



Survey of Private Pension Plans in The Bahamas (2005)

*Published in the *Quarterly Economic Review*, June 2007,
(Vol. 16, No. 2) Pages 33 - 43.

Survey Of Private Pension Plans In The Bahamas (2005)

Introduction

This article analyzes the results of the Central Bank's latest survey (2005) on private (sponsored) pension plans in The Bahamas. The available database on these activities now spans thirteen years, starting from 1992. According to the 2005 results, sponsored pension assets rose at a strengthened pace of 11.9% to approximately \$954 million, consolidating continuous average yearly gains from an estimated low of \$300 million in 1992. Recent annual gains have been supported by the expansionary trends in the Bahamian economy, which have resulted in more employees contributing to these schemes and elevated average returns on invested assets. The largest concentration of assets and participants continues to be in plans sponsored by employers in the tourism, financial services and communications & utilities sectors. Based on investment patterns, the largest share of pension assets is still held in Government

bonds and securities, although the proportion of both these investments as well as bank deposits have decreased due to diversification in equities, mutual funds and other private capital market instruments.

In most instances, private pensions supplement contributory retirement benefits to which Bahamians are entitled under the National Insurance Board (NIB) Act. Unlike the mandatory NIB scheme, which uses a formula to cap contributions and retirement benefits against an annual income of \$20,800, total funding and potential benefits from sponsored schemes continue to increase along with participants' earnings. An estimated one-fourth of the Bahamian workforce participates in such schemes, and the Government operates a non-funded gratuity scheme for tenured civil service employees. The other significant sources of domestic financial savings are bank deposits held by individuals, and the assets of domestic credit unions and insurance companies.

Table 1: Selected Indicators of Domestic Savings

	2002	2003	2004	2005	2002	2003	2004	2005	Avg. Growth
	(B\$ Million)				(% of GDP)				02-05 (%)
Private Pension Funds	748.6	795.6	852.7	954.3	14.2%	13.9%	15.1%	15.9%	6.3%
National Ins. Board (Cash and Investments) ¹	1,069.3	1,152.8	1,238.0	1,294.5	19.3%	19.8%	21.9%	21.6%	4.9%
Life & Health Ins. Cos.(Current Assets and Inv) ²	551.3	617.2	529.0	687.9	10.3%	10.2%	9.3%	11.5%	5.7%
Private Individuals (Bank deposits) ³	2,059.7	2,100.3	2,383.4	2,611.7	39.2%	38.2%	42.1%	43.6%	6.1%
Credit Unions (Deposit and Shares) ⁴	132.5	150.1	170.2	190.4	2.3%	2.5%	3.0%	3.2%	9.5%

Sources:

¹The National Insurance Board, Annual Statement of Accounts , ²The Registrar of Insurance Companies , ³The Central Bank of The Bahamas and ⁴The Department of Cooperative Development

As to their relative importance, private pension assets at \$954.3 million represented an increased 15.9% of GDP in 2005 (see Table 1). This remained less than the

approximately \$1,295 million (21.6% of GDP) of collective savings held by NIB, but outpaced the comparable pools held by domestic life and health insurance companies of

\$688 million (11.5% of GDP) and credit unions, of \$190 million (3.2% of GDP). Notwithstanding, the bulk of private individuals' savings are in bank deposits, placed in 2005 at \$2,612 million or 43.6% of GDP. The skewed distribution of deposit holdings, however, diminishes their retirement significance for most persons in the workforce, as more than 75% of the aggregate balances are concentrated in less than 10 percent of the individual accounts.

The rest of this article summarizes the results of the 2005 Pension Fund Survey. This includes an overview of how such schemes are categorized, a description of the survey process and estimation methodology and an analysis of the profile and attributes of the various schemes in existence. The report then presents an analysis of the investment portfolio of these plans and concludes with a discussion on the outlook for the industry.

Categorization of Sponsored Plans

Pension plans are categorized according to the rules governing funding and payment of retirement benefits. The common types of schemes are defined benefit, defined contribution and provident funds. Defined benefit plans guarantee the payment of specified retirement benefits linked to the participants' employment tenure and salary level. Annual funding, as a percentage of participants salaries, varies according to the actuarially determined amount which, along with expected investment earnings, would ensure that the estimated present value of projected future benefits payable to participants is matched by the present value of the assets likely to accumulate over the future duration of the scheme. In addition to the expected future rates of returns, this determination is very sensitive to the demographic characteristics of each employer's workforce, such as the average age of active employees, the ratio of the number of pensioners relative to active employees and the average life expectancy of pensioners. Defined benefit plans are considered fully funded when the present value of assets and liabilities are evenly matched, under-funded when the actuarial value of assets are less than corresponding liabilities, and over-funded if the reverse occurs. The administrative costs of these plans tend to be more uncertain than for the other schemes, with the sponsors bearing the financial responsibility for any variation in funding requirements.

