

Bahamas

Bahamas: Pension system in 2010

The pension system consists of an earnings-related component and an old-age grant for those with some but insufficient contributions. For those with inadequate income there is a non-contributory pension.

Key indicators

		Bahamas	LAC26
Average earnings	BSD	21 900	7 000
	USD	21 900	7 000
Public pension spending	% of GDP	2.4	3.1
Life expectancy	At birth	75.1	73.6
	At age 65	18.3	17.4
Population over age 65	% of working-age population	11.9	12.3

Qualifying conditions

Retirement age is 65 with at least 500 weeks of contributions.

Early retirement is possible from age 60 to 64. An insured person under age 65 cannot receive an old-age benefit if the earnings level is more than half the weekly wage ceiling.

Benefit calculation

Old-age pension

The pension benefit is equal to 30% of the covered wage with at least 500 weeks of contributions. The pension increases by 1% of the covered wage for each 50-week period of credited contributions exceeding 500 weeks, up to 60%.

The covered wage is equal to the best five average weekly earnings in the previous ten years prior to retirement. The minimum pension is equal to BSD 64.33 a week.

If an insured person has between 150 and 499 paid contributions, he or she is eligible to receive a pension benefit at the age of 65. The benefit is a function of the insured's average insurable wage and the number of contributions made.

Grant = 6 × number of complete sets of 50 contributions × Average weekly insurable wage

Benefits are increased in July and indexed with the increase in the Retail Price Index in the previous two calendar years.

Non-contributory old-age pension

Bahamian residents aged 65 years or older or who do not meet the contribution conditions for Retirement Benefit can receive a non-contributory old-age pension. The benefit is equal to BSD 59.18 a week.

Variant careers

Early retirement

Early retirement is possible and the benefit is reduced by 0.58% for each month the insured age is under the age of 65.

Late retirement

Pension deferral is possible at any age over 65. The benefit is increased by 0.58% for each month the insured age is above 65 up to a maximum of 35%.

Personal income tax and social security contributions**Taxation of workers**

Work income is not taxed.

Social security contributions paid by workers

Workers contribute 3.9% of their covered earnings and employers contribute 5.9% of covered earnings. Self-employed persons contribute 8.8% of covered earnings. Voluntarily insured persons contribute 5% of weekly average wages or income, based on the insured's wages or income of the year before registration. The contribution ceiling increases in July and is connected to the change in the Retail Price Index in the two previous calendar years plus 2%.

All of the pension benefits are paid from a single fund. However, 2.45% is allocated to short-term benefits for sickness, maternity, unemployment or funeral expenses and 0.735% to industrial benefits with the remainder to pensions. The amounts transferred to short-term benefits and injury benefits are designed to be pay-as-you-go rates. The portion going to long-term benefits is simply the remainder.

The maximum annual earnings for contribution calculation purposes is BSD 31 200.

The insured person's mandatory contributions also finance cash sickness, maternity, unemployment and work injury benefits.

The contributions of the voluntarily insured finance old-age and invalidity and survivor pensions, as well as funeral and maternity grants.

