
THE

House of Assembly Debates

(OFFICIAL REPORT)

FIRST SESSION 2003 – 2008

HOUSE OF ASSEMBLY

Tuesday, October 14, 2003

Pursuant to the adjournment, the House of Assembly met at 10.10 a.m. on Tuesday, October 14, 2003.

PRESENT

His Honour I. A. ROETT, G.C.M. B.A., Dip. Ed. (Speaker)

His Honour J. M. EDGHILL, J.P. (Deputy Speaker)

Rt. Hon. O. S. ARTHUR, M.Sc. (Econ.) (Prime Minister, Minister of Finance and the Civil Service)

Mr. L. R. TULL, Q.C., M.A. (Oxon.)

Hon. R. C. EASTMOND, B.A. (Hons.), Dip. Ed., LL.B. (Hons.), L.E.C., J.P. (Minister of Labour and Social Security)

Hon. G. A. CLARKE, B.Sc., Dip. Ed., J.P. (Minister of Public Works and Transport)

Mr. R. D. MARSHALL (Chairman of Committees)

Hon. H. F. LASHLEY (Minister of Social Transformation)

Mr. R. St. C. TOPPIN, LL.B.

Mr. D. St. E. KELLMAN

Hon. Miss H. E. THOMPSON, LL.B. (Minister of Housing, Lands and the Environment)

Hon. Miss M. A. MOTTLEY, Q.C., LL.B. (Deputy Prime Minister, Attorney General and Minister of Home Affairs) (Leader of the House)

Mr. T. A. PRESCOD, B.A.

Rev. J. J. S. ATHERLEY, B.A., B.Sc., J.P. (Parliamentary Secretary to the Attorney General and Minister of Home Affairs)

Hon. A. P. WOOD, B.Sc., M.Sc., M.Phil., J.P. (Minister of Energy and Public Utilities)

Hon. R. R. FARLEY, B.Sc., J.P. (Minister of Education, Youth Affairs and Sports)

Hon. Miss C. Y. FORDE, J.P. (Minister of State, Ministry of Education, Youth Affairs and Sports)

Hon. J. X. WALCOTT, M.B., B.S., F.R.C.S. (Edin.), J.P. (Minister of Health)

Mr. R. D. JONES, B.A. (Hons.), M.A. (Ed.), J.P.

Dr. D. C. ESTWICK, B.Sc., M.B., B.S.

Mr. C. A. MASCOLL, B.Sc. (Econ.) (Hons.), M.A. (Public Finance), (Leader of the Opposition)

Hon. D. D. MARSHALL, LL.B. (Hons.), L.E.C. (Minister of Industry and International Business)

Mr. M. A. LASHLEY, LL.B. (Hons.)

Dr. W. F. DUGUID, B.D.S. (Comm.), F.D.S., FDRCS, J.P.

Mr. R. L. SEALY, B.Sc., M.B.A.

Prayers were led by Rev. Canon Ivan Harewood.

Mr. SPEAKER: This House is now in session.

MINUTES

Mr. SPEAKER: Minutes of Tuesday 7th October, 2003.

Hon. Miss M. A. MOTTLEY: Mr. Speaker, I beg to move that the Minutes of Tuesday 7th October, 2003 be confirmed, Sir, subject to any omissions, corrections and/or observations.

Rt. Hon. O. S. ARTHUR: I beg to second that, Sir.

Mr. SPEAKER: If there are no corrections or observations, then let those Minutes stand confirmed.

SUSPENSION OF STANDING ORDERS

Hon. Miss M. A. MOTTLEY: Mr. Speaker, I beg to move the suspension of Standing Orders Nos. 6, 16, 18, 20, 42(5), 43, 44 for the remainder of today's Sitting.

Rt. Hon. O. S. ARTHUR: I beg to second that, Sir.

The question was put and resolved in the affirmative without division.

GOVERNMENT BUSINESS

ORDER NO. 1 – OCCUPATIONAL PENSION BENEFITS BILL, 2003

Rt. Hon. O. S. ARTHUR: Mr. Speaker, the Bill before Parliament, the Occupational Pension Benefits Bill, was intended to have been dealt with by the Parliament whose life came to an end in May 2003. This is a piece of legislation of great significance. This has overarching importance to the future of the country and that it was not dealt with by the past Parliament, obviously, was a real omission.

I cannot conceive or design a proper explanation as to why it was not dealt with. Perhaps the only explanation I could offer, Sir, is that there are those who knew that they were coming to this House on Both Sides, who might have dropped hints to me that they wanted to be part and parcel of a discussion of a matter like this, which have historical significance. There are those who knew that they were leaving, Sir, to whom the legislation did not matter, because their pensions were already secured. Nonetheless, I am pleased to be able, early in this term, to reintroduce this legislation with a few amendments to Parliament, in the belief that we can have a full and constructive debate on the subject.

The truth is, Sir, this is legislation that has withstood administrations. I almost said generations, but it has spanned administrations, because the first thought of a piece of legislation such as this, was on August 3, 1989 when the then Cabinet determined that a pension fund regulations review committee should be established to make recommendations for legislation on the management of employer pension funds. It is as old as that, Sir, and the then Government set up a committee made up almost exclusively of representatives of several Government departments to advise on this particular matter.

We inherited the issue in 1995, and we broadened the composition of those involved in the consultation. We captured fully the inputs from the public, but equally so from the private sector, the trade union movement and civil society.

Mr. Speaker, this legislation is here after 15 years of deliberate national consultation. It is a piece of legislation which therefore cannot be accused of having been the beneficiary of indecent haste. In many respects, the range of issues which this legislation raises, having to do with the

conferment of benefits on the employees and the imposition of duties on employers, as well as putting new arrangements in place by legislation, to provide people with a more secure future. The range of issues that this legislation raises, warrant the deliberate haste with which it has been introduced into the House.

At the very outset, just let me say that this House owes a debt of gratitude for the countless hundreds of persons, who, over the course of the last 15 years, have been party to the consultations that enable us today, to contemplate being able to pass an Occupational Pension Benefits Bill, which we think will bring an important modern relevant touch and new sensible dimensions to the way in which employers can provide security for the future of their employees.

Mr. Speaker, the legislation before the House is intended to correct major deficiencies in the way in which this society treats to the needs of the aged. Sir, it is intended to provide major opportunities for financial innovation. It is intended, by creating new administrative arrangements, to give people, in what is essentially an aging society, a greater assurance that their future will be more secure, and to give people the assurance that they can contemplate a future, where in their twilight years, our citizens can envision the prospects of living and enjoying sustainable livelihoods.

Sir, I see this legislation as intended to deal with many important deficiencies, in relation to the manner in which we now provide for the long term financial security of our aging people. It is intended to provide opportunities for the development of the financial sector. It responds to two essential features of the contemporary Barbadian society.

First, Barbados is increasingly becoming an aging society. It has tremendous implications for what we do today, by way of financial planning and innovation, to make the future of today's children secure.

Sir, I stress that point because those persons who will be the beneficiaries of this legislation are children today, but sometime in the year 2050, many of them will be pensioners and will be benefitting from this legislation, but we are an increasingly aging society and I will speak to that issue, Mr. Speaker.

Secondly, Barbados is a society that has still an underdeveloped financial and capital market which simply does not offer a wide enough range of financial instruments that can support the desired level of the savings and investments, particularly by those who want to indulge in long term savings to provide for their own security.

As regards our status as an aging society, this has very profound implications for social and economic planning. The reality, Mr. Speaker, is that Barbados has a very low fertility rate. Our fertility rate is now less than the 2.1 per cent required for each generation to replace itself. Sir, you add to that low fertility rate, the fact that life expectancy of women in Barbados is increasing, because women are less stress free and have to carry a lesser burden in the society, women are necessarily living longer than men.

We have in this society, Mr. Speaker, the combination of a low fertility and longer life expectancy. Therefore, in terms of planning for pensions, we have the situation, where it is expected that the number of persons at the working age per pensioner, is intended to decline very substantially over the course of the next 50 years.

At present, Mr. Speaker, we have in Barbados about 5.7 persons, of working age per pensioner. It is envisioned that by 2050, we will have a situation of 1.8 working persons per pensioner. Sir, you can imagine the tremendous strain on the incomes of the working population in that future world, if we do not, in today's world, make satisfactory arrangements for pensioners to be able to fund their pensions, rather than have the working population fund it as is too largely the case in much of our pension arrangements in Barbados today.
10.20 a.m.

We have a situation in Barbados in which a sizeable proportion of the population than we desire rely upon the National Insurance Pension as their only pension. The reality is that less than one-third of our labour force is the beneficiary of any employer pension facility. That one-third of the labour force that is the beneficiary of pension arrangements sponsored by employers are largely concentrated among the larger companies predominantly in the distributive trade and the financial sector. The rule of thumb in Barbados is that employees of medium and small enterprises in this country which comprised the largest category of enterprises in Barbados, are particularly not the beneficiary of employer-sponsored pension arrangements. The reality is that those employees are no less deserving of contemplating a secured and enjoyable retirement than the employees of the mega companies in Barbados, if one could use that term in our society.

Sir, in an aging society there is tremendous reliance on the resources of the social security system. You would be aware, Sir, of the necessity to which this Parliament in the year 2002 was pushed to put in place arrangements to the social security system of Barbados by means which required us to change its systemic features, mainly to change its contribution rates and the age of retirement, in order to stave off a collapse of the system by the year 2035.

Mr. Speaker, there is a lot that needs to be done, which is the purpose behind this legislation. More important, there is a lot that can be done to make popular and prevalent in our society occupational pension arrangements that can supplement the pension ordinary Barbadians can expect from the National Insurance Scheme (NIS). That is precisely why we have this legislation. Not many employers sponsor pension arrangements and there is too heavy a reliance upon the National Insurance Scheme. The great opportunity exists, as has been taken advantage of in other countries, for us to bring something that is novel to our economic landscape to make occupational pensions part and parcel of people's financial planning.

Sir, as you know, the matter of pensions, the matter of planning for pensions, the matter of administering pensions and the matter of providing flexibility for pensions to meet both the needs of the employees and the employers are issues that are complex, have to be entered into with great deliberations and have to be properly planned.

Mr. Speaker, modern pension legislation is of a nature that seeks to anticipate the needs of both the employer and the employees and confers on the employer the certainty of a pension in the future. It also seeks to confer upon the employees a certain range of flexibility of arrangements such that they, while having access to their pension, would not be bound by a fixed date in their life at which a stream of income will accrue.

The international community, as you are aware, Sir, has been plagued with the abuse of pension arrangements. You would be aware of the way in which there was a collapse of the empire of Mr. Robert Maxwell recently in Britain. His company did not only fail, but he had been using the pension resources. Therefore, when the company failed, the employees' future was put in great peril because of the rascality of employment practices by that major owner. We, therefore, Mr. Speaker, have to design pension legislation to impose very strict codes of transparency and disclosure on those who have a responsibility to manage the pension arrangements.

Ideally, we always have to segregate pension funds from the resources of the companies contributing to them. We also have to make sure that the security of pension arrangements can be shielded from untoward and inappropriate actions by persons in instances where companies are wind-up or failed for whatever reason. All of these things are addressed.

Sir, as the situation stands in Barbados, occupational pensions are something that are provided for only one-third of the labour force. Therefore, what we are doing by this legislation is a continuation of a trend to address issues in

our aging society. It is equally part of the continuing effort to address issues that confront us if we are to substantially modernise and deepen our financial systems.

There are very few institutions that are providing pensions. In 1991, the then administration did something that was very important and very proper when it made it possible for statutory corporations to provide pensions for their employees. Those pension arrangements have risen now to such an extent that the participating statutory corporations pension funds have a base of about \$48 million and have secured the future of about 1 960 public officers employed in statutory corporations.

Equally, in 1996, this House enacted arrangements to provide tax relief for persons making contributions in registered retirement saving plans. As I speak to you, Sir, some 2 800 persons have taken advantage of the arrangements to provide for their own savings through the registered retirement saving plans. The reform of the National Insurance Scheme was undertaken in 2002. Generally, pensions are, as of today's date, operated largely as part of the financial instruments of insurance companies, but the Insurance Act does not deal with the management and the administration of pensions, so there is a gap in the legislation that has to be addressed. Equally, a lot of the pensions are managed by trust companies but the Trust Companies legislation does not speak to pension regulations. As a result therefore, we have to put in place modern legislation to allow the sector to grow.

There is also the case that such pension plans, as they are in today's world in Barbados, are registered with the Commissioner of Inland Revenue who performs an oversight responsibility only in the context of the registration of the pension plans or saving plans for the purposes of the payment of tax allowances. As a result, Mr. Speaker, there are great deficiencies that have to be dealt with. The oversight and the regulations pertaining to the management of pensions are not done on a systematic basis. Important and sometimes contentious matters such as the distribution of surplus, vesting and portability have never been dealt with before in a comprehensive way in this country. In fact, the standards vary from savings plans and pension plans.

In some instances, particularly in the public sector, it takes ten years before a person has the vested right to a pension. A vested right means the year upon which one can enjoy an absolute right to the employer contribution. In some instances, it is ten years and in other instances it is five years, but the experience in our country vary from pension plan to pension plan.

There are very significant deficiencies in relation to things like portability. For example, the public sector pension arrangement does not allow public sector employees to

accrue their pension rights and take them from one employer to the other. Clearly, in an economy that is now becoming highly liberalised, we need to have rules that would allow people to be able to accrue pension rights and to take them from one employer to the next. As the situation stands at present in Barbados there is great variance across pension plans.

10.30 a.m.

Mr. Speaker, more importantly, there is also no statutory requirement at present that allows for the divulging of information to persons in a pension plan. The result is that at present, persons in Barbados who are subscribing to pensions and savings arrangements are not always sure as to what are their entitlements. This is a contentious issue that not only pertains to pensions arrangements but also to insurance policies, something which many of us are unhappy with because we are never too sure as to what are our full entitlements and when they would be accrued.

Mr. Speaker, we have had situations in Barbados where employees were terminated after nine years and ten months of employment, when the vesting period for the plan is ten years. These people were never aware of the vesting plan, neither were there any requirement that the persons were to be informed. Sir, as a result, these are important things that we need to put behind us, we therefore need to develop these rules and make them as strong as possible.

Mr. Speaker, the legislation before the House owes a lot to similar relevant legislations that were developed and applied in Canada. In fact, as you know, many of our legislations, for example the Companies Act, and certainly this legislation, have drawn from the Canadian experience and we are pleased to borrow from it.

Mr. Speaker, in general terms, we want to be able to provide better for the pension needs of an aging population. We want to be able to give the people today, along with the working population, the assurance that they would not have to spend their latter days in abject poverty.

Sir, I do not think we should make light of these issues, for people are living longer and pensions tend to be related to an employee's salary. If, upon retirement, that person lives much longer and had not put satisfactory arrangements in place for his pension, it would mean that the erosions that would have been caused by inflation and other conditions, would mean that he would live in conditions of genteel poverty.

Sir, this is a matter not to be taken lightly but I also see this as an opportunity for financial innovation.

Barbados has too few financial instruments being offered by the financial sector for persons to provide, at their own behest and volition, better for their future.

Sir, this legislation challenges us not just to think in terms of how we could save for the future but I believe it challenges us to begin to think afresh as to how investments could be made in Barbados in the future.

Sir, at the end of my presentation I would have to make the point that we could not have introduced a legislation of this nature without seriously thinking about the liberalisation of exchange controls and the opening up of the whole world to Barbados. Another point would be for us to be able to realise reasonable rates of returns if the surpluses accumulated in the National Insurance Scheme are the surpluses that we want to accumulate in employees' pensions that could provide the security that only reasonable rates of return could bring.

Mr. Speaker, I stress that point because we are a society where, given the nature of the corporate ownership, there are very few opportunities for serious investments in equity. We still do not have a culture in Barbados where many companies issue bankable and serious bonds as investment opportunities.

I make the point that this legislation will challenge us to think anew, as to how we could promote high levels of investment in the country. This would prompt us to begin looking in terms of the export of capital under sensible terms of arrangements as an essential part of the future of this society. Mr. Speaker, all of that is to anticipate.

Sir, I would want to introduce the Honourable House to the legislation by speaking principally to the policy principles and objectives with which the legislation intends to deal. Sir, I deal first with the policy principles that govern this legislation and at some of the objectives that it intends to achieve.

Mr. Speaker, a pension is only a realistic financial prospect if people could have the confidence that they would get it. Therefore, an aspect of a principle that must be taken seriously into account in conceiving such pension arrangements is to put in place all sensible arrangements for the protection of pension benefits within a sound, regulatory and economic framework as possible. Sir, there are issues such as if a legislation provide for adequate pension benefits, *et cetera*.

Secondly, Mr. Speaker, we do not have any effective administrative framework for the management and

administration of pension in Barbados and, therefore, this legislation accepts the policy principle of introducing an effective administrative framework.

Mr. Speaker, I also bring reference to the fact that the standards now employed in Barbados are wide and diverse, many are not equitable, most are not modern, and few are clear and transparent. The legislation, therefore, accepts the policy principle that there must be equitable, modern and clear employment pension standards that reflect the needs of a changing society and economy but one that balances as carefully as we can, the changing and sometimes competing ends and needs of employers and employees.

Sir, it is a tall order to get those standards in place but there must be equitable, modern and crystal clear and must reflect dynamism in the society and in the economy.

Sir, in today's world where less than one-third of Barbados labour force is not now part of a pension plan, we could not bring a pension legislation that does not, in a very explicit way, set out to foster the expansion of a voluntary pension plan system in this country as a precise objective. Sir, we would love to see the day where the entire employed labour force could fully become the beneficiary to pension arrangements.

Sir, we need to protect people's pension by building provisions that protect it against the ravages of inflation because a pension involves the accumulation of accounts over a period of time and there is nothing that erodes one's purchasing power more than inflation.

10.40 a.m.

