

PUBLIC SERVICE PENSION FUND



2011 ANNUAL REPORT AND ACCOUNTS

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**The Public Service Pension Fund
Financial Statements for the year ended 31 December 2011**

Statement from the Chairman The Public Service Pension Fund concluded its eight year of operation on December 31, 2011. This year marked significant changes for the Fund and these are highlighted below.

During the month of January 2011, all contributors of the Pension Fund received a statement summarizing their contributions to the Fund from 2004 to 2010.

In January 2011, the Pension Fund office began the process of making monthly payments to new and existing retirees, who fall under the responsibility of the Pension Fund. This process included face to face meetings with retirees; calculation of benefits; facilitating the payment of pensioners' medical insurance and other payments; and directly depositing Pensions to various banking institutions. During the year, a total of 12 Pensioners and 4 Survivor payments were initiated and processed on a monthly basis through the Pension office.

In anticipation of the growing needs of the Pension Fund, employees of the Fund and members of the Board, embarked on an exploration process to secure a new Pension Management System. Several discussions and preliminary meetings were held to narrow down the list of candidates and or possibilities for a new system to replace the existing database. Although, we were unable to finalise an agreement with regards to a new system, we anticipate having a fully operational system during the next year.

During 2011, the Fund continued to grow steadily and at year's end had investments totaling EC\$28,755,182.00. These funds are held in fixed deposits at the two local banks.

The Pension Fund continues to be ably managed by the Public Service Pension Board and its group of five members. Board meetings are held on the first Monday of every month. The Pension Fund office is fully functioning and consists of three full-time employees.



Kathleen Rogers, Chairman PSPB

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Income Statement

INCOME	Notes	2011 ECS	Restated 2010 ECS
Public Service Contributions	2	5,192,865	5,241,521
Police Contributions	2	650,404	677,590
Other Income	2	1,438,986	1,093,292
Total Income		7,282,255	7,012,403
 EXPENDITURE			
Public Service Pension Payments	3	331,255	208,770
Public Service Gratuity Payments	3	1,546,665	461,918
Public Service Survivor Payments	3	10,357	85,419
Police Pension Payments	3	292,668	165,961
Police Gratuity Payments	3	30,407	856,067
Police Survivor Payments	3	29,728	29,728
Public Service Refunds		197,365	226,815
Staff Costs	4	320,068	249,097
Public Service Administration Expenditure	5	148,540	39,864
Police Administration Expenditure	5	18,359	5,436
Total Expenditure		2,925,412	2,329,075
Surplus/(Deficit)		4,356,843	4,683,328

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Statement of Changes in Equity

	ECS General Fund
Balance as of 1 January 2010	20,038,032
Surplus for the year (2010)	<u>4,683,327</u>
Balance as at 31 December 2010	24,721,359
Balance as of 1 January 2011	24,721,359
Overstatement of Liabilities for 2009 and 2010	91,531
Surplus for the year 2011	<u>4,356,843</u>
Balance as at 31 December 2011	<u>29,169,733</u>

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Balance Sheet

	Notes	2011 ECS	2010 ECS
ASSETS			
Non-Current Assets			
Furniture & Equipment	11	12,722	12,166
Investments	6	19,948,540	8,360,977
Total Non Current Assets		<u>19,961,262</u>	<u>8,373,143</u>
Current Assets			
Cash and Cash equivalents	7	305,769	1,010,267
Contributions Receivable	8	1,127,544	621,896
Investments	6	8,806,642	15,760,079
Total Current Assets		<u>10,239,955</u>	<u>17,392,242</u>
Total Assets		<u>30,201,217</u>	<u>25,765,385</u>
Current Liabilities			
Payables	9	(812,609)	(837,737)
Total Current Liabilities		<u>(812,609)</u>	<u>(837,737)</u>
Total Assets less Current Liabilities		<u>29,388,608</u>	<u>24,927,648</u>
Non- Current Liabilities			
Provision for Contributions Payable	10	(218,875)	(206,289)
Other Liabilities		0	0
Total Non-Current Liabilities		<u>(218,875)</u>	<u>(206,289)</u>
Total ASSETS less LIABILITIES		<u>29,169,733</u>	<u>24,721,359</u>
EQUITY:			
General Fund @ 1 January 2011		24,721,359	20,038,032
(Deficit)/Surplus		4,356,843	4,683,327

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Adjustment for Overstatement of Liabilities	<u>91,531</u>	<u>0</u>
TOTAL EQUITY	<u>29,169,733</u>	<u>24,721,359</u>

The Financial Statements were approved on behalf of the Board and authorised for issue on March 3, 2015.

