DEPARTMENT OF
LABOUR & PENSIONS
CAYMAN ISLANDS GOVERNMENT

2nd Floor, MidTown Plaza, 273 Elgin Avenue
P.O. Box 2182 | Grand Cayman KY1-1105
Cayman Islands
Tel: (345) 945-8960 | Fax: (345) 945-8961
Website: www.dlp.gov.ky

National Pensions Act (2012)
National Pensions (Amendment) Act, 2016

FREQUENTLY ASKED QUESTIONS

1. **Q: Who is required to have a pension plan or make contributions to a pension plan?**

   A: All employers in the Islands are required to establish a pension plan or make contributions to a registered pension plan for their eligible employees.

2. **Q: Who must participate in a Pension Plan?**

   A: All Caymanian and Permanent Resident employees between 18 and 65 years of age are pensionable immediately, regardless of any probationary periods.

   - The only exception are:
     - Caymanians;
     - under the age of 23 years old; and
     - pursuing full time education.
       - Please note that all three of the above criteria must be true at the same time.

   Non-Caymanian employees between 18 and 65 years of age are pensionable, after they have completed nine (9) months of employment in the Islands. Please note that the nine months is not required to be with a specific company. Additionally, once the nine months are completed, then any future probationary periods do not impact the start of the employee's pensionable period.

3. **Q: Who is not required to participate in a pension plan?**

   A: The following persons are not required to participate in a pension plan:

   - Employees who do not have Caymanian Status or are not permanent residents; **and** have been working in the Islands for a continuous period of less than 9 months.

   - Non-Caymanians that are employed as a household domestic (e.g. maid or gardener) are not pensionable.

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4. **Q: Are part-time employees required to pay into a pension plan?**

   A: Yes, part time employees are required to contribute to a pension plan and have the same requirements as full-time employees. Please see Question #2 for further information.

5. **Q: Are student interns 18 years and over required to contribute to a pension plan?**

   A: Yes – as long as they are considered employees and earnings are being paid, then pension contributions are required, as explained in Question 2.

6. **Q: Does the employee have to contribute to the pension plan?**

   A: The employer is required to pay 10% of each employee's earnings into the pension plan. As a result, the employer may deduct up to 5% from each employees' earnings. The deducted amount (5%) plus the employer's contributions (5%) for a total of10% is paid into the pension plan.
   Please note a self-employed person must contribute 10% of their earnings to a pension plan.

7. **Q; When are the contributions due and payable?**

   A: Both the employer and employee contributions must be paid by the 15th of the month immediately following the month to which the contributions pertain. For example, any contributions deducted or collected in April must be paid by May 15. Late payments are subject to interest which is calculated at the current Prime Rate plus 5% (enshrined in the NPA). This interest calculation begins the day after the contributions are due, in our example that would be May 16.

8. **Q: Can an employee make contributions to their pension plan more than the 5% that is deducted from their pay?**

   A: YES. Additional Voluntary Contribution means a contribution to a pension fund by a member in excess of the amount the member is required to contribute under the Act.

9. **Q: Can employers agree to pay pension contributions directly to an employee rather than paying it into a pension plan?**

   A: Under the National Pensions Act, the employer has a legal requirement to pay the contributions to the selected pension plan. As a result, the employer <u>cannot</u> agree to pay the pension contributions directly to the employee.

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10. If an employee refuses to contribute to his pension plan, what should the employer do?

A: The employer has the legal right to withdraw up to 5% from the employee's earnings in order to pay the required monthly pension contributions of 10%. The employee does <u>not</u> have the right to refuse to participate in the pension plan and the employer should make the permissible deduction and pay the required contributions to the pension plan.

11. Q: If I have more than one job, am I required to contribute to a pension plan for each job?

A: YES – the employee and employer must make contributions up to annual earnings of $87,000.00.

12. Q: What is the meaning of earnings?

A: Earnings are defined as wages, salary, leave pay, fee, commissions, gratuities and some bonuses. All payments made by the employer to the employee including these types of compensation are pensionable, subject to the year's maximum pensionable earnings, which is presently $87,000.

13. Q: What if I change employers and they have a different pension plan?

A: In this circumstance, you have the option of leaving the past pension contributions in the original plan or, subject to the agreement of both pension plan administrators, you may transfer the past contributions into the new plan. Either way, you will be required to enroll and begin contributing to the employer's new plan.