Secondly, Mr. Speaker, one has to protect pension benefits from the ravages of corporate greed and malpractice. In today's 'Enron's' Robert Maxwell infested world, one cannot over-emphasise the overarching importance of building into the pension such provisions as would provide for protection.

Mr. Speaker, we also have to develop pension legislation in this liberalising economy because there are no school children today who can believe that they are going to end their working lives in the career which they started. We now have a dynamic and robust situation where empowerment mobility is vast and we, therefore, have to take issues such as portability and pension rights into account in a serious way. Equally, if we are to expand the system, issues such as the status of part-time employees have to be addressed in a frontal way.

Mr. Speaker, the matters that must be dealt with when determining pension rights are matters such as the rights of spouses, the way in which pensions should be dealt with when there is a breakdown in companies, marriages and matters of that nature.

Sir, this pension Bill before the House has been designed to expand the voluntary employment pension coverage and to bring certainty to the arrangements to protect pensions. It also brings new administrative arrangements for pensions and is designed to facilitate the development of the domestic pension industry as well to make Barbados contemplate the possibility of becoming a location for an international pension industry. It sets out precise minimum standards governing vesting, funding, the question of investment of pension plans, benefits, assets, the disposal of services and matters of that character.

Sir, I will deal first with the application of the Bill. The Bill is intended to apply to every employer's pension plan in Barbados and also permits the establishment and registration of Barbadian pension plans for employees working offshore and for employees and officer of offshore corporations registered in Barbados.

The provisions in this legislation are more liberal and appropriate than those that apply to public sector arrangements. We have commissioned studies to change the public sector arrangements so we are giving Government a breathing space before it can bring itself in line with modern best practices.

Sir, under the existing arrangements, the responsibility for the oversight of pension arrangements in this country are carried on largely by the Commissioner of Inland Revenue only for purposes of compliance with tax but not with a view to manage pension arrangements in the way in which pension benefits arrangements should be managed.

Therefore, this Bill creates the office of the Supervisor of Pension who will now have responsibility to administer the Act and its regulations, to promote the establishment, extension and improvement of pension plans.

The Supervisor of Pensions will have responsibility to collect and publish all information pertaining to all pension plans in the country, advise the Minister in relation to pension arrangements and make recommendations to the Minister as he sees fits in relation to development of this sector.

Sir, it is contemplated that for the time being we are not going to have a separate Supervisor of Pensions. It was announced in 1998 that we intended to have the Supervisor of Insurance carry out the responsibilities of the Supervisor of Pension as prescribed in the Act and we have started to appropriately equip the Supervisor of Insurance office with persons trained in this field to allow us to be able to have one supervisory office with two functions. Later in my presentation I will speak about the need for Barbados to have

one supervisor for non-bank financial institutions which is the modern practice in today's world.

Sir, the Honourable Member for St. Michael North West smiles in anticipation of having the business of the credit union brought within the ambit of a serious financial commission.

Mr. Speaker, it is absolutely important that pension funds at all times be segregated from the accounts of the companies contributing to pension funds. This Act speaks very clearly to the fact that there will be an administrator entirely at arms length and a third party in relation to the sponsors of the pension fund. Mr. Speaker, I cannot over-emphasise how important this provision is. People who are making contributions to pension funds must feel that an entity that is professional and following best practices is managing the fund.

Sir, the law speaks about the prudence and the qualities of integrity that the administrator must have. This imposes on administrators, who may be trust companies or insurance companies but entities separate and distinct from employers maintaining pension funds, a high duty of care, diligence and skill in the administration of pension plans and in the investment of pension arrangements.

Mr. Speaker, this Bill also has important provisions pertaining to disclosure. Every person who is eligible to join a pension plan is now entitled to a large amount of information built into the law in relation to their benefits and obligations under the pension plan arrangement. This is important because we have to arm people with information necessary for their own financial defence if they are making long-term investments that will give yields in the future.

Sir, I said earlier we want to expand the number of persons who are entitled to join pension plans. At present, one of the reasons there are not a lot of pension plans in Barbados is because companies require long periods of eligibility before new employees are permitted to join pension plans and it is hardly ever the case that pension arrangements are put in place for persons who are part-time employees.
10.50 a.m.

Sir, this Bill before Parliament seeks to address this issue. It stipulates that the maximum period of time that employees be now required to work before becoming eligible to join their employer-sponsored plan arrangement is 1 000 hours of employment with the employer.

Asides.

Rt. Hon. O. S. ARTHUR: Mr. Speaker, the Bill also requires statutory eligibility rights for part-time workers. Where a pension plan exists for full-time employees, part-time workers in the same company who have completed 1 000 hours or more of employment in the fiscal year prior to the establishment of the pension arrangement, must be allowed to join the same or an equivalent pension arrangement.

Asides.

Rt. Hon. O. S. ARTHUR: Sir, we are really shortening the period where employees have to wait before their become eligible to become a member of a pension arrangement. Sir, you do not have to spend many years working with a company in order to become eligible to join the pension plan, after completing 1 000 hours and if you are a part-time employee that eligibility right must be conferred on you by the Act.

Mr. Speaker, the Bill also provides for flexible pension plan designs. A corporation with more than one subsidiary may now establish a different pension plan for each subsidiary or have one multi-unit plan. Sir, this is important to widen the pool of persons who become eligible to join a pension arrangement.

Sir, one of the most important new features being introduced into pension arrangements by this legislation is the provision in relation to vesting and retirement.

Sir, vesting refers to the rules that define when pension plan members earn an absolute right to the employers' contribution and benefits earned in a pension plan. When you are contributing to a pension arrangement your contributions are made and if the plan is terminated or you want to end your interest in the pension plan, you are always only entitled to your contributions plus interest. Sir, pension plan arrangements require that a certain period of time must elapse before the employee enjoys an absolute right to the contributions of the employer. Obviously, the longer the period the more disadvantageous are the conditions of the employee.

Sir, currently the Government of Barbados, in my view, is not at present a model employer because we require an employee to work ten years, except in the case of Members of Parliament. The Government requires that a person functions as a public employee for at least ten years before that person is able to enjoy the absolute right to the employer's contribution.

Sir, in the private sector in Barbados it varies. Some of the better companies offer vesting rights after five years of employment. This Bill before Parliament offers the important

benefit to employees participating in pension arrangements where they can have vested rights after three years, that is very important. After completing three years of employment, employees in pension plans as outlined in this legislation, will enjoy a right of entitlement to the contributions of the employers.

Mr. Speaker, equally, the legislation allows for full portability of pension rights. Sir, this means that if a member terminates his employment before the normal retirement age and an accrued pension is fully vested in that employee, that employee can carry that pension to his next employer if that employer has a pension arrangement.

Sir, this is important because young people in today's world will not be able, as their fore-parents, to contemplate a situation when they will start life in one occupation and end their careers in that same occupation.

Mr. Speaker, most Barbadians in the future will face the prospect of having to change jobs a number of times during the course of their working lives. Therefore, we would not have a relevant pension legislation unless portability of rights is vested in employees.

Sir, the Government has a lot to answer to because Government's pension arrangements are not funded, therefore, public officers do not enjoy at present the rights of portability of pension rights. This is a matter which has to be addressed sensibly because we are living in a dynamic society. There will be public officers who would want to be able to move from the public sector to the private sector and not to have portability of pension rights would be a disability which has to be addressed. Mr. Speaker, these pension arrangements, I think, are forward-looking in allowing for portability of pension rights.

Sir, the legislation also prohibits discrimination in relation to the specification of benefits on grounds of sex for the purpose of determining the amount of contribution of benefits to be paid and prohibits discrimination on the grounds of sex on matters such as the establishment of conditions for eligibility of membership in the pension plan.

Mr. Speaker, under the new pension arrangement, members will not only be entitled to a pension but they can also qualify for ancillary benefits such as disability benefits, severance pay, survivor benefits and other supplemental benefits.

Sir, it is also specified, under benefits, that the minimum aggregate value, if any, payable under a pension plan cannot be less than the amount of the member's own contribution made, plus interest credited on those contributions before the

date that the Act came into effect. Sir, more important, a member's contribution made after the date that this Act comes into effect shall not pay more than 50 per cent of the commuted value of the member's pension benefits or any account that has been accumulated under the plan. The onus is on the employer to contribute more than 50 per cent of the benefits under the pension plan.

Sir, under this Bill spouses are protected when a member retires with a vested pension, since the pension must be offered in a joint or survivor form. The form of pension provides the surviving spouse with a lifetime pension equal to at least 60 per cent of the monthly pension paid to the pension plan.

Mr. Speaker, it is also true that if a member dies before retirement, the surviving spouse is entitled to receive the lump sum payment of the member of a group pension or a lifetime annuity.

Sir, this Bill also brings important potential benefits to all persons who are now going to subscribe to pension arrangements. The Bill requires contributions and benefits to be locked in so that retirement incomes would be available to Barbadians at the retirement age.

Sir, the potential earnings that should be accrued in a pension plan should be free from being transferred or being seized for purposes other than for meeting the needs of those who are involved in pensions. It is essential that contributions and benefits be locked in until retirement age and not to be available for other purposes in order to assure the objective of providing a retirement income for Barbadians in the future.
11.00 a.m.

Furthermore, Mr. Speaker, protections afforded by the Bill to ensure that money payable or transferred from a pension fund is exempted from execution, seizure and attachment by creditors. Therefore, a pension or benefit under a pension plan, cannot be commuted or surrendered.

Mr. Speaker, the Bill also provides very clear rules in relation to the winding-up of companies. In the event of a pension plan wind-up, the members' pension benefits entitlements should be protected. Furthermore, the employees' responsibilities to make contributions to the pension fund, should continue until the date of the wind-up of the Pension Fund. This Bill modernises our arrangements in this area, by specifying the rules in relation to the wind-up of pension funds.

It is often the case that pension funds accrue surpluses over and beyond what was anticipated. Surpluses arise when a pension fund has better than anticipated investment returns.

It often arises as well, when the pension plan's actual experience in employee turnover retirement or mortality, differs from what was projected in the actuarial plan and in those cases, there is a windfall.

At present in Barbados, nobody knows when it may happen and there are no rules in relation to how those surpluses are to be distributed. If we are to modernise and make relevant these pension arrangements, as we have, the legislation should treat to the disposal of surpluses as so it does.

Obviously, Mr. Speaker, the legislation as well, should treat to matters such as what happens when there is a sale and transfer of businesses and this does. It specifies, of course, not only the functioning of a supervisor, but it obviously makes provision for hearings and appeals. It also defines certain breaches that constitute offences and prescribes a realistic number of penalties that will apply in those instances.

Mr. Speaker, this will allow more Barbadians to qualify at an earlier stage to become eligible for pensions. It widens the scope to put pension arrangements in place. It allows people to have vested pension rights at an earlier stage. It extends the range of benefits that accrue under pension fund arrangements.

Sir, I have not been exhaustive because I do not want to tire the House, but the legislation seeks to anticipate all of the relevant issues that are important in protecting the integrity of pension funds and their best administration. I believe that we will have, as a result of this legislation, more assured pensions and a serious growth in the pension arrangements, beyond those that presently exist in Barbados.

Sir, as I said, there are many related issues that must be addressed, as we seek to put pension arrangements like this in place. Facilitating pension arrangements such as is contemplated in the law, should lead to an increase of savings in Barbados. Clearly, the development of our financial system, and the best supervision and regulation of the financial system in Barbados, is a matter that therefore stands to be considered.

We in Barbados, like countries in the rest of the world have become a place where a new development, a financial conglomeration has started to take place. In previous times, we had a financial system that was characterised by specialised financial institutes, each performing a distinct financial service. Our system came to be characterised by the domination of our financial sector by retail commercial banks. Banks have been our financial systems in Barbados to a large extent.

Mr. Speaker, we now have a situation where the days of the old-fashioned commercial bank in Barbados is coming to an end. Increasingly, through mergers and acquisitions in the future, companies are going to provide a conglomeration of financial services. The ranges of financial services are also expanding. Our structure for the regulation of the financial system, however, did not anticipate a financial conglomeration.

We have, in fact, at least five different types of supervisors in Barbados. The Central Bank supervises the banking system. The Supervisor of Insurance regulates the insurance companies. The Registrar of Cooperatives, as the Honourable Member for St. Michael North West knows, tries her very best to regulate the cooperative sector. The international financial system is regulated in some respect by the Ministry of International Business.

In other Caribbean countries and in other countries in the rest of the world, there has been a dramatic change in the structure of financial supervision. International best practices have been prescribed and there has been a tendency towards the conglomeration of supervision, commensurate with the conglomeration of financial institutions themselves. For example, in the case of Jamaica and Trinidad and Tobago, they have put in place financial services commissions, with the responsibility of supervising all of their non-bank financial institutions, leaving the banking sector to be supervised by the Central Bank *per se*.

Mr. Speaker, we in Barbados are increasingly moving in the direction of a financial conglomeration. My Government has also therefore commissioned a study, and asked the CDB for assistance for financing the study as to how best we can modernise the regulation of our financial system.

I do not want to spread panic here, Mr. Speaker. There is not a lot that is wrong with our financial system. It is generally sound but we cannot rest on our laurels as in the past. There are few institutions in Barbados that have collapsed. We have not had in Barbados the kind of financial crisis that overtook East Asia, because of improprieties in their financial regulations. Sir, I am not saying that we need to do this because our system is unsound, but the system is archaic, and it is being made increasingly archaic by the changes in the financial sector.

It is to be anticipated as well, Mr. Speaker, that because of the revolution in information technology, and communication technology, the capacity of the financial sector to offer new innovative services that elude the contemplation of the old regulatory systems will also come under pressure. A lot of the old system was based upon a paper-full world. We have now to begin to contemplate

supervising and regulating a financial system where our banking, insurance and the other range of things that we can do, can be vastly revolutionised by the change in technology. We also have to consider what constitutes inspection, should it be on site inspection as is now the case, or should it be inspection through electronic means. Sir, all of these things have to be seriously taken into account, in conceiving of new and forward arrangements.

Sir, as I said from the outset, the Supervisor of Insurance will supervise the pension funds, because we believe that the day is coming soon when there is going to be one Central Bank, regulating banks, and in relation of financial institutions *per se*, Mr. Speaker, that there will be a financial services commission.

Sir, notice I am speaking very clearly because the law still recognises credit unions as not a financial institution but as coops. They really are. A credit union, if it is true to the principles of the credit union movement, ought not to be a deposit-taking institution, nor should not be accepting deposits from its non-members. It is an institution where people come together to pool their savings to help each other.

11.10 a.m.

Ordinarily, and in the past, credit unions have not required the same kind of regulations and supervision that a financial institution would require because the same risk and issues of liquidity appropriate to another institution were not prevalent in their practices. If you are lending only from people's shares, then that raises entirely different issues than if you are accepting deposits from the public and lending from people's deposits on the understanding that a person can come back for their deposit at any time, but there is a procedure by which you can wind up your shares, and I will speak to that issue later.

The point I am making is that this would require us to review, in a serious way, the regulations of the financial sector. Therefore, the Government has commissioned a study to enable us to reach that point.

Mr. Speaker, we cannot only be concerned with trying to boost savings – pension funds will boost savings by allowing both employers and employees to set aside something for a rainy day – we also have to be concerned for the outlets for investment in this country, and I want to speak to that. The recent amendments that were made to the National Insurance Scheme have all been designed to stave off the prospects of insolvency some time in the years 2030 to 2050 by increasing rates today and going forward.

Asides.

Rt. Hon. O. S. ARTHUR: Sir, did you hear the little whisper which came from the Honourable Member for St. Lucy? He obviously enjoys far more latitude in this House than he enjoys at George Street and since he is not allowed to speak in George Street, he always feel he has to come into this House and interrupt me, Mr. Speaker. So I am pleading with the Honourable Member for St. Michael North West, my constituent, to let the Honourable Member for St. Lucy speak at length in George Street so that he can stop interrupting serious discussions in this House, Mr. Speaker.

Asides.

Rt. Hon. O. S. ARTHUR: Mr. Speaker, the point I am coming to is that we have set in train important reforms. If we do not reform the National Insurance Scheme by allowing increased contributions, by the year 2030 the Scheme would either be insolvent or people of working age then, would have to pay at least 30 per cent of their income to meet the pensions of the pensioners of that day. If we do not increase the contribution rates, by the year 2050 the Scheme is going to be burst. Sir, school children today will not have the assurance of a national insurance pension unless we agree, as we have agreed, to increasingly change the rates and the retirement age, but that is not the point I am trying to deal with here. We are contemplating increasing the surpluses and the amount of potentially investable funds available to our social security scheme. We are seeking to do so in the context of a small economy with a relatively limited set of outlets for investment that are safe and that have the potential of realising reasonable rates of return on a pension scheme.

Mr. Speaker, the Government has tried its best to help. You would notice that we have allowed the National Insurance Scheme new investment outlets. For example, we have allowed the National Insurance Scheme to finance the construction of the United Nations common premises building and have guaranteed them a rate of 10 per cent on their investment which quite frankly is generous. When I read Sagicor accounts, they were averaging 4.5 per cent rate of return on their investment, but the National Insurance Scheme is getting 10 per cent on the investment it has made on the United Nations common premises.

We are also allowing them the opportunity of investing in bigger operating and transfer arrangements sponsored by the State so that they can have a portfolio of investments that guarantee rates of returns that makes the Fund viable. The truth, Mr. Speaker, is that there are very few opportunities for investment by the National Insurance Scheme in Barbados in terms of company equity and for investments in bonds. As a result therefore, we have realistically to allow some level of foreign investment at some stage by the National Insurance Scheme if it is going

to build these large financial savings and get reasonable rates on savings beyond what we have in Barbados.

If we add the prospects of large surpluses in investments in employer-sponsored schemes, Barbados will not be able to accommodate all of these unless we have a new attitude to investing abroad. Therefore, it will become incumbent upon us to do two things. There has to be a revolution in the financing of the corporate sector in this country to make serious pension arrangements such as we are contemplating both through the National Insurance Scheme and employer-sponsored pension plans. Therefore, I have to stress the point that there has to be a major change in the way the corporate sector in this country funds itself. We have a large number of private companies that have benefited from the spending of Barbadians, which realised strong rates of return on their investments, secluded and segregated to only a privileged few. Sir, I am speaking in terms of the large construction companies. Most of the media and most of the successful companies in this country are secured as private companies with the benefit...

