



Survey of Private Pension Plans in The Bahamas (2006 & 2007)

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Introduction

This article presents the findings of the Central Bank's latest survey of private (sponsored) pension plans in The Bahamas. The survey covers the years 2006 and 2007, and extends the pension fund database, which includes information on plans dating back to 1992. Preliminary data indicates that the total value of sponsored pension assets increased from just over \$300 million in 1992 to approximately \$1.1 billion by 2007, as periods of healthy economic results fuelled increases in average returns on local investments and was accompanied by the enlistment of a growing number of employees in these schemes. The largest concentration of participants, and hence accumulated pension fund assets, are in employer sponsored plans in the tourism, financial services and communications & utilities sectors. Over the years, the investment portfolios of private schemes have remained relatively conservative, with the largest share of savings still accumulated in public sector securities and bank deposits. However, with the steady development of the private capital markets, investments have become more diversified into private debt, equities and mutual funds.

The retirement benefits from private schemes supplement, in most cases, pensions paid mainly by the National Insurance Board (NIB) and, in some cases,

personal savings from insurance annuity products. For civil servants, NIB benefits are 10% less than private sector beneficiaries for an equivalent wage base, but these are coupled with non-contributory gratuity payments from the Government. The supplementary significance of private savings is underscored by the fact that NIB's contributions are calculated on insurable earnings capped at \$400 per week. Contributions into private pension funds are typically based on the employee's total salary, allowing retirement benefits to vary more directly in proportion to lifetime earnings. For employees outside the civil service, who do not participate in private pension schemes, the most significant likely source of retirement resources are personal savings in insurance annuity products and bank deposits.

Private pension fund assets represent a significant source of domestic savings, continuing to outpace the nominal growth in gross domestic product (GDP), to account for 15.4% of GDP in 2007, up from the revised estimate of 14.4% in 2005. Nevertheless, private individuals' savings in bank deposits and the invested assets of NIB remain the two largest concentrations of national savings (see Table 1). Personal savings in bank accounts stood at \$3.1 billion or the equivalent of 43.0% of GDP in 2007, compared to 40.1% two years prior. However, for most account holders, the resources are not a

Table 1: Selected Indicators of Domestic Savings

	2004	2005	2006	2007	2004	2005	2006	2007	Avg. Growth 04-07 (%)
	(BS Million)				(% of GDP)				
Private Pension Funds	852.7	934.7	1,001.8	1,111.5	14.1%	14.4%	14.6%	15.4%	8.7%
National Ins. Board (Cash and Investments) ¹	1,238.0	1,294.5	1,378.8	1,451.9	20.5%	19.9%	20.1%	20.1%	5.9%
Life & Health Ins. Cos.(Current Assets and Inv) ²	529.0	687.9	844.9	892.3	8.8%	10.6%	12.3%	12.3%	9.7%
Private Individuals (Bank deposits) ³	2,383.4	2,611.7	2,830.3	3,109.0	39.5%	40.1%	41.2%	43.0%	10.3%
Credit Unions (Deposit and Shares) ⁴	170.2	190.4	216.0	236.3	2.8%	2.9%	3.1%	3.3%	12.0%

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

significant retirement buffer, as the average balances in more than 75% of these accounts is less than \$10,000 and more than three quarters of the aggregate savings are concentrated in less than 10% of individual accounts. The NIB held collective retirement savings of \$1.3 billion, representing 18.4% of GDP in 2007 vis-à-vis a slightly lower 19.9% in 2005. The combined domestic savings in life insurance companies and credit unions approached \$1.1 billion in 2007, approximately 14.9% and 3.9% of GDP, respectively.

The rest of this article analyzes the results of the 2006 and 2007 pension fund survey. This includes information on how sponsored plans are categorized, a description of the survey and estimation methodology, a detailed analysis of private plans according to their characteristic features and sectors of sponsorship; and a review of investment patterns over time. The article concludes by discussing the outlook for the private pension market.

Categorization of Sponsored Plans

Pension schemes are categorized as defined benefit, defined contribution or provident funds, depending on how they are funded and whether they provide a guaranteed level of retirement benefit. Defined benefit plans guarantee the payment of specified benefits upon retirement, based on the participants' length of employment and income history. To ensure that funds are adequate to satisfy pre-determined benefit payments, an actuarial balance between the present value of assets and liabilities must be maintained. The actuarial assessment of these schemes determines the present value of future benefits payable, based on credible assumptions about the employers' workforce demographics and the present value of assets, which are affected by the projected accumulation of savings and expected future returns. Contribution rates at variance from such levels can result in either overfunded or underfunded plans, with the present value of assets correspondingly exceeding or being less than the present value of liabilities. Where contributions are adequate to maintain the equality between the present value of assets and liabilities, defined benefit plans are said to be fully-funded.

Defined contribution and provident schemes use established contribution rates that are not varied, which ensure relatively stable funding costs for employers.

However, benefits cannot be projected in advance but are linked to the accumulated savings at retirement. Defined contribution and provident plans differ in that defined contribution schemes convert, at least a portion of the retirement benefit into annuities which are payable in installments, while provident funds pay the entire benefit as a lump sum amount. Since lump sums can also be converted to annuities, the distinction between the two types of plans is ignored, and the results are combined for the purpose of this analysis.

