurants	81,059	22,991	5,960	0	0	0	56,932	0	0	0	936	3,102	170,980
Manufacturing Companies	9,404	2,972	100	0	589	0	12,787	3,937	0	0	254	2,648	32,690
Non-Profit	710	0	0	0	0	0	103	0	0	0	11	9	833
Oil Companies	4,098	5,513	17	0	335	0	1,666	40	2,396	0	15	1,727	15,807
Other Services	18,274	5,144	118	0	2,173	0	4,956	0	139	34	125	215	31,178
Private Distribution	5,595	8,850	228	1,272	5,120	0	1,575	101	0	0	498	650	23,890
Professional Services	3,540	4,760	11	0	62	40	1,387	0	131	410	59	502	10,901
Real Estate	192	1,736	1,351	0	106	0	1,342	0	0	0	23	135	4,885
Transportation	6,445	6,233	3,650	21	353	0	6,676	0	6,872	363	266	5	30,884
<b>Total</b>	<b>281,382</b>	<b>203,577</b>	<b>12,675</b>	<b>6,674</b>	<b>35,370</b>	<b>3,253</b>	<b>132,457</b>	<b>29,702</b>	<b>10,124</b>	<b>5,290</b>	<b>10,714</b>	<b>51,412</b>	<b>782,631</b>
							<b>2003P</b>						
Communications & Utilities	103,264	92,762	0	0	16,291	0	25,606	1,152	0	9,146	6,225	16,540	270,986
Construction Companies	370	136	17	0	195	0	372	0	0	0	12	-2	1,100
Education	502	354	11	0	1,213	20	547	693	0	35	57	8,296	11,728
Financial Sector	67,958	48,627	1,279	5,373	4,517	3,045	19,488	25,698	619	346	1,664	20,065	198,679
Health	413	4	0	0	0	0	363	81	0	0	6	175	1,042
Hotels & Restaurants	80,633	27,307	5,900	0	0	0	62,086	0	0	0	1,046	8,154	185,126
Manufacturing Companies	10,304	3,154	105	0	653	0	14,009	4,317	0	0	260	3,043	35,846
Non-Profit	710	201	0	0	0	0	98	0	0	0	11	25	1,044
Oil Companies	4,357	5,724	17	0	354	0	1,809	40	2,530	0	34	1,823	16,689
Other Services	19,694	7,416	135	0	2,485	0	5,043	0	159	19	152	548	35,651
Private Distribution	6,540	7,616	256	1,634	5,914	0	3,386	114	0	0	513	743	26,717
Professional Services	3,922	5,231	12	0	73	40	1,361	0	211	288	31	524	11,693
Real Estate	203	1,834	1,431	0	112	0	1,421	0	0	0	24	147	5,172
Transportation	6,680	5,205	3,624	70	213	0	6,492	0	7,991	535	190	5	31,006
<b>Total</b>	<b>305,551</b>	<b>205,572</b>	<b>12,788</b>	<b>7,077</b>	<b>32,021</b>	<b>3,105</b>	<b>142,082</b>	<b>32,095</b>	<b>11,510</b>	<b>10,368</b>	<b>10,225</b>	<b>60,086</b>	<b>832,480</b>

Source: The Central Bank of the Bahamas Survey on Pension Funds & Central Bank estimates

