

BAHAMAS HOTEL INDUSTRY MANAGEMENT PENSION FUND

SOUTHERN ENTRANCE, SG HAMBROS BUILDING, WEST BAY STREET; PO BOX N-7799, NASSAU NP, THE BAHAMAS; (242) 322-8381-4/(242) 502-4225; FAX (242) 502-4221

Date: Current Date

To: All Active Participants

Re: **Trustees Announce 2009 VECA Interest Rate**

The Board of Trustees of the Bahamas Hotel Industry Management Pension Fund is pleased to announce that your Voluntary Employee Contribution Account (VECA) will be credited with an interest premium of **7.0%** for year ending 31 December 2009.

Many investment markets throughout the world had positive returns during 2009 due to a rebound from the extreme losses of 2008. The highest returns went to those investment vehicles with the least quality, such as international financial companies that were being rescued by governments throughout the world, high yield "junk" bonds and mortgage backed securities. Investments in The Bahamas did not fair as well as international investments during 2009, however. The Bahamas International Securities Exchange (BISX) investment return was -8.58% for calendar year 2009.

The Bahamas Hotel Industry Management Pension Fund had diversified investments (both domestic and international) and experienced positive returns, yielding 11.3% during calendar 2009. As a reminder, the Pension Fund had a decline of **-11%** in 2008, the first investment loss in its 28 year history. The Fund's investments are diversified between international (mostly U.S.) investments, Bahamian common and preferred stocks and fixed income securities (bonds). This diversification protected the Fund during 2008 from much larger losses like those experienced by similar pension funds.

Under the Plan rules and regulations, the Board of Trustees determines the interest rate that will be credited to amounts contributed by participants to their VECA accounts. The Board decided to allocate a 7.0% positive return to the VECA amounts to recognize the positive returns earned by the Fund overall, but also to recognize the fact that the Fund provided a positive 2.5% return to participants' VECA accounts in 2008 when the Fund lost 11% of its assets.

As you will remember, the interest is credited on a time weighted return basis. The balance of the VECA account as of 31 December 2008 and any contributions made in January 2009 will receive the full 7.0% interest, since those monies were in the Fund for the full year. Contributions made in February 2009 will receive 11/12 of the 7.0% interest, since those contributions were in the Fund for 11 months. Likewise, March 2009 contributions will receive 10/12 of the 7.0%, April 2009 contributions will receive 9/12 of the 7.0% and so on. An example is shown below:

Example

Let's assume a participant who earns \$30,000 in annual salary elected to defer 6% of his salary in 2008 and 2009. He would have contributed \$150 per month to his VECA, for a total contribution of \$1,800 during each year (6% of \$30,000). For calendar year 2008, the Trustees credited interest at 2.5% for the VECA contributions. The total interest credited to this participant for 2008 would have been \$24.37, leaving the year end 2008 VECA balance at \$1,824.37 (the \$1,800 in salary deferral plus the time weighted interest rate return of 2.5%, or \$24.37).

ROBERT D.L SANDS, CBE
CHAIRMAN OF THE BOARD OF TRUSTEES

MICHAEL C. RECKLEY
SECRETARY OF THE BOARD OF TRUSTEES

CHRISTOPHER C BIRCH, FCA
(RETIRED CHAIRMAN OF THE BOARD OF TRUSTEES 1993-2007)

This participant will earn interest in 2009 based on the full account balance at the end of 2008, plus any new contributions. Since the Trustees are crediting 7.0% interest for the 2009 calendar year, the participant's full 2008 balance, \$1,824.37, will receive 7.0% interest for 2009, and his \$150 per month salary deferral will also earn interest for each month. The addition of interest to his prior year's balance and new contributions add up over time. The participant's final balance at the end of 2009 will be \$3,818.63.

This example can be used for any participant. Obviously the higher your annual salary, and the higher your deferral percentage, the greater your VECA account will be. Also, if the Fund should earn higher investment returns in the future and the Trustees can allocate a higher interest rate to the VECA accounts, the balances will grow by greater amounts.

The Trustees are pleased to offer this deferral option to participants to help them save for retirement. The Board will continue to monitor the global and local Bahamian investment markets and will, with the assistance of the Fund's professional investment advisors, seek to obtain the highest rate of return on investments while maintaining the safety of asset diversification.

If you have any questions about the 2009 VECA interest rate, or on any aspect of the Plan, please call the Fund Office at (242) 322-8381/4.

Sincerely

The Board of Trustees

ROBERT D L SANDS, CBE
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