



Strengthening Bermuda's pension system

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2025 | Stakeholder Listening Sessions

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Context and today's objectives

Progress made so far

Since the Pension Reform Committee began evaluating potential reforms, material progress has been made in modeling detailed actuarial analysis to further refine proposed reforms:

- Detailed actuarial modeling for 15+ scenarios for the PSSF with additional rounds of iteration
- Investment performance benchmarks of 120+ funds and 20+ countries for the plan
- 20+ stakeholder conversations with stakeholders representing Union leaders, Membership and the Government

Note: Long-term sustainability defined as fully funded status for the PSSF

Source: Telus Health 2023 actuarial reporting

For upcoming stakeholder discussion

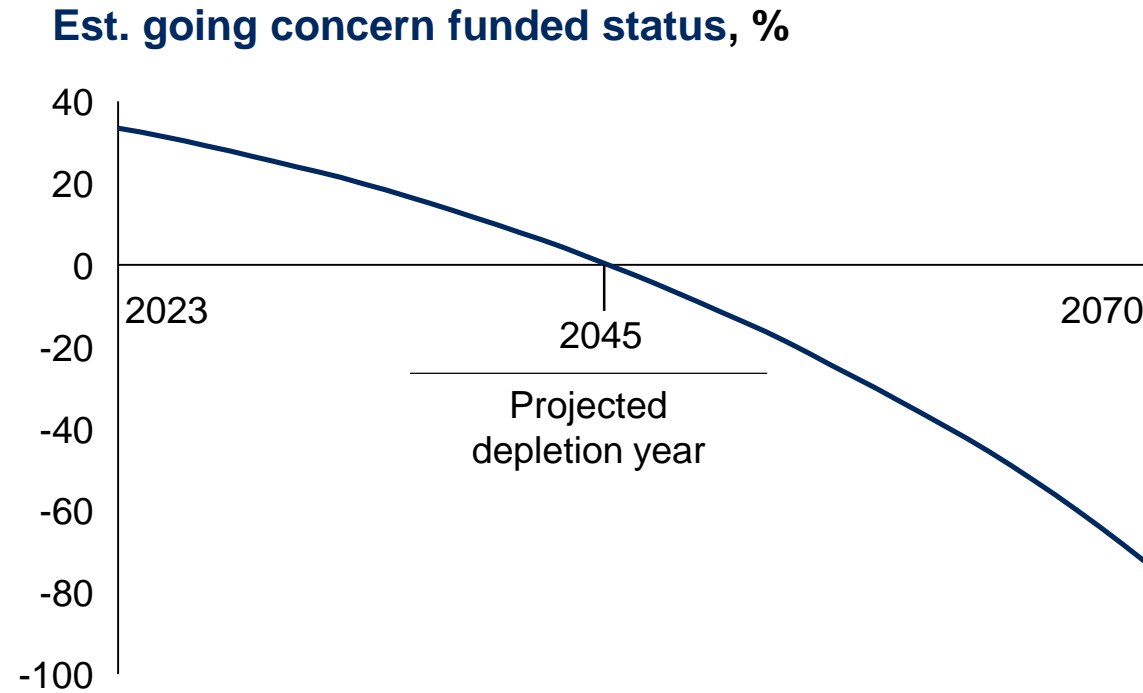
The Pension Reform Committee, in collaboration with the government, has proposed reforms to the PSSF to ensure its sustainability and promote fairness.

The purpose of this presentation is to share the reforms as selected by the Pension Reform Committee to advance pension sustainability.

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Current trajectory of the PSSF

Projected PSSF funded status over time in current trajectory



Note: PSSF is a public employer plan; model assumes asset values as of December 31, 2022 updated as of March 31, 2023 (unadjusted); going concern funded status as a ratio of the total value of plan assets to the total value of liabilities accrued up to that point; PSSF assets are \$0.6B and liabilities are \$1.8B in 2023;

Objective of this effort and what we heard from stakeholders



Objective
To achieve
long-term
sustainability
for the PSSF

Feedback from our sessions with stakeholders included...

- **Definitive alignment on the importance of PSSF for the wellbeing of the island** and the desire to pursue changes required to ensure the funds are sustainable
- **A strong bias for action** coupled with openness to changes provided that they are implemented gradually and fairly
- Desire to implement all changes with **transparency and fairness for all beneficiaries**
- **Broad support for increasing retirement age beyond 65** if thoughtfully and gradually implemented and **mixed views on changes to benefits and contributions**
- **Desire to see longer term changes put in place** to ensure the current situation is not repeated in the future

Note: Long-term sustainability defined as fully funded status for the PSSF

Source: Stakeholder discussions

Guiding principles for this effort



Action taken by all

To advance sustainability, everyone would contribute (e.g., government, private employers, pension members, and the Pension Fund Investment Committee)



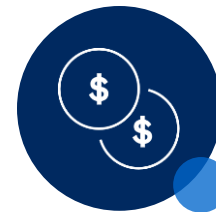
Adequacy in old age

Minimum standard of living should be maintained



Alignment to global standards

Pension parameters reflect the practices of comparable pension systems



Cost of doing business

Actions should take into account the impact on the cost of doing business in Bermuda



Gradual implementation

Changes would be phased in over time with continued commitment over the longer-term for full implementation

Financial Models.



