



BANK OF GUYANA

FREQUENTLY ASKED QUESTIONS (FAQs)

PRIVATE PENSION SECTOR

Following the enactment of the Insurance (Supplementary Provisions) Act 2009, the Bank of Guyana was tasked with the regulation of the Private Occupational Pension Sector, a function previously executed by the Office of the Commissioner of Insurance (OCI).

Information on Guyana's Private Occupational Pension Sector may be found in this document and applies to all relevant pension plan stakeholders i.e. plan administrators, sponsors, trustees, members and the general public.

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GENERAL

1. What is a Private Occupational Pension Plan?

A *private occupational pension plan* or *private pension plan* is a legally binding contract with a retirement objective. This contract may be part of a broader employment contract, or may be required by law. In addition to having an explicit retirement objective, private pension plans may offer additional benefits, such as disability, sickness, and survivors' benefits.

2. What is a defined benefit (DB) pension plan?

A DB pension plan is one that pays pension benefits determined by a defined formula, usually based on earnings and years of pensionable service. Each DB plan has its own formula that will determine the pension benefit, which is often calculated by an Actuary¹.

3. What is a defined contribution (DC) pension plan?

A DC pension plan is one wherein benefits are determined by the accumulated contributions and investment income credited to members' individual accounts. Contributions are either made by the employer only or both the employer and employee, during their years of pensionable service.

4. What is a hybrid pension plan?

The hybrid pension plan combines features of both defined benefit and defined contribution pension plans. For example: a defined benefit pension plan within which a member is also allowed to make additional voluntary contributions into a separate account, and will receive amalgamated pension benefits at retirement.

5. Who is the regulator of private pension schemes in Guyana?

The Bank of Guyana is the regulator of **private pension schemes** in Guyana, following the enactment of the Insurance (Supplementary Provisions) Act

¹ See question 9.



2009. Private pension plans are currently subject to the provisions under Part XVI of the Insurance Act 1998.

6. Is there going to be any update to the legislation currently governing the supervision of private pension plans in Guyana?

Yes, a Private Pensions Act is currently being drafted and considered for further consultations with stakeholders.

7. Are there other pension systems in Guyana?

Yes, there are other pension systems in Guyana however, the Bank of Guyana is only responsible for the oversight of private pension plans established and operating in accordance with the Insurance Act 1998.

Some of the other pension systems in Guyana include:

- a) Old Age Pension - facilitated by the Ministry of Human Services & Social Security;
- b) Public Sector Pension Arrangements - facilitated by the Ministry of Finance ; and
- c) National Insurance Scheme.

8. Are all employers required to establish a private pension plan for their employees?

No, employers are not required by law to have a private pension plan established for their employees.

9. Who is an Actuary of a private pension plan?

An actuary is a professional who uses a number of factors to evaluate the assets and liabilities of a pension scheme, in order to determine its funded status and benefits due to members among other statistics.



10. Where can I find a list of pension plans registered by the Bank of Guyana?

Please visit the Bank of Guyana's website at: www.bankofguyana.org.gy

- ⇒ [Supervised Entities](#)
- ⇒ [List of Registered Pension Plans](#)

SUPERVISION OF PRIVATE OCCUPATIONAL PENSION SCHEMES

Registration

1. Does a private pension plan need to be registered?

Yes, pursuant to section 101 of the Insurance Act 1998, a private pension plan must be registered with the Bank of Guyana. The Bank of Guyana, upon registering a pension plan will issue to the applicant a Certificate of Registration in accordance with section 105 of the Insurance Act 1998.

2. What are the requirements for registration?

An application for registration of a private pension plan must be done in accordance with section 103 and fulfil the minimum requirements in Schedule 5 of the Insurance Act 1998.

At a minimum, the following must be submitted to the Bank of Guyana when applying for registration of a pension plan:

- a) A fully completed application form signed by all relevant plan manager(s).
- b) Two copies of the trust deed and rules of the plan. The trust deed and rules must meet all the requirements set out in Schedule 5 of the Insurance Act 1998 and must be registered with the Deeds Registry of Guyana before being furnished to the Bank of Guyana.
- c) A copy of the handbook given to staff members regarding the rules of the pension plan.
- d) Most recent audited financial statements of the pension plan.



- e) The most recent audited financial statements of the pension plan sponsor (employer).
- f) Most recent actuarial valuation report **of the plan**, in the case of defined benefit plans (done in accordance with Caribbean Actuarial Association standards).
- g) A filing fee of G\$250,000.00 payable to the Bank of Guyana.
- h) Any other documents as may be prescribed.

3. What documents govern a private pension plan?

The governing documents of a private pension plan are its trust deed and rules, which are subject to the conditions of the Insurance Act 1998 (Schedule 5). Other documents that are crucial to the pension plan's governance include insurance policy contracts (insured plans) and investment policy statements.

4. Can the trust deed or rules of a pension plan be amended?

Yes, pursuant to section 104 of the Insurance Act 1998 any amendment to a trust deed or rules, or both of a registered pension plan shall not be valid unless the amendment is registered. No amendment should disqualify the pension plan from registration under the Insurance Act 1998.

Management and Investment

5. Who is a pension plan sponsor (or sponsoring employer)?

A person or institution (e.g. company, industry/ employment association) that designs, negotiates, and normally helps to administer an occupational pension plan for its employees or members. A Sponsor must establish the plan through a trust deed and its accompanying rules.

6. Who is the TRUSTEE of a pension plan?

The individuals or entity entrusted by a sponsoring employer with the oversight of a pension plan. The powers of a pension plan trustee are convened in the plan's trust deed.



7. What is the main role of a trustee of a pension plan?

Trustees are entrusted with responsibilities for ensuring that pension plans are properly managed and members' benefits remain secured. Their duties include overseeing the collection of contributions, making investment decisions and authorising the payment of benefits to members or their beneficiaries, among other things.

