

Ministers and Members of the Legislature Pension Fund

Actuarial Valuation as at March 31, 2020 for Funding Purposes

Report prepared December 2020

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Introduction

This report presents the results of the actuarial valuation as at March 31, 2020 of the Ministers and Members of the Legislature Pension Fund (the “MMLPF”). The Ministry of Finance of Bermuda retained the services of Morneau Shepell Ltd. (“Morneau Shepell”) to perform this actuarial valuation. The MMLPF is sponsored by the Government of Bermuda. The last valuation was performed as at March 31, 2017.

This report was prepared for the following purposes:

- to determine the going-concern financial position of the MMLPF;
- to estimate the costs of the benefits being accrued under the MMLPF during the period up until the next valuation;
- to determine the adequacy of the current MMLPF contribution rates;
- to estimate the future benefit payments under the Consolidated Fund of the Government of Bermuda (the “CF”); and
- to provide the information and the actuarial opinion required by the standards of practice of the Canadian Institute of Actuaries.

The results of this valuation have been incorporated in the accounting valuation report as of March 31, 2020 that we prepared for the Accountant General’s Department.

Background

The MMLPF provides contributory defined benefit pensions to all Ministers and Members of the Legislature of Bermuda.

A pension plan for Members of Parliament and Senators (the “MPS”) was established by the Ministers and Members of the Legislature (Salaries and Pensions) Act, 1975 (the “Act”). At the time the plan was enacted, no separate fund was established. Member contributions were paid into and benefits were paid from the CF. The MPS has been contributory on the part of the members. The members would receive a refund of their contributions with interest if they cease to serve before becoming eligible for a pension or a deferred pension.

The Act was amended in 1979 so as to provide pensions to widows and widowers (spouse’s allowance). The provisions of the Pensions (Increases) Act, 1972 (as amended) were applied to pension in payment to members, beneficiaries, and deferred pensions since the inception of the MPS.

On April 1st 1988 a separate fund was established under the Ministers and Members of the Legislature (Salaries and Pensions) Amendment Act, 1988 (the “Act”). From that date, all member contributions and matching contributions made by the Government have been paid into the MMLPF. Similarly, pension payments in respect of service after April 1st, 1988 have been paid from the MMLPF. Benefits in respect of service before April 1st, 1988 are paid from the CF.

The Act has since been amended in 1989 and 1999, bringing in several changes. On July 27, 2014, the Minister of Finance announced that COLA increases would be suspended for pensioners until such time as the sustainability of the MMLPF has been improved.

Terms of engagement

This report takes into account discussions with the client on the terms of engagement, as outlined in Appendix F.

Assumptions

The interest rate assumption has been updated to reflect market conditions as at the valuation date as outlined in Appendix A.

Subsequent events

On March 11, 2020, the World Health Organization declared that COVID-19 was a pandemic. This public health crisis caused significant economic and social disruptions worldwide.

- The COVID-19 pandemic resulted in higher deaths for the population in general as measured by public health officials. The effect of the outbreak on the mortality incidence for the Plan is unknown at this time and no adjustments to the mortality assumption have been made in this report. The effect on the Plan if any, will be recognized in the gains or losses of future reports as the experience emerges.
- In response to the pandemic, the Government enacted the Ministers and Members of the Legislature (Salaries and Pensions) Amendment Act 2020 to provide for a one-year temporary suspension of the Government's contributions to the MMLPF, and an optional one-year temporary suspension of a member's contributions. The suspension period runs from July 1, 2020 to June 30, 2021.

Restriction on use of this report

This report was prepared for the Government of Bermuda. This report and any of its content may not be distributed, published, made available or relied upon by any other person, without the express written permission of Morneau Shepell, unless and only to the extent otherwise provided by applicable law.