**Table 4B**  
**DISTRIBUTION OF PRIVATE PENSION INVESTMENTS: BY INDUSTRY/ASSET ALLOCATION**

	(B\$'000)													
	Securities	Deposits	Real Estate	Employer's Business	Mortgages	Bonds	Equities	Mutual Funds	Loans	Contributor Arrears	Dividends	Investments	Other	Total Assets
	<b>2001</b>													
Communications & Utilities	32.76	35.26	0.03	-	10.18	-	10.27	-	-	1.73	3.04	6.73	6.73	100.00
Construction Companies	32.84	16.00	1.09	-	19.86	-	29.19	-	-	-	1.23	(0.21)	(0.21)	100.00
Education	3.76	3.22	0.03	-	10.39	-	5.49	5.66	-	-	0.49	70.96	70.96	100.00
Financial Sector	31.83	31.26	0.63	3.10	1.76	0.32	8.64	13.10	0.32	0.15	0.80	8.10	8.10	100.00
Health	34.69	5.14	-	-	-	-	52.82	7.35	-	-	-	-	-	100.00
Hotels & Restaurants	39.81	20.83	-	-	-	-	32.51	3.26	-	-	-	3.60	3.60	100.00
Manufacturing Companies	34.21	11.47	0.82	-	2.25	-	38.45	12.21	-	-	0.59	-	-	100.00
Non-Profit	86.54	1.06	-	-	-	-	12.40	-	-	-	-	-	-	100.00
Oil Companies	15.50	46.33	0.10	-	2.08	-	10.35	-	14.88	-	0.02	10.73	10.73	100.00
Other Services	54.11	19.65	0.38	-	6.97	-	17.65	-	0.45	0.12	0.41	0.26	0.26	100.00
Private Distribution	21.86	37.43	0.79	5.85	22.42	-	5.25	1.33	0.33	-	2.06	2.68	2.68	100.00
Professional Services	26.08	39.59	7.87	-	0.72	0.44	17.55	-	1.92	-	0.59	5.23	5.23	100.00
Real Estate	4.53	25.75	31.86	-	2.50	-	31.64	-	-	-	0.54	3.19	3.19	100.00
Transportation	16.43	25.82	9.55	-	1.85	-	21.46	0.07	22.15	1.59	1.03	0.04	0.04	100.00
<b>Total</b>	33.10	28.75	0.92	0.93	4.98	0.09	16.89	4.79	1.20	0.67	1.35	6.33	6.33	100.00
	<b>2002</b>													
Communications & Utilities	34.00	36.71	-	-	8.24	-	10.09	0.50	-	1.59	2.69	6.18	6.18	100.00
Construction Companies	34.52	11.77	1.63	-	17.83	-	33.26	-	-	-	1.22	(0.22)	(0.22)	100.00
Education	4.13	3.05	0.11	-	10.37	0.19	5.18	5.63	-	0.31	0.50	70.53	70.53	100.00
Financial Sector	33.27	26.51	0.63	2.81	2.20	1.67	9.33	12.42	0.31	0.20	0.81	9.84	9.84	100.00
Health	37.79	0.64	-	-	-	-	38.24	1.19	-	-	0.55	21.59	21.59	100.00
Hotels & Restaurants	47.41	13.45	3.49	-	-	-	33.30	-	-	-	0.55	1.81	1.81	100.00
Manufacturing Companies	28.77	9.09	0.31	-	1.80	-	39.12	12.04	-	-	0.78	8.10	8.10	100.00
Non-Profit	85.22	-	-	-	-	-	12.38	-	-	-	1.33	1.06	1.06	100.00
Oil Companies	25.92	34.88	0.10	-	2.12	-	10.54	0.25	15.16	-	0.09	10.93	10.93	100.00
Other Services	58.61	16.50	0.38	-	6.97	-	15.90	-	0.45	0.11	0.40	0.69	0.69	100.00
Private Distribution	23.42	37.05	0.96	5.33	21.43	-	6.59	0.42	-	-	2.09	2.72	2.72	100.00
Professional Services	32.47	43.66	0.10	-	0.57	0.37	12.73	-	1.20	3.76	0.54	4.61	4.61	100.00
Real Estate	3.93	35.54	27.66	-	2.17	-	27.47	-	-	-	0.47	2.77	2.77	100.00
Transportation	20.87	20.18	11.82	0.07	1.14	-	21.62	-	22.25	1.18	0.86	0.01	0.01	100.00
<b>Total</b>	35.95	26.01	1.62	0.85	4.52	0.42	16.92	3.80	1.29	0.68	1.37	6.57	6.57	100.00
	<b>2003</b>													
Communications & Utilities	38.11	34.23	-	-	6.01	-	9.45	0.43	-	3.38	2.30	6.10	6.10	100.00
Construction Companies	33.64	12.36	1.56	-	17.76	-	33.83	-	-	-	1.07	(0.22)	(0.22)	100.00
Education	4.28	3.02	0.10	-	10.34	0.17	4.66	5.91	-	0.29	0.48	70.74	70.74	100.00
Financial Sector	34.21	24.48	0.64	2.70	2.27	1.53	9.81	12.93	0.31	0.17	0.84	10.10	10.10	100.00
Health	39.64	0.38	-	-	-	-	34.84	7.77	-	-	0.58	16.79	16.79	100.00
Hotels & Restaurants	43.56	14.75	3.19	-	-	-	33.54	-	-	-	0.57	4.40	4.40	100.00
Manufacturing Companies	28.75	8.80	0.29	-	1.82	-	39.08	12.04	-	-	0.73	8.49	8.49	100.00
Non-Profit	67.99	19.23	-	-	-	-	9.35	-	-	-	1.06	2.37	2.37	100.00
Oil Companies	26.11	34.30	0.10	-	2.12	-	10.84	0.24	15.16	-	0.21	10.93	10.93	100.00
Other Services	55.24	20.80	0.38	-	6.97	-	14.15	-	0.45	0.05	0.43	1.54	1.54	100.00
Private Distribution	24.48	28.51	0.96	6.12	22.13	-	12.68	0.43	-	-	1.92	2.78	2.78	100.00
Professional Services	33.54	44.73	0.10	-	0.62	0.34	11.64	-	1.80	2.46	0.27	4.48	4.48	100.00
Real Estate	3.93	35.46	27.66	-	2.17	-	27.47	-	-	-	0.47	2.85	2.85	100.00
Transportation	21.55	16.79	11.69	0.22	0.69	-	20.94	-	25.77	1.73	0.61	0.01	0.01	100.00
<b>Total</b>	36.70	24.69	1.54	0.85	3.85	0.37	17.07	3.86	1.38	1.25	1.23	7.22	7.22	100.00

