

Barbados

Barbados: Pension system in 2010

The pension system consists of an earnings-related defined-benefit component and an old-age grant. For those with inadequate income there is a non-contributory pension.

Key indicators

		Barbados	LAC26
Average earnings	BBD	27 800	13 900
	USD	13 900	7 000
Public pension spending	% of GDP	3.0	3.1
Life expectancy	At birth	75.3	73.6
	At age 65	15.6	17.4
Population over age 65	% of working-age population	16.7	12.3

Qualifying conditions

In 2010 the retirement age was 66 years for both men and women with at least 500 weeks of contributions, including at least 150 weeks of paid contributions.

An early pension is possible from age 60 if the insured person is no longer employed. Late retirement is possible and deferred pension benefit can be withdrawn up to the age of 70.

A retirement benefit (Old Age Contributory Grant) is paid from age 66 with at least 50 but not more than 499 contributions.

Pensionable ages in Barbados will be rise to 67 as of January 2018.

Prior to 1 January 2006	65 years
1 January 2006 to 31 December 2009	65.5 years
1 January 2010 to 31 December 2013	66 years
1 January 2014 to 31 December 2017	66.5 years
1 January 2018 and after	67 years ¹

1. The NIS retirement age is flexible so persons may retire at any age from 60 to 70.

Benefit calculation

Old-age pension

The pension is 2% of average annual earnings for the first 20 years of contributions. Each year thereafter adds 1.25% of the average annual earnings.

The average earnings are calculated as the best five years nominal earnings divided by five. If the number of years worked is less than 15 years, the average is based on total earnings.

The maximum earnings level for benefit calculation purposes is BBD 900 a week for employees paid weekly or BBD 3 900 a month for employees paid monthly.

The minimum weekly pension is BBD 155.

The maximum pension is equal to 60% of average insurable earnings.

The contributory pensions, maternity and funeral grants are increased by a formula which may be summarised as the lesser of the three-year average of wage and price increases obtained via the Central Bank of Barbados.

Old-age grant

A lump sum is paid for each 50-week period of contributions. The lump sum is equal to six weeks of average earnings.

The average insurable weekly earnings is calculated as the sum of the insurable earnings (on which contributions have been based), divided by the number of weeks of contributions.

Non-contributory old-age pension

The amount paid to a person who qualifies for non-contributory pension is BBD 127.00 per week. To qualify an insured individual must be of pensionable age and a citizen of Barbados or a permanent resident. Special rules apply for blind and deaf people.

An insured person is not entitled to a Non-Contributory Old Age Pension if that person: i) receives a pension in respect of the public service of Barbados; ii) receives a pension in respect of public service with another government; or with an international organisation of which the Government of Barbados is a member; iii) receives a pension under the National Insurance Scheme at a rate higher than the non-contributory old-age pension; iv) receives a pension by virtue of a National Insurance and Social Security Scheme operated by another government; v) receives an income in excess of BBD 30 per week and is blind or a deaf mute and under the age of 66 years; vi) is continuously absent from Barbados for any period in excess of six months; vii) is a full time in-patient at a health service institution maintained by the government such as a hospital or a home; viii) is detained at any prison.

Variant careers

Early retirement

It is possible to receive a pension from the age of 60 if the insured person is no longer employed or self-employed. The pension is reduced by 0.5% per month for each month of early withdrawal before the pensionable age. This reduction is permanent unless the person decides to work again.

Late retirement

The pension benefit withdrawal may be deferred until age 70. The pension benefit is increased by 0.5% per month for each month of deferral after the pensionable age.

Personal income tax and social security contributions

Taxation of workers

There is an individual tax allowance of BBD 25 000. The next BBD 35 000 of income is taxed at 17% tax rate, with income above this level taxed at 35%.

Social security contributions paid by workers

A private sector employee aged 16 to 66 contributes 6.75% to the National Insurance, while those self-employed contribute 13.5% of covered earnings.

The minimum earnings for contribution calculation purposes are BBD 21 a week for employees paid weekly or BBD 91 a month for employees paid monthly.

The maximum earnings for contribution calculation purposes are BBD 900 a week for employees paid weekly, BBD 3 900 a month for employees paid monthly.

Contributions also finance sickness and maternity benefits, work injury benefits, Unemployment Benefit, Invalidity Benefit/Grant, Disablement Benefit/Grant, Survivors Benefit/Grant, Funeral Grant and Death Benefit.

Social security contributions by type of worker

	Private sector employees – “R”			Over 66 and a half or Under 16 – “E” Private			Self-employed – “S”		
	Employee (%)	Employer (%)	Total (%)	Employee (%)	Employer (%)	Total (%)	Employee (%)	Employer (%)	Total (%)
National insurance	6.75	6.75	13.5	0.0	0.0	0.0	13.5	0.0	13.5
Non-contributory	2.0	2.0	4.0	0.0	0.0	0.0	2.0	0.0	2.0
Employment injury	0.0	0.75	0.75	0.0	0.75	0.75	0.0	0.0	0.0
Unemployment	0.75	0.75	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Severance	0.0	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Training levy	0.5	0.5	1.0	0.5	0.5	1.0	0.5	0.0	0.5
Catastrophe fund	0.1	0.0	0.1	0.1	0.0	0.1	0.1	0.0	0.1
Total	10.1	11.25	21.35	0.6	1.25	1.85	16.1	0.0	16.1

