

TRINIDAD AND TOBAGO

Actuaries in Trinidad and Tobago

When the Government of Trinidad and Tobago won the 1976 general election for the fifth successive time, the consulting actuarial profession in Trinidad and Tobago lost the active participation of its senior Member: Mervyn de Souza was made a Senator and a Cabinet Minister in the Ministry of Finance. Therefore his numerous actuarial activities have had to be suspended during his tenure of office.

The profession continues to be locally represented by the two actuarial firms of Bacon Woodrow & de Souza and R Watson & Sons. In addition D'Arcy Alcantara & Rojas Employee Benefits Limited now offers a limited amount of actuarial advice as the company now has an actuary on its staff. In addition two actuaries are employed outside the consultancy field by local insurance companies.

Overseas Interests

The two actuarial firms mentioned above both have strong links with the United Kingdom. Actuarial services are provided from Trinidad for other Caribbean territories, as many of them do not have resident actuaries.

Other Professions

The professional community in the country is a fairly small one. Relationships with members of other professions are on a personal and informal basis, and are consequently amicable.

Economic Background

Unlike most Caribbean countries Trinidad and Tobago has a buoyant economy as the result of its own oil and gas resources. Industrialisation is well under way and local manufacturing is being encouraged. Some foreign-owned industrial enterprises have been purchased by the Government with the ultimate aim of re-selling to local private investors. Overseas banks have been encouraged to divest their holdings of shares in Trinidadian subsidiaries by making the shares directly available to the local public, without the intermediate stage of Government-owned shareholdings.

National Insurance is partially funded and the National Insurance Board competes with other institutional investors for the small supply of local securities. New issues are usually heavily over-subscribed and there is virtually no market at other times because the institutions are reluctant to part with such investments as they have managed to secure. Most institutions hold large portfolios of private mortgages in order to absorb the funds they cannot invest in other securities.

Life Insurance

Life Offices have been encouraged to establish local companies, and from 1978 tax relief will not be available on the premiums for new life policies unless they are issued by a local company. Some offices have simply passed their local portfolios on to indigenous companies, others have established a local company to carry on their business with underwriting, managerial and other deci-

sions increasingly being taken locally rather than by the overseas parent.

Consulting Actuaries supply much of the day-to-day actuarial advice required by life offices in Trinidad and Tobago, and are called in to help with such major projects as valuations and the transfer of portfolios even when the daily advice is supplied by a resident actuary or when premium tables and surrender values etc., are set by overseas head offices. The larger offices will presumably establish their own actuarial departments, staffed by qualified nationals, in due course, but the smaller ones will continue to rely on outside consultants for the foreseeable future.

Employee Benefits and National Insurance

Trades Unions in Trinidad and Tobago are increasingly aware of retirement benefit plans and are pressing for improvements. Unfortunately, they view them as additional to, rather than part of, the total remuneration package. The older retirement benefit plans used to provide large tax-free lump sums, but since 1963 full tax exemptions are only granted to retirement plans on condition that at least three-quarters of the retirement benefit is a non-commutable, non-assignable pension. Employees prefer the lump sums, which are often used to set up a small business, buy a share in a family concern, or provide some other form of continued earnings (although of course they are sometimes squandered). This can create difficulties when an employer seeks to replace a system of severance pay, or an existing retirement scheme, with a new or improved pension plan, which cannot provide the full cash sum which the employees had been expecting to receive.

Career-average type pension plans are still fairly common, especially among weekly-paid employees, but the drift towards final salary plans continues. Most plans provide death benefits in the form of lump sums or guaranteed minimum pension payments only, and dependants' pensions are still rare.

National Insurance was established in 1972, and the present ceiling on benefits and contributions is fairly low although it is likely to be raised in the near future. Trades Unions have steadily opposed the harmonisation of occupational pension plans with National Insurance and, as Government regulations require the members' representatives to approve the introduction of harmonisation, progress in this direction has been very slow. It remains to be seen whether the higher National Insurance earnings ceiling will affect the Trades Unions' attitude to harmonisation when their members realise that they will be called upon to pay dual contributions on a considerable part of their earnings unless their occupational plans are harmonised.

The long-term National Insurance benefits, i.e., old age and invalidity pensions and widows pensions, are based on a contributor's average rate of contributions rather than his final earnings. The proposed upgrading of the various earnings classes will increase the accrued entitlements and the benefits already in payment, but the increase will not be equivalent to the full rise in average earnings and the basic structure of the Scheme will remain unchanged.

Public Service

At the time of writing this report there is an Associate of the Institute but no qualified actuary on the establishment of the Public Service. Actuarial advice to Government is provided by outside consultants in conjunction with the Government's embryonic actuarial department. This includes the periodic valuations of the various National Insurance Funds and the funded pension schemes of public utilities and other autonomous Government

agencies. A major project at present is the complete overhauling of Public Service retirement benefits which have remained substantially unchanged in basic design since the 1930s. This is still in its early days and a detailed account of the various problems confronting the advisory committee would be premature; obviously, the question of indexation is one of the greatest.

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