For both defined contribution and provident fund plans, retirement benefits are not predetermined, but based on the accumulated contributions and corresponding returns on such savings during the respective employee's working years; this therefore eliminates the funding uncertainty. The distinction between these two plans lies in the fact that provident schemes provide for payment of the full amount of the benefit as a lump sum on the retirement date, while defined contribution plans convert some fraction of the benefit into an annuity that is disbursed as a periodic pension. Since payouts from provident funds can also be used to purchase similar annuities, the analysis that follows combines these two sets of results.

Survey and Estimation Methodology

The 2005 pension fund survey was sent to 122 existing and potential plan sponsors in The Bahamas, as the 150 companies surveyed in 2004 were adjusted to exclude international banks and trust companies, which either reportedly did not sponsor pension schemes or whose plans were integrated into those of head office. The number of respondents improved to 92 from 88 and covered approximately 70% of total plan assets for 2005. Average sector growth rates were calculated from these responses and used to estimate the remaining 30%. However, only those entities which actually reported their information were used to derive average rates of return and funding contribution rates.

Characteristics of Local Pension Plans

Survey results for 2005 revealed that defined contribution (including provident fund) plans remained the most popular scheme in The Bahamas, representing an estimated 81% of organized plans, although only 21.6% of total pension assets and 14.7% of pension participants. These schemes are predominantly utilized by smaller employers, who take advantage of the reduced funding costs and, in most instances, were more recently instituted compared to the long-standing defined benefit schemes. Defined benefit plans, which accounted for 85.3% of participants and 79.4% of estimated total assets, are more commonly sponsored by larger firms and public corporations.

Regarding fund administration, approximately 31.4% of the plans, with 20.1% of the estimated assets, had in-

Table 2
Private Pension Investments By Industry

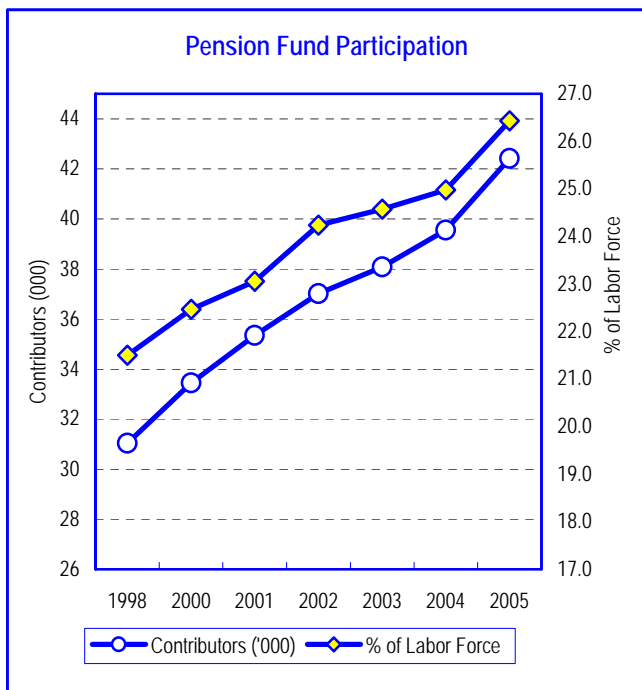
	2001R	2002R	2003R	2004R	2005P
INDUSTRY	(B\$'000)				
Construction	939	926	1,101	1,100	2,334
Communications & Utilities	250,780	256,741	270,986	273,722	294,945
Education	9,883	10,630	11,728	12,766	13,542
Financial Sector	188,349	182,999	190,076	218,048	247,502
Health	1,225	1,093	1,042	1,319	1,810
Hotel & Restaurants	164,621	170,980	185,126	197,140	228,589
Manufacturing	7,854	6,895	7,561	8,093	8,093
Non - Profit Organizations	832	833	1,044	2,334	1,584
Oil Companies	15,250	15,808	16,689	18,202	21,710
Other Services	27,864	31,177	35,652	40,102	45,268
Private Distribution	18,569	23,891	26,715	29,861	31,873
Professional Services	9,116	10,900	11,694	12,844	14,285
Real Estate	5,831	4,885	5,173	5,745	5,572
Transportation	27,033	30,885	31,006	31,409	37,168
TOTAL	728,146	748,643	795,593	852,685	954,274
INDUSTRY	(% Distribution)				
Construction	0.13	0.12	0.14	0.13	0.24
Communications & Utilities	34.44	34.29	34.06	32.10	30.91
Education	1.36	1.42	1.47	1.50	1.42
Financial Sector	25.87	24.44	23.89	25.57	25.94
Health	0.17	0.15	0.13	0.15	0.19
Hotel & Restaurants	22.61	22.84	23.27	23.12	23.95
Manufacturing	1.08	0.92	0.95	0.95	0.85
Non - Profit Organizations	0.11	0.11	0.13	0.27	0.17
Oil Companies	2.09	2.11	2.10	2.13	2.27
Other Services	3.83	4.16	4.48	4.70	4.74
Private Distributions	2.55	3.19	3.36	3.50	3.34
Professional Services	1.25	1.46	1.47	1.51	1.50
Real Estate	0.80	0.65	0.65	0.67	0.58
Transportation	3.71	4.13	3.90	3.68	3.89
TOTAL	100.00	100.00	100.00	100.00	100.00

