



KNOW YOUR PENSION PLAN

Introduction

The Superintendent of Insurance is the statutory office within the Financial Services Regulatory Commission charged with the administration of the Insurance Act 2007 which requires all private pension plans operated within and from within Antigua and Barbuda to be registered with the Superintendent of Insurance. There is a general requirement that private employers provide pension plans for their employees, but where an employer intends to establish a pension plan, the proposed plan must be registered in accordance with the Insurance Act. The Insurance Act also makes provisions for the registration of already existing pension plans including those which were established before the Act came into force. This guideline explains the minimum standards that apply to registered pension plans. This document is a guide intended to inform the public of the following,

1. All pension plans in Antigua and Barbuda or which cover employees in Antigua and Barbuda must be registered with the Superintendent of Insurance.
2. The basic requirements to gain and maintain registration.
3. The applicable legislation setting out the legal requirements for the registration, operation and administration of a pension plan.
4. The competent statutory authority responsible for the regulating and supervising of pensions plans.

Registration of Pension Plans

No person may operate a pension plan in or from within Antigua and Barbuda unless the plan is registered in accordance with the Insurance Act. When a pension plan is established, a number of documents are needed to create and support the plan which is set out in Part VIII and the Fifth Schedule of the Insurance Act. A set of plan rules is prepared which describes, for example, who is eligible to join the plan and under what conditions, the rights and obligations of the members of the plan, the manner in which pension benefits will be calculated and how the pension plan is to be funded. There will also be trust agreements or insurance contracts related to the pension plan fund. The pension plan fund holds the assets of the pension plan.

The Act requires that all pension plans be registered with the Commission and that all of the documents which create and support a pension plan be filed with the Commission

when an application to register is made.

The members (benefitting persons/employees) of a pension plan are also entitled to certain information about the plan including,

1. A Copy of the Plan Rules and Trust Deed.
2. Periodic reports of the sum of their individual periodic contributions and accrued contributions and those of the employer;
3. A copy of the latest statements of accounts, balance-sheet and actuarial report prepared in accordance with the requirements of this Act;

Members of a pension plan are advised to read the Fifth Schedule of the Insurance Act 2007 for knowledge of their rights as members.

Types of Registered Pension Plans

Registered pension plans can be divided into two main types: defined benefit plans and defined contribution plans. Some employers offer a combination of these two types of plans – often known as “hybrid” plans. It is important that you know which type of plan you have because this affects the kind of pension benefits you receive.

Defined benefit (DB) pension plans

In a DB pension plan, the pension benefit you receive at retirement is determined or “defined” by a formula that is usually based on your years of service and/or earnings. Different types of formulas can be used to calculate member’s benefit. The formula used in your plan should be described in the pension plan documents you receive when you are hired or become eligible to join the plan

Defined contribution (DC) pension plans

In a DC pension plan, it is the contribution rather than the benefit that is “defined”. The employer regularly contributes a specified amount of money (usually a fixed percentage of your earnings) to an individual plan account that is set up in your name. Employee contributions (if required), any additional voluntary contributions (if allowed) and any interest or other investment earnings are also credited to this account.

If you are a member of a DC plan, you will not know the value of your pension until you retire because it will depend on a number of factors, including the amount of contributions made by your employer and by you, the investment earnings on those contributions and, if you purchase a life annuity with the money in your DC account, the annuity rates in effect when you retire. The annuity rates that are applied to purchase life annuities (or life pensions) are based on long-term interest rates.



If your plan allows you to make investment choices, it is important that you make informed decisions, since these will affect the ultimate amount of your pension. The Act does not set out the type of information and investment options you should receive, but at minimum the operator or plan administrator should provide you with:

- sufficient information to make informed investment decisions;
- investment options that allow diversification; and
- regular statements that show how investments are performing.

Pension Plan Contributions

Pension plans are either contributory or non-contributory. In a contributory plan, both you and your employer must make contributions to the plan. Your member contributions are usually a percentage of your earnings (described in the plan rules), and are normally made by payroll deduction. In a non-contributory plan, only the employer is required to make contributions. In some pension plans, you can also make additional voluntary contributions, which allow you to purchase additional pension benefits.

Contributions held in trust

The employer and member contributions to a registered pension plan, and the investment earnings on those contributions, must be held separate and apart from the assets of the employer. This is in order to protect the assets of the pension fund in the event the employer becomes insolvent or goes bankrupt. The pension fund is usually held by a trust company or insurance company.

Registration of Amendments

An amendment or change to the trust deed or plan rules is not valid until registered and formal notice is given to the Superintendent of Insurance. Applications for the registration of an amendment or any change to trust deed or plan rules as well as any change in the address of the plan or in the names or addresses of the trustees of the plan must be made to the Superintendent within 21 days of the amendment or the change.

Information Rights for Pension Plan Members and Others

Members and former members are entitled to information about their pension plan, as it applies to them, and the plan administrator has a duty to provide this information in a timely manner.

This information includes:

- the current plan rules, including any plan amendments;
- any documents related to the pension plan that must be filed in support of an



application for registration of the plan and any amendments, such as a trust agreement;

- annual information returns;
- financial statements regarding the pension plan or pension fund;
- actuarial report;
- documents delegating administration of the pension plan or fund;

Member Inquiries

A pension plan administrator has a duty and an obligation to answer questions from pension plan members and others entitled to benefits under the plan. If you have a question or concern about your pension plan you should contact your plan administrator. If you have a complaint or concern that you are not able to resolve with your plan administrator, you may write to the Superintendent of Insurance for assistance.

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