Survey and Estimation Methodology

The 2006-2007 survey was sent to 141 existing and potential plan sponsors in The Bahamas, as efforts were made to adequately survey plan sponsors, as well as administrators of individual and multi-employer plans. The number of surveyed companies that responded was 94, equivalent to a 67% response rate. According to new data reported, surveyed schemes accounted for 75% of the total estimated assets for 2007. From these responses, average sector growth rates were calculated to estimate the remaining 16.8% of plan assets for 2006 and 25% of assets for 2007. Only reported data was used to derive average rates of return and funding contribution rates over the survey period.

Characteristics of Local Pension Plans

According to survey results, defined contribution (including provident fund) plans remained the most commonly sponsored scheme in The Bahamas, at 73.8% of organized plans in 2007. However, such plans only amassed 24.7% of total pension assets, and enlisted 16.5% of pension participants. These schemes tended to be instituted after 1990, and by relatively smaller employers, for whom the predictability of funding costs is an important consideration. In comparison, defined benefit schemes have typically been maintained for longer periods of time by public corporations and larger companies in the tourism and financial sectors. These schemes have 83.5% of local participants and hold 75.3% of total private pension fund assets.

Disaggregated by type of administrative arrangement, approximately 29.2% of the domestic schemes were managed in-house. These self-managed plans, which accounted for an estimated 25.2% of total assets, were primarily sponsored by financial institutions and

**Table 2
Private Pension Investments By Industry**

INDUSTRY	2003R	2004R	2005P	2006P	2007P
	(B\$'000)				
Construction	1,101	1,100	2,335	3,126	3,784
Communications & Utilities	270,986	273,722	295,241	310,006	345,882
Education	11,728	12,766	13,542	14,157	14,617
Financial Sector	190,076	200,083	227,639	250,029	295,032
Health	1,042	1,319	1,810	1,956	3,006
Hotel & Restaurants	185,126	197,140	228,589	231,235	239,355
Manufacturing	7,561	8,093	8,093	9,142	10,183
Non - Profit Organizations	1,044	2,334	1,584	1,482	1,674
Oil Companies	16,689	18,202	21,709	19,391	19,819
Other Services	35,652	40,102	45,269	51,732	58,103
Private Distribution	26,715	29,861	31,873	46,001	47,363
Professional Services	11,694	12,844	14,286	15,396	18,260
Real Estate	5,173	5,745	5,572	6,176	7,032
Transportation	31,006	31,409	37,168	41,987	47,386
TOTAL	795,593	834,720	934,710	1,001,816	1,111,496

INDUSTRY	2003R	2004R	2005P	2006P	2007P
	(% Distribution)				
Construction	0.14	0.13	0.25	0.31	0.34
Communications & Utilities	34.06	32.79	31.59	30.94	31.12
Education	1.47	1.53	1.45	1.41	1.32
Financial Sector	23.89	23.97	24.35	24.96	26.54
Health	0.13	0.16	0.19	0.20	0.27
Hotel & Restaurants	23.27	23.62	24.46	23.08	21.53
Manufacturing	0.95	0.97	0.87	0.91	0.92
Non - Profit Organizations	0.13	0.28	0.17	0.15	0.15
Oil Companies	2.10	2.18	2.32	1.94	1.78
Other Services	4.48	4.80	4.84	5.16	5.23
Private Distributions	3.36	3.58	3.41	4.59	4.26
Professional Services	1.47	1.54	1.53	1.54	1.64
Real Estate	0.65	0.69	0.60	0.62	0.63
Transportation	3.90	3.76	3.98	4.19	4.26
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

professional service firms which tended to have skilled internal resources that could be used for such purposes. For the remaining schemes, administration was outsourced to insurance companies (27.9%), “other” professional administrators (25.9%) and banks & trust companies (17.0%).

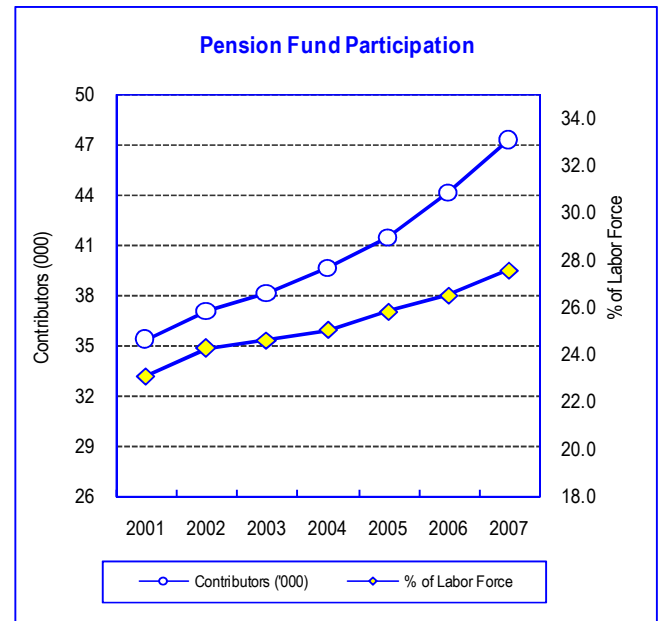
Local pension plans are also distinguished by how funding responsibility is shared between the employer and employees. Contributory plans, funded jointly by employees and employers, were the most popular (83.4% of all schemes), while the remaining non-contributory plans were funded solely by employers. Over 90% of defined contribution plans were jointly funded by employers and employees, while 63.2% of defined benefit schemes had a similar profile.

