

PUBLIC SERVICE PENSION FUND



2010 ANNUAL REPORT AND ACCOUNTS

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2010

STATEMENT FROM THE CHAIRMAN

The five member Board, mandated by law, continues its responsibility for monitoring and controlling the activities of the Public Service Pension Fund. Board meetings are held monthly during the year and on demand as required, to discuss the current position of the Fund and to plan for future events and activities. At the commencement of each year, a one day Board Retreat is held to plan the budget for the upcoming year and to examine the accounts and deal with other administrative matters.

The contributory Public Service Pension Fund concluded its seventh year of operation as at 31 December 2010. The Fund continues to develop steadily, and at year end Investments totalled over \$24 million. Pursuant to actuarial advice these assets are held in fixed deposit accounts at local banks.

The Police Pension Fund is a part of the Public Service Pension Fund and is also administrated by the Board. The police terms and conditions differ from the general fund as the rate of contributions is slightly higher and police officers can retire sooner. There have already been some challenges regarding the option to retire earlier, and of particular concern is the sustainability of the Police Fund given the present level of contributions. The recent retirement of several top police officers and the pending departure of additional top level officers over the next three years under present circumstances will render the Police Fund incapable of providing the necessary payout amounts. There has been a suggestion for the legislation to be revisited with a consideration for increasing the contribution rate of officers to a sustainable level. A letter was written to the Governor and Commissioner expressing concerns about the viability of the Police Fund.

In anticipation of the delayed transfer of the management of the pensions from the Consolidated Fund, the Board on September 20th 2010 hired its first full-time Accountant, in the person of Mrs. Monifa Brooks-Gumbs. Mrs. Brooks-Gumbs holds a BBA degree in Economics and a MBA in Finance. Among the Accountant's many duties, she has the responsibility for preparing the Fund's Financial Statements and liaising with the External Auditors. The Pension Fund office now consists of three persons: an Administrator, an Accountant, and a Clerical Officer.

To promote awareness and to ensure authenticity, a logo has been designed and created. This logo will be used on all documents originating from the Pension Fund Office and the Pension Board.

Acknowledgement and gratitude is extended to all persons involved in ensuring that the Public Service Pension Board achieved its optimum in managing the fund over the year.



Kathleen Rogers (Mrs.)

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Income Statement

INCOME	Notes	2010 ECS	2009 ECS
Contributions (net refunds)	2	5,092,588	5,196,093
Other Income	2	1,093,292	929,706
Total Income		6,185,880	6,125,799
 EXPENDITURE			
Pension and Gratuity Payments	3	1,807,863	1,233,206
Staff Cost	4	249,097	200,003
Administration Expenditure	5	45,300	61,210
Total Expenditure		2,102,260	1,494,419
Surplus/(Deficit)		4,083,620	4,631,380



National Audit Office

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Statement of Changes in Equity

	ECS General Fund
Balance as of 1 January 2009	15,406,652
Surplus for the year 2009	<u>4,631,380</u>
Balance as at 31 December 2009	20,038,032
Surplus for the year 2010	<u>4,083,620</u>
Balance as at 31 December 2010	<u>24,121,652</u>

The General Fund represents the net assets (liabilities) of the Pension Fund, which include the surplus (deficit) position resulting from the activities of the Pension Fund.

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Statement of Financial Position

	Notes	2010 EC\$	2009 EC\$
ASSETS			
Non-Current Assets			
Furniture & Equipment	11	12,166	11,971
Investments	6	24,121,056	18,049,122
Total Non-Current Assets		24,133,222	18,061,093
Current Assets			
Cash and Cash equivalents	7	1,010,267	484,123
Contributions Receivable	8	22,189	2,974,920
Total Current Assets		1,032,456	3,459,043
Total Assets		25,165,678	21,520,136
LIABILITIES			
Current Liabilities			
Payables	9	(837,737)	(1,372,367)
Total Current Liabilities		(837,737)	(1,372,367)
Total Assets less Current Liabilities		24,327,941	20,147,769
Non- Current Liabilities			
Provision for Contributions Payable	10	(206,289)	(109,737)
Other Liabilities			
Total Non-Current Liabilities		(206,289)	(109,737)
Total ASSETS less LIABILITIES		24,121,652	20,038,032
Equity:			
General Fund @ 1 January 2010		20,038,032	15,406,652
(Deficit)/Surplus		4,083,620	4,631,380
TOTAL EQUITY		24,121,652	20,038,032