8. Can the trustees of a pension plan contract-out the administration of their pension plan?

Yes, trustees may choose to retain the services of a plan administrator or they may self- manage the pension plan. If contracted, the plan administrator will work with the plan's trustees and the employer to ensure the effective daily management of the pension plan.

9. Can a pension plan have a management committee?

Yes, a management committee may be established by the plan sponsor to function as an advisory committee regarding the rules and the management of the plan. This committee is not the trustees of the plan and therefore does not replace the responsibilities of the trustees.

10. Who is a pension plan manager/administrator?

A pension plan manager/administrator is an entity that has been licensed by the Bank of Guyana to provide trust and pension administration services. For self-administered pension plans, the trustees are the plan managers of those plans.

11. Are there authorised companies in Guyana that are pension plan managers/administrators?

Yes, there are currently five (5) life insurance companies and two (2) trust companies respectively licensed under the Insurance Act 2016 and the Financial Institutions Act 1995 by the Bank of Guyana to manage pension schemes established and operating in Guyana.



12. Should the assets of a pension plan be held independently of the plan sponsor, trustees and plan administrator?

Yes, each pension plan should have an independent custodian where the funds of the pension plan are held independently of the plan sponsor, the trustees and the plan administrator.

13. Who is a custodian of pension funds?

A custodian is an institution licensed under the Financial Institutions Act 1995, with the responsibility of performing financial transactions involving the assets of the pension plan. The custodian should only act upon the instruction of the plan's trustees.

14. Are there conditions governing how private pension assets are invested in Guyana?

Pursuant to section 112 of the Insurance Act 1998, a minimum of eighty (80) percent of the pension plan's assets should be invested within Guyana, provided that for each percentage point of its assets invested in the common stock or long term debt of a company in Guyana, the eighty (80) percent minimum may be reduced by one (1) percentage point, up to a maximum of a ten (10) percent point reduction (i.e. may be reduced to 70%).

15. Are pension plans required to be audited annually?

Yes, pursuant to section 110 Insurance Act of 1998, each pension plan shall submit to the Bank of Guyana audited financial statements within six months of the expiration of the scheme's financial year.

16. Are pension plans required to conduct actuarial valuations?

Yes, pursuant to section 111, Insurance act of 1998, the manager of a pension plan shall appoint an actuary to make an investigation into the financial condition every three years or at shorter intervals as the Bank of Guyana may determine.



17. Are defined contribution pension plans required to conduct independent actuarial valuations?

No, defined contribution pension plans are not required to conduct actuarial valuations pursuant to section 111 of the Insurance Act 1998. However, in cases where it may be necessary the trustees of the pension plan may choose to have such valuations completed.

18. Are actuarial valuations of defined benefit pension plans completed to meet the IAS 19 financial accounting requirements accepted pursuant to section 111 of the Insurance Act 1998?

No, an actuarial valuation done under IAS 19 does not fulfil requirements pursuant to section 111 of the Insurance Act 1998.

Membership

19. How do I become a member of a private pension scheme?

To become a member of a private pension scheme you must meet the eligibility requirements of the pension plan as stipulated in the trust deed and rules of the plan. The trustees of the scheme should forward to you in writing information about your eligibility to join your employer's pension plan.

20. Who do I speak to regarding my benefits from a private pension plan?

A member of a private pension plan should first speak to the plan's trustees or designated trustee representative about any benefits from their pension plan.

21. How are contributions made to a private pension plan?

Upon joining a private pension plan, contributions are made at the rate stipulated in the plan's trust deed and rules. Contributions are usually deducted from members' monthly basic earnings.



22. When do I receive my pension benefits?

Each pension plan will stipulate in the plan's rules the conditions under which a member may receive benefits from the plan. Full pension benefits are usually payable at a Normal Retirement Age (NRA) which is specified in the plan's rules and each member shall be entitled to receive benefits out of the fund in accordance with the conditions specified in the plan's rules.

23. How much will my pension benefit amount to at retirement?

The level of pension benefit from any pension plan is dependent on a number of factors mainly including the type of pension plan, the level of contributions paid into the pension fund on your behalf, your years of pensionable service in that plan and the performance of the investment fund.

24. What is a 'vesting period'?

A vesting period refers to the minimum number of years spent by an employee as a member of the pension scheme, which entitles them to certain benefits, as set out in the pension plan's rules.

Taxation

25. Can a pension plan be exempted from taxation?

In accordance with section 105 (3) of the Insurance Act 1998, the managers of a registered plan shall be exempt from paying taxes with regards to that plan. The condition upon which exemption is granted is determined by the Guyana Revenue Authority.

Termination

26. Can a private pension plan be terminated or wound up?

Yes, pursuant to section 106 of the Insurance Act 1998.



27. How are private pension plans terminated or wound up?

- a) A pension plan can only be wound up in accordance with the procedures set out in its trust deed and rules.
- b) The Bank of Guyana should be notified prior to the decision to wind up, in order to provide any guidance.
- c) A plan will only be considered wound up when all of its assets are disbursed in accordance with the methods set out in the trust deed and rules.

28. I was unfairly terminated and did not receive a pension. What are my options?

- a) Every member of a private pension plan should have some protection of their vested rights to benefits regardless of the circumstances surrounding his/her termination.
- b) Individual trust deeds and rules will specify benefits due, based on different factors such as the type of plan, years of pensionable service etc.
- c) The plan's trustees are the first point of contact regarding any pension issues, particularly the payment of benefits. Should this avenue prove unsuccessful, then the plan's sponsoring employer and the administrator may be contacted. The Bank of Guyana shall only intervene once all other avenues, prescribed in the plan's trust deed and rules, have been exhausted.