Section 1 – Actuarial Opinion

This opinion is given with respect to the MMLPF and related CF liabilities. We performed a valuation of the MMLPF and the CF liabilities as at March 31, 2020, based on the provisions of the MMLPF and data as at that date. The Government has confirmed that, between March 31, 2020 and the date of this report, no subsequent events, modifications or extraordinary changes to the membership or provisions that would materially affect the results of this actuarial valuation have occurred, except as indicated in this report.

I hereby certify that, in my opinion, as at March 31, 2020:

- The MMLPF is not fully funded on a going concern basis. The estimated actuarial liabilities exceed the actuarial value of assets by \$18,672,300.
- The going-concern actuarial liabilities attributable to the CF are estimated to be \$2,051,500.
- Based on the membership data used for the valuation, and taking into account the estimated impact of the Ministers and Members of the Legislature (Salaries and Pensions) Amendment Act 2020, we have estimated the normal cost, Member and Government contributions and normal cost deficiency for each of the three-year periods following the valuation date, as shown in the table below.

Table 1.1 – Projected Normal Costs and Funding Deficiencies

	March 31, 2023	March 31, 2022 ¹	March 31, 2021 ¹
	\$	\$	\$
Normal cost	1,434,400	1,039,400	334,800
Member contributions	530,500	384,400	123,800
Government contributions	530,500	384,400	123,800
Normal cost deficiency	373,400	270,600	87,200

¹ Reflects one-year temporary suspension of contributions from July 1, 2020 to June 30, 2021.

In my opinion, for the purposes of this report:

- The membership data on which the valuation is based are sufficient and reliable for the purposes of the valuation.
- The assumptions are appropriate for the purposes of the valuation.
- The methods employed in the valuation are appropriate for the purposes of the valuation.
- This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.

The assumptions that form the going-concern basis used in this report were reasonable at the time this actuarial valuation report was prepared and contributions were determined.

The recommendations and opinions are given exclusively from a financial viewpoint. This valuation report does not constitute a legal opinion on the rights and duties of the Government of Bermuda, or the members over the pension fund.

Actuarial valuation results are only estimates. Actuarial valuations are performed based on assumptions and methods that are in accordance with sound actuarial principles. Emerging experience differing from these assumptions may result in gains or losses, which may affect future contribution levels. These gains or losses will be revealed in future actuarial valuations.

The next actuarial valuation will have to be performed not later than as at March 31, 2023.

The undersigned is available to provide supplementary information and explanation, as appropriate, concerning this report.

A handwritten signature in black ink, appearing to read 'R. Kular', is written over a light grey rectangular background.

Richard M. Kular
FSA, FCIA

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December 2020

Section 2 – Going-Concern Financial Position

Statement of Financial Position

The financial position of the MMLPF on the going-concern basis, as set in Table 2.1, is determined by comparing the net value of the assets available for benefits to the actuarial liabilities. The actuarial liabilities are based on the benefits earned up to the valuation date, assuming the MMLPF continues indefinitely. The liabilities for the portion of the pension benefits payable from the CF is presented separately below in Table 2.2.

Table 2.1 – Financial Position of the MMLPF

	March 31, 2020	March 31, 2017
	\$	\$
Net MMLPF assets	10,859,500	12,505,000
Actuarial liabilities		
Active members	11,129,500	11,128,700
Deferred vested members	1,019,700	2,426,200
Retired members	15,252,800	12,549,100
Spouse and other beneficiaries	2,206,400	794,000
Total	29,608,400	26,898,000
Actuarial surplus (unfunded liability)	(18,748,900)	(14,393,000)
Funded ratio	36.7%	46.5%

Table 2.2 – Pre-April 1, 1988 Benefits Covered by the CF

	March 31, 2020	March 31, 2017
	\$	\$
Assets	n/a	n/a
Actuarial liabilities		
Retired members	1,535,100	2,457,800
Spouse and Other Beneficiaries	516,000	1,905,200
Total	2,051,100	4,363,000
Actuarial surplus (unfunded liability)	(2,051,100)	(4,363,000)