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

house administration, the majority representing funds sponsored by financial sector firms possessing staff capable of handling such functions. The remaining schemes were externally administered by insurance companies (27.5%), "other" professional administrators (24.2%), and banks and trust companies (17.0%).

Pension schemes are also distinguished according to whether employee participation is mandatory or voluntary and how funding costs are shared between employees and employers. According to the 2005 results, there was an almost even distribution between mandatory and voluntary participation, with more than half of the defined benefit plans (65.1%) requiring mandatory participation, while an estimated 46.4% of defined contribution schemes were compulsory. For the 83.7% of schemes considered contributory, with funding provided jointly by the employees and employers, there was an approximate balance between the voluntary and mandatory participation requirements. Conversely, for voluntary schemes (16.3%) funded by employers, 56% of the companies surveyed still had employee participation in the schemes.

Labour Force Participation

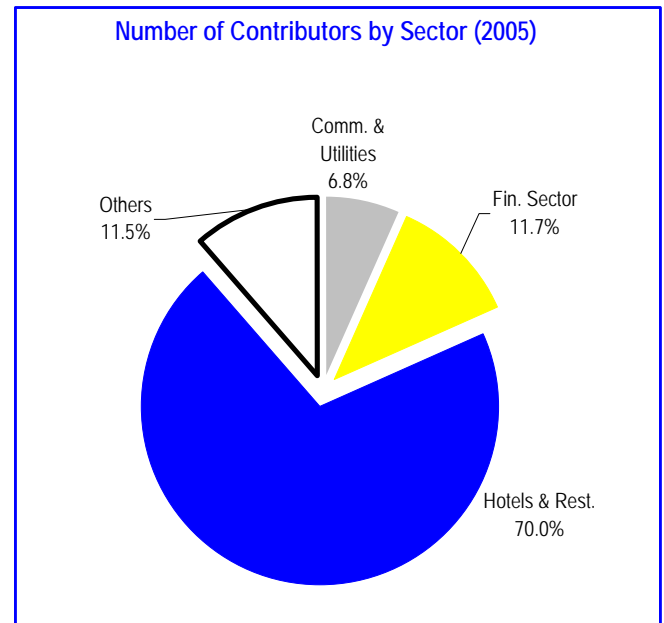


The number of active participants in private pension schemes grew further by 4.6% to 41,568 in 2005, for an

elevated 25.9% of the labour force. The largest share of participants (70.0%) remained concentrated in the tourism sector (hotels and restaurants), while 11.7% were employed in financial services firms and 6.8% in the communication and utilities sector. The remaining eleven (11) sectors accounted for a combined 11.5% of industry participants.

Contributions Ratios

With average rates of return on invested assets further improved, the average paid-in contribution as a percentage of employees' salaries softened during 2005. Weighted by asset size, the average combined employee and employer contribution rate moderated to 11.3% of salaries in 2005 from a stable 11.6% in 2004 and 2003, respectively. Despite this easing, contribution rates remained much higher than the 1990's and early 2000 when they averaged less than 10% of salaries. For defined benefit plans, the funding rate decreased to 11.1% in 2005, from 11.7% in 2004 and 11.8% in 2003. Conversely, the average defined contribution rate trended higher to 12.0%, from 11.0% in 2004 and 10.8% in 2003.



