



GOVERNMENT OF BERMUDA

The Ministry of Finance

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Ministry of Finance Headquarters

Ministerial Statement  
To the House of Assembly  
By  
**The Hon. Everard T. Richards, JP, MP**  
Deputy Premier and Minister of Finance

**Actuarial Review of the Ministers and Members of the Legislature Pension Fund  
2014**

Date: 9<sup>th</sup> March, 2014

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Mr. Speaker, in accordance with section 9(2) of the Ministers and Members of the Legislature (Salaries and Pensions) Act 1975, I am pleased to table the Ministers and Members of the Legislature Pension Fund (MMLPF) Actuarial Valuation Report as at 31 March, 2014.

The Ministers and Members of the Legislature Pensions Fund (MMLPF) was established on April 1, 1988 by the Ministers and Members of the Legislature (Salaries and Pensions) Act, 1975 (the Act). The purpose of the Fund is to provide retirement pensions for the Ministers, Members and Officers of the Legislature of Bermuda in accordance with the Act.

Mr. Speaker, It should be noted that when the Ministers and Members of the Legislature Pension Fund was established in 1975 there was no separate fund established. Contributions were paid into and benefits were paid from the Consolidated Fund of Government. On April 1<sup>st</sup>, 1988 the MMLPF was established and from that date contributions were paid into and benefits have been paid from this Fund.

Honourable Members will recall that on June 27, 2014, I announced that Cost of Living Adjustment (COLA) increases would be suspended for pensioners until such time as the sustainability of the MMLPF has been improved. This amendment results in a significant decrease in the MMLPF's actuarial liabilities, which have been recognized, by our actuaries, at the valuation date.

Mr. Speaker, the most significant events disclosed in the Actuarial Valuation are as follows:

- The value of assets of the MMLPF as at March 31, 2014 was \$12,456,900 (2012-\$10,990,900);
- The actuarial liability was \$23,127,900 (2012-\$26,420,300) for the MMLPF and \$6,947,400 (2012-\$7,119,100) for the Consolidated Fund;

- The unfunded liability was \$10,671,000 as at March 31, 2014 (2012-\$15,429,400) for the MMLPF and \$6,947,400 (2012-\$7,119,100) for the Consolidated Fund.
- The ratio of pension assets-to liabilities, or funding ratio, for the MMLPF was 53.9% (2012- 41.6%) as at March 31, 2014.

Although the Fund is currently in an underfunded position other vital fundamentals are relatively positive. For instance, the short-term cash flow position of the Fund will remain positive for the foreseeable future, currently contributions and investment income exceed pension benefits and other Fund expenses by over \$350,000 per year. The value of assets in the Ministers and Members Fund on March 31, 2014 was just over \$12.1 million, roughly nine times more than the annual projected payout of some \$1,336,747 in pension benefits.

Mr. Speaker, the Government is the ultimate guarantor of the benefits paid under the MMLPF. Despite this, it is still fiscally prudent for the Government to adequately fund and to plan for these long-term obligations and maintain the funding ratio of the MMLPF at an acceptable long term target level so that the Fund is sustainable. It is important to note that for sustainable solvency, it is not necessary that all accrued benefits be fully funded.

Mr. Speaker, the Ministry of Finance along with the Benefits Working Group (PBWG) is currently in the process of further reviewing the benefits of the MMLPF to ensure its sustainability

In closing, Mr. Speaker, I wish to assure current and future pensioners that the Government is sensitive to the challenges facing pension plans of this nature and will take appropriate steps to preserve the long term financial viability of the Fund.

Thank you Mr. Speaker.