Source: The Central Bank of the Bahamas Survey on Pension Funds & Central Bank estimates

Significant differences continued to exist in the investment strategies employed among various sectoral sponsors (Tables 4A & 4B). Relative to 2001, the communications and public utilities plans remained heavily invested, and to a greater extent, in public sector securities (38.1%), with a slightly reduced, but second most important share in deposits (34.2%) and a smaller but still significant fraction in private capital instruments (9.9%). The most important concentrations for financial sector plans was the increased investment share in public sector securities (34.2%), with a lessened fraction in deposits (24.5%), and a slightly greater portion in private capital instruments (24.3%). For hotels and restaurants, the largest proportion of assets was held in public sector securities, decreased in share to 43.6%, followed by a stable share for private capital instruments (33.5%), and a slightly higher allocation for deposits (14.8%). On a combined basis, remaining private sector schemes held a slightly expanded asset share in public sector securities (30.2%), and slightly lesser proportions in private capital instruments (22.6%) and bank deposits (20.8%).

### *Defined Benefits vs. Defined Contributions*

Based on the type of plan, the majority of domestic pension savings were accumulated in defined benefit schemes (82.4%) which covered 87.6% of participants (Table 5). During 2001-2003, defined benefit schemes registered average annual growth in contributors of 4.0% and experienced average annual returns on investment just above 6.0%, exceeding comparative results for defined contribution plans, with a 1.8% average yearly increase in contributors and slightly less than 5.0% average annual return on investments. Nevertheless, the latter's relatively higher contribution rates against salaries supported faster average growth in total assets of 9.0% during 2001-2003 compared to 3.3% for defined benefit schemes.

At end-2003, defined benefit schemes accounted for estimated assets of \$685.7 million, compared to \$146.8 million for defined contribution schemes. However, the average savings per participants in defined benefit schemes was slightly less than in 2001, at \$20,381, weighed lower by new participants added in the hotels and restaurant sector. Since 2001, corresponding

average savings for defined contribution plans rose by 14.6% to \$30,724.

Although the portfolio shares invested in various asset groups differed between the two plan types, the proportion in public sector securities was generally increased since 2001, with correspondingly softened emphasis on bank deposits and private capital instruments. Defined benefit plans showed the strongest preference for public sector securities, accounting for 40.5% of the asset allocations, followed by bank deposits (23.5%), private capital instruments (21.7%) and with the combination of other assets (4.3%), inclusive of loans to participants, real estate holdings and investments in employers' business. For defined contribution and provident plans, bank deposits were the largest asset class (30.3%), followed by private capital instruments (19.7%), public sector securities (18.9%) and other combined investments (31.1%).

### *Conclusions*

As the latest survey results reveal, labour force participation and accumulated savings in private pension plans continue to increase in The Bahamas. On their present path, assets could surpass \$1 billion by the end of 2006, with growth strengthening in the medium term, because of the healthy outlook for the economy. While the strongest growth in labour force coverage is expected to remain in the tourism sector, plan sponsorship among small and medium sized businesses is also expected to increase, retaining a stronger preference for defined contribution schemes.