Reconciliation of Going-Concern Funded Position

The table below describes the change in the total deficit in respect of the total MMLPF and CF liabilities on a going-concern basis since the last valuation:

Table 2.3 – Reconciliation of Going-Concern Financial Position

	\$	\$
Actuarial surplus (unfunded liability) as at March 31, 2017		(18,756,000)
Expected changes in funded status		
Interest on surplus (unfunded liability)	(3,900,300)	
CF payments to inactive members with interest	1,646,700	
Difference between cost of benefits provided and current service contributions, with interest	(913,600)	
Total		(3,167,200)
Expected surplus (unfunded liability) as at March 31, 2020		(21,923,200)
Actuarial gains (losses) due to the following factors		
Investment return	(1,618,500)	
Salary increases experience	923,100	
Retirement experience	1,090,400	
Termination experience	785,300	
Pensioner mortality experience	439,600	
Total		1,619,900
Other gains (losses)		
Changes in actuarial assumptions	(819,800)	
Data adjustments and program refinements	323,100	
Total		(496,700)
Actuarial surplus (unfunded liability) as at March 31, 2020		(20,800,000)

Sensitivity Analysis – Actuarial Liabilities

The table below illustrates the effect of 1% changes in the interest rate, 1% changes in the salary increase rate, and one year changes in life expectancy on the going-concern actuarial liabilities, independently. With the exception of assumption in consideration, all other assumptions and methods used for this valuation were maintained.

Table 2.4 – Sensitivity of Actuarial Liabilities on the Going-Concern Basis

Assumption	Change	Impact on ABO	Impact on ABO
		\$	(%)
Interest rate	1.0% increase	(3,073,800)	(9.7)
	1.0% decrease	3,680,100	11.6
Salary increase rate	1.0% increase	811,300	2.6
	1.0% decrease	(752,600)	(2.4)
Life expectancy	1 year increase	787,200	2.5
	1 year decrease	(805,000)	(2.5)

Section 3 – Normal Cost and Contributions

Normal Cost and Adequacy of Contributions

The table below summarizes the estimated going-concern cost of pension benefits being earned in the twelve-month period following the valuation date (the normal cost) had the Government not enacted the Ministers and Members of the Legislature (Salaries and Pensions) Amendment Act 2020.

Table 3.1 – Normal Cost (Prior to One-Year Suspension of Service and Contributions)

	As at March 31, 2020		As at March 31, 2017	
	\$	% of payroll	\$	% of payroll
Normal cost (mid-year)	1,339,800	33.8	1,163,000	31.3
Less Member contributions	(495,200)	(12.5)	(464,900)	(12.5)
Less Government contributions	(495,200)	(12.5)	(464,900)	(12.5)
Normal cost deficiency	349,400	8.8	233,200	6.3
Expected annual payroll	3,961,600		3,719,200	

Pursuant to the Ministers and Members of the Legislature (Salaries and Pensions) Amendment Act 2020, Government contributions have been suspended for a one-year period and, on an optional basis, so have Member contributions. The suspension period runs from July 1, 2020 to June 30, 2021. Assuming that no Members make contributions during the suspension period, we have estimated the normal cost earned in the twelve-month period after the valuation date (the normal cost) to be as shown in Table 3.2.

Table 3.2 – Normal Cost (With One-Year Suspension of Service and Contributions)

	As at March 31, 2020		As at March 31, 2017	
	\$	% of payroll	\$	% of payroll
Normal cost (mid-year)	334,800	33.8	1,163,000	31.3
Less Member contributions	(123,800)	(12.5)	(464,900)	(12.5)
Less Government contributions	(123,800)	(12.5)	(464,900)	(12.5)
Normal cost deficiency	87,200	8.8	233,200	6.3
Expected annual payroll	990,400		3,719,200	

As both Table 3.1 and Table 3.2 illustrate, contributions to the MMLPF by Government and the members continue to fall short of the estimated cost of pension benefits being earned each year. This contributes to the growth of the unfunded liability under the MMLPF.