Asides.

Rt. Hon. O. S. ARTHUR: Sir, I blame myself because I had the opportunity to replace the Honourable Member for St. Lucy with a real Arthur and I failed.

Asides.

Mr. SPEAKER: Let us continue orderly, please.

Asides.

Rt. Hon. O. S. ARTHUR: I had that opportunity. Here now to maintain that relationship, I promise him that tomorrow night I am coming to Moon Town for my sea cat and to 'lime' with him, but he has to stop disturbing me in this House.

Asides.

Rt. Hon. O. S. ARTHUR: Sir, I would like to make the point that has to be made, that employer-sponsored pension plans and the National Insurance Scheme will need serious investment outlets. We have maintained for an indefinitely long period of time, a situation where only a few companies are issuing shares and very few are issuing bonds that people can repose serious confidence in. The time is upon us where people have now to re-look the issue of the dominance of our society by very successful private companies which do not offer themselves as investment outlets to entities that are holding funds in the public trust. This makes sense only in the context of our changing the corporate system and its financing in this country.

I want to use the opportunity of this debate to say that we have to engage in how this must now be engineered. Too many people feel that the Government has to just continue to offer tax concessions for people to make public companies, I do not agree with that, Mr. Speaker. I believe that there is a serious discipline in companies having to function on the Stock Exchange that makes their arrangements more transparent, that makes them more accountable and that makes them even better companies. So the widening of the investment opportunities for pension funds is something that cannot go without being remarked upon. Therefore, I hope that corporate Barbados would recognise that if they are going to have employment pension benefit schemes that there must be more investable opportunities in Barbados.

The important point is that Barbados will have to export some capital to be able to support these pension arrangements. It also means that Barbados would have, at a soon date, to contemplate the liberalisation of capital accounts. We have already given the commitment that we will remove exchange controls on capital accounts consistent with our obligations under the Treaty of Chaguaramas which requires Barbados to remove existing restrictions on the movement of capital within the region, that we shall do by 2004. It seems to me, Mr. Speaker, that we would have to look to remove the controls on capital movements beyond the CARICOM region some time in the foreseeable future. 11.20 a.m.

Sir, the matter of the public sector pension arrangement is a matter that now stands to be considered and may I say that the regulations for the Barbados Defence Force new pensions arrangements are not here because I have asked for them to be reviewed.

Mr. Speaker, we have inherited a system where the Government of Barbados maintains a pension arrangement for its employees. This has been the subject of change in 1925, 1947, 1974, 1980 and beyond. In fact, to those Honourable Members of the House who are interested in this pension arrangement, Professor Alleyne has published an article on it, and Senator Branston Collymore has also written on it. What we now have is a situation where public sector employees do not contribute to their pension arrangements, nor does the Government every year set aside an amount to invest in order to pay public sector employees' pensions. The pensions are paid from the taxes.

Sir, there are a number of deficiencies in that system. First of all, the Government's pension to its public officers has increased from approximately \$50 million in 1994, to more than \$104 million at present. Sir, given the arrangements for pensions whereby Government pensioners retire between age 60 and 65, and Government also tops up any national insurance, it is anticipated that going forward, there would be a substantial growth in the demands on the Consolidated Fund to meet the needs of Government pensioners.

Sir, beyond the financial severity that this imposes on the exchequer, the vesting arrangements are less attractive than those that the Government is asking the rest of the society to accept as new standards. It takes 10 years in the public sector before one has a right to a pension, we are saying that there should also be in this legislation a period of three years. There is also no provision for portability and therefore this has to be changed.

Sir, the Government has commissioned a study funded by the Inter-American Development Bank (IADB) to enable us to deal, not just with the financing and funding of Government pensions arrangements, but all of the arrangements to make it better.

Mr. Speaker, it would have been an absurd thing to be aware that one is contemplating bringing new arrangements to the public sector and to have new pension arrangements for the Barbados Defence Force that are still based upon the existing old system in the public sector.

Sir, may I also say that if there is a section of the public sector that is amenable to the application of these rules, it is the Barbados Defence Force because members of the Barbados Defence Force go in with only the prospect of short employment and for them, portability, being able to transfer their accumulated pensions rights from one place of employment to the other, is vital. Therefore, regulations were drafted seeking to base the new pension arrangements for the Barbados Defence Force on the existing pensions arrangements of the public sector, which I have found to be unacceptable.

Therefore, I have asked them to carry out a study and to advise me whether or not the Barbados Defence Force should be the test case by the Government as to how we could apply these rules. It would, therefore, mean that a person in the Barbados Defence Force would have a vested right in pension after three years; that they could also contribute to their pension; that they would have the right of taking it with them when they leave the Barbados Defence Force to work some place else. Sir, there obviously has to be a dramatic change in the arrangement for the public sector pension. I, therefore, give the House the assurance that work is far advanced and that a day would come when this matter would be addressed.

Sir, there has been a lot of vexatious issues pertaining to pension which were put in the public domain by the Barbados Association for Retired Persons (BARP). Today, Sir, I come, not in a fatuous mood but in a constructive one. I noticed that the Democratic Labour Party Manifesto spoke most eloquently to it.

Sir, claims have been pressed upon the Government by the Barbados Association for Retired Persons (BARP) for a number of things, not least, having all National Insurance pensions being exempted from taxes and the retention of a personal allowance to persons of retired age.

Mr. Speaker, we have set our face against it, not because we want to be wicked and vindictive but for good reason. As the situation presently stands, before the previous change in the income tax system, a pensioner in Barbados was entitled to a personal income allowance of \$30 000, which is twice that of the ordinary working person. They are also entitled to no withholding tax on their savings, while all the rest of us pay withholding tax on our savings. A pensioner also pays land tax at half the rate of an ordinary working person who lives in his own home of an equivalent value.

Sir, the issue that we have had to grapple with have been granting of pensioners the National Insurance Scheme pensions tax free, plus an additional personal income allowance, which could have stood the test of reasonableness because in the final analysis, that is the judgement of Government policy. We have seen the analysis. First of all, there is no one in Barbados who has to live on a National Insurance Scheme pension as their only source of income, that is not getting it tax free because the maximum National Insurance Scheme pension is less than the personal allowance that a pensioner can claim.

Sir, the Barbados Association for Retired Persons (BARP) did an analysis which showed that out of a total of 6 810 Government pensioners, only 109, or 1.6 per cent were not in a position to claim the \$30 000 personal income. Therefore, what the Barbados Association for Retired Persons (BARP) were asking the Government to do was to introduce a tax measure which, in fact, as the Government had said, took in such a narrow minority that the proposal by the Barbados Association for Retired Persons (BARP) could not have been taken seriously by this Government and for good reason.

Sir, we could not have designed a tax system only for the benefit of a few and before the Government comes to deal with the 1.6 per cent of pensioners who were not accommodated by the existing arrangement, surely we had a duty to lift the personal income threshold for the working income population from \$15 000 and upwards.

Mr. Speaker, the truth is that the existing tax allowances already cater to the largest proportion of pensioners within the country. What is being asked of us is for us to agree that there should be certain persons who should be entitled to at least, under the new provision, the

first \$60 000 of their income, free of tax, in circumstances where there is no such provision for the working population.

Sir, if, indeed, the tax allowance did not cater to the needs of more than 90 per cent of pensioners in this country, we would think that it would be unreasonable for the Government not to respond positively to what the Barbados Association for Retired Persons (BARP) is asking.

Sir, I wish to repeat. In accordance with the Barbados Association for Retired Persons (BARP) numbers, 98.4 per cent of all Government pensioners are already provided for by the tax allowances and what we are asking for is to meet the needs of the 1.6 per cent of Government pensioners. Sir, by no stretch of the imagination can that stand any test of reasonableness. Surely, the Government would have a duty to lift up those persons first who are at \$15 000, taking into account that we have already put the pensioners in a preferred situation where they pay taxes half to what ordinary people owning their homes pay.

11.30 a.m.

Sir, I want to say that unless you are a republican and have 'Bush-like' tendencies you should not reform tax only for the top one per cent. The Government would be irrational and unreasonable in the way in which it administers tax in this country, to have a working population that is being taxed on incomes above \$15 000 but you treat to the one per cent and do not address the needs of the working population.

Sir, the Government is prepared to listen to argument that can stand the test of reason. We have a duty to respond to the real representation that BARP has made because there are a number of Government pensioners who would have retired as much as 25 years ago whose pensions would have been related to their incomes when they were working and subject only to the periodic adjustment we have, since we do not have a mandatory system for inflation for pension in this country.

Mr. Speaker, people might have retired as Permanent Secretaries more than 25 years ago who would be entitled to pension based upon Permanent Secretaries salaries then. I feel that we have to change this and make sure that people come closer to the \$30 000 personal income by putting in place a system that supports the carrying out of serious periodic review of persons who have been the intended beneficiaries but are now victims of these static pension arrangements, that is where the core of the problem lie where our pensions are concerned.

A lot of old civil servants who have helped build the country cannot claim the \$30 000 because their income is

not near to that amount even when the National Insurance pension is taken into account and we had to review this matter. Mr. Speaker, it a bad thing to have people who have made serious contributions to this country living out their twilight years in conditions of genteel poverty.

Sir, I would like to retire early but if I live 40 years after retirement and I have a pension that is related to me my income while I am working, then I have a pension in one time period which is based on the income of another time period, that is where the poverty comes and I think we should change that.

The notion that we should allow persons to claim both the personal allowance of \$30 000 plus the national insurance would mean that the first \$60 000 is tax free for certain pensioners. Sir, the Government had to say no to this on these good empirical grounds rather than because we are opposed to BARP. The truth also is that a pensioner cannot only claim the \$30 000 but all the other investments and savings related allowances as well. To move the threshold to \$60 000 plus allow them to claim the allowances would mean that certain Permanent Secretaries, who have gone back to the Bar and other forms of employment, would find that first \$60 000 of their income is tax free when they have finished sending their children to school and have paid off their mortgages, while working people in the country are paying taxes on incomes as low as \$17 500. We cannot run the country that way, Sir. I felt I should include these issues in this debate because we have to have a holistic approach to the management of pensions.

I give the assurance that at a soon date we will come back to the House and look at matters pertaining to public sector pension. This has to be planned very carefully so that people with inherited rights will retain them because we cannot change public sector terms and conditions of employment in a manner that is disadvantageous to them. The planning of the public sector pension arrangements raised some complexed issue because the inherited rights of people cannot be changed and arrangements for new employees have to be agreed on.

Mr. Speaker, I feel that public servants too should be given the opportunity, if they want, to contribute to a pension fund and to be able to do so as part of an arrangement that is covered by law rather than believe that only the Government has to provide for them.

This law also allows people to contribute to a pension fund after the age of 55, which is the age of retirement in this Act. Sir, we have to bring all these kinds of flexible arrangements to the public sector as well. We also have to treat seriously to the needs of the aged and I want to close on that point.

Mr. Speaker, Barbados is a society that has started to indulge in disturbing, disgusting habits like the abandonment of land and old people.

Asides.

Rt. Hon. O. S. ARTHUR: Yes, a lot of people, particularly from rural Barbados, have abandoned their ancestral lands and one of the reasons why food security is an issue is because people will not farm their lands. Sir, a large part of the land not being used is land that has historically sent children to school. There were small plots but there was a pride in owning land and working that land to help supplement the family income but this tradition has been lost in this country.

Sir, the Honourable Member for St. John remarked that I had fenced in my father's land and that my brother-in-law was working the land but that was because my nieces and nephews understood what it was to grow up in rural Barbados.

Mr. Speaker, this country in too many instances has abandoned its old people. We had a situation where the Queen Elizabeth Hospital and the Geriatric Hospital have been plagued with the fact that many people have parked old people there. We have tried to address issues pertaining to an aged society by a number of means, one of which is to fix the National Insurance Scheme which is going to be a cost to this generation. I think it is worth it because people in primary school today should not be deprived of pension when they reach the age of pension because we were fearful of doing what has to be done.

The Government also has an alternative care for elderly programme that provides incentives for the private sector to have old people in homes where they are provided with a range of amenities and care facilities that are appropriate to their needs.

The Ministry of Social Transformation has also introduced the concept of a senior citizen village mirroring what the private sector started at Eden Lodge. We want to move away from the notion that we should put old people in a welfare home because this only caters to shelter but old people have holistic needs and they need to live sustainable lives in dignity where they not only get shelter but where they have access to proper meals, health care, recreation and be part of the community.

The Government wants to move away from the notion of welfare housing as it has evolved through the National Assistance Board and bring new institutional arrangements to bear in dealing with the needs of the elderly. This started

at Vauxhall in Christ Church and Government is very serious of having two additional senior citizens villages, one in the north into which the Honourable Member for St. Lucy and I may eventually go.
11.40 a.m.

Asides.

Rt. Hon. O. S. ARTHUR: Sir, in addition to dotting the landscape of Barbados with welfare houses, it helps with shelter but that is all it does. Sir, the needs of the old people are still not properly addressed and it does not make sense. Sir, that system might have worked for a period of time but we have to change that system and we want to improve the care of the elderly to a higher plain. Therefore, in this term there will be expenditure that we will ask this Honourable House to approve to support the building of more senior citizen villages, providing a holistic package of care to our old people as part of making this a more civilised society.

Mr. Speaker, I did not go into great details on the specifics of the legislation. I tried to capture the most important areas of it. I believe that this legislation addresses an important need. I feel that it has done so in a way that would give clarity to the way in which we manage pension plan arrangements. Sir, I believe that it will also provide more opportunities for more Barbadians who are deserving, as are the employees of some of the big companies, of being able to contemplate a future that is more secured by being able to supplement their national insurance pensions with employer/employee generated pensions.

Mr. Speaker, I believe that our financial system will be better for this. This Bill also challenges us at a macro level to rethink macro-economic policies for a liberalising economy, set in the context of a globalising world.

Sir, I think that everything is right in this legislation and it is my great honour to have brought this Bill to this Honourable House in one term and to discuss it in another term. I believe that those who now occupy this Honourable House will be able to repose confidence in it. In that context, Sir, I am obliged to you.

Mr. C. A. MASCOLL: Mr. Speaker, pensioners are a very special class of persons who live on fixed incomes with little or no ability to create new income. As a result, we are asking persons to make contributions today with the expectation that at sometime down the road they can benefit from the contributions that they have made.

Sir, the question of a benefit principle comes into play. How does one benefit from the contributions made during a lifetime of work when that person has reached retirement? It

therefore means that the future of the economy is extremely relevant to the well-being of pension plans. Sir, excessive inflation could erode the purchasing power of a pensioner's income sometime in the future and, perhaps, the most damaging of all would be a potential devaluation of the currency, as has been the case in Jamaica.

Sir, I think that we all will agree that Barbados has reached a point where that consideration has been pushed beyond recognition and is not even in the contemplation of leaders in this country.

Sir, we understand, only too well, that the target is how best can we provide an environment in which pensioners are able to sustain a level of living that is acceptable to the society and in which they can avoid poverty in the future. We are not so sure of the future and, therefore, we do not know, even with the best of intentions, what the future holds. We are simply trying to prepare for a future of uncertainty.

Mr. Speaker, it is going to become increasingly difficult to secure jobs in this new global environment. Job security is going to be, perhaps, the most difficult thing to recognise and to sustain in a new Caribbean and in a new western hemisphere.

Sir, the movement of workers which would be required as a result of the changes in the economy, in fact, necessitate the capacity to carry forward pension rights and pension benefits.

We have to recognise, notwithstanding the critique of the Prime Minister, that as you grow older, health costs increase substantially. It is a question as to whether or not the pensions of the retirees could sustain a lifestyle that has been altered by the fact that health service delivery becomes increasingly costly to an elderly person.

Sir, it is not that you are in a situation where when you took out the pension plan your life circumstances would remain constant. There is a special consideration that has to be taken into account that as you grow older, your capacity to service your health needs increases substantially. I think that we are aware of this because individuals become more prone to illnesses and illnesses are extremely difficult to manage and that is a concern that we need to look at within the context of the aging population of Barbados. I repeat, when you took out the pension plan you were young and vibrant but when you reach retirement age your circumstances in life have been altered by age and this creates a difference.

Sir, within the context of the legislation we see:

Clause 3 (b) “a pension plan that is established for persons employed outside Barbados and that has a substantial connection with Barbados.”

Sir, the use of the word substantial there is an attempt to describe at Clause 3 (2.a) that a pension plan has a substantial connection with Barbados where part or all of the benefits payable under the pension plan are payable in Barbados.

Mr. Speaker, we would need to know what part entitles the beneficiary of the plan to get such benefit if there is a substantial connection with Barbados. What part of the benefits payable would be considered appropriate. Is it 30, 40, 50 or 70 per cent? We need clarity in relation to establishing this so-called substantial connection with Barbados.

Sir, I understand the need because in this new global environment where there is going to be the movement of labour across the CARICOM region, we definitely need to consider that Barbadians would be working outside of this jurisdiction and would be employed across the Caribbean. Therefore, the extent to which the word substantial is relevant to the legislation has to be explained.

In addition to that, Clause 4 (2) says that the Supervisor is being asked to supervise a large amount of pension plans in Barbados. Sir, we know what the requirement is immediately. It is, rather than simply saying that the supervisor is going to administer, we need to know whether or not the supervisor has the capacity to administer. This has not been addressed.

11.50 a.m.

Sir, the establishment of pension plans, as explained in the legislation is going to mean an increased cost of doing business. If employers are serious about providing such pension plans for workers, it is going to mean a substantial increase in costs.