The intensified focus on the long term sustainability of the National Insurance Scheme that led to the Government's establishment of the Social Security Reform Commission, has heightened awareness of the importance of supplementary retirement savings and in a positive manner, focused more attention on the importance of establishing a regulatory framework for private pensions. One area that regulation would be expected to address is the prudential guidelines that govern the investment of assets. To the extent that domestic plans are formed and managed along fiduciary lines, investment policy guidelines already exists for most, if not all schemes, modeled along established international stan-

**Table 5  
Private Pension Investments By Fund Type**

	Defined Benefit						Defined Contribution					
	1998	2000	2001P	2002P	2003P	1998	2000P	2001P	2002P	2003P		
<b>Total Fund</b>	547,003	616,338	643,189	641,027	685,713	81,568	103,142	123,609	141,603	146,767		
<b>of which:</b>												
BGRS	178,610	226,849	237,893	255,944	277,860	9,622	12,688	15,898	25,439	27,691		
Bank Deposits	173,842	167,348	174,020	156,415	161,053	29,281	30,260	46,466	47,163	44,519		
Real Estate	1,357	436	602	6,322	6,301	3,359	6,896	6,458	6,353	6,487		
Employer's Business	2,500	6,168	6,058	5,379	5,371	1,198	1,048	1,088	1,295	1,706		
Mortgages	70,387	40,123	34,647	29,850	26,006	6,988	3,673	3,559	5,520	6,015		
Bonds	1,729	40	40	876	844	19	604	623	2,377	2,261		
Equities	66,074	105,535	115,199	113,676	121,693	10,058	14,966	14,346	18,781	20,389		
Mutual Funds	6,558	16,199	26,863	23,269	25,902	3,327	9,700	9,838	6,433	6,194		
Loans	2,401	2,270	2,270	2,396	2,530	7,161	7,089	6,967	7,727	8,980		
Contributor Arrears	8,126	3,183	4,418	4,241	9,253	879	297	685	1,049	1,115		
Dividends	7,257	8,327	9,106	9,352	8,917	466	1,018	1,226	1,361	1,308		
Other Investment	28,163	39,861	32,073	33,308	39,982	9,208	14,903	16,455	18,105	20,104		
<b>Total Fund</b>	100	100	100	100	100	100	100	100	100	100		
<b>of which:</b>												
BGRS	32.65	36.81	36.99	39.93	40.52	11.80	12.30	12.86	17.96	18.87		
Bank Deposits	31.78	27.15	27.06	24.40	23.49	35.90	29.34	37.59	33.31	30.33		
Real Estate	0.25	0.07	0.09	0.99	0.92	4.12	6.69	5.22	4.49	4.42		
Employer's Business	0.46	1.00	0.94	0.84	0.78	1.47	1.02	0.88	0.91	1.16		
Mortgages	12.87	6.51	5.39	4.66	3.79	8.57	3.56	2.88	3.90	4.10		
Bonds	0.32	0.01	0.01	0.14	0.12	0.02	0.59	0.50	1.68	1.54		
Equities	12.08	17.12	17.91	17.73	17.75	12.33	14.51	11.61	13.26	13.89		
Mutual Funds	1.20	2.63	4.18	3.63	3.78	4.08	9.40	7.96	4.54	4.22		
Loans	0.44	0.37	0.35	0.37	0.37	8.78	6.87	5.64	5.46	6.12		
Contributor Arrears	1.49	0.52	0.69	0.66	1.35	1.08	0.29	0.55	0.74	0.76		
Dividends	1.33	1.35	1.42	1.46	1.30	0.57	0.99	0.99	0.96	0.89		
Other Investment	5.15	6.47	4.99	5.20	5.83	11.29	14.45	13.31	12.79	13.70		

Memorandum Items:

\* Weighted Avg. Rate of Return

\* Weighted Avg. Contrib. Rate

	8.43	9.34	4.16	4.00	6.12	6.58	8.5	3.13	4.00	4.79
	9.36	9.3	9.19	11.76	11.73	13.51	11.95	12.42	13.31	12.91

Source: The Central Bank of the Bahamas Survey on Pension Funds & Central Bank estimates

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dards. Nevertheless for defined contribution and provident plans, which are not subject to actuarially determined funding liabilities, the risk for more aggressive and varied investment strategies is greater than for defined benefit schemes, and it is in this regard that regulations could establish broad parameters in the interest of participants. A more defined regulatory structure is also expected to spur development of portable pension products and increased availability of products marketed to smaller businesses, thereby broadening the labour force's participation.