Silver Thatch Pensions
BUILDINGWEALTHONYOURTERMS

An educational bulletin for members of the Silver Thatch Pension Plan

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Pension refunds: New rules now in place

Will recent pension law changes affect you?

As of January 1, 2020, the new Cayman Islands' pension refund rules came into effect. This is part of the broader National Pensions Law changes passed in 2016 that have been implemented over the past couple of years.

One of the main reasons the series of changes was made is to help ensure future financial health – for you, and for the Cayman Islands.

On average, people are living and working longer, which means you may need to save more money for a longer period of time in order to maintain your quality of life in retirement. Typically, when people take refunds of their contributions, they are more likely to use that money up before retirement and have to depend on the government for support later in life.

With that in mind, here are the new rules around limitations on pension refunds, and what your options are if you decide to leave the Cayman Islands.

Two ways you can get a refund of contributions

If you are a non-resident, you can now get a full refund of the funds in your pension account only if:

1. **You are over age 65, and can provide proof that you cannot transfer your pension benefit** to another approved pension plan, retirement savings account, life annuity or similar arrangement in another country.

   OR

2. **Your pension value is less than CI$5,000** (and the pension administrator approves).

Your options if you move

If you stop working and leave the Cayman Islands, you have some options other than taking a refund of contributions.

Option 1

As long as you have more than CI$5,000 in your pension account, you may transfer those assets into a pension plan, pension entitlement savings arrangement or life annuity outside of the Cayman Islands. However, you must:

- have stopped contributing to the plan for at least two years; and
- no longer be living or working in the Cayman Islands for the same amount of time.

Option 2

If there isn't a registered pension provider in your country, you can keep your pension in the Cayman Islands and keep contributing until retirement.

When you retire, you can choose to either:

- ***Buy an annuity*** – Cash in your entire Silver Thatch Pensions account to buy an annuity from an insurance company (to provide a steady income stream, usually paid for life); or
- ***Start a Retirement Savings Arrangement (RSA)*** – RSAs pay in regular installments based on a schedule set out by the Department of Labour and Pensions. There is a minimum and maximum amount that can be withdrawn each year, based on your age and account balance.

For more information about the National Pensions Law and the recent changes that may affect your retirement plan, you can:

- Reference the National Pensions Law guidebook on the Silver Thatch website at **silverthatch.org.ky**

  OR

- Contact Silver Thatch at 345-943-7770 or **support@silverthatch.org.ky**

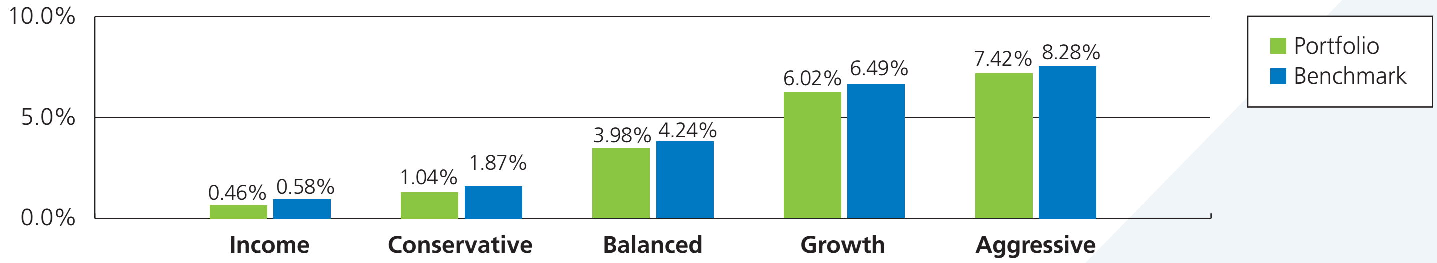
Investment highlights - Q4 2019

The following is an edited commentary on the fourth quarter of 2019 (Q4), as prepared by Deutsche Bank, Silver Thatch Pensions' investment manager. The full, unedited investment commentary is available at **silverthatch.org.ky**.

Total value of the investment portfolios

December 31, 2019

USD$647,255,782



Q4 Market Review

By the time October 2019 began, both the bulls and the bears had been well fed by the markets through the year, as the flood of central bank liquidity had lifted all boats. But the fourth quarter has decided the year in favor of the bulls.

Last year didn't see a recession in the U.S. or Europe, despite previous fears of a slowdown and an inversion in the U.S. 2s10s yield curve (and three U.S. rate cuts!). A phase-one trade deal between the U.S. and China was finally agreed upon, while a no-deal Brexit was avoided at the last-minute. Improving macro indicators finally helped the upward momentum for global equities to continue through the very end of the year.

In equities, in local currency terms, emerging markets (MSCI Emerging) signed a great quarter, holding the leading position with +12% of returns. Over Q4, the U.S., up +9%, outperformed European markets, which were closer to +5%. Japanese equities, up +8.4%, benefitted from a slight JPY depreciation.

As for fixed Income, credit spreads tightened across all market segments in 2019. But the Q4 risk-on stance was mostly supportive for high yield, which outperformed IG Credit in Euro and USD.

Portfolio Activity

At the beginning of October, following the RIC decisions, we increased U.S. equities and sovereign bonds. We also closed our duration underweight, switching into longer dated bonds in government and credit.

We adjusted equities by trimming Europe in favor of the U.S. We rebalanced our equity allocation in October, as the ad hoc RIC neutralized U.S. and European equities on the back of a "last minute deal" on Brexit, to benefit from reduced uncertainty.

In November, we switched the Jupiter European Growth fund into the broader Blackrock Flexible European fund, herewith adjusting higher our U.K. exposure. In fixed income, we switched part of the Templeton TR Fund, which disappointed in the latest EM correction, into the Fidelity Asian Bond Fund.

At the end of November, as the global macroeconomic picture was showing signs of stabilization, the RIC decided to neutralize the overall equity quota of the portfolio. We therefore adjusted the positioning towards the new TAA and slightly reduced U.S. equities to finance the increase of Japan and EM.

Market Outlook

With Brexit and the Phase One agreement in the trade dispute between the United States and China, two of the most significant negative factors for financial markets and the real economy last year could lose influence in 2020.

Negative political factors such as the impeachment proceedings against U.S. President Trump, the conflict over the reforms of French President Macron, the formation of a government in Spain and also quarrels within the governing coalition in Germany are likely to continue for the time being.

If no additional new negative factors arise, we expect global growth of 3.1% in 2020. In particular, the negative effects of the trade conflict have prompted us to slightly lower our earlier estimates for growth in the U.S. (+1.6%), the Euro area (+0.9%), Japan (+0.2%) and China (+5.8%).

However, while we do not expect further interest rate cuts in the U.S., European, and Japanese economies for the time being, further monetary easing in China appears possible in view of growth forecasts below 6% despite an expected inflation rate of 2.5%.

Even if 2020 is unlikely to be a year of sky-high growth, the global economy should continue to improve noticeably with the exception of temporary, local trouble spots.