



GUIDANCE NOTE – PART 1: FINANCIAL INSTITUTIONS

The National Pensions (Amendment) Act, 2023 (“2023 Amendment Act”) was passed in Parliament on the 23rd November 2023. Following the passage, Cabinet issued an Order which commenced the 2023 Amendment Act on the 9th day of December.

Under the 2023 Amendment Act, the relevant financial institutions are required to issue approval in principle letters to applicants that plan to withdraw from their pension plan(s). This Guidance Note serves to provide direction to the financial institutions and outlines the obligatory content of these letters, for which the language has been agreed between the financial institutions, and the Department of Labour & Pensions.

1) GENERAL POINTS:

a) DEFINITION OF FINANCIAL INSTITUTIONS

- i) The term, “financial institution” is defined under the National Pensions Act (“Act”) and only these defined institutions are authorised to participate in the Property Withdrawal provisions under the Act. The permitted financial institutions include Class A Banks, Building Societies, Credit Unions and the Cayman Islands Development Bank.

b) ONE LETTER PER BLOCK AND PARCEL

- i) In order to commence the process, the applicant must obtain a letter from their financial institution, on its own letterhead, which is addressed to the person or persons that will be listed on the loan. Please note in an effort to improve efficiency and ensure transparency, only one letter should be issued inclusive of all information for any applicant(s) in relation to that parcel. The same letter must be used by all of the applicants’ pension plans with each pension plan administrator receiving a notarized copy or signed original.

c) ORIGINAL BANK CONSENT LETTER REQUIRED FOR ALL APPLICATIONS

- i) As previously established, an original bank consent letter is required from all applicants. Accordingly, please ensure that this letter is provided in addition to the approval in principle letter

d) PAYMENT TO FINANCIAL INSTITUTION AND ACTIVATION OF SAFEGUARDS

- i) The pension withdrawal is payable to the financial institution in relation to the specific property listed on the approval in principle letters and the person’s application to the pension plan administrator. As a result, once the pension withdrawal amount is received by the financial institution, then the financial institution is required to activate the necessary safeguards to ensure that the money is used for the intended purpose. These safeguards must prevent the pension withdrawal money from being accessed for purposes, other than those contained in the financial institution’s approval in principle letter.



- 2) LETTER CONTENT FOR DEPOSIT: Purchase an existing dwelling unit, construct a new dwelling unit or purchase residential land
- a) DEPOSIT MAXIMUM WITHDRAWAL AMOUNT
- i) Under the 2023 Amendment Act, the maximum withdrawal amount for a deposit to purchase an existing dwelling unit, construct a dwelling unit or purchase residential land is up to CI\$50,000 per person.
- b) In cases where the applicant is applying to their pension plan for a deposit, then the letter from the financial institution must contain the following language:
- i) We, NAME OF FINANCIAL INSTITUTION, advise that you, NAME OF APPLICANT/BORROWER, have approval in principle for a loan to assist with the [SELECT ONE: (a) purchase an existing dwelling unit, (b) construct a new dwelling unit or (c) purchase residential land] in the amount of CI\$XXXX for REGISTRATION SECTION, BLOCK XX, PARCEL XX.
- ii) The down payment and fees required to complete this purchase are as follows:
- (1) List Each Type and Amount of Costs/Fees that the Deposit will cover
- (2) Total Amount Required
- iii) We understand, however, have not independently verified, that you will be making the following withdrawals from your pension plan(s):
- (1) List the name of Pension Plan – Amount – Person Making Withdrawal (if more than one person, list name of person) [ie: ABC Pension Plan – CI\$15,000 – Donald Duck]
- (2) List the name of Pension Plan – Amount – Person Making Withdrawal [ie: XYZ Pension Plan – CI\$12,000 – Duffy Duck]
- (3) Total Amount Required Per Person: [ie: \$15,000 – Donald Duck; \$12,000 – Duffy Duck]
- iv) We confirm that the applicant(s) has represented to us that the property will be the applicant's/applicants' primary residence. [Please note that this is not required for Land Loans]
- v) If further amounts are needed from sources, other than the pension plan, please detail that information as well. For example:
- (1) We have been informed that the remaining balance of CI\$xxxxx will be taken from..... [ie: Remaining balance of CI\$1,200 will be taken from the applicant's savings account which has already been identified.]
- vi) Moreover, we acknowledge the requirement of section 52B (4B) and confirm that if the loan is not drawn down, then the bank will return the pension withdrawal to the pension plan. Furthermore, if there are any residual funds remaining, following the draw down of the loan, the remaining pension assets will be returned to the pension plan administrator within six months or if the dwelling unit is being constructed, within twelve months.
- vii) Lastly, we will provide our consent for the placement of a restriction on the above property by the Department of Labour & Pensions.