The Financial Statements were approved on behalf of the Board and authorized for issue on January 3, 2013. They were signed on its behalf by:



Kathleen Rogers (Mrs.)
Chairman of the Board

**The Public Service Pension Fund
Financial Statements for the year ended 31 December 2010**

Cash Flow Statement

	Notes	2010 EC\$	2009 EC\$
Operating Activities			
Operating Surplus		4,083,620	4,631,380
Adjustments:			
Increase / (Decrease) in trade and other payables, and provisions		(438,078)	1,411,997
(Increase)/Decrease in contribution receivables		2,952,731	(2,895,753)
Depreciation		2,500	2,051
Amortisation of non-current interest earned on investments		(1,071,934)	(923,713)
Net cash outflow from operating activities		(5,528,839)	2,225,962
Investing Activities			
Purchase of investment bonds		(5,000,000)	(3,044,100)
Purchase of Equipment		(2,695)	-
Net cash outflow from investing activities		(5,002,695)	(3,044,100)
Financing Activities			
Net cash (used in) financing activities		-	-
Net increase in cash and cash equivalents		526,144	(818,138)
Cash and cash equivalents at the beginning of the year		484,123	1,302,261
Cash and cash equivalents at the end of the year	7	1,010,267	484,123

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Notes to the Accounts

Note 1: Accounting Policies

1.1 Functions of the Pension Fund

The Pension Fund (the Fund) is a fund established by the Pensions Act, 2004 into which shall be paid:

- All contributions
- All interest, investments or other income derived from the assets of the Fund
- All sums properly accruing to the Fund under the Act, including the repayment of benefit
- Such other sums that may be provided by the Consolidated Fund for the purposes of the Act or as may be received and accepted by the Board on behalf of the Fund with the approval of the Governor

There shall be paid out of the Fund:

- All benefits
- Refunds of contributions
- All expenses properly incurred in the administration of the Act

The Act provided for arrangements by which the Consolidated Fund is responsible for payments during a transitional period. The income and expenditure of the Consolidated Fund, and not the Pension Fund, reflects these transitional arrangements. The Pension Fund became responsible for the payment of certain amounts from 1 January 2009. These arrangements are explained in more detail in Note 14.

1.2 Accounting Conventions

Adoption of International Accounting Standards and Interpretations

The financial statements of the Public Service Pension Fund of Anguilla have been prepared in accordance with International Financial Reporting Standards (IFRS). There are no standards and interpretations in issue, but not yet adopted by the Public service Pension fund, that the board anticipates will have a material effect on the reported deficit or net assets of the Pension fund.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

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1.3 Furniture and Equipment

Furniture and Equipment is stated at historical cost, less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Depreciation is deduced at the rates calculated to write off the historic cost of assets by equal monthly amounts over each asset's estimated useful life. Useful lives for the various types of assets listed are within the following ranges:

Furniture	5-10 years
Equipment and Computers	4-5 years

1.4 Income

Income is measured at the fair value of the consideration received or receivable.

Income represents contributions receivable, interest earned on investments, other income derived from the assets of the Fund, and all other sums such as fines and penalties properly accruing to the Fund under the Act.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

1.5 Operating Expenditure

Operating expenditure is all the costs and charges associated with the annual running of the functions of the Fund and will include depreciation of assets and financing when appropriate.

1.6 Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The categories applicable to the Pension Fund are set out below.

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1.6(a) Held to Maturity Investments

Held to maturity financial investments are investments made by the Board in term certificates of deposit in domestic financial entities, on terms not less favourable than those provided to institutional investors in Anguilla, according to sound principles of diversification.

The money in the Fund shall not be invested by the Board in property, securities or offshore ventures until the Fund is adequately capitalized, based on actuarial advice.

Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

1.6(b) Other receivables

Other receivables are non-derivative financial assets with fixed or determinable payments that are quoted in an active market.

These represent the amounts due to the Fund, prepayments for goods and services required by the Fund and other receivables at the Statement of Financial Position date. Other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

1.6 (c) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits with the bank and bank overdrafts held at call with banks. In the event there is a bank overdraft, it is included in the Statement of Financial Position under the category current liabilities.