As to whether employee participation was compulsory or voluntary, more than half (51.7%) of the schemes surveyed made this mandatory, while the remainder made participation optional. In particular, defined benefit plans had a higher rate of compulsion (63.2%) than defined contribution funds (47.7%).

Labour Force Participation

Supported by a healthy economic climate and employment growth, the estimated number of participants in private pension schemes was pegged at 47,221 in 2007, having increased by 6.5% in 2006 and by 7.1% in 2007. As a proportion of the employed labour force, the share of workers represented in these schemes increased from 25.8% in 2005 to 27.5% in 2007. Moreover, the average coverage rate for participants as a percentage of total employees within the respective surveyed institutions also improved to 91.4% in 2007 from 88.6% in 2005.

Reflecting the sectoral composition of employment throughout the wider economy, the proportional distribution of participants by sector has remained relatively stable over the past five years. In 2007, over two-thirds were employed in the tourism sector (hotels and restaurants) where 3,917 new participants were added since 2005. The financial sector accounted for 11.9% of participants, followed by the communications & utilities sector (6.0%) and the private distribution sector (3.4%). Each of the ten (10) remaining classified sectors accounted for less than 2% of the local participants.

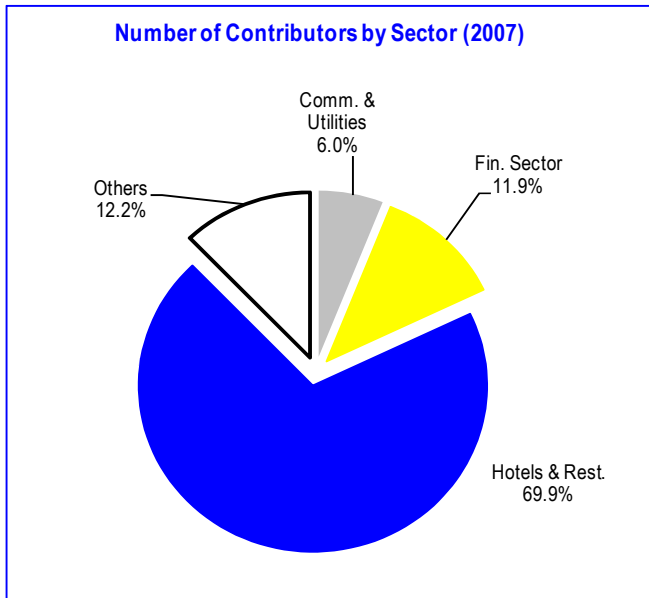


Contributions Ratios

Despite improved average rates of return on investment assets for 2007 vis-à-vis 2005, sponsors were motivated to steadily increase the average paid-in contribution for pension funds as a percentage of employees' salaries. Weighted by total assets, the average contribution rate increased marginally to 11.61% in 2007, after a slight dip to 11.46% in 2006 and a paid-in rate of 11.52% in 2005. These, however, remained slightly less than the average contribution rate of 11.6% over the period 2002-2005, despite lower average rates of return on investments during the earlier period. For defined benefit schemes, the average contribution rate rose to 12.12% in 2007, compared to 11.42% in 2005 and 11.94% in 2006. Conversely, the average defined contribution rate moved lower to 10.3% in 2007 from 11.94% for 2005 and 10.32% in 2006, as the support to assets from higher rates of average return increased.

Employers have consistently funded the largest portion of pension contributions, maintaining an average paid-in rate of at least 5% above that of employees since 1992, given the significance of non-contributory schemes. Although employers' average contribution rate recovered in 2007 vis-à-vis 2006, it was still softened to 9.5% from an average of 9.8% during 2003-2005, influenced by a decrease in the average rate for defined contribution funds to 5.52% in both 2006 & 2007, from 6.09% in 2005.

Conversely, for defined benefit plans, the average employer funding rate firmed since 2005, by 31 basis points to 11.0% in 2007.