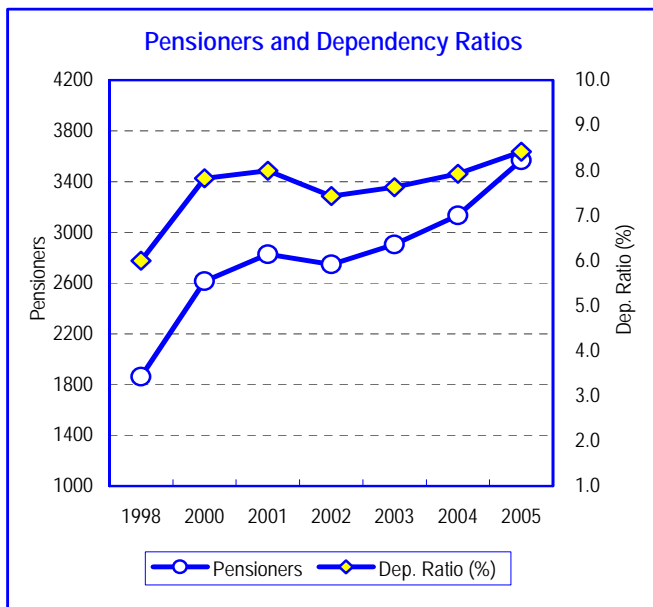
On average, employers' funding contribution as a fraction of employee salaries moderated to 9.3% in 2005 from 9.8% in both 2004 and 2003. In particular, the average rate for defined benefit plans declined further to 10.2%, but remained above the 8.0% range noted during

the 1990s. Conversely, for defined contribution plans, the employers' average contribution rate was extended to 6.2% of salaries from 5.8% and 5.6% in 2004 and 2003.

When employees actually contributed to their schemes, average rates ranged from a low of 1% to a high of 12% of salaries, with the median rate estimated at 5.0%. However, inclusive of participants in non-contributory plans, the average employee funding rate rose slightly to 2.0%. In defined benefit schemes, the average contribution rate steadied at 1.0% for the third consecutive year; while the corresponding rate for defined contribution plans recovered to 5.8%, following a slight easing to 5.2% during 2004 and 2003.

Of the plans surveyed, the weighted average return on investments rose to 9.14% in 2005 from 7.25% in 2004, partly reflecting the continued shift in asset allocations towards higher yielding capital market instruments. The improvement was more pronounced for defined contribution schemes, where average returns strengthened to 10.1% from 6.7% in 2004 and the low 4.0% range in the preceding two years. Meanwhile, the average return for defined benefit plan investments advanced to 8.9%, from 7.3% in 2004 and 5.9% in 2003.

Pension and Benefits Payout

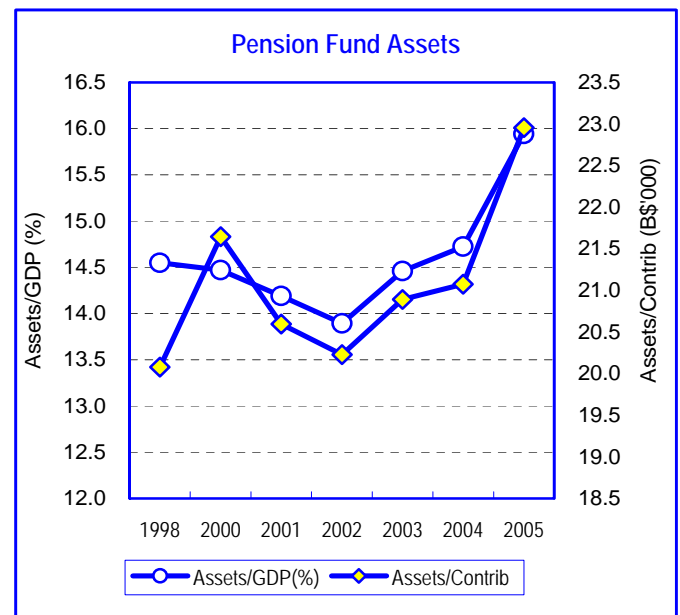


During 2005, the number of pensioners in sponsored plans rose by 11.3% to 3,568, with the largest increment

noted in the tourism sector. Moreover, the aggregate annual pension payment increased to an estimated \$30.9 million from a revised \$28.7 million in 2004. As a result, the average dependency ratio for the number of pensioners as a percentage of active plan participants rose incrementally by 0.3 percentage points to 8.4%. Likewise, the estimated dependency rate, pensions paid as a percentage of funding contributions, increased to 49.9% from 45.0% in 2004.