1.7 Financial Liabilities

These represent other payables for expenditure incurred but unpaid at year end either as invoiced amounts outstanding or as amounts awaiting invoices from suppliers. Other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.8 Exchange Rates

All amounts are stated in EC Dollars. Where payments have been made in or amounts received in other currency the appropriate exchange rates at the time of the transaction have been applied to convert to EC currency. Any balances in foreign currency held at year end are translated at the

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Financial Statements for the year ended 31 December 2010

Statement of Financial Position date exchange rates and any gains or losses accounted for appropriately.

1.9 Critical accounting estimates and judgments

There are no critical accounting estimates or judgments relating to these financial statements which impact on the financial position as at the year end.

1.10 Operating Lease

A lease where the lessor retains substantially all the risks and rewards of ownership of the assets is classified as an operating lease. Operating lease payments are recognized as an expense. The Pension Board entered into a lease with the Social Security board for the rental of the office premises in the James Ronald Webster building, The Valley Anguilla. The lease commenced on the 1 January 2010 and is renewable annually.

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NOTES TO THE ACCOUNTS

		2010	2009
		ECS	ECS
Note 2	INCOME		
	Contributions less refunds	5,092,588	5,196,093
	Interest Earned- Bank	6,951	5,993
	Interest on Investments	1,071,934	923,713
	Maternity Benefit	14,407	-
	Total Income	<u><u>6,185,880</u></u>	<u><u>6,125,799</u></u>
Note 3	PENSION PAYMENTS		
	Pension and Gratuity Payments	<u>1,807,863</u>	<u>1,233,206</u>
	Total Pension Payments	<u><u>1,807,863</u></u>	<u><u>1,233,206</u></u>
Note 4	STAFF COSTS		
	Salaries	180,124	142,606
	Wages	600	
	Board Fees	51,100	52,800
	Employer Contribution Social Security, Medical, MASA	<u>17,273</u>	<u>4,597</u>
	Total Staff Costs	<u><u>249,097</u></u>	<u><u>200,003</u></u>
Note 5	ADMINISTRATION EXPENDITURE		
	Depreciation Expense	2,500	2,051
	Administration Cost	22,740	39,089
	Audit fee	20,000	20,000
	Bank Charges	<u>60</u>	<u>70</u>
	Total Administration Expenditure	<u><u>45,300</u></u>	<u><u>61,210</u></u>
Note 6	INVESTMENTS		
	Held to maturity investments carried at amortised cost		
	Fixed Deposits	<u>24,121,056</u>	<u>18,049,122</u>
	Total Investments	<u><u>24,121,056</u></u>	<u><u>18,049,122</u></u>



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Financial Statements for the year ended 31 December 2010

Analysed as follows

Non Current	24,121,056	18,049,122
Current		-

Listed as follows

Bank	Annual Interest Rate(%)	Maturity Date	Principal Amount EC\$	Principal Amount US\$
Caribbean Commercial Bank	6.25	3-Dec-11	5,582,726	
Caribbean Commercial Bank	6.25	1-Jul-11	750,000	
Caribbean Commercial Bank	6.50	13-Feb-12	1,344,100	500,000
Caribbean Commercial Bank	6.50	23-Oct-11	1,075,280	400,000
Caribbean Commercial Bank	5.00	21-Dec-12	2,500,000	
National Bank of Anguilla	6.25	7-Sep-11	4,480,662	
National Bank of Anguilla	6.25	1-Jul-11	750,000	
National Bank of Anguilla	6.25	8-Feb-11	675,000	
National Bank of Anguilla	6.25	8-Jun-11	1,700,000	
National Bank of Anguilla	4.75	21-Dec-12	2,500,000	
TOTAL INVESTMENTS			21,357,768	900,000

The above table shows the principal amounts which were originally invested with the banks. This is different from the value of the overall investments due to interest which has accrued since the investments were initially made.

Note 7 CASH AND CASH EQUIVALENTS

Cash at Bank	1,010,267	484,123
Total Cash at Bank	1,010,267	484,123

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Note 8 CONTRIBUTION RECEIVABLES

Anguilla Tourist Board	9,157	13,067
Government of Anguilla^	9,304	2,961,853
Other Receivables	3,728	-
Total Contributions Receivable	22,189	2,974,920

^ In 2010, amounts receivable from and Payable to the Government of Anguilla have been reported on a net basis. The Government of Anguilla Receivable figure would have been EC\$ 2,383,875 if reported gross.

