

LETTER TO PARTICIPANTS

Dear Participant:

The Board of Trustees of the Bahamas Hotel Industry Management Pension Fund is pleased to announce a new benefit that will be available as of 1 January 2011. The Fund will now allow you to voluntarily defer a portion of your current salary to the Pension Fund to save for retirement. If you choose, you will be able to set aside additional money to supplement the monthly pension benefit provided by the Fund. Following are a list of questions and answers that should help explain this new benefit.

How much can I save?

As of 1 January 2010, you will be able to defer up to 10% of your current salary to the Pension Fund to save for your retirement. The Trustees have decided to allow you the choice to defer amounts in 2% increments. This means that you can defer 2%, 4%, 6%, 8% or 10% of your salary to the Fund. Your election of the amount to be deferred will be made each Fall and will stay in effect for the entire following calendar year. These voluntary employee contributions are in addition to the contributions already made to the Fund on your behalf by your employer.

When do I elect how much I will save for retirement?

The Pension Fund will send you a letter and election form in October of this year. If you want to defer some of your salary to the Pension Fund, you will need to complete the form indicating the amount you wish to defer, and return it to the Fund. The Fund will then work with your employer to make sure that the money you have elected to defer is withheld from your paycheck beginning the 1st of January and sent on to the Fund's administrator for investment.

How often can I make changes to the amount I defer to the Pension Fund?

In general, once per year. Each Fall you will receive a form from the Pension Fund asking if you want to save additional money from your salary and have your employer send that to the Pension Fund. The form will also ask how much you wish to save. That election will be effective as of the 1st of January of the following year. If you do not elect an amount or do not complete the form, no additional money will be withheld from your salary. If you do elect to have 2%, 4%, 6%, 8% or 10% deferred, that will begin as of the following 1st of January. If you elect an amount the first year and do not complete the form the second year, your amount will stay the same for the following year.

For example:

You will receive a form from the Pension Fund in October 2009 asking if you want to defer a portion of your salary toward retirement. Let's say you elect to have 4% withheld. Starting 1 January 2010, your employer will withhold 4% of your salary and send that money to the Pension Fund. The Fund will credit those monies to your account. In October 2010 you will receive another form asking if you want to change your election for 2011. If you do not complete the form, your employer will continue to withhold 4% for 2011.

What if I change employers?

If you change jobs and work for a new employer, you will need to complete a new election form. The election form will be specific for each employer.

Will I earn interest on my savings?

Yes. The Fund will credit interest as of 31 December every year. Whatever balance is in your account at the end of a year will earn a rate of interest; the rate will be determined based on the investment return for the Pension Fund as a whole. The interest will be credited once the financial statements are complete in the following year, in late March or early April.

The Pension Fund is currently invested in equity securities (stocks of Bahamian companies) and fixed income securities (bonds with companies and banks, like the Bank of the Bahamas). The Fund has had consistent positive returns for over 25 years, and has averaged close to 6% per year for the last ten years. (Of course past performance is no guarantee of future results. If the Pension Fund's investments should have a negative return in a year, your account will be reduced based on that negative return.)

Can I lose my salary deferrals?

No. Your voluntary employee contributions into the Fund are vested immediately, and you will never lose them. Even if you do not work enough to earn a pension benefit, you will receive a refund of your employee contributions, plus any interest you are credited on those contributions.

Can I take out my money before retirement?

No. These monies are to supplement your monthly retirement benefit from the Fund. You can only get this money if you retire or leave work in the industry. If you leave work in the industry, you will receive the balance of your employee contribution account paid as a lump sum only if you are not vested and entitled to a monthly pension benefit in the future.

How will I know how much of my salary has been contributed to the Fund?

Your employer should identify how much of each paycheck is sent to the Fund as a voluntary contribution. The Fund also plans to send annual (once per year) statements to you to show the amount contributed to the Fund on your behalf. These statements will show the amount of contributions made by your employer on your behalf, and will show the amount you have elected to contribute from your salary. It will also show any interest credited for your contributions.

How will the money be paid to me when I retire?

If you have money allocated to your voluntary employee contribution account at the time you retire, there are three options for payout. You can receive your voluntary employee contributions and interest: (1) in a lump sum of the total account balance, (2) in an increased monthly benefit payable for the rest of your life based on your account balance, or (3) 50% of your account in a lump sum and 50% as an additional monthly benefit.

For example: Suppose you retire at age 65 with an account balance of \$10,000. You can get this money in one of three ways.

Your first option is a lump sum check of \$10,000 paid by the Pension Fund. You would receive the normal pension monthly from the Fund based on the number of pension credits you have earned and your average salary.

The second option would be to increase your monthly pension. Let's suppose you worked for 25 years in work covered by the Pension Fund and you are entitled to a monthly pension of \$1,000. The \$10,000 balance would be converted to a monthly annuity and added to your monthly pension. This calculation is based on actuarial factors that take into account how long you will live and receive the additional payment. Let's say that the factors convert your \$10,000 to an additional pension of \$86 per month. You would then receive \$1,086 per month for the remainder of your life. If you elect this option, there will be no lump sum payment of your account balance, regardless of how long you live.

The third option would be to receive \$5,000 as a lump sum and have the rest applied as an additional monthly benefit. In our simplified example, you would receive an additional \$43 per month, or \$1,043, for the remainder of your life, in addition to the \$5,000 lump sum check.

All of these options will be explained and calculated for you when you prepare to retire.

Am I obligated to contribute a part of my salary to the Pension Fund?

No, this is a voluntary benefit and is totally your choice. You may wish to defer a portion of your salary as you work to increase the amount you save for retirement. The Pension Fund has access to investments that individuals often do not, and therefore you may earn more than if you invested on your own. There are also no investment or administrative fees charged to you for this benefit. That means that the money you defer, and the interest it earns, will all be paid to you when you retire.

Will I get more information about this new benefit?

Yes. This is just the first letter to announce the new benefit. You will receive more information from the Fund in the Fall when you received the election form and may receive more information from your employer.

Who can I call or write to if I have any questions?

You can call Lashan Smith at 242-322-8381 or write to the Board of Trustees at the following address:

Bahamas Hotel Industry Management Pension Fund
P.O. Box N-7799
SG Hambros Building
West Bay Street
Nassau, Bahamas
Email: bhimpf.com

The Board of Trustees is pleased to provide this new option for you to save for your retirement. Please look for more information describing this new benefit in the future.

Sincerely,

The Board of Trustees