I am intrigued by the use of the word, “multi-employer”. I would think that the greatest requirement for pension plans in Barbados would have to be in the small business sector, in terms of the provision of pension plans for the less fortunate workers in Barbados. Sir, to the extent that a business is already small and may lack the capacity to establish such a plan, there has to be provision, and apparently there is, for small employers – I mean the size of the business – to come together in order to ease the cost of providing a pension plan. There must be the capacity of small businesses to come together because, by its very definition, any type of insurance is going to be fraught with risks.

The only way in which you can confront risks is by increasing numbers. This is why, if a small company decides to establish a pension plan, and that company only has five employees, the actual cost of providing such a plan to those employees would be substantially more than a company that has 2 000 employees, so the question of pooling and coming together is extremely important.

Sir, the question is, to what extent would that coming together provide a legal entity that is recognised in law? Is it that the small companies will form a separate company for the purposes of establishing a pension plan to derive benefit for the pool of employees across the various small companies? Is it the case that small companies can come together, establish a pension plan for individuals in Barbados to be able, notwithstanding the small size of companies, to derive benefits that are being contemplated within this legislation? If it is possible for small companies to form a company that provides recognition as a legal entity, in the delivery of this service to these employees, then I need to ask the other question. Would companies be allowed to transfer shares to establish a company for the purposes of delivering such a pension plan, without being forced to pay a property transfer tax on their shares?

Sir, I can see every good reason why all employees in Barbados would wish to become part of a pension plan scheme. We have been told that only one-third of the existing labour force, in fact, is covered by a pension plan in Barbados. As we have recognised, the majority of businesses in Barbados are small.

Sir, if the majority of businesses are small and there is an obvious cost of providing these plans, then the Government itself has to find a way to facilitate small businesses coming together to deliver these pension plans to Barbadians. This is a major requirement to consider because as you know at this stage, it is not possible for a company to see a business opportunity, in a highly flexible and dynamic marketplace to set up a company to exploit such an opportunity without having to pay property transfer tax, if the company transfers shares to the new company.

I am saying that I can see every reason why there is need to come together as small businesses to provide this particular service to the employees of Barbados. There is nothing wrong with it, so that is a major consideration which has to be pursued and recognised.

The other area of concern is at Clause 5. (3)(a) and this is where the cost to a potential provider of a pension plan comes in, that the administrator of a pension plan should apply to the Supervisor within the prescribed period of time for registration of the pension plan.

"5.(3) An application for registration shall be in a form approved by the Supervisor and shall be accompanied by

(a) the fee prescribed by the Minister of Finance;"

Sir, it is important to know what that fee would be. The other question, is that fee going to vary with the size of the pension plan, or is it a fixed fee across the board, regardless of the size of the company or the pension plan? Again, this is something that has to be considered because, if you are seeking to establish pension plans for employees in Barbados and, if you are telling me that the majority of businesses in Barbados are small, then, there must be some provision within this legislation to permit small businesses to become part of this process of providing for the future of their employees.

I repeat, the best way to do it is to allow small companies that share similar interest, friendship or whatever, to establish a separate and distinct company, without having to pay the property transfer tax that is required, if shares are transferred to that company in the process of establishing such an entity.

I can obviously think in terms of gas station workers in Barbados who have been crying out for a long time about their rights, and several of them happen to be females. Sir, why should one small Shell company that employs only 10 persons, be asked to put together a pension plan for the benefit of its employees, when it is possible that the entire group of gas stations could come together and form such an entity, with a wider pool of employees to benefit the overall cross section of the workers within the gas station sub-sector of Barbados.

We know that gas stations have become quite popular and have become very diverse, and that is in correlation with the increased level of cars on the road. There is no reason why, in the distant future, there should be a reduction in the population of cars in Barbados. Sir, we may continue to see an upsurge in the establishment of gas stations. In fact, I would argue that over the last nine years, employment creation in that sector is second only to the creation of employment in the public sector of Barbados. We would be on course if we can provide for the merging of similar type small businesses in Barbados so as to be able to deliver and execute pension plans on behalf of the employees.

12.00 noon.

Mr. Speaker, if you look at the legislation at Clause 5(3) (b) through (f) you would see that one has to provide

- (b) certified copies of the documents that create and support the pension plan, including any relevant collective agreement;
- (c) certified copies of the documents establishing the pension fund related to the plan;
- (d) a certified copy of any reciprocal transfer agreement related to the pension plan;
- (e) an initial valuation of the pension plan that has been prepared and certified by an actuary; and
- (f) any other prescribed documents.

There must be a major cost associated with the establishment of a pension plan. Therefore, special consideration must be given to a small business in the process of establishing entry plans for their workers.

This is good legislation, but it cannot be fully implemented unless it is affordable at the smallest business level in Barbados. This is an additional cost to the employer. This legislation is relevant, important and necessary, but we must not fool ourselves because when we look at Clause 5 (3) (b) through (f), there would be associated cost to businesses in Barbados. That is an area that has to be addressed in terms of how we facilitate the establishment of these pension plans, laudable as they are, for benefits to be derived.

If we accept that health cost increases with age, there needs to be an option of a lump sum payment within any pension plan that we intend to provide in Barbados. The beneficiaries of pension plans ought to be able to get a lump sum payment at the point of benefit. The beneficiaries must be able to determine if they could have more of what is given them now, or if they have to wait and receive it like an annuity.

Asides.

Mr. C. A. MASCOLL: That is what is happening with the National Insurance public pensions. You have made a determination that persons could retire either early or late or as is stated in accordance with the retirement age by six months for every four years until 2018. If you could make such an adjustment within the National Insurance Scheme and justify it, then what is wrong with saying that there are and there will be substantially increased cost in providing health services and then give greater option to the beneficiaries to receive a larger lump sum payment up front. I see nothing wrong with that. What is there to deny that right to an individual who at the age of 65 after retiring recognises he or she has a chronic or a fatal illness, and you

know that, and he or she has paid his or her way for the last 30 years with respect to a pension plan.

Mr. R. D. MARSHALL: On a point of order. Mr. Speaker, I hate to interrupt the Honourable Member for St. Michael North West who in speaking, questioned why they could not have the opportunity to withdraw more than 25 per cent. I want to say to the Honourable Member that the whole thing about a pension is for people's retirement and the money should remain in there to keep funding the plan all the time.

Mr. SPEAKER: Honourable Member, please, that is not really a point of order, please.

Mr. C. A. MASCOLL: I can respect the intervention the Honourable Member is seeking to elucidate. However, laws and legislation are made to be changed. Ideas will be changed over time and you do not have to sit in the past. The whole future is about making adjustments to suit the environment in which we are supposed to enter. Prevailing conditions would have determined what transpired in the past in terms of that 25 per cent being established. All we are suggesting now is that for the future there may be a need to give greater consideration to that especially in an instance where a person recognises that increased health cost might become exceedingly burdensome and that the opportunity to live a long period of time may not be there. One is therefore asking why could there not be some degree of flexibility in pension plans for the future, that is the concern.

In terms of the National Insurance Scheme, I suspect that what the Barbados Association of Retired Persons (BARP) is saying is that there is a provision for a \$30 000 allowance threshold for a pensioner, but if that pensioner gets \$2 000 from a private source and then get \$1 860 or so which is the maximum from NIS, then that is almost \$3 700 per month and \$30 000 per year would be \$2 500 per month, therefore the individual pays taxes on the \$1 200 residual. The Barbados Association of Retired Persons is therefore asking why could you not ease the taxes on that \$1 200 per month.

You cannot say on the one hand that there are too few people who would benefit from such a measure, and then put other measures in place that would benefit the pensionable class such as the adjustment to the land tax and the like. If there are only 109 persons who would benefit from such a provision, what is wrong with BARP making special representation for those individuals. There are only 109 persons and I cannot see any good reason why BARP cannot be seeking to make representation on behalf of its members because if we accept that there are only 109 persons, then the impact on Government taxation cannot

be substantial. The Barbados Association of Retired Persons is making provisions as a group for consideration to be given to special circumstances.

What do we invest in, in terms of the future? When you place your money with an insurance company what would be the opportunity for investment, so that at some time down the road you can get an interest on the monies that you have placed with the pension plan. There are obviously little or no opportunities.

In Barbados as it stands, you only get about two per cent now on your savings. In fact, the low interest rate environment has removed an opportunity for pensioners. Over the years, many pensioners in Barbados took their gratuity and placed it with commercial companies such as Cave Shepherd and Company Limited and DaCosta Manning, which saw that as an opportunity to get easy cash. However, with the reduction in interest, they are finding they can no longer afford to give a pensioner a five or six per cent return on such a gratuity placed with them. Therefore, in recent times, we have had a situation where pensioners are no longer able to place their funds outside of the commercial banking system. Sir, anybody wanting to verify this can check it because we have had large companies that have done it but in recent times have now decided that it has become a very expensive source of financing. In fact, companies have altered their moves in relation to the low interest rate regime, especially on the deposit side, that has come about in Barbados, across the western hemisphere and across the world.

12.10 p.m.

Therefore, that opportunity, even for the pensioner to have an alternative investment, has now been removed. Therefore, to what extent are we in Barbados able to provide opportunities for financial entities to seek alternative forms of investments? I daresay they are extremely limited, except where one becomes heavily involved in real estate, where the returns are or used to be particularly high and continue to be. Areas such as pensions funds or depositing one's savings on a commercial bank, are no longer desirable areas.

I am sure the Honourable Member for St. Michael West Central is only too happy to know that perhaps insurance has become an even bigger alternative than depositing one's funds at a commercial bank. I do not know if the Honourable Member intends to continue on that path where he was able to do extremely well or whether the Honourable Member has become a real estate person.

Sir, to be able to get investment opportunities, we need to look beyond Barbados, and this is where the region becomes more attractive. What is happening to Barbados, and it is highly recognised, is that Trinidad and Tobago

companies and others are finding Barbados attractive, so that the movement of capital might come this way.

Whereas, what we are discussing is how we could now seek to encourage and provide companies in Barbados with opportunities to invest outside of Barbados so as to diversify the portfolio. A person does not want to put all of his eggs into one basket, neither does he want to put all of his money into short-term investments but would want to diversify in the long term, which would give a better balance. If he could also invest in different currencies, this would be good too because it would give greater opportunities to hedge against future risks.

Sir, the question is, to what extent does the coming together of the region going to provide for an environment in which there would be greater investment opportunities for Barbadian companies, and to the extent that we could better manage against the risk of the pension plan which we are seeking to establish here today.

Sir, given the recent soundings in Barbados, the fact that there would be no discrimination across the sexes, gays or prostitutes, we might need to revisit this clause very soon and might need to make some amendments to this legislation.

Clause 1.3:

“For the purposes of this Act, a reference to a “spouse” includes

- (a) a single woman who was living together with a single man as his wife for a period of not less than 5 years immediately preceding the date of his death.”

It might soon become possible for a single man or woman who is living with a single man or woman as his or her husband or wife for a period... In such a case, we could become very confused in establishing who is who and, therefore, there is the need for some clarification on this matter.

Mr. Speaker, we have been told that companies now require very long periods of eligibility and that one thousand hours of employment would make an individual eligible for benefit in a pension plan.

Sir, we have to be careful. Years ago, given the difficulties that the economy were experiencing, I well recall that some years ago, some employers in Bridgetown had decided to put their employees on half-day employment, and had made sure that these individuals did not work for more

than twenty hours, in which case they would not have qualified for National Insurance Scheme benefits.

Therefore, while we are here seeking to do a good by establishing a time period, we have, very carefully, to watch the response of the private sector because they are in the business of looking to cut cost at every turn.

I repeat, it requires twenty-one hours per week to qualify for National Insurance Scheme contributions benefits and several of the young ladies in Bridgetown were deliberately put on a twenty-hour work week, so that the liability of covering National Insurance Scheme cost would not accrue to the employers.

Therefore, I am hoping, depending on the disposition of the employer, that they would not use this thousand-hour requirement to make adjustments willy-nilly, so that they would not have to commit themselves to any responsibility with respect to pension plans.

Sir, we are Honourable men and women in this Chamber and, as best as we could, we seek to look down the passage of time and to provide for any difficulties that the less fortunate in society might encounter but sometimes in putting together certain issues, we might not recognise that we are creating additional loop-holes. I would, therefore, hope that employers would not see this as an opportunity to do something against the benefit of the employees.

Sir, we said, and correctly so, that there should be the separation of pension plans from the accounts of companies. Mr. Speaker, there are several companies that we do not have a clue about with respect to their accounts. This, therefore, means that there has to be increased supervision. It has to be substantial as well because Government is saying that there is the need to separate pension funds, and rightly so, from the company, so that one could easily tell how they are being managed, and if they are managed in the interest of the employees.

The question is, on annual basis, how do we know this is being followed? In fact, how would one know if the Caribbean Broadcasting Corporation (CBC) decided to adopt such a plan, that it would be actively and effectively carried out? Sir, for many years, the Caribbean Broadcasting Corporation (CBC) has refused to provide adequate accounts. How do we know that the Barbados Tourism Authority is going to pursue such a plan or that an individual who loses his job at the Barbados Tourism Authority would be entitled to pension rights if this had been done five years from now? How do we know that the Transport Board is actually separating the pension funds from the accounts?

12.20 p.m.

We have heard discussions in this Chamber about the need to separate the National Insurance pension scheme and there is no good reason why the process of doing so cannot start at statutory boards since they are special entities in themselves. We also know about the incompetence in terms of delivering accounts at statutory boards so this creates a major task for the Supervisor of Pensions and this means substantial supervision on the part of the Supervisor of Pensions. How is the Supervisor of Pensions going to get into these companies? Is he going to receive the accounts on an annual basis and if he does not receive the accounts what enforcement could he put in place to guarantee receipt of them?

Sir, there are going to be major concerns with respect to carrying out and executing the regulation. Sir, the legislation says that the Bill will provide for the establishment, management and regulation of the occupational pension plans. It is possible that large companies would allow another accounting company to manage its pension plans on its behalf, but can small companies afford to hire Ernst & Young? Sir, the question of size becomes important because lawyers will tell you that you should charge for a conveyance in relation to the difficulty of it.

Asides.

Mr. C. A. MASCOLL: Perhaps, the individual suggesting that has stopped practising law for a long time because I am told that small conveyances can be extremely difficult.

Therefore, if a wealthy man buys ten acres of land and there is no difficulty as to who was the previous owner but a man buys 4 000 square feet of land and there is complexity, then the lawyer can charge according to the difficulty of the conveyance and poor people would end up paying more money for a conveyance than a wealthy person.

Therefore, I wish to say that if a small business decides to hire an accounting firm, how would that firm charge a small business *vis-a-vis* a large business? Sir, it cannot be on the basis of size because the issues relating to managing a pension plan would be the same because cost is not distributed on the basis of size because you do not know the complexities that can arise.

Sir, this legislation is good but there is an underlying hidden cost that could be substantial for the persons who most deserve the benefit of any pension plan that could be put in place in Barbados. Sir, this has to be addressed because we are not sure exactly what we are talking about in relation to the future implementation of pension plans across the various businesses in Barbados and this creates a problem.

We were told how pensioners would respond to difficult times in the future. It is okay to put a pension scheme in place but what are we doing in terms of utilising the skills of retired persons in Barbados and giving them the flexibility to earn more because we are seeing some 65-year-old retired persons in Barbados who look very young and are mentally alert. Would it not be cheaper to hire qualified retired persons whose national insurance you do not have to consider and whose level of taxation is insignificant? Perhaps we need to look to a future that contemplates giving greater job opportunities to retired persons because the future is about reversing the adult population in Barbados. The future is not about primary school, secondary school and tertiary level but it is about how to redefine the adult population because to add 1 000 a year to a workforce of 120 000 is not going to create the quantum leap to put Barbados on the map in terms of efficiency, productivity and the overall future economy of this region and the world.

Sir, the essence of the future has to do with how we reposition, retrain and retool the working population of Barbados to cope with the new global reality. A combination of the young who are technologically driven and the old who are experienced and have all the skills required can be used to retrain the workforce.

Sir, the future has to be one where we reverse what was done in 1961 and focus on the elderly within the population. In the absence of hoping and reversing the trends in the adult population, there is no hope for us to cope with this new global reality.
12.30 p.m.

Asides.

SUSPENSION

Hon. R. R. FARLEY: Mr. Speaker, it is now 12.30 p.m. and the Leader of the Opposition having given way, I beg to move that this Sitting be suspended until 1.30 p.m. this afternoon.

Hon. R. C. EASTMOND: I beg to second that, Sir.

The question that this Honourable House be suspended until 1.30 p.m. was put and resolved in the affirmative without division and Mr. SPEAKER suspended the Sitting accordingly.
12.31 p.m.

RESUMPTION

Mr. SPEAKER: This Sitting is resumed.

The Honourable Member for St. Michael North West may continue.

Mr. C. A. MASCOLL: Mr. Speaker, it is always difficult to resume after lunch. You know that when you are in stride and you are taken out of your stride, you need to once again penetrate.

Asides.

Mr. C. A. MASCOLL: In terms of the overall legislation as we have shown, the Pension Plans for the elderly would be very critical in this new environment that we are going into because of the question of job security and the uncertainty of the economy, not only locally but regionally as well as internationally and then the whole complexities resulting from the integration of different states within CARICOM and the whole question of the portability of pension plans.

Sir, this environment would differ from any other that we have encountered. It is almost similar in nature to what is being experienced and would be experienced locally, in the BARTEL rate hearing. The circumstances are just different.

Sir, whatever the circumstances, it must be recognised that the ultimate aim is to make sure that a pensioner is no worse off in his or her retired days, than he or she was in their active working days.

This is very difficult to achieve, because whereas the ordinary worker could respond because of flexibility and enhanced income if opportunities provide, the pensioner to a large extent is on a fixed income. In this regard, it becomes the responsibility of the state to try to provide where possible, the most amenable conditions for such standard of living to be sustained by pensioners in their retired days.

I have already alluded to several matters pertaining to the question of the substantial connection. We need to recognise now that Barbadians will find it easier to go abroad and work, particularly within CARICOM, that we need to clearly define what we mean by substantial connection for the sake of the pensioner.

