

Caribbean Business Executive Seminar
The Future of the Pension Industry in the Caribbean

Central Bank's Revised Proposals for
the Occupational Pension Plans Bill.

Omissions & Consequences

T P Kimpton MA FIA
4 May 2012

Agenda

- Key omissions from the Proposals
- Timeline
- Consequences for pension plan sponsors, trustees, etc

Omissions: Investments

- Proposals essentially what applies now, ie:
 - Not liability related
 - “one size fits all”
 - Not driven by pension plan considerations.
- Opportunity to do something better is being wasted?

Omissions: Supervisory Fees

- There has been no proper discussion of Supervisory Fees now in place.
 - How was flat fee scale determined?
 - What functions do the fees fund?
 - How much collected?
 - Value for money?
 - Increases in future, eg to cover cost of Pensions Actuary at Central Bank?
- Not “risk based”.

Omissions: Recycling of Fines

- Proposal: fines go to Consolidated Fund
- Better for Central Bank to retain them to offset Supervisory Fees
- Bank says “no” because:
 - “This isn’t how we do it in other sectors”
 - “It is too complicated”
 - “People who have paid fines would benefit”
- These all solvable

Omissions: Actuarial valuations

- Statutory deadline for submission of data to actuary
- Definition of “deficit”, ie prescribed minimum:
 - Actuarial method; and
 - Actuarial assumptions

Omissions: Other Issues

- Lots of other detail missing
 - Regulations?
- Member communication
 - Prescribed minimum content
 - Annual report to Plan members
- Transition and grandfathering

Timeline – per Central Bank December 2011

- Q1 2012 - Produce final PPD
 - Review Committee will examine but no further chance for public comment
- Remainder of 2012 – draft legislation
 - Done by someone who understands pensions?
 - Review Committee will examine
- 2013 – Bill to Parliament
- 2014 – Act and Regulations all in place

Consequences: General

- Governance audit
- Compliant trust deed and rules
- Statement of Investment Policy
- Communication materials
 - Plan booklet
 - Member benefit statements
 - Exit statements.

Consequences: Management Committee

- Training
 - Initial training
 - New Committee members
 - Annual refresher
- Pensioner representative?
- Revise entire composition?

Consequences: Service providers

- More detailed service contracts with
 - Trustee
 - Actuary, auditor, other service providers
- Specified performance standards
 - For sponsoring employer too, eg data deadlines
- Penalties for non-performance, eg to offset fines incurred by Trustee, sponsoring employer through fault of others

Consequences: Plan Administration

- System upgrade generally needed
- Key functionality:
 - Benefit calculations and exit statements;
 - Member benefit statements;
 - Data for actuarial valuations.
- In house or third-party administrator?

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