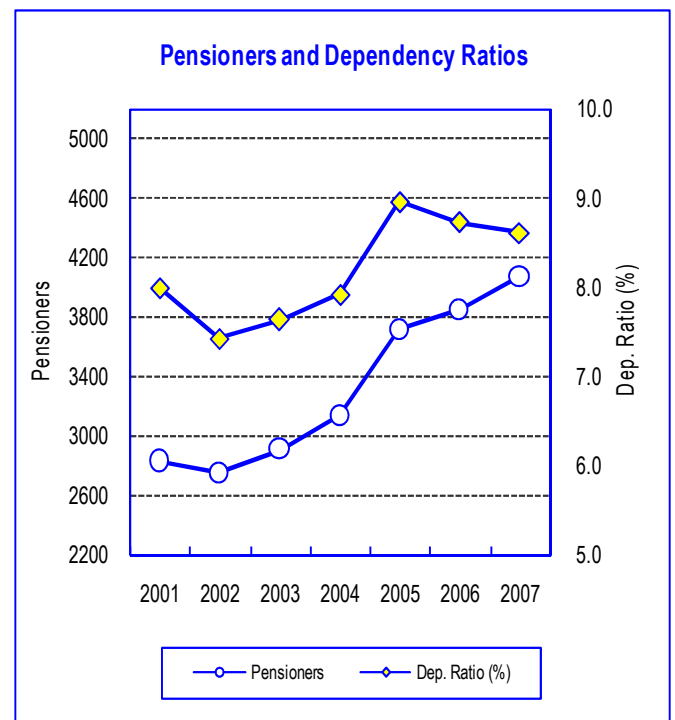
In most cases, where employees made a non-zero contribution, the estimate was at 5.0% of salary, and was matched or exceeded by employers. For a small number of plans, the contribution rate was as low as 1.0% in 2007; while for others, participants paid between 6.0% - 10.0% of their salaries. Taking account of non-contributory plans, the average employee contribution rate increased from 1.78% in 2005 to 2.10% in 2007, surpassing the average rate of every year surveyed, except 1997. Relative to 2005, the average employee contribution rate for defined benefit schemes moved higher by 40 basis points to 1.12% in 2007; while the corresponding rate for defined contribution funds decrease to 4.72% in 2007 from 5.85% in 2005.

Average Returns

After dipping to 7.75% in 2006, the weighted average return on invested pension assets rose to 9.37% in 2007, the highest average annual rate in any survey period and eclipsing the more recent high of 8.83% in 2005. The average return for defined contribution funds was elevated to 10.77% in 2007, compared to 8.18% in 2006 from 10.09% in 2005. Defined benefit plans exhibited a similar trend at 8.85% in 2007 relative to 7.60% in 2006 and 8.55% in 2005.

Pension and Benefits Payout

Since the 2005 survey, the number of pensioners increased by 357 (9.6%) to 4,065, with over 300 retirees reported for the hotel sector alone. Over the same period, annual pension payments grew by 7.1% to \$32.3 million (3.4% on an average yearly basis). Consequently, the average dependency rate, which measures pensions paid as a percentage of funding contributions, remained high, near 40.0%, after a spike to 48.6% in 2005 when a significant number of retirees were added to plans sponsored by hotels, public corporations and oil companies. During 1995 - 2004, the dependency rate ranged between 25% - 30%. Meanwhile, as the number of plan contributors rose faster than the number of pensioners, the ratio of pensioners to active plan participants decreased to 8.6% in 2007 from 9.0% in 2005.



Asset Size and Distribution

Steady average annual increases in pension fund contributions and reasonable returns on invested assets underpinned respective growth in private pension assets of 7.2% in 2006 and 10.9% in 2007, to approximately \$1,111.5 million vis-à-vis \$934.7 million in 2005. This compared to an increase of 12.1% in 2005 and exceeded