Financial Modelling Notes:

Model: reflects real values

Going concern: funded status as a ratio of the total value of plan assets to the total value of liabilities accrued up to that point;

Wage inflation assumed at 3% annually;

NSG defined as Non-Special Group members

SG defined as Special Group members;

Implementation schedule for contributions is as follows:

2024 – 8%, **2025** – 8.7%, **2026** – 9.3%, **2027** – 10% (NSG),

2024 – 9.5%, **2025** – 10.2%, **2026** – 10.8%, **2027** – 11.5% (SG);

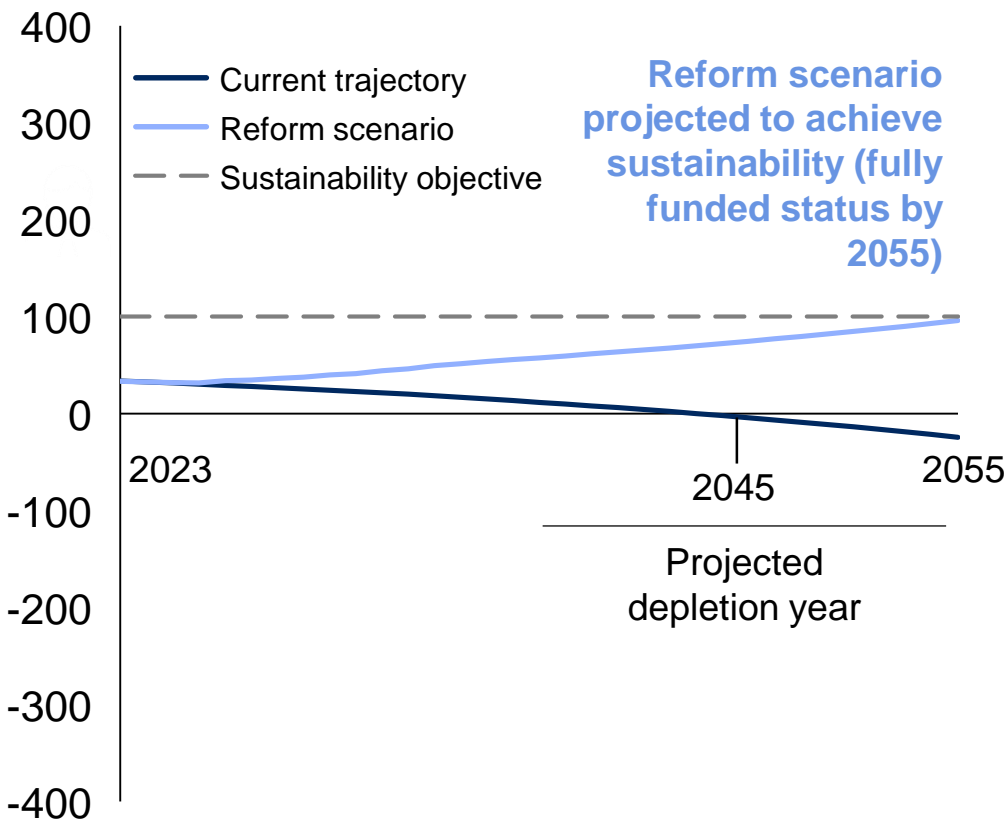
Implementation schedule for retirement age is as follows:

Non Special Groups 2025: from 65 to 68 for Teachers so as to align with other Non Special Groups. 2033 – 69, 2035 – 70 (NSG),

Special Groups: 2025-2026 – 55, **2027** – 56, **2029** – 57, **2031** – 58, **2033** – 59, **2035** – 60 (SG);

PSSF: Current financial trajectory and potential reform scenario

Est. going concern funded status, %



Reform scenario changes

Benefits		Retirement age		Contributions ¹	
From:	To:	From:	To:	From:	To:
Projected to exhaust	Projected to sustain	65/68 years (NSG)	→ 70 years (NSG)	8% (NSG)	→ 10% (NSG)
Final 1 year reference wage	Final 10 years reference wage	55 years (SG)	→ 60 years (SG)	9.5% (SG)	→ 11.5% (SG)
Reference wage implementation phased 1 additional year per year starting in 2027		Implementation phased with age increased at a rate of 1 year every 2 years starting in 2027		Implementation phased evenly across three years starting in 2025	

Note: Model reflects real values; going concern funded status as a ratio of the total value of plan assets to the total value of liabilities accrued up to that point; wage inflation assumed at 3% annually; NSG defined as Non-Special Group members and SG defined as Special Group members; implementation schedule for contributions is as follows: 2024 – 8%, 2025 – 8.7%, 2026 – 9.3%, 2027 – 10% (NSG), 2024 – 9.5%, 2025 – 10.2%, 2026 – 10.8%, 2027 – 11.5% (SG); implementation schedule for retirement age is as follows: 2025: from 65 to 68 for Teachers so as to align with other Non Special Group’s currently. 2033 – 69, 2035 – 70 (NSG), 2025-2026 – 55, 2027 – 56, 2029 – 57, 2031 – 58, 2033 – 59, 2035 – 60 (SG);

1. Contribution to be equivalently matched by the employer

Source: Telus Health 2023 actuarial reporting

PSSF: Reform scenario reflects global precedent

Increasing reference wage period from the final year to the final 10 years brings it in line with other select public employer funds (e.g., no other OECD public employer funds evaluated use the final year as the reference wage period)

There has been an increase in retirement age for public employer pensions (e.g., 50% of OECD public employer funds evaluated have raised the retirement age for public sector employees in the past 10 years)

Note: Employer funds selected for evaluation were based on data availability. Details in appendix for full list of employer funds selected for evaluation.

Source: OECD Pensions at a Glance 2019 Report, OECD and World Bank Databases, 2017 PSSF Actuarial reports, Pension websites, International Social Security Association (ISSA) database of social security systems, Bermuda Labour Advisory Committee (LAC) 2018