Reconciliation of Normal Cost

The factors contributing to the change in the normal cost are shown below:

Table 3.3 – Reconciliation of Normal Cost

	% of payroll
Normal cost as at March 31, 2017	31.3
Demographic changes	1.0
Changes in actuarial assumptions	1.5
Normal cost as at March 31, 2020	33.8

Sensitivity Analysis – Normal Cost

The table below illustrates the effect of 1% changes in the interest rate, 1% changes in the salary increase rate, and one year changes in life expectancy on the normal cost, independently. All other assumptions and methods, as used in this valuation, were maintained.

Table 3.3 – Sensitivity of the Normal Cost

Assumption	Change	Impact on	Impact on
		Normal Cost	Normal Cost
		\$	(%)
Interest rate	1.0% increase	(209,500)	15.6
	1.0% decrease	263,900	(19.7)
Salary increase rate	1.0% increase	112,900	8.4
	1.0% decrease	(103,500)	(7.7)
Life expectancy	1 year increase	19,900	1.5
	1 year decrease	(20,900)	(1.6)

Section 4 – Three-Year Projection

Financial Position Projections

The projected financial position of the MMLPF (excluding benefits covered by the CF) as at March 31, 2021, March 31, 2022 and March 31, 2023, using the assumptions summarized in Appendix A, is shown below.

Table 4.1 – Projected Financial Position

	March 31, 2023	March 31, 2022	March 31, 2021
	\$	\$	\$
Net assets	9,863,600	9,842,200	10,105,700
Actuarial liability	33,138,700	31,390,200	30,126,700
Unfunded liability	(23,275,100)	(21,548,000)	(20,021,000)
Funded ratio	29.8%	31.4%	33.5%

Normal Cost Projections

The table below summarizes the estimated annual normal cost of pension benefits projected to be earned in each of the three years following the valuation date, using the assumptions stated in Appendix A and the March 31, 2023 contribution rates shown in Table 3.2. We also show the estimated Member and Government contributions, as well as the projected normal cost deficiency for each of these years.

Table 4.2 – Projected Normal Costs

	March 31, 2023	March 31, 2022 ¹	March 31, 2021 ¹
	\$	\$	\$
Normal cost	1,434,400	1,039,400	334,800
Member contributions	530,500	384,400	123,800
Government contributions	530,500	384,400	123,800
Normal cost deficiency	373,400	270,600	87,200

1 Reflects one-year temporary suspension of contributions from July 1, 2020 to June 30, 2021.

Estimated Benefit Payments - CF

Pension payments in respect of service on and before April 1, 1988 are paid on a pay-as-you go basis from the CF. The table below summarizes the estimated future benefit payments for the three fiscal years following the valuation date.

Table 4.3 – Estimated Benefits Payable by the CF

	2023	2022	2021
	\$	\$	\$
Estimated annual benefit payments	487,900	504,700	523,400

The Underfunded Position of the MMLPF

As mentioned below Table 3.2, member and Government contributions do not cover the cost of benefits earned each year under the MMLPF. This simple fact contributes to the growth in the actuarial unfunded liability projected in Table 4.1, as well as the decreasing funded ratios shown in that table. The other contributing factor to the increasing unfunded liability is the growth in the liabilities at the valuation interest rate. To the extent that the MMLPF liabilities are not backed by assets earning a 6.25% rate of return, the actuarial unfunded liability can be expected to increase at 6.25% per annum. According to the legislation governing the MMLPF, such unfunded liabilities are ultimately a charge against the Consolidated Fund.

Appendix A – Going-Concern Actuarial Basis

Net Assets Available for Benefits

At the valuation date, the main assets of the MMLPF consist of an amount due from the CF. The net assets used for MMLPF valuation purposes are the amount of assets notionally held for the MMLPF in the CF, adjusted for accounts and benefits payable, as provided in the preliminary financial statements provided by the Accountant General's Department. No specific CF assets are similarly allocated in respect of the CF portion of the pension benefits provided to the members.