Note 9 Current Liabilities

Payable to the consolidated fund for pension payments and gratuities paid in 2009 and 2010 on behalf of the pension fund ^	727,672	1,280,696
NAO Audit fees	110,065	90,065
Other Payables	-	1,606
Total Current Liabilities	837,737	1,372,367

^ In 2010, amounts receivable from and Payable to the Consolidated Fund have been reported on a net basis. The Liability to the Consolidated Fund figure would have been EC\$ 3,088,559 if reported gross.

Note 10 Provisions

Provision relates to liability of the Pension fund for the refund of contributions after 31 December 2010 for Retirees with less than 10 years of pensionable service	(206,289)	(109,737)
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Note 11 TANGIBLE NON-CURRENT ASSETS

	Furniture & Equipment	IT Equipment	
Cost	EC\$	EC\$	Total EC\$
At 1 January 2010	12,200	4,986	17,186
Additions during the year	-	2,695	2,695
Disposals during the year	-	-	-
At 31 December 2010	12,200	7,681	19,881
Depreciation	Furniture & Equipment	IT Equipment	
	EC\$	EC\$	Total EC\$
At 1 January 2010	3,506	1,709	5,215
Charge for the year	1,220	1,280	2,500
At 31 December 2010	4,726	2,989	7,715
Net Book Value	7,474	4,692	12,166

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Note 12 Financial instruments

The Fund's financial assets are cash and held to maturity investment bonds. The financial liabilities are the accounts payable and the provision for contribution refunds.

Credit risks

The Fund's principal financial assets are held to maturity investment bonds, cash at bank, and other receivables. At the Statement of Financial Position date the maximum exposure to the credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position.

Interest rate risks

Held to maturity investment bonds are fixed term and fixed interest rates. As at the Statement of Financial Position date the fund is not exposed to any significant interest rate risks.

Currency risks

The majority of transactions are settled in Eastern Caribbean Dollars. At the Statement of Financial Position date the Fund was not exposed to any significant currency risk. The Fund has not entered into any hedging arrangements.

Note 13 Retirement Benefit Obligations

The Government of Anguilla's pension scheme is a defined benefit scheme.

Under the transitional arrangements specified under section 65(3) of the Pensions Act 2004, all pensions and gratuities paid were borne by the consolidated fund until 31st December 2008. The Consolidated Fund is also responsible for the following costs:

- Employees who retired before 1 January 2004;
- Employees who were in the public service on or before 1 January 2004, had a pensionable service of 10 years or more on or before 1 January 2004 and reached their normal retirement age of 55 years on or before 31 December 2009.

From 1st January 2009, payments for pensions and gratuities relating to all other retirees are a charge on the pension fund. Payments continued to be made in 2009 and 2010 out of the consolidated fund, on the understanding that the pension fund would reimburse the Government of Anguilla for these payments where applicable. This liability is reflected in these financial statements.

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The main retirement benefits to be paid from the fund as set out by the Pension Act

For the purpose of the calculation of benefits paid under the plan the normal retirement age as set out by the pensions Act is 55 years for officers having a pensionable service of 10 years or more and who would have reached 50 years on or before 1 January 2004 or within the next twelve months from 1 January 2004. In the case of all other officers the retirement age is 60 years and for officers who were appointed after 1 January 2004 it is 65 years.

Subject to the provisions of the Act and the Regulations, every contributor holding a pensionable office under the Government of Anguilla, who has been in the service under the Government of Anguilla in a civil capacity for 10 years or more, may be granted on retirement a pension at the annual rate of 1/960th of his pensionable emoluments for each complete month of pensionable service.

Police Pensions Act

In 2008 the Police Pensions Act came into existence. This Act reforms the law of pensions for police officers and their surviving spouses and children to reflect the risks that police officers face in the discharge of their duties. The terms and conditions of this Police Pension Act are different to the main retirement obligations disclosed above.

Pensions payable to Dependants

In the event of the death of a contributor who has completed 10 years' pensionable service his/her dependants will be entitled to benefits as set out by the Act.