- 3) LETTER CONTENT FOR REDUCTION PAYMENT: Reduction payment on an existing mortgage and if applicable, arrears in strata fees related to the mortgaged property or residential land loan
- a) REDUCTION PAYMENT MAXIMUM WITHDRAWAL AMOUNT
- i) Under the 2023 Amendment Act, the maximum withdrawal amount for a reduction payment on an existing mortgage and if applicable, arrears in strata fees related to the mortgaged property or residential land loan is up to CI\$50,000 per person.
- b) In cases where the applicant is applying to their pension plan for a reduction payment, then the letter from the financial institution must contain the following language:
- i) We, NAME OF FINANCIAL INSTITUTION, advise that you, NAME OF APPLICANT/BORROWER, have approval in principle for our acceptance of a [SELECT ONE: (a) Reduction payment on an existing mortgage (b) Reduction payment on an existing mortgage and arrears in strata fees related to the mortgaged property or (c) Reduction payment on residential land loan] in the amount of CI\$XXXX for REGISTRATION SECTION, BLOCK XX, PARCEL XX.
- ii) We understand, however, have not independently verified, that you will be making the following withdrawals from your pension plan(s):
- (1) List the name of Pension Plan – Amount – Person Making Withdrawal (if more than one person, list name of person) [ie: ABC Pension Plan – CI\$15,000 – Donald Duck]
- (2) List the name of Pension Plan – Amount - Person Making Withdrawal [ie: XYZ Pension Plan – CI\$12,000 – Duffy Duck]
- (3) Total Amount Required Per Person: [ie: \$15,000 – Donald Duck; \$12,000 – Duffy Duck]
- iii) SELECT ONE:
- (1) (a) We confirm that the applicant(s) has represented to us that the property will be the applicant's/applicants' primary residence. [Please note that this is not required for Land Loans] OR
- (b) In the case of the applicant(s) making a reduction payment on an existing mortgage and arrears in strata fees related to the mortgaged property, we confirm that the applicant has represented to us that the property will be the applicant's/applicants' primary residence and the associated strata fees relate to that primary residence. [Please note that this is not required for Land Loans] PLUS
- (2) In the case of item 1b:
- (a) Additionally, we have annexed a copy of the letter from the Strata Corporation as required by the 2023 Amendment Act and we acknowledge that the payment for the strata fees must be made via the financial institution.
- iv) If further amounts are needed from sources, other than the pension plan, please detail that information as well. For example:
- (1) The remaining balance of CI\$xxxx will be taken from..... [ie: Remaining balance of CI\$1,200 will be taken from the applicant's savings account which which has already been identified.]
- v) Lastly, we will provide our consent for the placement of a restriction on the above property by the Department of Labour & Pensions.



4) LETTER CONTENT FOR PAY OFF: Pay Off an existing mortgage and if applicable, arrears in strata fees related to the mortgaged property

a) PAYOFF MAXIMUM WITHDRAWAL AMOUNT

- i) Under the 2023 Amendment Act, the maximum withdrawal amount for a pay off on an existing mortgage and if applicable, arrears in strata fees related to the mortgaged property is up to CI\$100,000 per person. Please note that a payoff on an existing mortgage requires the property to be free from any encumbrance, as a result.
- ii) Additionally, a payoff of a residential land loan is not permissible under the National Pensions Act.

b) In cases where the applicant is applying to their pension plan for a payoff, then the letter from the financial institution must contain the following language:

- i) We, NAME OF FINANCIAL INSTITUTION, have no objection to you, NAME OF APPLICANT/BORROWER, [SELECT ONE: (a) paying off your mortgage in full OR (b) paying off your mortgage in full and arrears in strata fees related to the mortgaged property] in the amount of CI\$XXXX on dwelling unit located at REGISTRATION SECTION, BLOCK XX, PARCEL XX.
- ii) We understand, however, have not independently verified, that you will be making the following withdrawals from your pension plan(s):
 - (1) List the name of Pension Plan – Amount – Person Making Withdrawal (if more than one person, list name of person) [ie: ABC Pension Plan – CI\$15,000 – Donald Duck]
 - (2) List the name of Pension Plan – Amount - Person Making Withdrawal [ie: XYZ Pension Plan – CI\$12,000 – Duffy Duck]
 - (3) Total Amount Required Per Person: [ie: \$15,000 – Donald Duck; \$12,000 – Duffy Duck]
- iii) SELECT ONE:
 - (1) (a) We confirm that the applicant(s) has represented to us that the property will be the applicant's/applicants' primary residence. OR
(b) In the case of the applicant making a payoff on an existing mortgage in full and arrears in strata fees related to the mortgaged property in full, we confirm that the applicant(s) has represented to us that the property will be the applicant's/applicants' primary residence and the associated strata fees relate to that primary residence. PLUS
 - (2) In the case of item 1b:
 - (a) Additionally, we have annexed a copy of the letter from the Strata Corporation as required by the 2023 Amendment Act and we acknowledge that the payment for the strata fees must be made via the financial institution.
- iv) If further amounts are needed from sources, other than the pension plan, please detail that information as well. For example:
 - (1) The remaining balance of CI\$xxxx will be taken from..... [ie: Remaining balance of CI\$1,200 will be taken from the applicant's savings account which we have already identified.
- v) Lastly, we will provide our consent for the placement of a restriction on the above property by the Department of Labour & Pensions.