Actuarial Cost Method

The actuarial liabilities and the normal cost on the going-concern basis were calculated using the projected accrued benefit (or projected unit credit) actuarial cost method.

The actuarial liabilities are equal to the actuarial present value of benefits earned by members for services prior to the valuation date, taking into account the assumptions as indicated hereafter. The normal cost is equal to the actuarial present value of benefits expected to be earned by members in the year following the valuation date.

The ratio of the total normal cost to the covered payroll for the period can be expected to increase between elections as members get older, and will be reset based on the demographic composition of the membership changes after the next election.

For valuation purposes, ages have been calculated by rounding to the nearest birthday.

Actuarial Assumptions

The main actuarial assumptions used in the going-concern valuation are summarized in the following table. All rates and percentages are effective annual rates, unless otherwise noted. The same assumptions were used in the March 31, 2017 valuation, with the exception of the interest rate assumption, which was reduced from 6.5% to 6.25%.

Table A.1 – Going-Concern Actuarial Assumptions

		March 31, 2020
Interest rate (net of expenses)		6.25% per annum (previously 6.50% per annum)
Inflation rate		3.00% per annum
Salary increase rate		3.50% per annum
Mortality (post-retirement only)	Mortality Table (CPM2014Publ with generational projection using Improvement Scale B (CPM-B)	2014 Canadian Public Sector
Retirement		
Under age 57:	Earlier of age 55 and 20 years of service and age 60 and 8 years of service	
Age-57 to age 60:		Age 65 and 8 years of service
Age 61 to age 68:		Age 70 and 8 years of service
Age 69 and older:		Age 75 and 8 years of service
Terminations		None
Disability		None
Family Composition		100% married
Difference in age between spouses	Women are assumed to be 3 years younger than men	
Provision for expenses	None; the investment return is assumed to be net of expenses	

Choice of Assumptions

The actuarial assumptions were selected by the Ministry of Finance with the guidance of Morneau Shepell. Since the benefits under the Act are backed by the Government of Bermuda, long-term benefit security is not necessarily a primary concern and therefore, not an objective for funding of the MMLPF. As a result, it is appropriate to use best-estimate assumptions and it is not necessary to include provisions for adverse deviations in determining the actuarial liabilities and costs of the MMLPF in the valuations.

The following summarizes the rationale for selection of the going-concern actuarial assumptions:

Interest rate

For this valuation of the MMLPF, the new 6.25% interest rate assumption developed for the valuation of the PSSF was adopted. The previous valuation based the interest rate assumption on the 7.0% per annum statutory rate credited to the MMLPF, less a ½% reduction to cover administrative, actuarial and audit fees expected to be payable in the future. We would recommend that this assumption be reviewed when the next actuarial valuation is performed.

Salary increases

The salary increase assumption reflects the Ministry of Finance's long-term expectation with respect to the members. It is consistent with the Ministry's long-term CPI assumption of 3.0% plus 50 basis points for general wage inflation.

Mortality

The same mortality assumption has been used as was first used for 2014 valuation purposes. The assumption was set pursuant to the results of the 2014 PSSF Pensioner Mortality study, which showed that the mortality of public sector employees in Bermuda has kept pace with mortality improvements of similar employee groups in Canada and elsewhere. The generational mortality improvements that are incorporated are intended to keep this assumption current.

Withdrawal

Members are assumed to remain in the MMLPF until they retire. This adds a degree of conservatism to the valuation, as experience gains will typically arise when a member steps down from his elected position prior to retirement.

Retirement Age

The retirement age assumption reflects the Ministry of Finance's expectation with respect to the members.

Appendix B – MMLPF Assets

Source of Information

We have relied upon the unaudited financial statements provided to us by the Accountant General's Department, following tests of reasonableness with respect to contributions, benefit payments and investment income.

The net assets of the MMLPF are made up of an amount due from the CF. The balance due from the CF represents the net position of contributions received and expenses paid by the Government on behalf of the MMLPF.