Refunds

If a contributor ceases to be employed in the public service and is not entitled to a pension under the Act or dies before becoming entitled to a pension an amount equal to the total of his contributions to the Fund with interest thereon shall be paid to his/her legal personal representative.

Note 14 Actuarial Valuation

In accordance with the Pensions Act 2004, an actuarial review of the fund must be undertaken at least once every three years. The following information was extracted from Mr. Hernando Montas' recent full actuarial valuation, which was undertaken as at December 31, 2010.

The Public Service Pension Fund Financial Statements for the year ended 31 December 2010

	Consolidated Fund	Pension Fund	Police Fund	Total
	EC\$ '000	EC\$ '000	EC\$ '000	EC\$ '000
Total Projected Liability	(75,824)	(122,315)	(18,235)	(216,374)
Net Assets / (Liabilities)	0	24,253	(131)	24,122
Net Projected Liability	(75,824)	(98,062)	(18,366)	(192,252)

The above table shows that the Police Fund has negative assets of EC\$131,000. As stated in the Police Pensions Act, any short-falls must be met by the Consolidated Fund. Regarding this matter, the actuary, in his report suggested that changes be made to the police pension formulae and the retirement age of police officers. On the other hand, the Public Officers Pension Fund continues to grow steadily and has accumulated assets of over EC\$24 million therefore, no liquidity constraints are envisioned in the medium term. An overall liability of EC\$192.252 million was determined. This figure includes the pension liability for all current employees and pensioners, as at December 31st 2010, and is based on service entitlement prior to the commencement of the Fund.

Changes in the value of the pension fund assets are as follows:

	2010 EC\$	2009 EC\$
As at 1 January	20,038,032.00	15,406,652.00
Return on Assets	1,093,292.00	929,706.00
Contributions from employers	2,546,294.00	2,598,046.50
Contribution from employees	2,546,294.00	2,598,046.50
Total Expenses	(2,102,260.00)	(1,494,419.00)
As at 1 December	24,121,652.00	20,038,032.00

The net assets of the Pension Fund are held in fixed deposits at the two local banks.

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Actuarial assumptions

The principal actuarial assumptions used were as follows:

Discount rate:	5 per cent per annum
Expected Long-term rate of return on assets	5 per cent per annum
Invalidity rate	1 per 1,000
Pension adjustment (ad hoc)	2 per cent per annum
Mortality table	GAM-83 (USA)

Note 15 Related Party Disclosures

The Public Service Pension Fund (PSPF) is a public sector entity in Anguilla. During the year, PSPF have had material transactions with the Government of Anguilla, the Health Authority of Anguilla, and five other executive Agencies in the Public Sector, whose employees are members of PSPF. Contributions totalling EC\$ 5,319,403 was received from the Government of Anguilla and the Agencies in 2010.

Mrs. Kathleen Rogers, who is a member of the Board of PSPF, is also the Permanent Secretary of the Ministry of Finance. As noted above, material income transactions have taken place in 2010 involving the Ministry of Finance. Miss Aurjul Wilson, the Chair of the Board, is also the Permanent Secretary of the Department of Public Administration of the Government of Anguilla. The Public Administration Department was responsible in 2010 for the administration of pension payments. On January 1, 2012, Mrs. Rogers was appointed Permanent Secretary of Public Administration and hence is currently the Chairman of the Public Service Pension Board.

Mr. Timothy Hodge, an Ex-Officio member of the Pension Board, is also a Director of the National Bank of Anguilla. Throughout 2010, the Pension Fund maintained its main current account with the National Bank of Anguilla and had fixed deposit investments totalling EC\$10,105,662.00 at this bank (see note 6 for details). The Government of Anguilla also owns shares in the National Bank of Anguilla. Additionally, the Pension Fund office is leased from the Social Security Board at an annual rent of EC\$ 15,600.

Information Technology services are provided by the Department of Information, Technology and E-Commerce Services, which is a Government department.

All members of the Pension Board and employees of the Pension Fund are ordinary members of the scheme. During the year, Board members received fees totalling EC\$51,100.

The Public Service Pension Fund

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Note 16 Authorised for Issue

These Financial Statements are authorized for issue by the Chair of the Public Service Pension Board on January 3, 2013.



National Audit Office