Asset Size and Distribution

Growth in the contribution base, supported by positive economic fundamentals and higher returns on investments, elevated private pension assets by 11.9% to an estimated \$954.3 million in 2005. This extended the previous year's upwardly revised growth of 7.2% to \$852.7 million and moved closer to pre-2000 average annual gains of just above 10.0%. Total assets were equivalent to increased average savings per active participant of \$22,957 compared to \$21,451 in 2004.

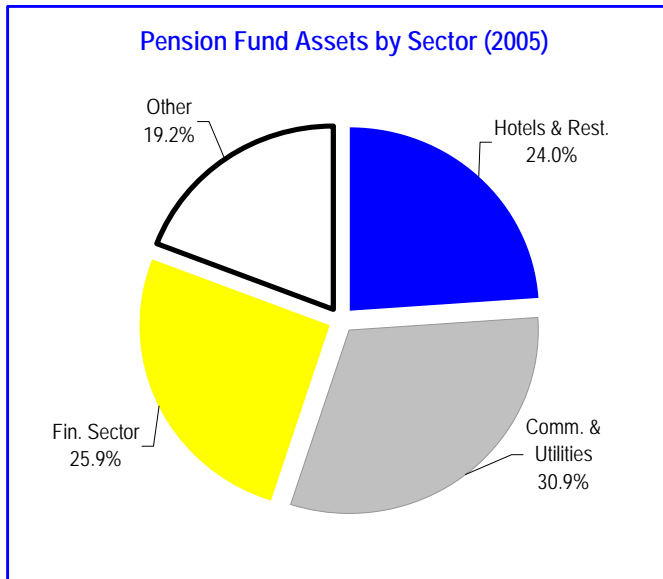


On a sectoral basis, the largest portion of pension assets remained concentrated in plans sponsored by firms in the communications and utilities (30.9%), financial services (25.9%) and tourism (24.0%) sectors. The remaining 19.2% included sectoral shares ranging from a low of 0.19% for health to 4.74% for other services.

Table 3
Private Pension Investments

	Total				
	2001R	2002R	2003R	2004R	2005P
Total Fund					
of which:					
	(B\$'000)				
Government Bonds	728,143	748,643	795,592	852,685	954,274
Bank Deposits	236,611	266,275	289,270	343,905	343,107
Real Estate	210,404	194,328	195,705	170,185	168,370
Employer's Business	7,060	12,675	12,788	8,017	7,076
Mortgages	7,146	6,674	7,077	4,918	8,350
Private Sector Bonds	38,207	35,370	32,021	30,159	25,554
Equities	663	3,253	3,105	21,489	2,294
Mutual Funds	114,020	119,533	127,962	138,203	201,830
Loans	43,477	35,489	38,118	59,244	88,923
Contributor Arrears	9,236	10,124	11,510	17,865	18,392
Dividends	5,103	5,290	10,368	5,031	5,368
Other Investment	10,136	10,553	10,049	5,808	3,996
	46,080	49,079	57,619	47,860	81,013
	2001R	2002R	2003R	2004P	2005P
	(% Distribution)				
Total Fund	100	100	100	100	100
of which:					
Government Bonds	32.50	35.57	36.36	40.33	35.95
Bank Deposits	28.90	25.96	24.60	19.96	17.64
Real Estate	0.97	1.69	1.61	0.94	0.74
Employer's Business	0.98	0.89	0.89	0.58	0.88
Mortgages	5.25	4.72	4.02	3.54	2.68
Private Sector Bonds	0.09	0.43	0.39	2.52	0.24
Equities	15.66	15.97	16.08	16.21	21.15
Mutual Funds	5.97	4.74	4.79	6.95	9.32
Loans	1.27	1.35	1.45	2.10	1.93
Contributor Arrears	0.70	0.71	1.30	0.59	0.56
Dividends	1.39	1.41	1.26	0.68	0.42
Other Investment	6.33	6.56	7.24	5.61	8.49
Memorandum Items:					
* Weighted Avg. Rate of Return	4.01	4.00	5.86	7.25	9.14
* Weighted Avg. Contrib. Rate	9.78	12.02	11.57	11.57	11.28