Table 3
Private Pension Investments

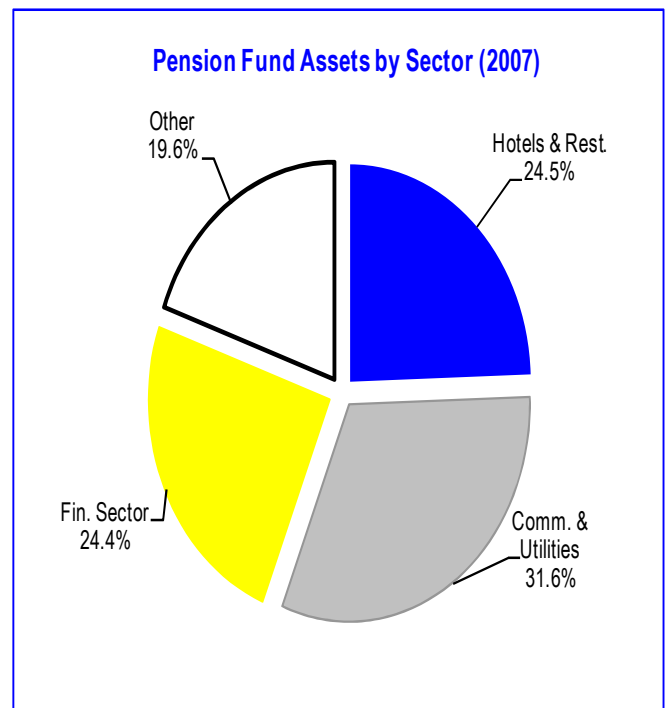
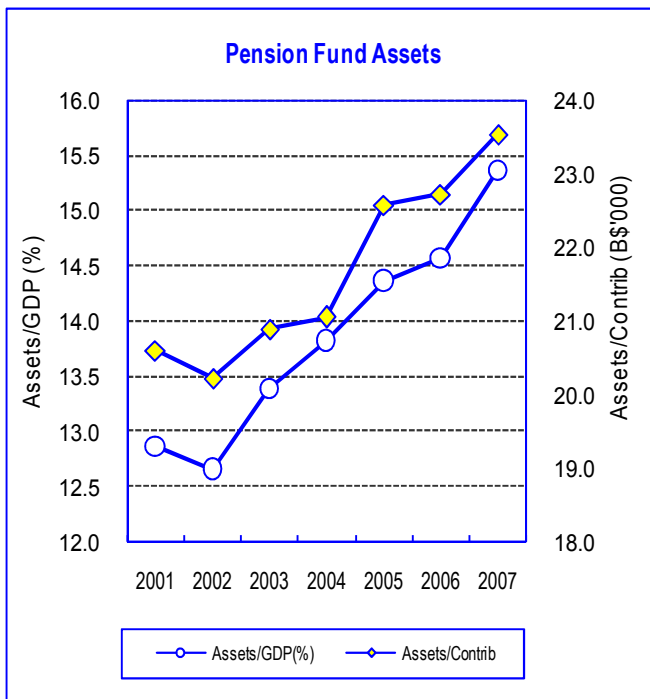
	Total					
	2003R	2004R	2005P	2006P	2007P	
Total Fund						
of which:						
	795,592	852,685	954,274	1,001,813	1,111,498	
						(B\$'000)
Government Bonds	289,270	343,905	343,107	371,562	399,980	
Bank Deposits	195,705	170,185	168,370	156,870	190,984	
Real Estate	12,788	8,017	7,076	12,458	12,789	
Employer's Business	7,077	4,918	8,350	6,377	6,635	
Mortgages	32,021	30,159	25,554	17,404	16,813	
Private Sector Bonds	3,105	21,489	2,294	1,144	1,176	
Equities	127,962	138,203	201,830	234,958	259,048	
Mutual Funds	38,118	59,244	88,923	95,569	104,946	
Loans	11,510	17,865	18,392	20,043	25,434	
Contributor Arrears	10,368	5,031	5,368	5,859	5,737	
Dividends	10,049	5,808	3,996	3,864	4,653	
Other Investment	57,619	47,860	81,013	75,705	83,303	
	2003R	2004P	2005P	2006P	2007P	
Total Fund						
of which:						
	100	100	100	100	100	
						(% Distribution)
Government Bonds	36.36	40.33	35.95	37.09	35.99	
Bank Deposits	24.60	19.96	17.64	15.66	17.18	
Real Estate	1.61	0.94	0.74	1.24	1.15	
Employer's Business	0.89	0.58	0.88	0.64	0.60	
Mortgages	4.02	3.54	2.68	1.74	1.51	
Private Sector Bonds	0.39	2.52	0.24	0.11	0.11	
Equities	16.08	16.21	21.15	23.45	23.31	
Mutual Funds	4.79	6.95	9.32	9.54	9.44	
Loans	1.45	2.10	1.93	2.00	2.29	
Contributor Arrears	1.30	0.59	0.56	0.58	0.52	
Dividends	1.26	0.68	0.42	0.39	0.42	
Other Investment	7.24	5.61	8.49	7.56	7.49	
Memorandum Items:						
* Weighted Avg. Rate of Return	5.86	7.29	8.83			
* Weighted Avg. Contrib. Rate	11.57	11.57	11.28			

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

annual average gains of 4.6% during 2001-2004. With total asset growth outpacing participation gains, between 2005 and 2007, average savings per active participant rose by 4.3% per annum to \$23,538.

The distribution of assets by sector (see Table 2) remained relatively unchanged from 2005. Schemes with sponsors in the communications & utilities sector continued to maintain the largest share of assets (31.1%), followed by the financial (26.5%) and the tourism (21.5%) sectors. Collectively, sponsored plans of the remaining sectors amassed 20.9% of pension assets, with no individual sector holding more than 6.0% of the total.

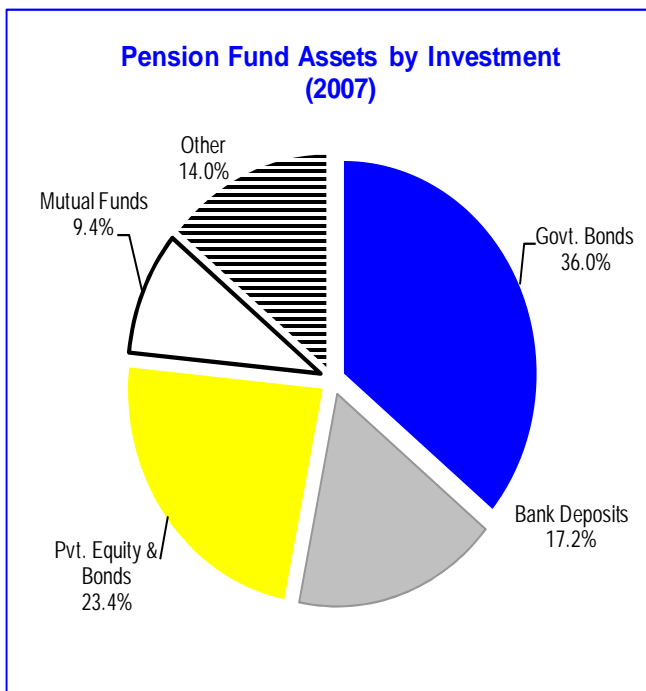
approximately equivalent increase in the share of deposit placements, from 15.7% of total assets in 2005 to 17.2% in 2007—which ensured that the collective holdings of low-risk assets continued to account for approximately 53% of the portfolio. As the portfolio allocation became more concentrated in capital market instruments and liquid assets, the combined percentage of investments in real estate, the employers’ business, mortgages, loans to participants, contribution arrears and other investments declined from 15.8% in 2005 to 14.0% in 2007.