I also alluded to the fact that the question of supervision and regulation becomes critical, resulting from the significant exposure of small businesses to potential pension plans for workers. This would mean, not only additional work on behalf of the small businesses, in terms of providing accounting data but being able to demonstrate that they have separated the pension funds from the other accounts of the business.

The supervisor, in terms of executing, a portfolio that would certainly constitute an unending number of potential applicants for pension plans in the foreseeable future, now has to consider the following:

- The question of the overall cost of being able to get into a pension plan, and the adverse impact that it would have on smaller businesses *vis-a-vis* the larger businesses;
- The capacity of the larger businesses to use an accounting firm to manage a pension plan which would be beyond the reaches of small firms;
- The whole question of size, and even if a small firm retains an accounting firm to manage a pension plan, on what basis does such a firm determine the rate at which it occurs, and would it be detrimental to the small firm, relative to the larger firms;
- The whole question of the capacity of small firms to come together as a legal entity that is recognised by the legislation;
- The capacity of small firms to come together for the purposes of establishing a multi-employer pension plan, and to what extent would this be facilitated. We know that when small businesses attempt to transfer shares to establish another company, there would be the hindrance of a property transfer tax;
- The extent to which small firms will be accommodated in pursuing pension plans for the benefit of employees.

Sir, these are several issues that we have attempted to raise, in addition to the whole question of the possibility of pensioners being able to get access to lump sums at the appropriate time to cater and deal with health cost that is rising.

The overall question of the pensioners not being in a position, in today's Barbados to deposit gratuity or other lump sums with established companies in Barbados to achieve a much better interest rate than 2 per cent, and to what extent companies have now seen that as an additional cost, which they do not wish to carry in a lower interest rate environment, and the whole gamut of issues.

The issue perhaps that we have not dealt with, is the whole question of information technology and communication technology. One can anticipate that in a globalised environment, it may become possible for companies in Barbados to be able to invest resources, or even to seek insurance from companies offshore. This would have implications for the overall level of business in Barbados and throughout the Caribbean.

As you know in the United States, with such a large pool of over 252 million people, insurance companies are able to offer plans at very affordable rates. If a position or a situation arises where a local company or business can actually seek insurance offshore, then it is going to have implications for the overall insurance companies within Barbados and throughout the region.

Trinidadian companies have started to see Barbados as a very attractive place to invest and I cannot think of any reasons why that cannot be extended beyond the shores of CARICOM. In the event that it does happen, you can therefore understand a very large company being able to get a hold in the CARICOM region, and the implications that it could have for insurance coverage and the reduced cost that they can bring to the market and consequently, the level of competition that can ensue and put tremendous pressure on the indigenous insurance industry across the region, not only in Barbados.

Sir, with the availability of information, and the capacity to search the world, in an attempt to exploit whatever opportunities that are available, the whole question of being able to communicate effectively and easily, by way of computers and other means, does give the local business community and the regional community greater chances for investment opportunities outside of the CARICOM region. One can anticipate, not under the World Trade Organisation (WTO) as much as under the Free Trade Area of the Americas, the potential for very large entities, commercial and insurance companies, to be able to ply their trade within the CARICOM region and as a consequence to becoming significant competitors to local and regional insurance companies. There is no reason why the tendency to have mergers or to seek partnerships with more established companies in the developed world would not be pursued in a new CARICOM and a new Barbados. That again is going to have severe implications for the provision of services, the delivery of this area such as pension plans.
1.40 p.m.

For the world to truly integrate – we are talking about the integration of services as opposed to the trading of goods because the trading of goods has been with us since the 16th century – the area of providing services, which would be health care, insurance financial services and legal services would now become open for competition and could constitute the major threat to regional economies in this new globalized world.

We are really talking about how do we provide a future that is affordable to a wider cross-section of the Barbadian population while at the same time safeguarding the commercial interest and the financial interest within Barbados and the rest of the region. So you are looking to

become part of the wider western hemispheric movement while at the same time trying to develop a more sustainable and more competitive economic environment.

There will be two forces competing against each other. If you are going to allow for the free movement of capital and the free movement of labour, then on the one hand you cannot restrict and on the other hand allow the free movement. I see a future in which Barbadians, sooner rather than later, may be able to go on the internet, access a company from somewhere, key in information with respect to their identification, visa card and a whole number of other things that they would be required to use and then secure a policy from some North American firm. That is the way of the future and it cannot be prevented.

Sir, this is unlike a physical good, like a car where a Government can impose restrictions on the age of a car to allow for competition among the more established car firms and thereby prevent an emerging class from coming forward in terms of reconditioned cars. It is going to be difficult in this new global environment to prevent or restrict that because it would require excessive policing to be able to determine when and how people use technology for their own good. It would not be something that is visible to the eye.

Mr. Speaker, it is quite likely that sooner rather than later we would all be allowed to hold foreign currency accounts and have balances, like some who have already in Miami, where we can then stay in Barbados and manage our finances across the world and access anything that you want to access with respect to your finances. No one is going to be able to prevent an individual from so doing in the not too distant future. The capacity is already there. It is whether or not we are going to be so pulled into a system that the true concept of liberalisation takes roots and creates a special environment within which we have to operate. Unless that is what the future is about, then there is really no future.

I am on record as saying that I cannot see globalisation working as is contemplated because there are too many issues to be resolved by persons who put the rules in place and then are seeking to negotiate hoping that the same rules which they have established would resolve the negotiation. If that is so, it cannot work because if you have a dispute and it cannot be resolved within the rules which you have established, then there is no settlement to be achieved and therein lies the dilemma within this new global environment called globalisation and free trade, because you are negotiating with the rules which you have determined yourself, a body that has been established to control. You cannot control in such an environment. Nevertheless, it does not deny the fact that even though this is at an experimental stage that the developed world would not seek to impose its

will on us. We cannot ignore that potential and that reality. Therefore, even though we may prepare in vain for a new global environment it is necessary for us to be prepared.

I am on record over the last five years as saying that it will fail and I do hope that it would fail. I cannot see how it would provide major substantial benefits to developing countries unless they are willing to compromise. Even in terms of searching for investment opportunities around the world where we can try to diversify our investment portfolio by having the freedom to move capital as we like, if that is allowed, and most likely it would be allowed, it may be the only part of the process that is fully allowed, then it is going to have severe implications for regional and domestic economies.

Therefore, we are caught in a trap of being small. When it comes to risk and accepting risk, being small is not the desirable size because in order to confront risk you need to have large scale and therein lies our dilemma.

In terms of the provision of insurance not only at the individual level, but the provision of insurance and buildings across the regions with several million people, you can see that we are already trapped in a world where our very size now becomes the liability particularly in this area. So it is no longer the case that being small would be a good thing to be which allows you to manage rough seas. It is going to be the case that being small is going to be a liability in the future world economy and therein lies the dilemma.

As I said recently, if two or three countries within the region decide they can carry forward the process of CARICOM more quickly than the whole and the whole is not recognised by international organisations there is really no merit in having two or three countries within a grouping any longer deciding to advance the cause of the whole because unlike in the 60s and the 70s when CARICOM was what we were pursuing, we are now being controlled from without and as a result it does not really make sense for any small entity to take hold and run the route.

Mr. Speaker, I am satisfied that we have made some contributions to this debate and have raised some very important issues. Nonetheless, we have not exhausted the issue because we intend to work as a team. Therefore, I will rest my case by saying that there are some other issues which need to be addressed and I would allow for others on This Side to make their input and contribution.

I thank you for having heard me.

Mr. R. D. MARSHALL: Mr. Speaker, I too rise to make a contribution to this debate on the Occupational Pension Benefits Bill.
1.50 p.m.

Mr. Speaker, it is a fact that if one does not die young, he would live into retirement years. It is at such time in one's life when one stops working that he or she has great concern as to what is going to happen to him or to her with respect to finances. When people stop working, they stop earning but do not stop spending.

Mr. Speaker, from my experience in the insurance industry, I know that people put retirement on the back burner. They do not realise that when they plan for their retirement at an early age, which would mature at age 65, it is that compound interest that would accrue and would assist them in the future. On the other hand, if an older person contributes to a pension plan, he would have to contribute more funds in order to have the desired amount of accumulated pension for the future.

Sir, a pension plan could be set up by employers for employees. I heard the Honourable Member for St. Michael North West speaking about small plans but any provider of pension benefits, such as an insurance company or a trust company, could tailor a plan to meet those needs.

I also heard the Honourable Member speak about the cost to the employer but when one invests money in a pension plan, the cost could come out of the returns, for example, money is invested, money then comes back from that investment, the investor then takes out his cost of doing business and the remainder goes into the investment. It is similar to that of mutual funds.

Mr. Speaker, people entering the job market are sometimes only interested in salaries, vacations, *et cetera*, but many of them do not enquire about benefits such as health insurance, pensions, *et cetera*. In the Caribbean, people are not as concerned with such things as in the wider world.

Mr. Speaker, I am appealing to young people to enquire about pension plans and other benefits. I believe the Government Information Service could look at educating the population about pension arrangements. I believe the National Insurance Department at one time used to have town meetings. These could be used to encourage persons to become involved in pension arrangements because, as I have already said, years could creep up on a person very quickly.

Sir, another issue is that there might be an employer who is not interested nor in a position to put pension

arrangements in place for his employees but there are individual funding arrangements where the employee could put money through a registered retirement savings policy. Sir, there are professionals such as doctors, lawyers, *et cetera*, who may not have a company formed but can still invest into a registered retirement savings plan, which could be used as a vehicle for savings for their retirement years.

There are also other areas in which people could invest towards their retirement. Some persons speak about real estate, mutual funds, stocks, bonds, *et cetera*, but the traditional way of a pension plan is getting involved in a pension arrangement between employer and employee.

Sir, with regards to pension plans, I know that a company could contribute up to 15 per cent of the employee's salary and add that 15 per cent as a tax deductible expense to the company. There are also arrangements known as non-contributory pension plan where the employer puts in all, and contributory pension plan, to which the employee contributes.

Sir, in relation to the non-contributory pension plan where the employer contributes all, the employees could also contribute to that plan and have their pensions topped up, so to speak. I also know that if an employer puts a pension plan in place for his employees, those employees could also contribute to the pension plan in lump sum payments. This is known as a past performance which is the number of years in which those employees have contributed to the plan but, indeed, there is no requirement on the employees to contribute to the past performance plan.

Sir, as the Honourable Prime Minister rightly said, there are plans where a person could only have access to the employer's contribution after that person has been in the plan for approximately ten years. This is called a vesting plan where, on leaving the plan, the employee is entitled to the money that was put in, but in relation to the employer's contributed portion, the employee is only entitled to that after a given time.

Sir, when I was involved in the insurance industry, I know that a person could have gone into a pension arrangement and on leaving that employer, the funds that the employee has contributed to the plan would be returned to him. Sir, you also have access to the employer's contribution under what is known as the vesting schedule. In the past if you worked for only one year you had no rights to any of the contributions made by the employers but, as I have said, you are always entitled to your contribution. If you leave after five years you are entitled to your contribution made on your behalf by the employers as well as those made by you.
2.00 p.m.

If you leave a pension plan of a company, you can take your contribution and roll it over to the pension plan of the new employer without triggering taxes but if you decide to spend the money for real estate or buy a new car the money becomes taxable in the year of income.

Sir, when the Honourable Prime Minister winds up this debate, I would be grateful if he could advise as to what would happen with the Caribbean Single Market and Economy when there is movement of funds within the region. In the past large insurance companies like Confederation Life and Manufacturers Life had pension plans that were based on legislation in North America and Canada but now that we are talking about WTO, Mr. Speaker, if these large conglomerates come back to the Caribbean, it would augur well for pension arrangements. Again, I hope the Prime Minister would give some insight into these matters.

Sir, a pension is for the benefit of the employees of a company and not for the employer. The question then is what happens to the pension if a company is dissolved. As I said before, no employer has access to the funds of an employee and funds remaining in the plan after an employee leaves the company should be used for the remaining members of the plan and not for the employer. In the past some employers believed that the residue should go back to them but that money should remain to be used for the remaining members of the plan.

Sir, if a person dies after contributing to a plan for ten years, the person's beneficiary is entitled to his contribution as well as a percentage of the contribution of the employer.

Asides.

Mr. R. D. MARSHALL: The Inland Revenue Department considered a fully vested plan to be one where the employee contributed for five years or more.

Mr. Speaker, the Bill says that it is essential that contribution and benefits be locked in until retirement. I am not sure that I support that because there may be extenuating circumstances in a person's life, for example, a person might become terminally ill and he might want to surrender his plan and the person should be able through his doctor to put a case to access his funds.
2.10 p.m.

I believe that a person should be able, through his doctor, to tell the insurance company that he does not have a long time to live...

Asides.

Mr. R. D. MARSHALL: Sir, a person should not have to wait until he dies for a decision to be made by the Inland Revenue Department to decide what they are going to do with the funds.

Mr. Speaker, I believe that a person should have a say in what form of benefit he should be entitled to have that benefit while he is still alive, terminally ill and unable to pay his medical bill.

For example, I had a client who was sick and wanted money from his pension plan to assist him and a case was made to the Department of Inland Revenue.

Asides.

Mr. R. D. MARSHALL: Sir, there are provisions in pension plans in Canada, for a one-off situation, where there is a special arrangement where money could be taken from that pension plan in order to assist you in acquiring your first home.

Sir, years ago, in conjunction with another agent, I sold a pension plan to a company. This company was being dissolved in Barbados and the remaining members of the pension plan did not have access to their contributions or to the company's contributions because the members of the plan were not leaving the company. The decision was taken that the money would have to be vested in the members of the plan as deferred annuities. Therefore, they would only have access to those funds on retirement.

Asides.

Mr. R. D. MARSHALL: Sir, this legislation refers also to the winding-up of a pension plan. This Bill states that both the employer and the employee should be permitted to share in any surplus in a pension plan. I already said that a pension plan is not for the benefit of an employer. It is only for the benefit of the employee.

Mr. Speaker, on retirement a person is entitled to a pension. He also has an option to receive 25 per cent of the total package in cash and then an actuarially reduced pension.

The Honourable Member for St. Michael North West spoke about the 25 per cent and wanted to know why more than 25 per cent as lump sum. Sir, we have to trust the actuaries because they know what they are doing. Mr. Speaker, when actuaries say that a person is entitled to a 25 per cent in a cash and a reduced pension and not more than that, we have to trust them because they would have used scientific data to have arrived at that position.

I want to say that a person always gets his money from a pension plan. For example, a person might ask, suppose I retire from work today and live for one year after my retirement, what is going to happen to my money from the pension plan. Sir, the answer is that the money goes to his beneficiary as a pay out. If the person lived for ten years, he would receive payments for ten years, and if he survives a longer period, payments are made to him until death.

However, if the person died in the first year of his retirement, the difference of nine years payments would be paid to his beneficiary in a lump sum. If the pensioner lives for nine years after retirement, the difference of one year's payment would be paid to his beneficiary.

Mr. Speaker, I am obliged to you.

Mr. D. St. E. KELLMAN: Mr. Speaker, I rise to speak on this Bill and make a few observations. The Government has brought this Bill to this Honourable House under the impression that they are about to improve the lives of the citizens of Barbados. The one thing that must be acknowledged is that this particular Bill must be seen in light with the new Amendment that was made to the Social Security Programme called the National Insurance Scheme. If this Bill is analysed, one would have to ask at the end of the day, would the employees be better or worse off.

Mr. Speaker, I want to say that this particular debate is nothing new to me. Every time we discuss insurance, whether it is national insurance or any other form of insurance, I have always sought to introduce in the debate what is in this legislation today. I have been trying to debate this for nine years and I am happy to see that this Bill has finally come to this Chamber. Sir, people in Barbados are administering pension plans and do not know what they are doing.

Asides.

Mr. D. St. E. KELLMAN: Sir, most pension plans require that one has to complete ten years with the company before one can get any benefits from that particular pension plan. If an employee leaves the company within ten years he cannot benefit from the plan.

Asides.

Mr. SPEAKER: Please, please, please.

Mr. D. St. E. KELLMAN: Mr. Speaker, I will give some evidence to show that the Honourable Member is out of his depth on these particular matters, even though he has worked for insurance companies and should be knowledgeable on such matters.

Mr. Speaker, the best known pension plans in Barbados, from public debates, would have been the Barbados Sugar Industry Limited Pension Plan and the Barbados Development Bank's Pension Plan. I want to make the point that most pension plans always speak about employees leaving a company but they do not refer to the company leaving the employees. The Barbados Sugar Industry Limited dissolved and the employer left the employees, and the people administering the pension plan sought to read the plan as if the employees were leaving the company. That is, there were employees who did not put in ten years, and people sought to make sure that they did not get any money.

2.20 p.m.

Aside.

Mr. D. St. E. KELLMAN: No. You do not need this law to correct that. That was corrected, Sir, because the companies which administered the pension plans were threatened, not by the unions that represented the workers, but a group of employees who had the foresight to understand what was going on and threatened to put the matter before the court.

Whereas they were looking at the employees leaving the company, there are some of us who look at it the other way, and recognised that the company was leaving the employees and that all employees, even if they had one year, were entitled to benefits. This caused a lot of conflict with an Honourable Member who used to be in this House, and it created some bad blood, but that Honourable Member was advised that if he wanted to get any information on pensions, the best place he could go anywhere in the world and study pensions, is on the Canadian market. That is why they prepared the CICA handbook, it not only dealt with the accounting principles, it also dealt with the law on pensions, *et cetera*.

Sir, there are not many countries in the world that put this type of legislation in place in the 1990s and before the 1990s. The Canadians have been able to master this particular topic. I have always said that if the actuaries doubted anything I was saying on the particular matter, the best place to research it was in Canada. They should study what the Canadians were doing with their pension laws, because they would have been the authorities.

I am proud to tell this House, Sir, that because of that particular debate within the sugar industry that the workers at the Barbados Development Bank were able to go home with their pensions because they also were being threatened that once they got severance, they were not entitled to their pension benefits. This is utter foolishness.