Changes to Net MMLPF Assets Available for Benefits

The following table shows changes affecting the net assets during the inter-valuation period, based on the unaudited, preliminary financial statements provided to us by the Accountant General's Department for each Fiscal Year ending on March 31st.

Table B.1 – Reconciliation of Net MMLPF Assets

	2020	2019	2018
	\$	\$	\$
Net assets – beginning of period	11,177,876	11,559,328	12,505,026
Increase in assets			
Government contributions	477,787	470,679	455,886
Member contributions	477,787	470,679	455,886
Investment Income	432,607	434,869	82,028
Total increase in assets	1,388,181	1,376,227	993,800
Decrease in assets			
Pension payments	(1,631,324)	(1,585,128)	(1,470,599)
Refunds	(5,392)	(64,062)	(419,538)
Expenses	(69,866)	(108,489)	(49,361)
Total decrease in assets	(1,706,582)	(1,757,679)	(1,939,498)
Net assets – end of period	10,859,475	11,177,876	11,559,328

Projected Net Assets

In the following table we project the net assets available for benefits for the three-year period following the March 31, 2020 valuation date based on the assumed 6.25% valuation interest rate.

Table B.2 – Projected Net Assets for the Next Three Years

	2023	2022	2021
	\$	\$	\$
Net assets -beginning of period	9,840,747	10,105,311	10,859,475
PLUS			
Member contributions	529,731	383,863	123,627
Government contributions	529,731	383,863	123,627
LESS			
Benefit payments	(1,631,324)	(1,631,324)	(1,631,324)
Refunds	(5,392)	(5,392)	(5,392)
Expected Investment Return	597,008	604,426	635,298
Net assets – end of period	9,860,501	9,840,747	10,105,311

Appendix C – Membership Data

Description of Membership Data

Our valuation is based on data provided to us by the Accountant General's Department and was compiled as at March 31, 2020. We have taken the following steps to review the data to ensure sufficiency and reliability:

- a reconciliation was prepared in order to follow the changes concerning the members;
- basic data checks were performed to ensure that age, salary, service data, pensions to retirees and pensions to deferred vested members were reasonable for the purposes of the valuation.

We were provided with a member/beneficiary listing of benefits paid for Fiscal 2020, allocated between MMLPF and CF portions. We used the CF portions for valuing the liabilities under the CF. It might be noted that 100% of the benefits payable to active and deferred vested members are attributable to service covered by the MMLPF.

Summary of Membership Data

The following tables were prepared using data provided by the Accountant General's Department regarding its active members, retirees and former members.

These tables show the following:

C.1 - Changes in MMLPF Membership

C.2 - Summary of Membership Data

C.3 - Distribution of active members according to age and service as at March 31, 2020

Table C.1 – Changes in MMLPF Membership

	Active Members	Deferred Vested Members	Retired Members	Spouse & Other Beneficiaries	Total
Members at March 31, 2017	46	4	35	21	106
New members	19	—	—	—	19
Termination					
— Deferred pensions	(1)	1	—	—	—
— Paid out	(12)	—	—	—	(12)
Deaths					
— With no survivors/dependents	—	—	(4)	—	(4)
— With survivors/dependents	(1)	—	(2)	—	(3)
Retirements	(4)	(2)	6	—	—
Survivor pension	—	—	—	3	3
Data adjustments	1	(1)	—	—	—
Members at March 31, 2020	48	2	35	24	109