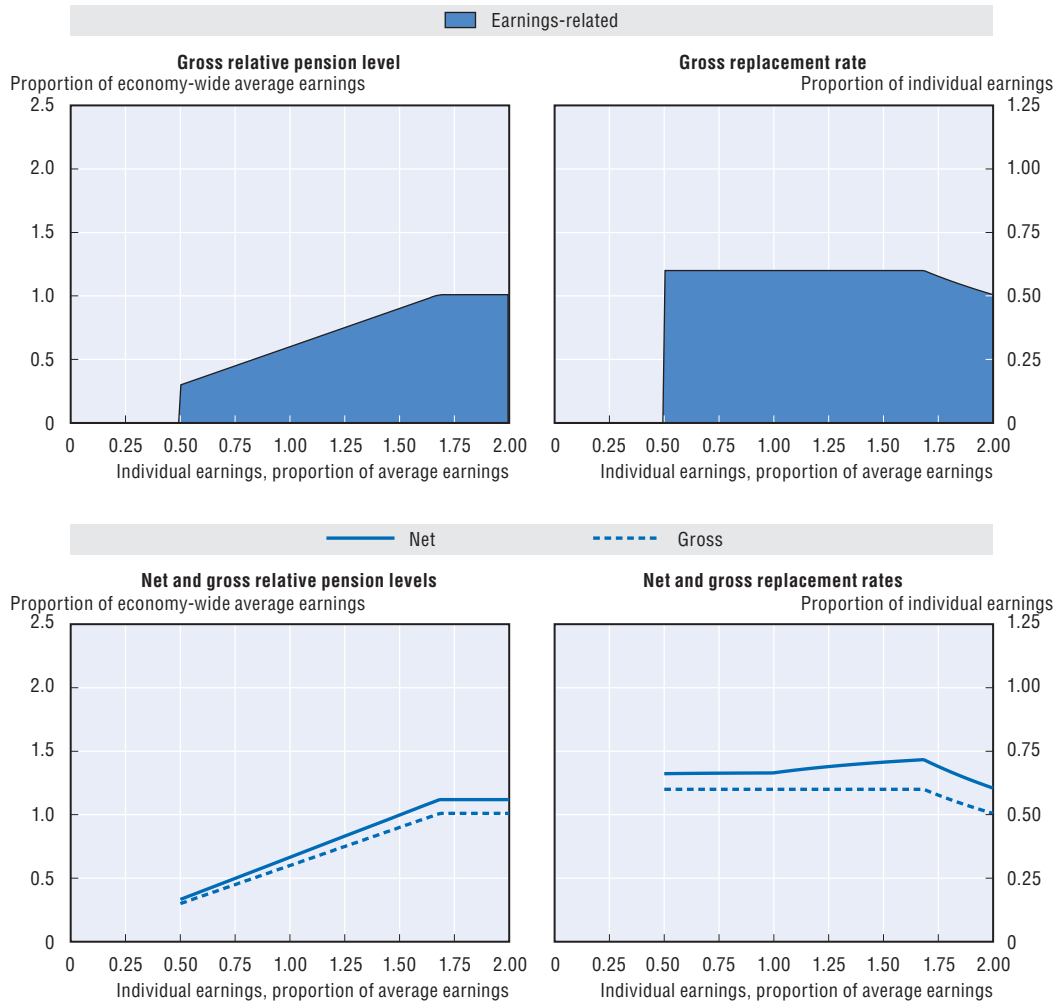
Taxation of pensioners

There is an additional allowance of BBD 15 000 for pensioners, raising the total tax allowance to BBD 40 000 per year for an individual who is 60 years or over and is in receipt of a pension.

Social security contributions paid by pensioners

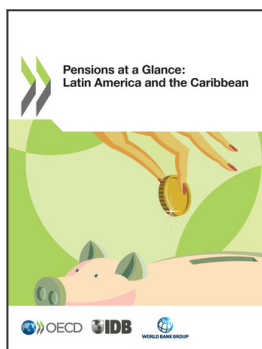
Social security contributions are reduced for a pensioner who work and is equal to 0.6%.

Pension modelling results: Barbados



Men	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1.0	1.5	2.0
Women (where different)						
Gross relative pension level (% average gross earnings)	48.6	30.0	45.0	60.0	90.0	101.0
Net relative pension level (% net average earnings)	53.9	33.2	49.9	66.5	99.7	111.9
Gross replacement rate (% individual gross earnings)	60.0	60.0	60.0	60.0	60.0	50.5
Net replacement rate (% individual net earnings)	66.4	66.2	66.4	66.5	70.7	60.5
Gross pension wealth (multiple of individual gross earnings)	10.0	10.0	10.0	10.0	10.0	8.4
Net pension wealth (multiple of individual gross earnings)	12.6	12.6	12.6	12.6	12.6	10.6
Net pension wealth (multiple of individual net earnings)	10.0	10.0	10.0	10.0	10.0	8.4
Net pension wealth (multiple of individual gross earnings)	12.6	12.6	12.6	12.6	12.6	10.6

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