Sir, I am going to put some of the blame on the unions of Barbados and some employees because some of them did not even understand what to negotiate. Most people who have pension plans are given these things as benefits, which means that from the time they accept the contract, they have a contract with an employer.

Sir, we have to look at the locked benefits that we are putting in this legislation, because from the time the funds are available, they are automatically vested in the employees from the first week's or the first month's salary.

Aside.

Mr. D. St. E. KELLMAN: No. It is part of the contract. We need to look at it further, because there is legislation stating one thing, it does not necessarily mean that the legislation is correct. The legislation is disenfranchising the employee, because it is part of the contract and every time there are wages or salaries negotiations, that figure is also locked in and shown as a benefit. It deprives the employee from getting a higher increase in salary because that is also attached to the package.

Aside.

Mr. D. St. E. KELLMAN: You need to study this more closely, because you are in insurance, you are not the law to everything.

Aside.

Mr. D. St. E. KELLMAN: Of course not. You know I would not speak to you in that manner. I know that you would never dabble in matters like these. It is your role to preside over this Parliament and not to get involved in debates. You know, Sir, that I would not offend the Standing Orders of this Parliament because I understand them well and I could never refer to you in such a manner.

Sir, I am saying we have to understand that even though we are pretending that we are operating in the interest of the workers, as we put the lock-in system in place, we are interfering with the workers.

Asides.

Mr. D. St. E. KELLMAN: They should have their benefits in the same way that others benefit. Sir, there is a belief in this country that you cannot give poor people money because they would 'lick it out', but there is somebody out there who can better manage money for them.

I am saying, Sir, that when you read the CICA handbook, it tells you clearly the meaning of funding and a

funded policy. It also tells you that when you are terminated, those benefits are yours. Sir, even the law of Barbados tells you that you are entitled to them, because the only law in Barbados that refers to pension benefits is the Income Tax law. It tells you that if you withdraw your pension, you are entitled to be charged X amount of your pension benefit, and you have to pay that to the Income Tax Department. There is nothing wrong with that.

Aside.

Mr. D. St. E. KELLMAN: No, but what I am saying to you, is that even though the law is there and you can do it, you still cannot get your money when you want it. That is the point I am making. That is the only law in Barbados that relates to pension.

Aside.

Mr. D. St. E. KELLMAN: No. If it is withdrawn before retirement, you have to pay. At one time it was 25 per cent, but let us say that it is still 25 per cent, even though the law is there, it does not work, because you are never allowed to draw your money. You cannot have a law and it does not work.

Mr. R. D. MARSHALL: This is a point of elucidation. Mr. Speaker, the Honourable Member for St. Lucy is misleading this Chamber. I say that, Sir, because a member upon leaving the plan, is always entitled to a return of his premium, and a percentage of the employer's contribution to the plan, depending on the type of plan.

Twenty-five per cent is withheld as a tax which goes into the inland revenue, if it is not rolled over in a new plan. As I said earlier, the person then would have the other portion into their income the following year, for tax purposes.

Mr. D. St. E. KELLMAN: I do not know what you call that, but that is your entitlement.

Sir, the tone of the Government has been that employees should get involved in pension plans. It sounds laudable and it looks good on paper but it is not practical. In order for people to buy into pension plans, they must have increase disposable income, and coming at a time when employees disposable income has decreased by increases in national insurance. I find it extremely difficult that you can ask employees to get involved in a pension plan, when they have no available disposable income left because it has already been budgeted.

2.30 p.m.

Asides.

Mr. D. St. E. KELLMAN: The Honourable Member for St. Michael West Central is making a fundamental point that you should save money in order to have a pension plan. That is a good point, but in order to save money, you have to increase your disposable income because it is the disposable income that is used to decide whether you are going to save or spend. If your spending equals your disposable income, you cannot save. It is when your spending is under your disposable income that you could either save or invest.

Let us use a civil servant as an example. It is hard for a civil servant to have excess disposable income because the law as it relates to civil servants prevents them from 'moonlighting'. That is why my recent call to free up the workers in Barbados so that they can 'moonlight' must be studied. My recent call also for the disposable income of people to be increased at a time when workers are not getting real increases must be studied as well. If you are asking workers to do a lot more on the limited resources they have, you have to find a way to increase their disposable income at a time when they are not getting the salary increases they would like to receive. This means that you will have to make a shift from direct taxation to indirect taxation. That is the only way, outside of 'moonlighting', that you can increase the disposable income of workers. This is a clear case of "Kellmanonics".

It is good for Government to bring this Amendment to Parliament but the Government must understand that in order for it to work, they must create the climate. The Government is now admitting that the time is right for tax reform. It is not now right, it has been right since the early 1990s when the Democratic Labour Party Government entered into the stabilisation enhancement programme with the International Monetary Fund. Unfortunately for us, the Government changed so the Democratic Labour Party never got the opportunity to fully implement that programme. What I am saying is that if we want workers to empower themselves, although we are interfering with their social programme by asking them to increase their contributions to the social security programme and decrease the benefits, then we must find a way to compensate the workers.

This legislation by the Government is full of good intentions, but how practical it is, is what matters because at the end of the day you must have the money in order to invest in a pension fund. If the Honourable Member could tell me where the money would come from, I would be happy to hear. This has good intentions because the workers now would not have to worry about the third party who holds on to the funds and behaves as if the money belongs to them. I want those persons to understand that they are only the managers of those pension funds and that the people who

have the right to those funds are the workers. Some of the managers of those funds behave as though outsiders can continue to dictate who are the trustees to the fund. When a company is no longer in operation, the only people who can decide who will be the trustees to the fund will have to be the people who are part of the fund and part of the grouping.

Asides.

Mr. D. St. E. KELLMAN: Did I say that you do not have to regulate?

Mr. SPEAKER: Please! Please! Just continue.

Mr. D. St. E. KELLMAN: Mr. Speaker, a little knowledge can be rather damaging sometimes. When you are discussing pensions, some people feel that because they work for a company that administers pensions, that the criticism of the company is automatically a criticism of them.

We also have to understand that things like baby booms, ageing, growth of the economy and growth of companies must be taken into account if we are to seriously understand the implications of this particular Amendment today. It is all good to bring 'pretty talk' to this Parliament but at the end of the day there is something called getting it done, implementing it and making it work for all.

An Amendment like this cannot be seen as an amendment for a 'too few' it has to be an amendment for all citizens of Barbados.

Asides.

Mr. D. St. E. KELLMAN: The Honourable Member for St. Michael West Central have said to me that when I leave here not to come back, but I want him to know that at least it is only here that I would not have to come back, Sir. I was never privileged to have a ministry to have to leave it and not to come back, Sir.

Asides.

Mr. D. St. E. KELLMAN: We must be able to sell this programme to the public of Barbados with confidence. My Honourable friend from Christ Church East should be able to go into Christ Church, especially in his constituency, and tell every person there that we have passed a Bill in the House today to make law the Occupational Pension Plan of Barbados and they can all benefit from it because they have the disposable income to make it work. It is not just passing the Bill, it is creating the disposable income to allow workers to have money to buy into the plan which is the key. At the end of the day after this Bill is passed and we have not increase the disposable income of people, we are in trouble.

The Government of the day has made decisions for the private sector and have assumed that by simply passing this

Bill along with the amendment to the National Insurance Scheme that people would now be – I nearly said provoked – into buying a pension plan. What the Government of the day is now acknowledging is that their social security programme has been reduced since the last Amendment and that the workers of Barbados are now in such a position that they now have to go out there and find a pension plan to buy into to bring them back to where they were before, and I agree with the admission.

Hon. R. R. FARLEY: On a point of order. Mr. Speaker, the Honourable Member cannot seek to distort and pervert the records of this House. There has been no such amendment to the National Insurance Scheme such as would disadvantage workers. The Honourable Member needs to withdraw that remark from the records and let us go on in the spirit of accuracy.

Asides.

Mr. D. St. E. KELLMAN: Surely, Mr. Speaker, I would have thought that point of order would have come from the Backbench.

What we have to understand is that we have now impacted on the social programme. Is the Government mending or ending the social security programme? That is a serious question. Are they mending it or do they see down the road that they are going to have to end it? Is that the reason why they are now coming to put a pension plan in place to replace the social security programme? Let us remember, Sir, that we have had a debate in this House about the benefits of the social security programme. Sir, the reason why we had to increase...

2.40 p.m.

Hon. R. R. FARLEY: On a point of order. Sir, I hate to interrupt the Honourable Member, even though he is going down an intellectual cul-de-sac. If that is his choice to go there, he still cannot distort the record.

Sir, the Right Honourable Member for St. Peter was very clear that the Occupational Pension Benefits Bill, 2003, stands in parallel to the National Insurance Scheme, that the pension reform in the National Insurance Scheme has already been done. Sir, this takes care of those persons who are already entitled to a pension scheme but take a second pension, recognising that the National Insurance Scheme only deals with up to \$3 100 per month of income.

Sir, for years persons who earned more than \$3 100 per month and who wanted to be able to have pensions that

commensurate with their earning level when they retire, have taken out a second pension but it has been in an unstructured and under-supervised format. We are now bringing structure and supervision to the second pension. It has nothing to do with the replacement of the National Insurance Scheme. It has nothing to do with saying there is something wrong with the National Insurance Scheme. At the present time, the National Insurance Scheme is fine for what it contemplates and, therefore, the Honourable Member cannot stand there and abide by the Standing Orders that require us to be accurate and truthful and to say that we are replacing the National Insurance Scheme with this provision.

Mr. Speaker, I would, therefore, ask that the Honourable Member withdraw that statement because the Honourable Member knows that it is not true.

Mr. SPEAKER: I do now know what the House understands but the Honourable Member did speak to mending or ending. The interpretation has gone out that you meant to end.

I am, therefore, asking you to clarify it. I am not asking you to withdraw it but simply to clarify exactly what you meant.

Mr. D. St. E. KELLMAN: Mr. Speaker, I will just repeat what I have said. All I am asking the Government is if they are mending or ending the social security programme.

Mr. SPEAKER: This is the question that you are asking?

Mr. D. St. E. KELLMAN: That is all I am asking. If it has touched on a raw nerve, it is not me who have created the problem, it would have to be the Other Side.

Sir, the reason why I asked this question is that it is one that is being asked in the United States of America, Canada, and elsewhere, and has never created any problem.

Sir, whenever there is the situation where there is going to be any amendment to the social security programme, it is always for Government to spell out whether it is mending or ending, and there is nothing wrong in asking that question.

Sir, though I have asked the question and the Honourable Member did get up, he has never said to the public that Government is only mending and not ending the programme.

Sir, it is not for me to spell out Government's programme but for the Honourable Member of the Other Side. It is not for me to make such a reckless statement that

the Government is ending its programme but it is for me to ask questions in this House in order to get answers.

Mr. Speaker, there is a relationship between the mending that had occurred previously and the introduction of this pension plan and it is that one is to correct the other. It is for Government to decide if one is doing it in a complementary way and whether one is regressive, and the other is progressive, or if both are progressive. In my opinion, what has happened to the National Insurance Scheme was not progressive, even though it might have been needed.

At this time we cannot recognise that the National Insurance Fund is not the same thing as a pension fund. We must recognise there is nothing called funding nor vesting when dealing with social security but when one is dealing with pensions, those two words come into play. I cannot understand how the Honourable Member could agree with that and then disagree with what I have previously said.

Sir, we have to understand that the decision to be able to move pensions from employer to employer is laudable and might be the first step to something I had suggested in a fight with a particular insurance company because the Honourable Member does not even realise that it is an admission that an employee has a right to take something with him, as long as his services are no longer required by the employer. Sir, as long as an employee could take something, it is an admission that it is rightfully that of the employee's and he could do whatever he wants with it.

Mr. R. D. MARSHALL: On a point of elucidation, Mr. Speaker. The pension plan is governed by a set of rules. These rules are administered by the fund administrator and the company. They come together with a set of rules which governs the pension plan. Sir, before the pension plan comes into being, these rules have to be approved by the Inland Revenue Department.

Mr. D. St. E. KELLMAN: Mr. Speaker, unions now have to understand that it is not only the administrator, the employer and any other person but that unions too must become involved and become part of the negotiating team as it relates to pension plans because those benefits belong to the employees.

Sir, this House is rather an interesting Place. I heard an Honourable Member arguing, and rightly so, that when the employer pays the money into the fund, all of that money belongs to the employees, and I agree. Now that same Honourable Member would want to argue that the unions have no right in looking after the interest of the employees. There cannot be any double standards, only consistency.

Mr. SPEAKER: The Honourable Member has two minutes.

Mr. D. St. E. KELLMAN: I thank you. Sir, we have to understand that the timing of this amendment has a lot to do with the amendments that we have made to the National Insurance Fund. We have to look at the number of stipulations and at the increased cost.

Sir, when I speak of the increased cost, I am not only speaking of the amount of money paid into the pension fund but the cost of administering this particular act.

Sir, at first glance, it might look to be a very simple thing but I am saying to the employers of Barbados that there would be some cost attached to this and that we should not frustrate but we should encourage.

Sir, I thank you.

Hon. R. R. FARLEY: Mr. Speaker, I am pleased to hear the Honourable Member saying that his intention was not to frustrate because given the tone, tenor and content of his speech, I thought that was precisely what the Honourable Member was aiming for. It seemed to have been a speech delivered with malice aforethought where the Honourable Member sets out deliberately to frustrate his constituents' understanding of the business that is before us.
2.50 p.m.

Mr. SPEAKER: Honourable Member, I do not think you should proceed in that tone. I do not think you can refer to the Member's speech as one with malice. I ask that you withdraw those words.

Hon. R. R. FARLEY: Sir, I withdraw those remarks and apologise to the Chair. Clearly, I was suffering from the frustration of the Honourable Member's presentation.

Mr. Speaker, it is clear that a society must be judged by the way it treats certain important groups like children, the elderly and the disabled. This work which we are doing today by treating to one of the aspects of the arrangements for our senior citizens is very important. The 2000 Census indicates that there are 32 500 persons over the age of 65 living in Barbados and this represents 12 per cent of our population and this has social and economic implications.

Sir, the quality of life of senior citizens will depend on the decisions that they make as individuals throughout their life period. It is fundamental to make adequate provisions for our retirement so that we have a high quality of life in the advanced years of our life. It is part of the normal life cycle where we start as children with no earning power, go

through the period where we increase our earnings to reach a peak and then in retirement, earnings fall to zero except for persons in independent professions or who have special skills and are able to continue as consultants beyond the normal retirement age.

We have to agree as a Parliament that we have the responsibility to educate our people as well as to put legal and administrative arrangements in place to help them to help themselves and to plan for the future. We have to face the reality that there are people today who have been retired for 25 years who are still young, still have a clear intellect and are able to make a valuable contribution.

There are more people today, compared to 1950 who would aspire to maintain the same high standards to which they have become accustomed but who would not have the same earnings base on which to operate.

Sir, there is a mixture of strategies that are employed, the State has a responsibility and in Barbados successive Governments have made good provision for our senior citizens but we must build the market and engage in financial sector reform such that will allow those who are able to make better plans for themselves.

Sir, this is not being done in isolation because this Administration has a clear and successful record as far as financial sector reform is concerned. When this Administration took office in 1994, the Right Honourable Prime Minister and Minister of Finance took the nation into his confidence and told us that one of the high priorities was to raise the level of savings in Barbados. The other high priority was to create and broaden the financial sector to open investment opportunities so that those savings can be employed in order to yield realistic rates of returns and to build a profitable productive sector as well as to provide opportunities for persons and institutions with surplus income to be able to invest in building our future.

Sir, if you look back at the record, of which the Occupational Pensions Bill is but a part, it did not drop out of sky with the bolts of lightning and thunder today, or fell with the rains that are pouring now but this was developed from years of work.

Sir, we introduce tax incentives in 1996 for registered retirement savings plans and in 1998 a major part of the Budget dealt with pension reform where the Honourable Member for St. Peter spoke in clear terms about the need to take action today to ensure that in the year 2050 children being born now would be able to consider retirement with excitement and expectation as apposed to fear.

The Honourable Member did not bow to the pressure from the then leader of the Opposition to only deal with giving a man a fish for today or to deal with only the bread and fish issues of the day. The Budget of 1998 also spoke of providing tax incentives as well as Government financing for alternative care of the elderly. We said that in addition to the economic circumstances where care is required, we would not depend only on the Geriatric Hospital which is consistently full and overflowing and where people were being left on the Accident and Emergency step of the Queen Elizabeth Hospital but that we would finance their accommodation in qualified private nursing homes.

Sir, under this Administration the allowance for pensioners was put at the level it is at now. The 50 per cent reduction in land tax is also a feature of the economic arrangements that were made. This Occupational Pensions Bill is part of a programme of financial sector reform and also a programme that recognises the importance of the senior citizens in this country and seeks to cater to their many needs.

Sir, there are two other important realities which the Honourable Member for St. Lucy does not seem to understand. He does not understand that today there are some 5.7 working persons to every pensioner but by 2050, it is projected as 1.8 working to every pensioner. Therefore, if we keep the same arrangements as there are today, it means that each of those working persons, in order to maintain each pensioner in the same circumstances, we would have to pay a higher percentage of his/her current earnings in order to keep our senior citizens living in dignity. 3.00 p.m.

Sir, all we are saying is, let us change the arrangements by which we are able to provide for our pensioners such that they, as pensioners, would not have to suffer a reduction in income or that the working people of that day would not have to suffer a loss of disposable income in order that the elderly would not suffer and that is a reality, Sir.

I am sure that the Honourable Member for St. Lucy does not want to make his parents suffer in the future or make himself suffer by having to pay a higher percentage of his income in order to provide for them. We are doing the financial engineering today, Sir.

Asides.

