

National Pensions Bill Published for Public Consultation

Grand Cayman, 18 September 2023 –The National Pensions (Amendment) Bill, 2023, is now open for public consultation. This Bill seeks to increase the maximum amount for withdrawals from pension plans to make deposits on the purchase or construction of homes (dwelling units), purchasing residential property, making reduction payments on mortgages or real estate loans, and paying off mortgages. These proposed amendments would align with economic and housing needs in the Cayman Islands by improving the likelihood of homeownership for Caymanians or easing the cost of living with a reduction in mortgage balances.

The Minister for Labour, Hon. Dwayne Seymour, MP, said, "Under the National Pensions (Amendment) Bill 2023, our mission is crystal clear: empower every Caymanian to own a piece of the land they call home. We recognize today's struggles, but with this amendment, we're paving a pathway for our people to pay off or reduce their mortgages or purchase or build homes. I have always been, and will always be, about helping our people. This Government is unwavering in its commitment to ensure that every Caymanian has a brighter, more secure future."

Some of the key amendments to the Bill include increasing the maximum withdrawal allowed for home purchase or construction from CI \$35,000 to CI \$50,000, allowing a maximum of CI \$50,000 for a reduction payment on an existing mortgage or residential land loan, increasing the withdrawal amount to pay off an existing mortgage from CI \$35,000 to CI \$100,000; and requiring applicants to repay an additional 3% contribution (up from 1%) into their pension plan, among other amendments. These proposed amendments will provide more flexibility to pension plan members, allowing them to make withdrawals for essential purposes while also requiring repayment to avoid jeopardizing their long-term financial security.

The Bill also addresses changes relating to wording to allow pension withdrawals to be used to purchase or construct a duplex, whereby the previous laws did not expressly permit this. The Bill

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also expands the content that must be included in the letter applicants obtain from the financial institution as part of the application process. Additionally, the Bill continues to require restrictions on applicants' property and extends the duration of the restrictions into post-retirement in the event the property is sold.

It also introduces new requirements, including any withdrawal for the applicant's primary residence and for applicants to prove the repayment or ongoing repayment of any past property withdrawals. Members will also be able to withdraw their existing additional voluntary contributions to make a reduction payment on their existing mortgage or residential land loan. Under the National Pensions Act, members are not required to repay other voluntary contributions, whereas mandatory contributions withdrawn for property purposes must be repaid to the pension plan.

Two new sections are also being proposed. If the pension funds withdrawn are not used for the intended property, they must be returned to the pension plan administrator within six (6) months of withdrawal, except where the dwelling unit is being constructed. If the total withdrawal was not used, it must be returned within twelve (12) months of the withdrawal.

The National Pensions (Amendment) Bill 2023 aligns with the Government's commitment to providing solutions to enhance the well-being of the Cayman community. The public may share their feedback by emailing the Ministry at mebc@gov.ky. The consultation period ends at midnight on 16 October 2023.

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