An analysis of the distribution of pension assets by investment type (see Table 3) reveals that the holdings of private capital market instruments (mutual funds, equities and bonds) are progressively comprising a larger share of the total, at 32.9% in 2007, up from 30.9% in 2005; albeit, the rate of shift into these investments has slowed, partly in response to a diminished level of new capital being raised by private entities since 2004. Meanwhile, public sector securities (mainly government bonds), retained the predominant portfolio share, although a marginally smaller 36.0% of total assets vis-à-vis 37.6% in 2005 and a 2004 peak of 40.4%. The reduction in Government securities was offset by an

On a geographic basis, the value of pension assets invested outside The Bahamas declined from \$121.6 million in 2005 to \$119.4 million in 2007, after peaking at \$1,230.0 million, in 2006. This is due entirely to a scale back among the hotel sector plans. Conversely, external asset plans within financial institutions—the majority of the financial sector, continued to experience an expansion. Capital market instruments accounted for most of the external assets, although, given the hotel sector’s adjustment, the proportion contracted to 63.1% from 66.7% in 2005 and an elevated 72.8% in 2006. The share in foreign government securities also declined to 20.2% in 2007 from 25.2% in 2005; albeit, foreign deposits rose to 13.2% of the total from 3.7% in 2005.

As in previous years, the investment strategies of local pension plans varied across and within sectors over time (see Tables 4A and 4B). Relative to 2005, the communications & public utilities sector schemes further increased their allocation to public sector securities, to 52.9% of assets from 51.9% in 2005. These plans also placed more investments in capital market instruments (17.2%), scaling back deposit placements to just below their 2005 level (19.5%) and slightly reducing the share of “other” residual investments (0.4%).



The asset holding pattern within financial sector schemes shifted further in favour of capital markets as the predominant investment (43.2%), with a decrease in allocations to public sector securities (33.5%) and bank deposits (13.1%). For tourism sector plans (hotels and restaurants) with a similar portfolio structure, the respective share was notably reduced for public sector instruments (32.0%) and moderately for private sector securities (44.5%); this supported a more than doubled share in deposits 19.7%. For the remaining sectors combined, the shift of holdings into capital market investments and public sector debt that occurred in 2005 was basically maintained, with shares fairly stable through 2007, at 30.9% and 17.9% of the combined portfolio, even as the

share in deposits rose to 16.3% and the fraction of “residual” investments decreased slightly to 35.1%.

Defined Benefits vs. Defined Contributions

Defined benefit schemes still accounted for the majority (75.3%) of private pension fund assets at end-2007, with savings increasing steadily from \$728.0 million to \$837.1 million, or at an average annual growth rate of 7.2% since 2005 (see Table 5). Trends reflected both the firming in the paid-in funding rate and average annual growth in contributors of 5.7% over the two years. Moreover, the consolidated investment strategy generated an increased average annual rate of return on assets of just above 8.0% over both years.

For the fourth year in a row, total assets in defined contribution schemes grew faster than those of defined benefit plans, at an average annual pace of 15.2% during 2005-2007. Despite a softening in the average contribution rate, plans enlisted an average 12.8% more contributors each year and experienced a weighted average annual rate of return slightly above 9.0%. As the rise in the number of contributors did not outstrip the rate of asset accumulation, savings per defined contribution participant rose at an average annual rate of 2.1% during 2006 and 2007 to \$35,187, which was above the 1.4% average annual increase to \$21,235 for defined benefit plans.

A comparison of the average investment strategies continued to indicate a more risky asset composition for defined contribution plans. The assets of defined contribution funds were most heavily concentrated in capital market investments, as opposed to the largest single emphasis for defined benefit plans on public debt. For defined benefit plans, the portfolio share of capital market investments advanced to 32.4% and deposit holdings to 16.6%, while the allocations to public debt and other residual investments were decreased to 40.3% and to 10.8%, respectively. Defined contribution plans further expanded holdings of private capital instruments to 33.9% of their portfolio, and the share of public sector securities, to 22.8%. Conversely, these schemes reduced the asset shares of residual investments and deposits, to 24.2% and 19.0%, respectively.