Hon. R. R. FARLEY: Sir, the national insurance reforms were the first part of that. I must express disappointment in the quality of his presentation of the Honourable Member for St. Lucy and his inability to grasp the facts. The Honourable Member for St. Lucy, who earns more than \$3 100 a month, by way of the introduction of his

presentation today, claimed to have been an expert in the sugar industry when they had their pension troubles. I am pleased that he represented the workers well in that instance and they got their just deserts.

The Honourable Member would know that even then it was normal for those persons who were earning more than \$3 100 a month, in order for them to get a pension of more than \$1 800 a month to, engage in either their own private pension plan or a pension plan through their employers, Sir, in order to improve conditions of employment and to attract persons to their ranks, employers would have pension plans that topped up on their national insurance benefit. Sir, the Honourable Member for St. Lucy was involved in that kind of plan which he was in an argument with his former employer about. Sir, he rightly represented his colleagues and I am very proud of him for doing that.

Mr. Speaker, given that background knowledge, the Honourable Member for St. Lucy should not have ended up in the situation where he gave the impression that the existence of private pension plans and the existence of occupational pension benefits could only exist if there was a plan to be 'lick-up' with the national insurance, when they have coexisted for a long time.

Sir, it is normal for private plans to take account that the National Insurance would cover the first \$3 100 a month and this system worked in harmony for years. Mr. Speaker, let me say that reforms of the National Insurance Pension Scheme have been made to ensure the sustainability of that programme. However, there are improvements that have to be made to other private pension plans in Barbados. This legislation is seeking to provide an overall framework within which a number of private companies and individuals who are involved in these pension arrangements, can have a sound legal framework. This legislation imposes proper credential norms in this sector.

Sir, the Honourable Member should not be alarmed at this because we have spent considerable time over the past ten years in this Parliament and in this Administration in the insurance sector, in mutual funds and the banking sector bringing reforms which have been put into law good new governance provisions, heightened credential standards, higher reporting standards and a range of improvements.

Sir, for example, we have established a Securities Commission to deal with the trade in securities. We have established legislation to deal with mutual funds which was a very buoyant but unregulated industry. Sir, by introducing this legislation to make provision for a Supervisor of Pensions and to set out the framework within which that work would be done, we are setting this industry within the kind of supervisory framework which has long been required, that is what this Bill is about.

Mr. Speaker, this is not another fund that the Government is establishing. This is a framework within which private insurance companies and private firms would be able to operate and a new framework in which they must conduct the businesses which there are currently doing.

Sir, at the end of the day, it is about the quality of life of our pensioners. How do we get people who are at the prime of their earning power today to apply a part of that income towards making provision for themselves in their retirement period? This is where some of the provisions of this legislation become important.

Sir, let me make the point, which is very basic but I do not think that the Honourable Member for St. Lucy appreciates it, that a pension plan cannot be all things for all people. A pension plan is a financial instrument which seeks to address one issue and one issue only. What is that issue, Sir? That issue is the sustainability of income during the period of retirement.

There are many other financial instruments available. Sir, bonds, shares, mutual funds, endowment plans or fixed deposits can be bought depending on what you want to do. If your aim is to get a lump sum of money that may very well run counter to your ability to have a steady stream of income in your retirement.

The Honourable Member for St. Lucy in seeking to suggest that this plan acts contrary to the interest of workers because it is not a plan designed to allow workers to be able to extract a lump sum during the course of their working lives, is asking the plan to do what it is not intended to do.

I am pleased that the Honourable Member accepted the point that in terms of the portability of pensions, this is where there is a positive benefit. Why is portability important? Research has shown that the average person will change his job at least five times during his/her working life. Sir, we can expect that in this period of globalisation and rapid technological and corporate change, that the number of times a person may change jobs may even increase. Mr. Speaker, a worker is now able to plan with some certainty concerning the movement of his pension and accrued benefits. Mr. Speaker, the Honourable Member raised and had some concern about a matter which has been the subject of actuarial and lifetime evidence.

3.10 p.m.

The matter, Sir, of requiring that at retirement, no more than 25 per cent of the accrued benefits can be taken out upfront, that is the case with the UK, Canada and several other places. They have learnt from experience that at the end of the day, given that the ultimate aim is to ensure sustainability of income throughout retirement, that many persons who took the lump sum at the beginning of

retirement, found themselves still falling back on the State, after a few years. A few bad investments, a few bad judgments here and there of a financial nature, and the money was 'through the eddies'.

Sir, like I said, having a pension plan does not prevent anyone from having other financial instruments which may yield lump sums for such purposes, if they so desire. The intention is to ensure that the remaining 75 per cent of the accrued benefits, are disbursed in monthly installments, such as would ensure that this senior citizen has guaranteed income.

In fact, in many jurisdictions, like the United Kingdom, under their Occupational Pensions Act, that pension right and that monthly income are guaranteed against insolvency, so that if the person is bankrupt otherwise, Sir, their pension rights are not affected. The intention is that the individual needs to be able to have the peace of mind of knowing that the retirement income is there.

It is insulated, Sir, against certain other charges that may be brought against the individual, both in the working life and in retirement, so that the retirement benefits are indeed near sacrosanct, and that kind of provision is included in our legislation as well.

I think this legislation is good. It goes a long way towards ensuring that people are able to plan effectively for their future. I would hope, Sir, that the insurance companies and other providers of financial services, banks, *et cetera*, would seize the opportunity of certainty and predictability in this new environment to actively sell these programmes.

I think we have the responsibility, Sir, not only to pass this legislation but also to ensure that the information concerning this available option for planning for the future is widely known. We need to encourage our young people that in the same way they would plan to save for a car, house or an annual holiday, they should plan and start to save for retirement.

They need to recognise, Sir, that given the length of time that people are living these days, the average life expectancy in Barbados is some 76.8 years, that they would live for many years after retirement, and between the national social security programmes and these occupational pension benefits, they can, if they plan properly to be able to guarantee themselves a very steady stream of income.

Of course, Sir, for the benefit of the Honourable Member for St. Lucy and those who may be of like inclination, I would want to make it very clear that the

development of this additional opportunity to provide for one's income security in retirement, will not take away from the initiatives that the Government has created during the last few years. For example financial assistance for those senior citizens in need.

Like I said, in addition to the NIS pensions, there are the grants, through the agencies of the Ministry of Social Transformation for the poor among the senior citizens. There is institutional care provided through the Geriatric Hospital, private nursing homes and the senior citizens villages to be constructed. There is also in-kind community care through the Ministry of Social Transformation. They, very quietly, without offending the dignity of senior citizens, provide clothing, food vouchers, furniture, eye glasses and a range of services to the elderly in our communities. They assist in paying rent for those senior citizens who may still be renting, transportation through the Transport Board, house repairs, free drugs, or drastically reduced drugs.

I am saying, Sir, that those things may seem obvious because they already exist but given the tone and tenor of the presentation by the Honourable Member for St. Lucy, who sought to give the impression that improvements, by way of establishing a new framework for occupational pensioners, mean that the Government is dropping all that has gone before, that kind of suggestion, hint and rumour has to be put to rest now before it even gets out of the starting block. Sir, you know what the statement is about the little thing that gets out of the starting blocks and before you catch up with it, it is across half the world already, but I cannot say what it is in this Parliament, Sir, and still be within the Standing Orders.

Sir, I want to commend this legislation to Parliament. It goes a long way towards ensuring that our senior citizens, not only of today, but of the future will be able to live in dignity. Our senior citizens, to date are only people who have retired, they have not retreated or withdrawn. Our senior citizens today are very active. They are active in a range of social, economic and even political endeavours. They are as energetic as you and I and indeed, Sir, I look forward and support any arrangements, this one and several others which we will make, to properly harness the multiple talents and skills of our senior citizens.

I will support every opportunity, Sir, that is provided for us to fully incorporate them into the main stream, and into all the activities of our society because as I said, Sir, they are retired. They have not retreated or withdrawn. This legislation will give them the economic power to be able to continue to have a solid plan in place.

Mr. SPEAKER: The Honourable Member for St. Philip North.

Mr. M. A. LASHLEY: Mr. Speaker, I rise to make a contribution to this debate today. The question that we must first ask ourselves, what is the mischief that this Act was passed to remedy. In fact, although I do not have a problem with the Bill, I have some problems with certain sections of the Bill.

Mr. Speaker, I want to draw your attention to Section 91 of this Bill and I quote:

"91. All offences against this Act for which no other penalty is prescribed shall be punishable on summary conviction thereof.

(a) in the case of a company, by a fine of \$50 000, ..."

But I want to go to section (b) which states:

"(b) in the case of an individual, by a fine of \$25 000 or imprisonment for one year, and where the offence is a continuing offence, by a further fine of \$250 for every day during which the offence continues."

Mr. Speaker, my problem with this section is that it places jurisdiction at a magisterial level. I am submitting, respectfully, that based on the mischief of this Act, based on the purpose of this Act, that any breaches of the regulations under this Act, we should place the power within the province of a High Court Judge. Sir, we are dealing with a situation where we are protecting the social and legal rights of the workers in this country who have contributed greatly to the development of the company. Indeed, several million dollars might be involved in an arrangement like this. My bone of contention is that the penalty section is too soft, so I would like those persons who are responsible for drafting the Bill to take that into account.

3.20 p.m.

I want to go further to Clause 15 of this Bill which places the duty on the Administrator to administer the pension fund. This section also gives him/her tremendous powers under this Bill. Mr. Speaker, I feel more comfortable with what obtains in Britain at this stage in that they have an occupational pension regulatory authority which gives a chance to those who would be affected, to sit or to have a say in relation to occupational pension plans. I do not believe that we should place that tremendous power in the hands of one man or woman. That occupational pension regulatory authority makes provisions for members in Britain who have knowledge or expertise in occupational pension schemes. Therefore, I am respectfully submitting that we establish an occupational pension regulatory authority so that the object and the intent of the Act would be seen.

Mr. Speaker, this debate speaks of social security in Barbados as a whole. It is laudable that the Government's intention is to protect the workers so that they would be given their just due and would be able to receive their lot at the end of the day. Certainly, we do not want a fiasco or what is now pending in my constituency to happen again. In fact, if that particular hotel, Sam Lords' Castle, had a pension plan certainly the workers there would not now be angry or vicious about what is happening today in that hotel. Nevertheless, I will move on from there because I do not want to digress because this debate speaks about pension and we must speak proudly about social security.

Mr. Speaker, it is the Government's role to regulate or place a legal framework in place to regulate occupational pension plans. It is a fact that Government must maintain the legal infrastructure necessary for a market economy to flourish. They must regulate financial markets and they must, by all intent and purposes, ensure that the social, moral and legal rights to social security is maintained. Certainly, this is a philosophy that came from within the bosom of the Democratic Labour Party. In fact, we are proud to say that we were in the forefront of establishing the National Insurance Scheme in 1967.

There was much talk today about a manifesto. There was talk that the manifesto was read at some length. It is the Democratic Labour Party Manifesto I am speaking about. It is crystal clear that we have a plan to provide a framework for workers in this country...

Asides.

Mr. M. A. LASHLEY: I would not want to be interrupted by my learned friend from St. Philip South because up to this day he is still silent on what is...

Mr. SPEAKER: Please! Please! Proceed, please.

Mr. M. A. LASHLEY: Mr. Speaker, the fact of the matter is that we have an alternative plan in our Manifesto to provide some degree of security for our people after retirement. We pledged that all pensioners receiving \$250 or less per week would benefit from a subsidy of \$360 annually, that national insurance pensions would be tax-free again while a \$30 000 tax-free allowance would apply to all other pensions. That is our plan.

Asides.

Mr. M. A. LASHLEY: Mr. Speaker, I sat and listened to the contribution of my good friend, the Honourable Member for St. Michael West Central who mentioned that young people are not interested in any pension scheme whatsoever.

3.30 p.m.

Mr. Speaker, it is certainly the responsibility of the Government to introduce public education programmes so that these young persons would be encouraged to become involved in pension schemes.

Mr. Speaker, I have to ask the question, where is the incentive to a small company or business, with regards to a pension plan, given the cost factor as outlined in the Bill? Mr. Speaker, we have noticed a prescribed fee is in the Bill and, therefore, the question is, what would be the fee or the particular cost to small companies in the establishment of pension plans?

Sir, that is a serious concern for the Opposition. It is clear that the State Pension Scheme, in particular the National Insurance Scheme, is under stress. In fact, from reading reports from persons who have studied social security in the Caribbean, and in particular from reading the *Central Bank's Annual Report, 2002*, where it has painted a picture – not a very good one – of the National Insurance Scheme. It is said that unless there are fundamental reforms to the National Insurance Scheme, there certainly would be difficulties in that scheme.

Asides.

Dr. W. F. DUGUID: On a point of order. The Honourable Member is seeking to mislead this House. The reforms to the National Insurance Scheme have been done and we are securing the social security for the people of this country. Government has recognised the need to do the reforms, which have been done, and the Honourable Member is seeking to mislead this House by saying that these reforms have not been done and that neither are we paying attention to them.

I would, therefore, ask that the Honourable Member withdraw the statement, Sir.

Mr. M. A. LASHLEY: I do not know if the Honourable Member would like to share in some of my research, so that the Honourable Member could be apprised.

Sir, it must be stated that both the public and private pension schemes share common uncertainties, such as macro-economic shocks, demographic shocks and political instability but a word of caution is that there are certain risks that are involved in private pension schemes, such as management risks and issues of incompetence or fraud.

The fact is that company-based pension schemes tend to lock-in employees by providing rewards for those persons who stay with the company for a long period, the private pension schemes confer the most benefits and higher

rewards on those employees who stay in a single organisation for a very long time. Therefore, it is all well and good that we would want to encourage the regulation of occupational pension schemes.

Mr. Speaker, what I would want to see is a pension protection fund supported by Government as an additional security or as a backbone for pensions that wind-up through insolvency, *et cetera*.

Mr. Speaker, what would happen is that if this system is established, it would ask or demand that the companies pay a levy into this fund, so that there would be a security or a cushion for persons who might be affected in such an event.

Mr. Speaker, the Bill is silent. It does not suggest nor give the Administrator or the Supervisor the power to establish a pension protection fund. It gives the administrator broad, general powers but has omitted that a pension protection fund, similar to that of an emergency fund where those persons would receive some kind of pension in the case of a company closing through insolvency, *et cetera*, should be established.

Finally, Mr. Speaker, despite the emphasis on the need for the protection of the Occupational Pension Plan, we must not, however, digress from the fact that our public pension scheme must continually be regulated by Government and certainly there must be reforms in accordance with the changing times.

Indeed, in the Caribbean, Mr. Speaker, the fact that there are so many social problems such as chronic unemployment, *et cetera*, points to the fact that we would need to further advance and regulate our public pension schemes.

3.40 p.m.

Mr. Speaker, as I said, we have no quarrel with the legislation but I ask that you accept the proposals of This Side for the additional amendment to the Bill.

I thank you.

Mr. SPEAKER: Honourable Member, it is normal that if you have such amendments they be raised in Committee.

Hon. R. C. EASTMOND: Mr. Speaker, the last Honourable Member who spoke represents one of two Honourable Members on That Side whom I would have taught at some period in my life but my intervention this afternoon is more targeted towards the Honourable Member for St. Lucy than the Honourable Member for St. Philip

North. To the credit of the Honourable Member for St. Philip North his speech shows innovative thinking, creativity and deep intellectual analysis. I was hoping that such qualities could have been demonstrated by the Honourable Member for St. Lucy.

Mr. Speaker, implied in what the Honourable Member for St. Lucy was saying is that what we are doing here today represents a gloss on what this Honourable House did in the year 2002 in respect of our social security system. Sir, he succeeded in provoking the Honourable Member for Christ Church East to provide a response to it.

Mr. Speaker, the framers of the Social Security legislation of 1967 were of the view that every three years or so serious actuarial studies should be done by which there should be a close monitoring of the social security system. Sir, I have no difficulty in admitting that such legislation came about in 1967 because credit must be given where it is due. The ninth and tenth actuarial reports which investigated the inner workings of our social security system came up with some conclusions which I will repeat for the benefits of this Honourable House.

It was realised that as early as the year 2019, the scenario by which Barbadian population had become an aging one was such that unless we took serious corrective action in respect to remedying the defects of our social security system now, then we could regret our default in future. Mr. Speaker, the actuarial reports also suggested that by the year 2059, not only would the population have aged significantly but it would actually be in decline based on investigation into the system.

They recommended adjustments in contribution and also made recommendation that would allow for a measure of flexibility. When the Honourable Member for St. Lucy wondered whether a change was contemplated in the mandatory age of retirement, my response is that age 65 will remain the age of retirement but there will be inbuilt flexibility where persons are going to be given an option of either deferring their benefits until age 70 and taking higher benefits or alternately going for a lower pension at a younger age. Unfortunately, Parliament dealt with this in the absent of some Honourable Members on the Other Side but the Honourable Member for St. Lucy was present when it was done.

The Honourable Member for St. Lucy wondered whether legislation today is going to cure defects created on the last occasion. I thought that his wonderment was inspired more by a desire to tease this Honourable House than from a desire to be malicious. The hard fact of the situation is that as the Honourable Member for St. Philip North correctly said, there can be no doubt that there are

certain risks attendant on the administration of private pension plans. I think that for a new Member the Honourable Member for St. Philip North has demonstrated a measure of parliamentary promise.

I want to assure the Honourable Member for St. Lucy that we are not tinkering or interfering with the social security system as we know it but that we are seeking to create a regulatory environment for those private pension plans which the Honourable Member for St. Philip North said are often attendant with severe risk.

At present, in the absence of this legislation, there is no ultimate authority to supervise and regulate and so what we are doing today is starting a process by which we do not want, as the Honourable Member for St. Peter said, the Maxwell episode to occur in Barbados.

Mr. Speaker, picture a situation where an employee has worked fifteen or twenty years and has contributed his hard earned savings to a pension plan, picture a situation where his employer has allowed the money deducted from him to be mixed up in the normal accounts of the business and picture a situation where such a business is not managed wisely, Sir, also picture a further situation where there is no regulator, then the risks that were mentioned by the Honourable Member on the Other Side become more than real.