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

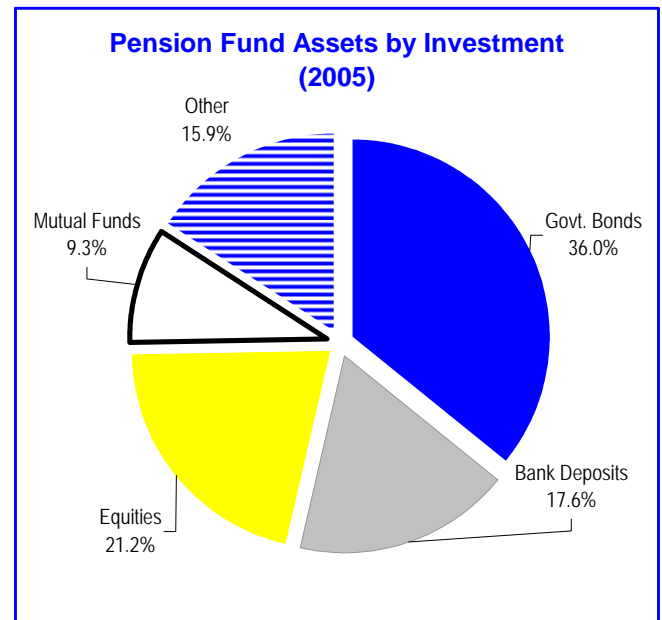


The portfolio distribution of pension assets for 2005 (see Table 3), indicates a further shift towards private capital market instruments, with holdings of equities and mutual funds accounting for a record 30.7% of assets relative to 25.7% in 2004. Correspondingly, public debt maintained the largest share of assets, although lower at 35.9% from 40.3% in 2004; and the share in bank deposits eased further to 17.6% from 20.0%. Also, the combined proportion of investments in real estate, the employers' business, loans to participants, mortgages and contribution arrears was slightly higher at 15.7% vis-à-vis 14.0% in 2004.

Pension assets held outside The Bahamas rose by 12.8% to an estimated \$121.6 million, which was 12.7% of the industry's total. This trailed the previous year's increase of 15.7%, which was buoyed by higher returns in the international capital markets. Financial sector sponsored plans held the bulk of these assets, which were predominantly invested in capital market instruments (66.8%) and foreign Government securities (25.2%). The remainder was held in bank deposits (3.7%) and "other" uncategorized assets (4.3%).

Investment strategies differed among the various sectors (see Tables 4A and 4B). In comparison to 2004, plans in the communications and utilities sector held a slightly higher proportion of assets in public sector securities (46.8%), with bank deposits representing a lower 28.6% and capital market instruments 10.3%. For plans in the financial sector, investments in public sector securi-

ties constituted a slightly increased 34.2% of assets, capital market holdings retained a dominant and moderately elevated share at 38.2%, while the proportion held as deposits narrowed to 15.8%. Within tourism sector plans, the most important allocation—capital market instruments—occupied a strengthened 49.3% share, partly facilitated by the reduced proportion for public debt instruments to 39.2%.



Also notable was the moderately increased share in deposits to 8.4%. The remaining sector plans collectively reduced their direct holdings of public sector debt in half to 17.0% of the total assets with a corresponding doubling in capital market allocations to 30.3%, via a significantly increased participation in mutual funds. There was also a notably reduced fraction of assets in deposits (14.1%), contrasting with a one-third boost in the residual investment share—including real estate, employers' business and "other" unclassified assets—to 32.1%.

Defined Benefits vs. Defined Contributions

During 2005, total assets in defined benefit schemes rose by 10.3% to \$747.9 million (Table 5), extending the revised 2004 increase of 4.5%. Although the average contribution rate for these plans softened, the outcome was favoured by increased contributors (2.6%) and an overall firming in the weighted average rate of return on