**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
2006P													
Communications & Utilities	170,278	56,260	630	0	8,239	0	47,041	1,522	129	5,195	1,615	19,096	310,005
Construction Companies	138	822	7	0	41	0	404	1,713	0	0	3	-3	3,125
Education	1,256	339	0	0	1,439	10	968	876	0	22	63	9,183	14,156
Financial Sector	88,917	32,384	402	4,146	3,167	489	45,220	55,854	1,431	584	891	16,545	250,029
Health	1,956	0	0	0	0	0	0	0	0	0	0	0	1,956
Hotels & Restaurants	75,009	31,151	0	0	0	0	109,813	9,665	5,363	0	234	0	231,235
Manufacturing Companies	6,067	1,101	105	0	653	0	745	0	0	0	108	362	9,142
Non-Profit	1,119	181	0	0	0	0	182	0	0	0	0	0	1,482
Oil Companies	3,932	1,371	19	0	380	0	5,921	4,658	3,046	0	35	31	19,391
Other Services	1,342	116	0	0	0	0	8,158	12,709	-52	0	17	29,441	51,732
Private Distribution	4,356	17,825	5,625	2,182	3,253	202	4,055	7,358	0	0	460	686	46,002
Professional Services	4,682	6,300	568	0	0	442	2,336	432	573	0	40	24	15,396
Real Estate	1,181	2,034	0	0	0	0	2,443	485	0	0	14	18	6,175
Transportation	11,329	6,986	5,103	49	233	0	7,671	297	9,554	58	384	323	41,987
Total	371,562	156,870	12,458	6,377	17,404	1,144	234,958	95,569	20,043	5,859	3,864	75,705	1,001,812
2007P													
Communications & Utilities	183,117	67,381	630	0	6,893	0	57,702	1,698	129	5,195	1,831	21,306	345,882
Construction Companies	168	929	8	0	49	0	489	2,140	0	0	4	-4	3,784
Education	1,345	409	0	0	1,488	0	1,013	928	0	0	65	9,370	14,617
Financial Sector	98,890	38,651	484	4,362	3,664	516	61,699	65,661	1,697	542	1,081	17,787	295,033
Health	3,006	0	0	0	0	0	0	0	0	0	0	0	3,006
Hotels & Restaurants	76,492	47,222	0	0	0	0	101,693	4,822	8,730	0	396	0	239,355
Manufacturing Companies	6,425	1,420	117	0	728	0	930	0	0	0	135	429	10,183
Non-Profit	1,267	127	0	0	0	0	146	73	0	0	0	59	1,673
Oil Companies	4,049	1,288	19	0	380	60	6,255	4,658	3,046	0	35	31	19,819
Other Services	1,722	257	0	0	0	0	9,127	14,176	0	0	26	32,797	58,104
Private Distribution	4,632	17,107	5,787	2,247	3,349	200	4,472	8,364	0	0	500	707	47,364
Professional Services	5,520	7,167	0	0	0	400	2,295	1,503	751	0	70	554	18,260
Real Estate	1,493	1,825	0	0	0	0	3,032	647	0	0	18	18	7,032
Transportation	11,854	7,203	5,745	26	263	0	10,195	276	11,082	0	493	250	47,386
Total	399,980	190,984	12,789	6,635	16,813	1,176	259,048	104,946	25,434	5,737	4,653	83,303	1,111,500

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)											
	Govt. Bonds	Deposits	Real Estate	Employer's Business	Mortgages	Private Bonds	Equities	Mutual Funds	Loans	Contribution	Other	Total Assets
2006R												
Communications & Utilities	54.93	18.15	0.20	-	2.66	-	15.17	0.49	0.04	1.68	0.52	100.00
Construction Companies	4.43	26.31	0.21	-	1.30	-	12.94	54.80	-	-	0.11	(0.10)
Education	8.87	2.40	-	-	10.16	0.07	6.84	6.19	-	0.16	0.44	64.87
Financial Sector	35.56	12.95	0.16	1.66	1.27	0.20	18.09	22.34	0.57	0.23	0.36	100.00
Health	100.00	-	-	-	-	-	-	-	-	-	-	100.00
Hotels & Restaurants	32.44	13.47	-	-	-	-	47.49	4.18	2.32	-	0.10	100.00
Manufacturing Companies	66.37	12.05	1.15	-	7.15	-	8.15	-	-	-	1.18	100.00
Non-Profit	75.49	12.20	-	-	-	-	12.31	-	-	-	-	100.00
Oil Companies	20.28	7.07	0.10	-	1.96	-	30.53	24.02	15.71	-	0.18	100.00
Other Services	2.59	0.22	-	-	-	-	15.77	24.57	(0.10)	-	0.03	56.91
Private Distribution	9.47	38.75	12.23	4.74	7.07	0.44	8.82	15.99	-	-	1.00	100.00
Professional Services	30.41	40.92	3.69	-	-	2.87	15.17	2.81	3.72	-	0.26	100.00
Real Estate	19.13	32.94	-	-	-	-	39.56	7.85	-	-	0.23	100.00
Transportation	26.98	16.64	12.15	0.12	0.55	-	18.27	0.71	22.76	0.14	0.92	100.00
Total	37.09	15.66	1.24	0.64	1.74	0.11	23.45	9.54	2.00	0.58	0.39	100.00
2007P												
Communications & Utilities	52.94	19.48	0.18	-	1.99	-	16.68	0.49	0.04	1.50	0.53	100.00
Construction Companies	4.43	24.55	0.21	-	1.30	-	12.94	56.56	-	-	0.11	(0.10)
Education	9.20	2.80	-	-	10.18	-	6.93	6.35	-	-	0.44	64.10
Financial Sector	33.52	13.10	0.16	1.48	1.24	0.18	20.91	22.26	0.58	0.18	0.37	100.00
Health	100.00	-	-	-	-	-	-	-	-	-	-	100.00
Hotels & Restaurants	31.96	19.73	-	-	-	-	42.49	2.01	3.65	-	0.17	100.00
Manufacturing Companies	63.10	13.94	1.15	-	7.15	-	9.13	-	-	-	1.33	100.00
Non-Profit	75.75	7.62	-	-	-	-	8.74	4.37	-	-	-	100.00
Oil Companies	20.43	6.50	0.09	-	1.92	0.30	31.56	23.50	15.37	-	0.17	100.00
Other Services	2.96	0.44	-	-	-	-	15.71	24.40	-	-	0.04	100.00
Private Distribution	9.78	36.12	12.22	4.74	7.07	0.42	9.44	17.66	-	-	1.06	100.00
Professional Services	30.23	39.25	-	-	-	2.19	12.57	8.23	4.11	-	0.38	100.00
Real Estate	21.23	25.95	-	-	-	-	43.12	9.19	-	-	0.25	100.00
Transportation	25.02	15.20	12.12	0.06	0.55	-	21.52	0.58	23.39	-	1.04	100.00
Total	35.99	17.18	1.15	0.60	1.51	0.11	23.31	9.44	2.29	0.52	0.42	100.00