Mr. Speaker, in a culture where I believe, it is the position of both political parties in here to do our best to encourage savings and for them to be channelled into worthwhile savings, we would not want these hard-earned savings of persons in the world of work to be mismanaged or converted through fraud.

Mr. Speaker, in the social security system in Barbados, we have had the unfortunate episode of a number of employers at all levels deducting monies from employees and rather than passing it on to the National Insurance, using those monies as cash flow for businesses and when a female worker claims maternity benefits, the employers have not paid in any contributions. In fact, between 1967 and now in excess of \$134 million are owed to the National Insurance in monies that should be paid by employers.

It is a fact that the National Insurance Scheme has done its utmost to be prudent and responsible but in our culture we sometimes, rather than apply the heavy hand of the law, give persons latitude. It is to the credit of leaders of the National Insurance Scheme that, from time to time, non-delinquent employers who recognise their legal duty and who would be prepared to abide by arrangements made with

the National Insurance Office arrange with the Director for a moratorium of their payments.
3.50 p.m.

Sir, for example if someone owes \$80 000 to the National Insurance Office and the Director of the National Insurance informs him that he is in default of his payments, if this person has a social conscience he would go into the Director and make an arrangement to pay in instalments and benefit from a moratorium. It does not mean that the Director of the National Insurance is a soft person. If a lot of employers were not given 'elbow-room' and a moratorium, the National Insurance would not be able to recover its indebtedness from the employers.

Sir, in respect of the matter which is in *sub judice* in St. Philip, I cannot pronounce on it. The National Insurance Scheme has been trying its utmost to collect the arrears from this institution. In fact, it seems to me that when the National Insurance Scheme became assertive, all hell broke loose and then the truth came out.

Asides.

Mr. SPEAKER: Honourable Member, I really do not want you to trespass on that matter.

Hon. R. C. EASTMOND: Mr. Speaker, I am aware of the Standing Orders. I am extremely sorry for any grief and pain being caused to persons and constituents of The Honourable Member on the Other Side.

Sir, the management of insurance schemes requires caution, prudence and constant review. We are seeking to establish a system of regulation. One of the measures that we intend to introduce to ensure that this regulation proceeds properly is a system by which pension money, which must be stored for the benefit of employees, is totally separated from the normal accounts of the business.

Sir, we are of the belief that the measure which we propose in establishing a Supervisor of Pension Plans will work. Mr. Speaker, a good thing happened in Barbados when the administration of the Democratic Labour Party was in office and it created the office of the Supervisor of Insurance. Sir, that is a historic fact which nobody can dispute. I want the Supervisor of Insurance to continue doing the extremely good job that he is doing and that if possible, to look closely at some insurance companies that are prone to a form of generosity that sometimes causes policyholders some alarm.

Mr. Speaker, there are a few insurance companies that are a bit ostentatious who fund causes that are non-productive and non-providential. Perhaps, the Supervisor of

Insurance should watch those companies closely because policyholders sometimes wonder where their premiums are going.

Asides.

Hon. R. C. EASTMOND: Mr. Speaker, there is creativity being demonstrated in this legislation. For example, a man called 'X' who has been working for seven years with an entity called 'I' moves to a company called 'J', if his pension ability is not taken into consideration when he goes to work for 'J', he might stop paying his pension. I am talking about the concept of portability which is being addressed in this legislation.

Mr. Speaker, a conscious effort is being made by this Administration to, consistent with its policies since 1966 on savings and investments particularly on savings, try to produce a regulatory framework by which pension plans are closely monitored. There was a time when life insurance companies asserted themselves in Barbados as the primary institutions administering pension plans but today commercial banks are administering pension plans, through a very curious mechanism.

Sir, for example, a person makes a fixed deposit of \$20 000 to mature in five years, the commercial bank would break down that deposit into small units by dividing it by a number of months multiplying by a number of years and administer it as a pension plan.

Mr. Speaker, deposits are made with commercial banks where there is only an element of savings built into the deposit. However, the depositors should be told by the banks that their deposits are being administered as pension. Effectively, the customers are subscribing to a broken-down fixed deposit.

I believe that it is incumbent on those institutions to advise depositors that if they want to claim tax relief from interest earned on deposits...

Asides.

Hon. R. C. EASTMOND: Sir, for example you could deposit \$75 a month with a commercial bank, at the end of twenty years when the interest is accrued you have a lump sum and then they can break it down for your benefit. I wonder to what extent those deposits are registered. I believe that there are but if there are intended to benefit participants in terms of a tax relief, clearly they should be registered.

Sir, in any event, I believe the public has to be educated about retirement plans because there are people who want to

save in retirement plans and to claim income tax benefits. Sir, my understanding of the law is, if 'X' saves money in a pension plan and he wants to claim income tax benefits, five years must elapse before he makes a claim as a concession on the Inland Revenue Department.

Mr. Speaker, I welcome this legislation and the intervention of all Honourable Members. However, in reply to the Honourable Member for St. Lucy, we are not here today correcting any defects in the social security system. Some concern has been expressed about the sanctity of the social security system. The fact is, the corrective measures that were taken in this Honourable House in 2002 are anticipated to carry the system.

In any event, the legislation of 1967 insists that every three years an actuarial review will be done. There is always an assessment to see if the system will work or not. All Honourable Members have to be aware of the fact that our population is aging and it is projected to decline in the year 2059. All of us owe it to posterity to establish systems that when we live our lives and have to conduct the affairs of our families, we make sure that their future is secured.

Mr. Speaker, I take great pleasure in entering this debate in order to respond to the Honourable Member for St. Lucy. I had no difficulty with the contribution made by the Honourable Member for St. Philip North. However, the Honourable Member for St. Lucy, an experienced legislator as he now is, should from time to time proceed in here more from a perspective of thought rather than one of exuberance.

I thank you.

Dr. W. F. DUGUID Mr. Speaker, thank you for the opportunity to make my contribution to this debate. The Bill that is being presented today is part of a larger process. The process of pension reform forming the framework for the private sector pension plans or, occupational pension plans. Although the insurance companies play a pivotal role in the management and administration of pensions in Barbados by providing investment vehicles and insuring the solvency of each person, the Insurance Act made no provision for the important and necessary regulation of pension fund business in Barbados.

Sir, this Bill before this Honourable House seeks to set up the necessary, regulatory framework as well as to modernise and widen the occupational pension plan business in Barbados. Therefore, this legislation seeks to bring about reform in the administration of pension funds

as well as to promote private pension funds as a means of reducing dependence on the social security system of this country.
4.00 p.m.

Mr. Speaker, we have all heard time and again and we have heard it again today that Barbados has an aging population, and because of this, the National Insurance had to make significant adjustments to maintain the viability of the National Insurance Scheme, and it has already been made.

Therefore, as an aging population, we can assume that those who are working have a reasonable life expectancy, well beyond retirement. It is necessary to make provision for your retirement, while you are working by investing in a well-managed pension plan.

Mr. Speaker, it reminds me of my great-uncle, J. C. Duguid. He was one of those great entrepreneurs of the 1930s. He was a contractor, a builder of Barbados in every sense. At age 65 he retired from the construction business, and decided to live the rest of his life on his reasonable nest egg that he had accumulated during the 50 years he worked in the construction industry. He started to work at 15 years old.

However, Mr. Speaker, my great-uncle lived to 96 years old, 31 years after retirement. I always remember him saying, if I had known that I would live so long, I would not have retired so early. I understand the concept. What he was trying to say, Sir, is that he did not have the opportunities to invest in occupational pension plans, which this Bill now puts before us.

Sir, because he did not have that opportunity, he had to rely only on his nest egg to sustain him for 31 years after retirement. It meant then that he went into what the Prime Minister calls, genteel poverty where he could not sustain himself for 31 years, after accumulating a nest egg up to age 65.

This is important because there are lots of people in this country who may be in a similar situation. There are retired people, some may have been permanent secretaries 20 years ago, who are now getting pensions of only \$900 or \$1 000 a month. We know that this is not the kind of money they would expect to get, if they were pensioners today, or if they had an opportunity to get another form of a pension or a second pension. This is why this Bill is so important. It provides a second opportunity for people to invest to make sure that their pension and retirement are taken care of.

In addition, Mr. Speaker, the introduction of this Bill gives the people of Barbados the opportunity to retire and

still have a substantial income for the remainder of their natural lives. This is a fabulous opportunity and I encourage all Barbadians to buy into the pension plans, as they become available on a wider scale.

It also speaks volumes, Mr. Speaker, about the entire Barbadian society, as the society is maturing, not only into an entrepreneurial enterprise but also investment enterprise. Let your money work for you now, and in the future. Let us join together and support this Bill which can only be a positive for all Barbadians.

Mr. Speaker, there are four key policy principles guiding this legislation as I see it:

1. The protection of pension benefits with sound and economic responsible framework.
2. The provision of an effective and administrative framework.
3. The provision of equitable and clear employment pension standards.
4. The fostering and expansion of the voluntary employment pension plan systems.

Sir, these four pillars are the tenets of this Bill and work in a synergetic and compatible manner to make this Bill the masterful piece of legislation that it is, which will enhance and improve the pension industry in Barbados, and thus provide employment and investment opportunities for all of us.

Of all the positives of this Bill, Mr. Speaker, the one that has captured my interest the most, is that of the portability of the pension. Sir, with the increasing mobility of employees, which continues to be an important feature of our society, when people move from one employer to the other, they can take their pension benefits to the next employer, without having to work towards your nest egg from scratch again. This is absolutely crucial and a definite positive to this Bill.

Mr. Speaker, this also lends itself to making our people more upwardly mobile, as they climb the employment ladder to improve themselves and move to new opportunities, without being penalised by losing their pension benefits.

Mr. Speaker, I want to take this a step further because the Bill essentially speaks about taking it from one pension plan with one employer, and moving it to another pension plan with another employer. I want to respectfully submit that if the second employer does not have a pension plan already established, the employee should be given an

opportunity to still take that fund and put it in a private pension plan. They can still benefit from what they have accumulated over time, without being penalised when they move to a new employer.

Mr. Speaker, this concept goes further, because it facilitates the mobility of persons across borders and not only from one company to another company in Barbados, but you can take your pension plan in Barbados and move it to another company, in another pension plan in Trinidad, for instance. This facilitates the portability of pension plans and benefits throughout the Caribbean region. This lends new credence to the catch phrase, being a Caribbean man or woman. Sir, an individual is no longer tied to an individual territory because his pension is accumulated there, but he would be able to move from territory to territory and maintain his pension benefits.

Mr. Speaker, this is truly a modern and generous Bill which will be instrumental in many aspects of this society, and touch many lives in a positive and sustainable manner. Further, as we are all aware, a functional and properly financed occupational pension plan can be an excellent human resource tool, used to assist in the recruitment of the best minds to a company. After all, the best and the brightest employees may be drawn to a corporation with the best pension plan. Thus, corporations would be encouraged to set up plans and to attract new employees, as well as to keep the present employees, and not lose them to competing businesses, because those businesses may have more lucrative pension plans.

All of this, Mr. Speaker, augurs well for a new and improved international pension industry which will serve Barbadians well. I will, categorically, give my full support to the Bill.

Mr. Speaker, I want to give a brief background on occupational pensions. Occupational pensions are the most effective way of providing a second pension. Both the employer and employee contribute to the scheme. The money that is contributed is then invested under the supervision of a board of trustees for its members. The most common form of scheme is the final salary scheme, which is a rate of pension, proportioned of the worker's wage at retiring. There are various ways of working this out, the most usual being, pay in the last 12 months. The longer the service, the higher the pension would be. Each year of service adds to the final figure, but the value given to each year's service may vary from scheme to scheme. The good thing about occupational pensions is that there are deferred pay savings. The contribution from the employer is pay which workers are entitled to and get for life.

4.10 p.m.

For many workers, occupational pensions are the best and the most economical path to an adequate retirement income. Occupational schemes are less risky than personal pensions because the risk is spread over the money that the pension fund has invested. The problem with these schemes is that over the years many workers have been excluded from them such as the lowest paid workers, part-time workers and temporary workers who generally were women. Women miss out in other ways too. They do not always have work patterns because of family commitments and they may not necessarily be geared toward full-time employment.

This Bill has addressed that and has encompassed and captured the part-time worker by reducing the requirement to become involved in pension schemes to just 1 000 hours. This is an absolute plus to this Bill. It captures as many people as possible so that they can all benefit from the occupational pension plan. Final salary schemes can put some workers at a disadvantage. This could be seen for instance if their wages drop as they approach retirement.

Mr. Speaker, the following is what we should be aiming for in the ultimate occupational pension plan scheme.

1. All employers should be encouraged to extend occupational schemes to all employees.
2. They should find ways to include the part-time, low income and temporary workers.
3. Improvement should be brought to bear to bring all schemes into best practice principles.
4. Consideration should be given to flexibility in the schemes and pension calculated on best years earnings even if these are not in the final year of earnings.
5. Reforms could be sought to a legal framework to ensure that workers' money is secured from any repeat of the Maxwell problem we heard of earlier today.
6. A good final salary scheme would ensure full and equal treatment including retirement early for the admission of part-time workers.
7. A pension based on one-sixtieth of the final salary or best years for years of personable service.
8. Pensionable earnings including bonus and overtime based on final earnings or average of the best three years over a ten-year period.

9. Pensions in payment and deferred pensions can be fully index to match the increases in inflation.
10. Survivors' benefits should be four times the final pay for death in service.
11. Fifty per cent pension for surviving partner and children.

These are the kinds of schemes you would want to see in the best occupational pension plans that we hope this Bill would encourage employers to put at the availability of their employees.

There is also another type of pension plan called a money purchase scheme which is separate to the final pay scheme. A money purchase scheme is used to build up a pot of money which is ultimately used to buy an annuity. This pot is known as your pension fund and over the course...

Mr. M. A. LASHLEY: On a point of order. I want to refer to Standing Order 28 which states that:

"A Member may not read his speech, but he may read extracts from books or papers other than newspapers in support of his argument, and may refresh his memory by reference to notes."

Mr. SPEAKER: Please, could you just repeat, please.

Mr. M. A. LASHLEY: Standing Order 28 (1) states that:

"A Member may not read his speech, but he may read extracts from books or papers other than newspapers in support of his argument, and may refresh his memory by reference to notes."

I am submitting, Mr. Speaker, that the Speaker is reading his speech.

Mr. SPEAKER: The Speaker?

Asides.

Mr. M. A. LASHLEY: The Honourable Member for Christ Church West is reading his speech.

Asides.

Mr. SPEAKER: Honourable Member, you have heard the rule, but you have two minutes to conclude though.

Dr. W. F. DUGUID: I am reading from my notes, Mr. Speaker, and I am allowed to read from my notes to which I am referring and not reading my speech.

Asides.

Mr. SPEAKER: Order, please!

Dr. W. F. DUGUID: The Honourable Member for St. Philip North made mention of the Democratic Labour Party Manifesto and how they were taking care of the elderly, but no where in this Manifesto speaks to any occupational pension plans. Therefore, I challenged him to find exactly the page where his so-called forward-thinking party had at any point in time put forward any plan for occupational pensions, and to bring it to us. He cannot bring it to us because it is not there because his Side is not a forward-thinking party and his Side has no vision. I am not reading this, I am telling him this in front of his face right now.

Asides.

Mr. SPEAKER: Order, please!

Mr. D. St. E. KELLMAN: On a point of order. The Honourable Member is misleading the House by giving the impression that This Side is now speaking about pension reform for the first time. You, Mr. Speaker, and other Honourable Members would have been privileged in this Parliament to have...

Asides.

Mr. SPEAKER: Yes, that was not really said, please. The Honourable Member never mentioned anything about a first time.

Mr. D. St. E. KELLMAN: He said that there is no way that the Party has ever...

Asides.

Mr. SPEAKER: That is no point of order, please.

Asides.

Dr. W. F. DUGUID: Mr. Speaker, the Honourable Member for St. Lucy as usual is just trying to waffle and baffle his way through this House.

Mr. SPEAKER: Continue, please.

Dr. W. F. DUGUID: Mr. Speaker, I thank you very much for the opportunity to have spoken and I look forward to speaking again on another matter.

Thank you.

Hon. Miss M. A. MOTTLEY: Mr. Speaker, I beg that further consideration of the Bill be postponed.

Hon. R. R. FARLEY: I beg to second that.

The question that further consideration of the Bill be postponed was put and resolved in the affirmative without division.

RE-COMMITTAL OF GOVERNMENT NOTICES

Hon. Miss M. A. MOTTLEY: I beg to give notice of the following:

1. A Resolution to approve the guarantee by the Minister responsible for Finance of the payment of the principal and of interest in respect of the loan of \$34 million to the Barbados Port Authority from the Caribbean Commercial Bank.
2. A Resolution to approve the vesting in the National Housing Corporation of the parcels of land the property of the Crown at Workhall, Hopeland and Marchfield, St. Philip for the purpose of housing development.
3. A Resolution to approve the compulsory acquisition by the Crown of the parcel of land at Price Road, St. Lawrence, Christ Church for the purpose of road improvement.

Mr. Speaker, this brings us to the end of Government's Business for today. We did not intend to break as early as we are now but reports coming to this Chamber would suggest that the very bad weather has led to a number of difficult circumstances in a number of areas, with respect to flooding and where persons are unable to get home in good time.

Sir, I know that a number of Honourable Members of Parliament, particularly on This Side, have expressed concern about wanting to assist their constituents.

Mr. Speaker, in those circumstances, I beg to move that this Honourable House be now adjourned until Tuesday, 21st October, 2003, at 10.00 a.m., so as to allow Honourable Members to be able to carry out their constituencies responsibilities or to be able to make their way home in good order and in safety.

Hon. R. C. EASTMOND: I beg to second that, Sir.

The question that the House be adjourned until Tuesday, 21st October, 2003, was put and resolved in the affirmative without division and Mr. SPEAKER adjourned the House accordingly.
4.21 p.m.

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