Table C.2 – Summary of Membership Data

		March 31, 2020	March 31, 2017
Active Members	Number	48	46
	Average age	56.7	56.0
	Average credited service	8.4	8.6
	Annual salary	\$ 4,007,100	\$ 3,627,100
	Average salary	\$ 83,482	\$ 78,850
Deferred Vested Members	Number	2	4
	Average age	56.7	57.7
	Average annual pension	\$ 40,691	\$ 54,488
	Average pre April 1988 Allocation	0.0%	0.0%
Retired Members	Number	35	35
	Average age	76.3	77.6
	Average annual pension	\$ 48,338	\$ 46,784
	Average pre April 1988 Allocation	13.3%	25.9%
Spouse and Other Beneficiaries	Number	22	20
	Average age	84.2	80.7
	Average annual pension	\$17,645	\$17,702
	Average pre April 1988 Allocation	76.9%	84.8%
Child Beneficiaries of Deceased Retired Members	Number	2	1
	Average age	17.8	15.2
	Average annual pension	\$11,736	\$7,132
	Average pre April 1988 Allocation	0.0%	0.0%

Table C.3 – Age/Service distribution for active members as at March 31, 2020

Age	Years	0-5	5-10	10-15	15-20	20-25	25+	Total
25-30	Number	1						1
	Avg service	1.3						1.3
30-35	Number	1						1
	Avg service	2.7						2.7
35-40	Number	1						1
	Avg service	2.7						2.7
40-45	Number	2	2					4
	Avg service	1.8	8.4					5.1
45-50	Number	5	2					7
	Avg service	2.8	6.3					3.8
50-55	Number	3		1				4
	Avg service	2.4		12.3				4.9
55-60	Number	4	3	3				10
	Avg service	2.4	7.8	12.1				6.9
60-65	Number	1	3	1	1	2	1	9
	Avg service	0.3	7.3	12.3	16.6	19.7	25.0	12.8
65-70	Number	2	1			1	1	5
	Avg service	2.6	8.2			21.3	25.0	11.9
70-75	Number	1	1			3		5
	Avg service	3.3	7.3			21.6		15.0
75+	Number			1				1
	Avg service			11.2				11.2
Total	Number	21	12	6	1	6	2	48
	Avg service	2.4	7.5	12.0	16.6	20.9	25.0	8.4

Average age : 56.7

Average number of years of service : 8.4

Notes:

- Ages were rounded to the nearest birthday.
- Years of service means the number of years of participation for MMLPF purposes, fractional years being rounded to the lower integer.

Appendix D – Summary of MMLPF Provisions

Our valuation was based on the terms of the Act in effect on March 31, 2020. The following is a summary of the main provisions in effect on March 31, 2020. It is not intended as a complete description of the Act. For details, reference should be made to the Act.

In response to the pandemic, the Government enacted the Ministers and Members of the Legislature (Salaries and Pensions) Amendment Act 2020 to provide for a one-year temporary suspension of the Government's contributions to the MMLPF, and an optional one-year temporary suspension of a contributor's contributions. The suspension period runs from July 1, 2020 to June 30, 2021.

Effective Date of the MMLPF

April 1, 1988

Anniversary Date

The anniversary date of the MMLPF is April 1 in each year.

Eligibility

New members of the Senate or House of Assembly are eligible to join the MMLPF immediately.

Pensions Charged to the CF

Where a member retires having had service prior to and after April 1, 1988, his pension will be allocated between the CF and the MMLPF. The allocation between the CF and the MMLPF shall be prorated according to the length of service before and after April 1, 1988. The portion of the pension payable in respect of the member's service before April 1, 1988 shall be charged to the CF, and the portion of the pension payable in respect of his service after April 1, 1988 shall be charged to the MMLPF.

Contributions

Members and Officers are required to make contributions toward the cost of pensions as specified from time to time in a resolution passed by both Houses of Legislature. The historical and current contribution rates are included in the table below. The Government pays an equivalent amount.

Period	Contribution Rate
Prior to March 31 st 1987	6.0%
April 1 st , 1987 – March 31 st 1988	8.0%
April 1 st , 1988 – March 31 st 1994	9.25%
Post April 1 st 1994	12.5%

The Ministers and Members of the Legislature (Salaries and Pensions) Amendment Act 2020 provides for a one-year temporary suspension of the Government's contributions to the MMLPF, and an optional one-year temporary suspension of a contributor's contributions. The suspension period runs from July 1, 2020 to June 30, 2021.