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



Survey of Private Pension Plans in The Bahamas (2005)

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

Conclusions

The survey results reveal that the firming growth in private pension fund assets in The Bahamas, which began after the economic slowdown in 2001 and 2002, continued through 2007. Asset accumulation benefitted from a positive environment that stimulated both growth in contributors and higher average returns on invested assets. This momentum is expected to slow through 2010, owing to weaker economic projections, which could stall participant gains and dampen potential rates of returns, especially on capital market investments. The medium to long-term outlook for the industry; however, remains positive. In particular, the low cost feature of defined contribution schemes continues to make these more attractive to smaller employers, and is expected to

sustain increasing coverage of the labour force. This trend is also likely to be favoured by the expanded marketing of specialized pension products by financial institutions, other than insurance companies, which enable employers to provide these benefits at significantly reduced administrative costs.

There continues to be prospects for the establishment of a regulatory framework for sponsored pension plans, which will also aid the sector's growth. Among other issues, it is expected that legislation will address portability of benefits between employers, and facilitate more efficient labour force dynamics, given the existing importance of long service employer/employee relationships to determining the vesting requirements for employer funded benefits.

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

	Defined Benefit					Defined Contribution						
	2004R	2005P	2006P	2007P	2004R	2005P	2006P	2007P	2004R	2005P	2006P	2007P
Total Fund	677,938	747,854	759,097	837,181	174,747	206,419	242,716	274,318				
of which:												
Government Bonds	304,429	301,802	315,996	337,381	39,476	41,305	55,566	62,600				
Bank Deposits	123,681	120,805	108,159	138,897	46,504	47,565	48,712	52,087				
Real Estate	672	519	873	892	7,345	6,558	11,585	11,897				
Employer's Business	3,044	5,228	3,600	3,621	1,874	3,122	2,777	3,014				
Mortgages	22,367	18,776	12,494	11,340	7,793	6,778	4,910	5,472				
Private Sector Bonds	18,418	665	0	0	3,071	1,630	1,144	1,176				
Equities	117,432	167,021	188,677	202,413	20,771	34,809	46,281	56,634				
Mutual Funds	47,739	62,858	64,568	68,578	11,505	26,065	31,001	36,368				
Loans	5,844	5,717	5,615	9,115	12,021	12,675	14,429	16,319				
Contributor Arrears	4,533	4,901	5,778	5,736	497	467	81	1				
Dividends	4,710	2,907	2,855	3,338	1,099	1,088	1,009	1,315				
Other Investment	25,067	56,655	50,483	55,869	22,793	24,358	25,222	27,434				
Total Fund	100	100	100	100	100	100	100	100	100	100	100	100
of which:												
Government Bonds	44.91	40.36	41.63	40.30	22.59	20.01	22.89	22.82				
Bank Deposits	18.24	16.15	14.25	16.59	26.61	23.04	20.07	18.99				
Real Estate	0.10	0.07	0.12	0.11	4.20	3.18	4.77	4.34				
Employer's Business	0.45	0.70	0.47	0.43	1.07	1.51	1.14	1.10				
Mortgages	3.30	2.51	1.65	1.35	4.46	3.28	2.02	1.99				
Private Sector Bonds	2.72	0.09	-	-	1.76	0.79	0.47	0.43				
Equities	17.32	22.33	24.86	24.18	11.89	16.86	19.07	20.65				
Mutual Funds	7.04	8.41	8.51	8.19	6.58	12.63	12.77	13.26				
Loans	0.86	0.76	0.74	1.09	6.88	6.14	5.94	5.95				
Contributor Arrears	0.67	0.66	0.76	0.69	0.28	0.23	0.03	0.00				
Dividends	0.69	0.39	0.38	0.40	0.63	0.53	0.42	0.48				
Other Investment	3.70	7.58	6.65	6.67	13.04	11.80	10.39	10.00				

Memorandum Items:

* Weighted Avg. Rate of Return

* Weighted Avg. Contrib. Rate

	7.36	8.55	7.60	8.85	6.73	10.09	8.18	10.77
	11.71	11.42	11.86	12.12	11.01	11.94	10.31	10.25

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