14. Q: I am a new employer and would like to register my employees into a plan. What are the registered pension plans on the Islands?

A: The registered Multiple Employer Pension Plans on the Islands are listed on the Department's website, www.dlp.gov.ky.

15. Q: How can I check to see how much money is in my pension account?

A: Please contact the Pension Plan Administrator in order to obtain information about your account balance. You can refer to the list on the Department website, www.dlp.gov.ky.

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16. Q: How often am I entitled to receive a pension statement?

A: Members are entitled to receive statements, at least, on a semi-annual basis, within three months after the end of the second and fourth quarters of the pension plan's financial year. Some pension plan administrators issue statements more frequently and/or have online access to provide more information to members.

17. Q: What can I do if my pension account value is reduced due to investment performance?

A: The member should discuss their concerns with their Pension Plan Administrator.

18. Q: What should I do if I learn that my employer has not paid my contributions to the pension plan administrator?

A: If your employer has not paid contributions to the pension plan administrator, you should:

- ❖ Review your statement carefully;
- ❖ Discuss the matter with your employer, if you feel comfortable doing so;
- ❖ Confirm with the Pension Plan Administrator that contributions are not being paid;
- ❖ File a complaint and/or seek guidance from the Department of Labour & Pensions

19. Q: At what age, can an individual begin to collect their pension benefits?

A: In 2017, the normal age of pension entitlement was increased to 65 years of age and early retirement is permissible on or after reaching the age of 55. Persons born prior to 1969 are still permitted to apply at the normal age of pension entitlement of 60 or the early age of pension entitlement of 50, as per legislative changes.

20. Q: Can I get my pension as a lump sum once I reach age 65?

A: When the member reaches the normal age of pension entitlement, the member has the option to purchase an annuity from an insurance company approved by the Department of Labour & Pensions. Alternatively, the member can obtain a Retirement Savings Arrangement ("RSA") with their current Pension Plan Administrator. Under the RSA, the member will receive a disbursement that is based on their age and account value. If the disbursement is below the maximum permitted, under the National Pensions Act, then the members' disbursement will be increased to the annual maximum amount

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which will be paid yearly until the account value is depleted. Once the member reaches age 65, additional voluntary contributions can be paid in a lump sum.

For further information regarding accessing pension benefits at retirement via a RSA, please see our Guidance Note on that topic. RSA Disbursement

21. Q: Can I withdraw from my pension funds before retirement? If so, for what purpose(s)?

A: Members can withdraw their additional voluntary contributions, prior to retirement, for the following purposes:

i) education;
ii) medical expenses;
iii) housing purposes and
iv) temporary unemployment.

For further information regarding accessing additional voluntary contributions, please see our Guidance Note on that topic. Access To AVC

Additionally, if the member's life expectancy is likely to be reduced because of a life-threatening medical condition or permanent disability, access may be permissible to their member's mandatory pension contributions. In cases, where the member has a small balance, i.e. less than CI$5,000.00, this amount may be refunded at the discretion of the Pension Plan Administrator.

22. Q: I have an employee who will remain employed after reaching 65 years of age. When can I stop paying pension?

A: An employer and employee can stop paying pension contributions once the employee has reached age 65. However, if either party continues to make contributions, the amount will be considered additional voluntary contributions.

23. Q: Can an employee who has reached age 65 and is still working, make contributions and if so, is the employer then required to also contribute?

A: An employee who has reached age 65, as well as their employer, are not required to make mandatory contributions. If the employee decides to make any contributions, they will be considered

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additional voluntary contributions. The employer may choose to make further contributions but is not required to make any contributions, once the employee has reached age 65.

24. If an employee dies and leaves dependents, are they entitled to any pension benefits?

A: Upon enrollment, pension plan members are asked to inform the pension plan administrator of their beneficiaries, in the event of their death. The persons listed by the member may be entitled to the deceased members' benefits, subject to the National Pensions Act. Members may change their beneficiaries at any time by contacting their Pension Plan Administrator and updating their documentation.

25. Is the surviving spouse of a deceased member entitled to benefits?

A: Yes, the surviving spouse is entitled to the deceased member's benefits. In order to access the deceased member's account value, the spouse would need to contact the Pension Plan Administrator.