BAHAMAS HOTEL INDUSTRY MANAGEMENT PENSION FUND

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8th February 2022

Dear Participant,

We, as the Board of Trustees of the Bahamas Hotel Industry Management Pension Fund, are responsible for monitoring the costs and actuarial status of the Pension Fund. To do this, we meet periodically with the Fund professional investment advisors and actuarial consultants to review the assets and the liabilities based on the plan of benefits, the working population of participants, and contributions from employers.

As we wrote to you in early 2020, the actuarial cost of the plan of benefits increased to the point where there is an imbalance between employer contributions, currently paid at 6% of salary, and the amounts needed to pay for the benefits promised under the plan. That imbalance grew larger during the COVID-19 pandemic, as the number of individuals working and the contributions from employers declined sharply. The Trustees met recently and adopted additional plan changes to address this imbalance. This letter will explain those changes.

Regular Pension Accrual Rate

Prior to the 1st of January 2020, the Regular Pension was based on a formula where a Participant earned 0.0132 of Final Average Salary for each Pension Credit earned under the Plan up to a maximum of 25. After earning 25 Pension Credits under the plan, a Participant is entitled to a Regular Pension of 33% (0.0132 times 25) of Final Average Salary. Prior to January 1, 2020, the “accrual rate” was therefore 1.32% of Final Average Salary for each Pension Credit.

Based on the imbalance between the cost of the plan and employer contributions, the Board of Trustees adopted a change in the accrual rate. Effective for Pension Credits earned in 2020, 2021 and 2022, the “accrual rate” is 1.10% of Final Average Salary for each Pension Credit. The maximum Regular Pension benefit is no longer based on 25 Pension Credits but will be a maximum of 33% of Final Average Salary.

The Trustees have adopted an additional change that will be effective for Pension Credits earned in 2023 and after. Effective for Pension Credits earned in 2023 and after, the “accrual rate” will be 1.0% of Final Average Salary for each Pension Credit. The maximum benefit remains at 33% of Final Average Salary.

<u>For example:</u>

Let’s say that you earned 20 Pension Credits under the Plan as of 31 December 2019. Based on those 20 Pension Credits, you have earned a Regular Pension benefit payable at age 65 equal to 26.4% of your Final Average Salary. (That is 20 Pension Credits times 1.32% per Pension Credit, or 26.4%.) For each year, starting in 2020, that you earn a full Pension Credit, you will earn an additional 1.10% of Final Average Salary until the end of 2022. Starting in 2023, for each year that you earn a full Pension Credit, you will earn an additional 1.0% of Final Average Salary until you reach the maximum pension accrual of 33% of Final

Average Salary. Your benefits will be the sum of all of your years of accruals. We show a chart on the next page that displays how this works.

Plan Year in which the Participant earned a full Pension Credit	Accrual Rate per year, for each full Pension Credit	Cumulative Pension Accrual as a Percent of Final Average Salary
2000 to 2019 (20 years)	1.32%	26.4%
2020	1.1%	27.5%
2021	1.1%	28.6%
2022	1.1%	29.7%
2023	1.0%	30.7%
2024	1.0%	31.7%
2025	1.0%	32.7%
2026	1.0%	33.0% (maximum pension)

A Participant who is hired in 2023 will need to work and earn 33 Pension Credits to reach the maximum Regular Pension benefit of 33% of Final Average Salary payable at age 65.

Those Participants who have already earned the maximum 33% of Final Average Salary payable as a Regular Pension at age 65 and will not be affected by this Plan change.

Final Average Salary

The Plan Document defines your Final Average Salary as the average of the annual salaries for the highest **six** of the last **ten** Plan Years of employment in which you earn Pension Credits. Starting for those participants whose Pension Commencement Date is on the 1st of April of 2022 and after, the Final Average Salary will be the average of the annual salaries for the last **ten** Plan Years of employment in which you earn Pension Credits. So, the Final Average Salary will now take the average of your last **ten** years in which you earned Pension Credit rather than the highest **six** years.

Here is a table that shows the Final Average Salary under the prior plan definition and the new definition for those who start their pension on the 1st of April 2022 or later.

Plan Year in which the Participant earned a full Pension Credit	Annual Salary in that Plan Year	Pension Credit earned in that Plan Year
2021	$55,000	1.0
2020	$55,000	1.0
2019	$55,000	1.0
2018	$55,000	1.0

2017	$53,000	1.0
2016	$51,500	1.0
2015	$53,000	1.0
2014	$51,500	1.0
2013	$50,000	1.0
2012	$50,000	1.0

Under the prior definition, Final Average Salary is the average of the annual salaries for the highest **six** of the last **ten** Plan Years of employment in which you earn Pension Credits. Using the above salaries, the highest six of the last ten Plan Years of employment in which the participant earned Pension Credit were 2015, 2017, 2018, 2019, 2020, and 2021. The Final Average Salary based on the prior definition is the average annual salary for those six years, or $54,333.33. The new definition of Final Average Salary calls for the average over ten years, or from 2012 to 2021. Under the new definition, this participant's Final Average Salary is $52,900. If this participant had the maximum accrual at 33% of Final Average Salary, the benefit under the old definition would be $1,494.17 per month, as a single life annuity. Under the new definition, the benefit would be $1,454.75 per month.

Withdrawal/Termination Benefit

The plan has a Withdrawal/Termination Benefit for participants who leave the industry before achieving Vested Status, meaning before you are entitled to a lifetime monthly pension benefit at some point in the future upon earning ten (10) Pension Credits. Under the current rules, the Withdrawal/Termination Benefit pays you the greater of (a) 50% of the contributions that an employer made on your behalf, or (b) 50% of the present value of the accrued benefit as determined by the Fund's actuary. The second piece, the present value of the accrued benefit, is usually greater for participants who request a Withdrawal/Termination Benefit in their later years. For younger participants who leave the industry and request a Withdrawal/Termination Benefit, 50% of the contributions made on their behalf is usually greater.

Effective for those who request a Withdrawal/Termination Benefit on or after the 1st of April 2022, the Withdrawal/Termination Benefit will pay you the greater of (a) 33% of the contributions that an employer made on your behalf, or (b) 33% of the present value of the accrued benefit as determined by the Fund's actuary.

These changes, to the accrual rate, the Final Average Salary, and the Withdrawal/Termination Benefit, will reduce the future costs of the plan. Current projections show that these changes will help stabilize the long-term funding of the plan. However, these projections are based on assumptions, and future experience for work in the industry and investment returns, among other factors, can dramatically alter the projections.

We will continue to monitor the projected costs of the Pension Fund as compared to the contributions from employers. Our goal is to ensure that the Fund will have enough assets to pay the promised retirement benefits over the lifetime of every retiree. Please remember that you can always supplement your retirement benefit by contributing to the voluntary employee contributions account (VECA). If you have any questions about these plan changes, VECA, or any other aspect of the Pension Fund, please contact the Fund Office.

Sincerely,

The Board of Trustees