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

	(B\$'000)												
	Securities	Deposits	Real Estate	Employer's Business	Mortgages	Bonds	Equities	Mutual Funds	Loans	Contribution Arrears	Dividends	Investments	Other Total Assets
2004R													
Communications & Utilities	121,818	85,888	0	0	13,102	18,004	9,602	1,216	0	4,514	2,156	17,422	273,722
Construction Companies	370	136	17	0	195	0	372	0	0	0	12	-2	1,100
Education	325	437	0	0	1,236	0	503	724	0	35	57	9,447	12,766
Financial Sector	73,825	38,250	1,407	3,046	4,821	3,445	25,453	50,233	1,020	379	743	15,428	218,048
Health	522	25	0	0	0	0	425	173	0	0	9	165	1,319
Hotels & Restaurants	92,065	11,603	239	0	0	0	79,878	6,634	5,250	0	1,451	20	197,140
Manufacturing Companies	3,714	784	105	0	653	0	1,242	0	0	0	99	1,495	8,093
Non-Profit	1,730	300	0	0	0	0	217	0	0	0	0	87	2,334
Oil Companies	6,413	4,657	19	0	384	0	1,961	0	2,745	0	45	1,978	18,202
Other Services	23,241	7,715	152	0	2,795	0	5,459	0	179	19	166	376	40,102
Private Distribution	7,368	8,609	282	1,817	6,546	0	3,790	264	0	0	573	611	29,861
Professional Services	4,210	4,993	581	0	80	40	1,623	0	549	6	101	662	12,844
Real Estate	226	2,031	1,589	0	125	0	1,578	0	0	0	27	170	5,745
Transportation	8,078	4,758	3,626	55	223	0	6,101	0	8,122	77	371	0	31,409
Total	343,905	170,185	8,017	4,918	30,159	21,489	138,203	59,244	17,865	5,031	5,808	47,860	852,685
2005P													
Communications & Utilities	137,929	84,278	0	0	13,325	0	29,028	1,310	0	4,864	30	24,181	294,945
Construction Companies	308	128	13	0	167	0	344	1,368	0	0	10	-2	2,334
Education	490	641	0	0	1,311	0	608	768	0	38	61	9,624	13,542
Financial Sector	84,562	39,147	1,580	3,482	5,691	2,054	39,695	52,883	770	390	1,373	15,875	247,502
Health	761	124	0	0	0	0	781	54	0	0	0	89	1,810
Hotels & Restaurants	89,550	19,184	239	0	0	0	105,922	6,702	5,460	0	1,506	26	228,589
Manufacturing Companies	3,714	784	105	0	653	0	1,242	0	0	0	99	1,495	8,093
Non-Profit	1,176	183	0	0	0	0	196	0	0	0	0	29	1,584
Oil Companies	5,368	2,251	19	0	380	0	5,890	4,658	3,046	0	66	31	21,710
Other Services	680	50	0	1,748	0	200	3,531	10,610	0	0	0	28,450	45,268
Private Distribution	4,676	7,311	161	1,964	3,820	0	3,419	9,459	0	0	445	618	31,873
Professional Services	4,337	5,720	568	0	0	40	2,618	438	443	0	99	22	14,285
Real Estate	223	1,796	0	1,117	0	0	1,724	413	0	0	23	275	5,572
Transportation	9,331	6,775	4,392	38	207	0	6,832	260	8,673	77	283	300	37,168
Total	343,107	168,370	7,076	8,350	25,554	2,294	201,830	88,923	18,392	5,368	3,996	81,013	954,274

