



GOVERNMENT OF BERMUDA

The Ministry of Finance

Ministerial Statement

To the House of Assembly

By

The Hon. E. David Burt, JP, MP
Premier and Minister of Finance

Equity For Pensions

Date: 12th July, 2024

Mr. Speaker, I rise this morning in this Honorable House to announce that beginning April 1st, 2025, thanks to the collaborative efforts of the Government, Pension Commission and local pension plan administrators, the people of Bermuda will benefit from not only a reduction in administration fees applied to Private Pensions but also see limits put in place on those fees, so they do not increase in the future.

Mr. Speaker, this Government believes every hard-earned dollar in your private pension should be protected. With an aging population and people living longer, the Government felt incumbent to put forward initiatives that better secure the financial future of our workers and best prepare them for retirement.

Mr. Speaker, the National Pension Scheme (Occupational Pensions) Act 1998, through the National Pension Scheme (General) Regulations 1999, currently allows plan administrators to charge fees and expenses for the administration of pension plans. However, there are currently no limitations on the amount, or rates, that can be charged.

In December 2019, Section 69 of the Act was amended to empower the Minister of Finance to prescribe maximum fees payable for pension plan administration.

Mr. Speaker, following a comprehensive review by the Pension Commission in 2021, and with the assistance of a leading Canadian pension consultancy firm, it has become clear that there is a significant variability in the fees paid by plan members, in defined contribution pension plans with some fees as high as 4.2%.

Mr. Speaker, recognizing the significant impact that higher fees can have on the final pension balances accumulated by Bermudians, we have taken steps to address this issue. Therefore, as of April 1, 2025, the Ministry of Finance will implement limitations or caps on plan administration fees, which will result in substantial benefits for pension plan members – leading to larger amounts that Bermudians will have to support their retirement. These recommendations include:

For those in defined contribution employer pension plans, also known as group retirement plans, the fees should not exceed.

- 1.25% per year for members with balances over \$50,000
- 0.75% per year for those with balances between \$25,000 and \$50,000
- 0.5% per year for those with balances of less than \$25,000.

Similarly, for those in individual local retirement plans, the fees should not exceed

- 1% per year for members with balances over \$50,000
- 0.75% per year for those with balances between \$25,000 and \$50,000
- 0.5% per year for those with balances of less than \$25,000.

Mr. Speaker, other changes will require pension plan administrators to include lower-cost investment options, such as index funds, in their range of investments and also prohibiting an administrator from receiving advisory fees on any investment funds offered to plan members.

Mr. Speaker, with these changes it is estimated that the average annual savings for individuals with balances over \$50,000 will be \$725, and with projected future interest rates will amount to over \$75,000 in additional funds for retirement over a forty-year employment cycle. For members with smaller balances, the average annual savings are estimated at \$125, totaling over \$14,000 over the same period.

Mr. Speaker, this initiative is a clear example of our government's dedication to safeguarding the financial well-being of our people. By limiting the administration fees deducted from their pension funds, we are ensuring that more of their hard-earned money is preserved for their future benefit, helping to secure a safer and more prosperous retirement.

Mr. Speaker, as I close, I would like to take the opportunity to thank those within the Ministry of Finance, the Pension Commission, and our local pension plan administrators for their hard work and feedback and the Government looks forward to working with them in the future to continue to develop policies aimed at ensuring that the workers of Bermuda are retirement ready.

Thank you, Mr. Speaker.