



**Office of the Supervisor of Insurance & Private Pensions (OSIPP)**

**Guidelines on Draw Down Account  
(Maximum Annual Income Payment)**

**Date:** 16<sup>th</sup> March 2018

**Purpose:**

The pension legislation provides that members of defined contribution plans may be given the option to transfer their account balances into a draw down account and that members of a financial institution pension plan with defined contribution benefits must be offered this option. The draw down account allows members to withdraw a certain amount of their account balances annually based on the member's age. The draw down account is a form of pay out at retirement. Other pay out options includes the purchase of annuities and/ or a lump sum payment up to a certain amount.

The purpose of this guideline is to outline the requirements of a draw down account and to publish the draw down percentages required to calculate the maximum amount that can be withdrawn annually from a member's account.

**Legislative Reference:**

- Section 42(1) of the Private Pensions Act, 2016, (the "Act") provides that members of a defined contribution plan may be given the option to transfer their account balances to a draw down account. Members of a financial institutional plan with defined contribution benefits must be given this option at retirement.
- Section 42 (2) of the Act states that only members who are at least at early retirement age under the plan may establish a draw down account.
- Section 42 (3) of the Act requires the OSIPP to publish the draw down percentage which may vary based on the age of the member of the drawn down account.



- Section 42(4) of the Act restricts the amount that can be taken from the draw down account annually to the drawn down percentage times the member's draw down account balance at the beginning of the fiscal year.

### **Members Eligible to set up a Draw Down Account**

- A member of a defined contribution plan; or
- A member of an institutional pension plan with defined contribution benefits; and
- The member must attain at least the early retirement age under the plan.

### **Draw Down Percentages**

The draw down percentage(s) is outlined in the Table below. The age of the member will determine the appropriate draw down percentage to be used in the calculation.

### *Other Application*

- Percentages shown in the table must be prorated for the initial fiscal year if less than twelve months. **If the draw down account is not set up at the beginning of the month**, that part of a month should be treated as a full month.
- Only one set of draw down percentages can be in effect at any point in time. The maximum draw down percentage applicable for an individual at a particular age in any year shall be the draw down percentage at that age published for that particular year.



## Maximum Annual Income

The maximum income that can be withdrawn from a member's account annually is determined as outlined below:

*The appropriate draw down percentage **times** the member's draw down account balance as the beginning of the fiscal year*

## Maximum Annual Income Calculation

The draw down percentage is determined as follows:

1/F, in which

"F" is the present value, at the beginning of the fiscal year, of an annuity of \$1 payable annually in advance over the period commencing at the beginning of the fiscal year and ending on December 31 of the year in which the owner reaches 90 years of age.

The maximum draw down amount is therefore:

C\*1/F, in which

"C" is the value of the account balance at the beginning of the fiscal year.

*Interest Rate and Frequency of Determination used in the draw down percentage calculation:*

The interest rate assumption used in determining the value of "F" in the formula is: *the long-term Government of Belize bond rate for December 2017*

## Members' Draw Down Account Balances

Interest is to be credited to account balances in the Draw Down account, at least annually. The rate of interest to be credited should be the net investment income earned on the assets supporting the draw down account.



**PUBLISHED DRAW DOWN PERCENTAGES**

Pursuant to section 42(3) of the Act, the draw down percentages are published below:

<b>Interest rate</b>		<b>5.0%</b>
<b>Age at Jan 1</b>	<b>Age at Dec 31</b>	<b>Draw down %</b>
54	55	5.76%
55	56	5.82%
56	57	5.88%
57	58	5.95%
58	59	6.03%
59	60	6.11%
60	61	6.20%
61	62	6.29%
62	63	6.39%
63	64	6.50%
64	65	6.63%
65	66	6.76%
66	67	6.90%
67	68	7.06%
68	69	7.24%
69	70	7.43%
70	71	7.64%
71	72	7.88%
72	73	8.15%
73	74	8.45%
74	75	8.79%
75	76	9.18%
76	77	9.62%
77	78	10.14%
78	79	10.75%
79	80	11.47%
80	81	12.33%
81	82	13.40%
82	83	14.74%
83	84	16.46%
84	85	18.76%
85	86	22.00%
86	87	26.86%
87	88	34.97%
88	89	51.22%
89	90	100.00%