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

	Employer's										Contribution		Other Investments	Total Assets
	Govt. Bonds	Deposits	Real Estate	Business	Mortgages	Private Bonds	Equities	Mutual Funds	Loans	Arrears	Dividends			
2004R														
Communications & Utilities	44.50	31.38	-	-	4.79	6.58	3.51	0.44	-	1.65	0.79	6.36	100.00	
Construction Companies	33.64	12.36	1.56	-	17.76	-	33.83	-	-	-	1.07	(0.22)	100.00	
Education	2.55	3.42	-	-	9.68	-	3.94	5.68	-	0.28	0.45	74.01	100.00	
Financial Sector	33.86	17.54	0.65	1.40	2.21	1.58	11.67	23.04	0.47	0.17	0.34	7.08	100.00	
Health	39.58	1.90	-	-	-	-	32.22	13.12	-	-	0.68	12.51	100.00	
Hotels & Restaurants	46.70	5.89	0.12	-	-	-	40.52	3.37	2.66	-	0.74	0.01	100.00	
Manufacturing Companies	45.90	9.69	1.30	-	8.07	-	15.35	-	-	-	1.22	18.47	100.00	
Non-Profit	74.14	12.86	-	-	-	-	9.28	-	-	-	-	3.73	100.00	
Oil Companies	35.23	25.58	0.10	-	2.11	-	10.77	-	15.08	-	0.24	10.87	100.00	
Other Services	57.95	19.24	0.38	-	6.97	-	13.61	-	0.45	0.05	0.41	0.94	100.00	
Private Distribution	24.68	28.83	0.95	6.09	21.92	-	12.69	0.88	-	-	1.92	2.05	100.00	
Professional Services	32.78	38.87	4.52	-	0.62	0.31	12.63	-	4.28	0.05	0.78	5.15	100.00	
Real Estate	3.93	35.35	27.66	-	2.17	-	27.47	-	-	-	0.47	2.96	100.00	
Transportation	25.72	15.15	11.54	0.18	0.71	-	19.42	-	25.86	0.24	1.18	-	100.00	
Total	40.33	19.96	0.94	0.58	3.54	2.52	16.21	6.95	2.10	0.59	0.68	5.61	100.00	
2005P														
Communications & Utilities	46.76	28.57	-	-	4.52	-	9.84	0.44	-	1.65	0.01	8.20	100.00	
Construction Companies	13.19	5.47	0.54	-	7.14	-	14.73	58.59	-	-	0.44	(0.10)	100.00	
Education	3.62	4.73	-	-	9.68	-	4.49	5.68	-	0.28	0.45	71.07	100.00	
Financial Sector	34.17	15.82	0.64	1.41	2.30	0.83	16.04	21.37	0.31	0.16	0.55	6.41	100.00	
Health	42.07	6.83	-	-	-	-	43.18	2.97	-	-	-	4.94	100.00	
Hotels & Restaurants	39.18	8.39	0.10	-	-	-	46.34	2.93	2.39	-	0.66	0.01	100.00	
Manufacturing Companies	45.90	9.69	1.30	-	8.07	-	15.35	-	-	-	1.22	18.47	100.00	
Non-Profit	74.26	11.53	-	-	-	-	12.40	-	-	-	-	1.81	100.00	
Oil Companies	24.73	10.37	0.09	-	1.75	-	27.13	21.46	14.03	-	0.31	0.14	100.00	
Other Services	1.50	0.11	-	3.86	-	0.44	7.80	23.44	-	-	-	62.85	100.00	
Private Distribution	14.67	22.94	0.50	6.16	11.99	-	10.73	29.68	-	-	1.40	1.94	100.00	
Professional Services	30.36	40.04	3.98	-	-	0.28	18.33	3.06	3.10	-	0.70	0.16	100.00	
Real Estate	4.01	32.23	-	20.05	-	-	30.94	7.42	-	-	0.42	4.93	100.00	
Transportation	25.11	18.23	11.82	0.10	0.56	-	18.38	0.70	23.34	0.21	0.76	0.81	100.00	
Total	35.95	17.64	0.74	0.88	2.68	0.24	21.15	9.32	1.93	0.56	0.42	8.49	100.00	

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

assets. For the second year in a row, defined contribution assets grew at a more robust pace—18.1% vis-à-vis 19.1%—to \$206.4 million, as elevated asset yields and average contribution rates reinforced another above average gain in the number of participants (17.9%). Nevertheless, the average savings per participant in defined contribution plans steadied at \$33,740 in contrast to a 7.6% rise to \$21,096 for defined benefit plans.

Both plan types exhibited similar portfolio allocation trends during the survey period, with reduced allocations for public sector securities and bank deposits, and corresponding increases in shares for capital market holdings. The bulk of defined benefit plan assets continued to be invested in public sector securities, although these accounted for a reduced 40.4% allocation, and the share in deposits narrowed to 16.2%. Conversely, there was an increased preference for capital market instruments, which advanced to 30.8% of assets, and for other combined assets, including real estate, employers business and loans, at 12.6% of the total. Defined contribution plans also revealed a moderately lower share of investments in bank deposits (23.0%) and Government securities (20.0%); albeit, the average allocation was increased for capital market investments (30.3%).

Conclusions

In tandem with the improving economic climate, private pension activity in The Bahamas strengthened in 2005, as measured both by total assets and the fraction of the labour force covered by these schemes. Healthy growth prospects for the economy over the medium term, particularly in the tourism sector, should continue to augment the number of participants in these schemes and sustain further asset gains, from both funding sources and returns on investments.

Further, growth prospects should benefit from the increased marketing of retirement products by domestic financial services providers to a higher number of small-scale employers. These plans, which impose minimal administrative costs on sponsors, are in many instances, portable, thereby facilitating continuity in coverage whenever job changes occur.

Although pension plan management in The Bahamas generally conforms to international best practices, an earlier proposal to establish a formal regulatory framework for sponsored provision plans would codify and reinforce the existing legislation via the inclusion of prudential norms and guidelines for pension investments and plan administration; and, inter alia, introduce minimum reporting and disclosure requirements.