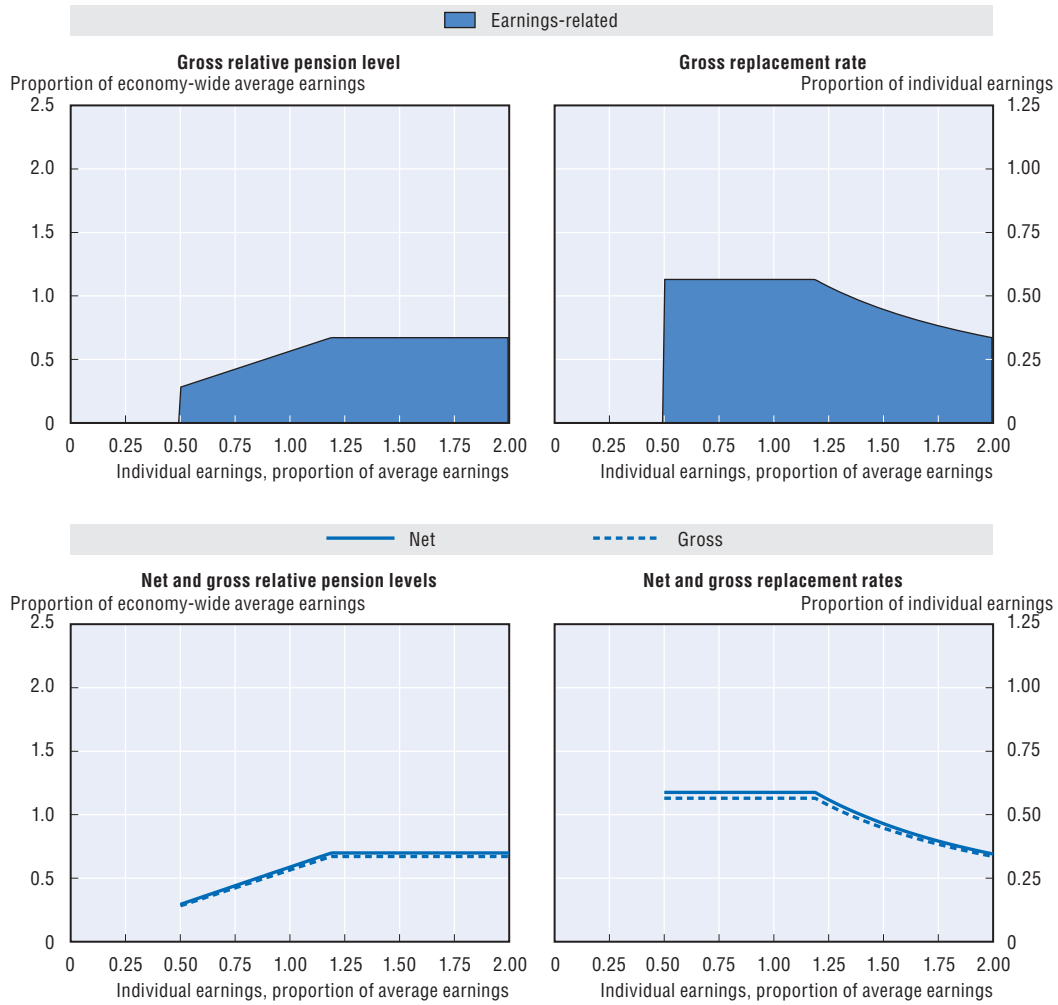
Taxation of pensioners

Pensions are not taxed.

Social security contributions paid by pensioners

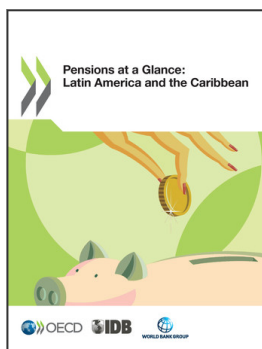
If a pensioner is working and is between 60 and 64 years old he/she contributes 3.9% of covered earnings: If the pensioner is still working and 65 years or older they contribute 2% of covered earnings for work injury benefits only. No contributions are paid if the pensioner is not working.

Pension modelling results: Bahamas



Men	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1.0	1.5	2.0
Women (where different)						
Gross relative pension level (% average gross earnings)	45.8	28.2	42.4	56.5	67.1	67.1
Net relative pension level (% net average earnings)	47.6	29.4	44.1	58.8	69.9	69.9
Gross replacement rate (% individual gross earnings)	56.5	56.5	56.5	56.5	44.8	33.6
Net replacement rate (% individual net earnings)	58.8	58.8	58.8	58.8	46.5	34.5
Gross pension wealth (multiple of individual gross earnings)	8.5	8.5	8.5	8.5	6.8	5.1
Net pension wealth (multiple of individual gross earnings)	8.5	8.5	8.5	8.5	6.8	5.1
		10.2	10.2	10.2	8.1	6.1
		10.2	10.2	10.2	8.1	6.1

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