

Kevin Greenidge: The role of pension plans in a growing Barbadian economy

Remarks by Dr Kevin Greenidge, Governor of the Central Bank of Barbados, at the Eckler Investment Policy Review for Pension Plans Conference, Bridgetown, 19 November 2024.

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Good morning.

It is my honor to address you at this year's pension investment conference. I extend my gratitude to Ms. Wade and her colleagues for the invitation to share insights on "The Role of Pension Plans in a Growing Barbadian Economy."

Barbados has demonstrated resilience and strength, transitioning from a challenging period to one of sustained economic growth since the second quarter of 2022. This progress is a testament to the dedication and collaboration of our people and institutions, and it has created a solid foundation for us to discuss the critical role of pension plans—not just as instruments of financial security, but as active contributors to national development.

The Barbadian economy is on firm footing. Over the first nine months of 2024, real GDP expanded by 3.9 percent, led by key sectors such as tourism, business services, and construction.

This growth has delivered measurable outcomes:

- A strengthened fiscal position, evidenced by a primary surplus of \$581.9 million (4 percent of GDP).
- Declining unemployment, which fell to 7.7 percent in mid-2024.
- Debt-to-GDP ratio down to 105.6 percent
- Robust international reserves, currently standing at \$3.2 billion – providing over 31 weeks of import cover.

Our progress is underpinned by strategic investments in education, digital transformation, and infrastructure—all of which contribute to the economy's foundation and, indirectly, to the pension landscape by creating jobs and boosting long-term growth potential.

In this environment of sustained growth, the pension sector plays a vital role in ensuring financial security for our ageing population while fueling national development. Barbados has a proud history of leadership in pensions, from being the first British colony to introduce non-contributory old-age pensions in 1938 to the establishment of the National Insurance Scheme in 1967.

However, modern challenges demand renewed focus:

- **Funding Deficits:** As highlighted in the 2023 Financial Stability Report, over 28 percent of defined benefit plans remain underfunded, with an average funding ratio of 84.1 percent.
- **Shifting Demographics:** An ageing population and declining birth rates pose long-term sustainability challenges.

The imperative is clear: **our pension plans must be not only resilient, but also innovative, adapting to changing demographics and economic conditions.**

Despite these challenges, opportunities abound. A growing economy creates fertile ground for strategic investments by pension funds, particularly in:

- **Climate-Resilient and Sustainable Infrastructure:** Investments that align with Barbados' national priorities, including net-zero carbon goals by 2035, while offering stable, long-term returns.
- **Affordable Housing and Green Technology:** Addressing critical social and environmental needs while supporting economic growth.
- **Digitisation and AI:** Capturing growth in emerging industries that will shape future economic landscapes.

The Government's recent fiscal reforms, such as the Barbados Optional Savings Scheme ([BOSS+](#)), offering a secure investment with a 4.5 percent annual interest rate, present an avenue for pension funds to grow their assets while contributing to national development. Initiatives like the reverse auction for Series D bonds further enhance liquidity for pension funds, enabling more efficient asset management.

We must continue to strengthen resilience through governance and education. The sustainability of pensions also hinges on governance and financial literacy. Trustees must remain vigilant, regularly reviewing investment policies to adapt to inflation, market volatility, and evolving beneficiary needs.

At the Central Bank of Barbados, we are committed to fostering economic and financial literacy through initiatives like [MoneySmart](#) and the [Explainer Series](#) (What It Means; Why It Matters). By equipping Barbadians with the tools to make informed investment decisions, we enhance the resilience of pension funds and, by extension, the economy.

Ladies and gentlemen, **pensions are far more than financial instruments, they are a promise of security and dignity for our retirees.** As we look ahead, let us embrace this moment of consistent economic growth to strengthen our pension systems, ensuring they remain robust, inclusive, and aligned with the needs of future generations.

This is a collective responsibility – one that requires vigilance, innovation, and collaboration. Together, we can build a future where every Barbadian can retire with confidence, supported by a sustainable and well-managed pension system.

Thank you.