Retirement Date

A member shall be entitled to receive a pension on attainment of age 55 with service of at least 20 years or on attainment of age 60 with service of at least 8 years or on total disablement at any age with service of at least 8 years.

Member's Pension

The rate of pension shall be 3/1000 of the salary for each month or part thereof of service calculated:

- at the rate of salary payable to the holder of each office held by the member in respect of his as an officer (if any); and in addition
- at the rate of salary payable to a member in respect of his service as a member.

on the date on which the member becomes entitled to receive a pension.

In calculating a pension, not more than 25 years of service may be counted, and where a member has more than 25 years of service, his service in higher offices shall be counted first.

Maximum Pension

The pension shall not exceed 2/3rd of the salary of a member or, in the case of a member who has held an office, 2/3rd of the salary of the highest office held by such member for a period of 3 or more years, calculated by reference to the rates of salary payable on the date on which the member becomes entitled to receive a pension.

Spouse's Pension

On the death of a pensioner or member, a surviving spouse's pension is payable equal to 50% of the pension payable at date of death.

Child's Pension

On death of a pensioner or member, in addition to the spouse's pension, a surviving child's pension is payable to each child until reaching age 18 (or age 25 if the child is attending an educational institution in a full-time basis) equal to 10% of the pension payable at date of death.

Termination of Service Before Retirement

If a member has less than 8 years of service at the date of termination, then he is entitled to a refund of his contributions plus interest at 6% per annum.

If a member has more than 8 years of service but less than 20 years of service at the date of termination, then he is entitled to a deferred pension payable starting at age 60.

If a member has more than 20 years of service at the date of termination, then he is entitled to a deferred pension payable starting at age 55.

Cost-of-living adjustments

Based on the Minister of Finance's announcement on June 27, 2014, no further COLA increases are assumed to be made after Fiscal 2014.

Appendix E – Government Certification

With respect to the actuarial valuation for funding and accounting purposes of the MMLPF as of March 31, 2020, I hereby certify that, to the best of my knowledge and belief:

- The Summary of the MMLPF Provisions under the Act that are presented in Appendix D of this report is a complete and accurate representation of the provisions of the MMLPF, as they are interpreted to determine member benefit entitlements payable under the MMLPF and from the CF;
- The assumptions used and summarized in Appendix A of this report are determined by the Ministry of Finance and are adopted as its best estimate assumptions (without any provisions for adverse deviations);
- The asset information supplied and presented in Appendix B of this report is a complete and accurate representation of the net assets available for benefits provided under the terms of the MMLPF;
- The membership data supplied to the actuary and summarized in Appendix C of this report is a complete and accurate description of all individuals known to be entitled to benefits under the MMLPF and from the CF as at March 31, 2020;
- All events subsequent to March 31, 2020 that may have an impact on the results of the valuation have been communicated to the actuary.

Anthony Manders
Financial Secretary
Ministry of Finance, Bermuda

Date

Appendix F – Terms of Engagement

Direction from the Ministry of Finance

For the purposes of preparing the actuarial valuations for funding and accounting purposes of the MMLPF as of March 31, 2020, the Financial Secretary has provided us with the following direction:

Objectives of funding

The Ministry's objectives in establishing the assumptions, cost method and asset valuation method are to:

- Reflect the timing of benefits being earned;
- Comply with applicable pension legislation; and
- Promote stable contributions with an orderly and rational allocation among time periods.

Intergenerational equity

The valuation assumptions and methods should not unduly favour retired members over active members and vice versa.

Security of benefits and provisions for adverse deviations

No margins for adverse deviations should be reflected in the going-concern interest rate.

Hypothetical Wind up Valuation

Since the MMLPF does not define the benefits that would be payable if it were to be wound up, the actuary is not to perform a hypothetical wind up valuation .

Anthony Manders
Financial Secretary
Ministry of Finance, Bermuda

Date



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