They were signed on its behalf by:



Kathleen Rogers
Chairman of the Board

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2011

Cash Flow Statement

	Notes	2011 EC\$	2010 EC\$
Operating Activities			
Operating Surplus		4,356,843	4,683,327
Adjustments:			
Increase / (Decrease) in trade and other payables		78,989	(438,078)
(Increase)/Decrease in contribution receivables		(505,648)	2,353,024
Depreciation		2,840	2,500
Amortisation of non-current interest earned on investments		(1,434,126)	(1,071,934)
Net cash inflow from operating activities		2,498,898	5,528,839
Investing Activities			
Purchase of investment bonds		(3,200,000)	(5,000,000)
Purchase of Equipment		(3,396)	(2,695)
Net cash outflow from investing activities		(3,203,396)	(5,002,695)
Financing Activities			
Net cash (used in) financing activities		-	-
Net increase/decrease in cash and cash equivalents		(704,498)	526,144
Cash and cash equivalents at the beginning of the year		1,010,267	484,123
Cash and cash equivalents at the end of the year	7	305,769	1,010,267

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2011

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 13.

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.

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2011

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	4-6 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.

Operational Costs are apportioned based on the proportion of contribution for the relevant year.

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.

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2011

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, which is a suitable method for calculating the fair value of investments of this type.

1.6(b) Other receivables

Other receivables are nonderivative 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.

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2011

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 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.

The Public Service Pension Fund
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	2011 ECS	Restated 2010 ECS
Note 2 INCOME		
Public Service Contributions	4,734,119	4,707,025
Public Service Backpay Contributions	458,746	534,496
Police Contributions	594,893	612,378
Police Backpay Contributions	55,511	65,212
Interest Earned- Bank	3,839	6,951
Interest on Investments	1,434,126	1,071,934
Social Security Benefit	1,021	14,407
Total Income	7,282,255	7,012,403
Note 3 PENSION PAYMENTS		
Public Service Pension Payments	331,255	208,770
Public Service Gratuity Payments	1,546,665	461,918
Public Service Survivor Payments	10,357	85,419
Police Gratuity Payments	30,407	165,961
Police Pension Payments	292,668	856,067
Police Survivor Payments	29,728	29,728
Total Pension Payments	2,241,080	1,807,863
Note 4 STAFF COSTS		
Salaries	244,968	180,124
Wages	1,300	600
Board Fees	43,450	51,100
Employer Contribution Social Security, Medical, MASA, Pension	30,350	17,273
Total Staff Costs	320,068	249,097
Note 5 ADMINISTRATION EXPENDITURE		
Depreciation Expense	2,840	-
Public Service Administration Cost	33,569	39,864
Police Administration Cost	4,149	5,436
Public Service Actuarial Fee	75,927	-
Police-Actuarial Fee	9,384	-
Public Service Audit Fee	36,490	-
Police- Audit Fee	4,510	-
Bank Charges	30	-
Total Administration Expenditure	166,899	45,300

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Note 6	INVESTMENTS	2011	2010
	Held to maturity investments carried at amortised cost	ECS	ECS
	Fixed Deposits	28,755,182	24,121,056
	Total Investments	28,755,182	24,121,056
	Analysed as follows		
	Non Current	19,948,540	8,360,977
	Current	8,806,642	15,760,079

Listed as follows

Bank	Annual Interest Rate(%)	Maturity Date	Principal Amount ECS
Caribbean Commercial Bank	5.00	2-Dec-13	7,278,408
Caribbean Commercial Bank	5.00	1-Jul-14	1,190,625
Caribbean Commercial Bank	6.50	13-Feb-12	1,344,100
Caribbean Commercial Bank	4.50	23-Oct-13	1,284,577
Caribbean Commercial Bank	5.00	21-Dec-12	2,500,000
Caribbean Commercial Bank	5.00	29-Mar-13	800,000
National Bank of Anguilla	5.00	7-Sep-13	6,101,594
National Bank of Anguilla	5.00	1-Jul-13	1,390,497
National Bank of Anguilla	4.75	8-Feb-13	1,601,678
National Bank of Anguilla	6.25	8-Jun-12	1,700,000
National Bank of Anguilla	4.75	21-Dec-12	2,500,000
TOTAL INVESTMENTS			27,691,478

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.

		2011	2010
		ECS	ECS
Note 7	CASH AND CASH EQUIVALENTS		
	Cash at Bank	305,769	1,010,267
	Total Cash at Bank	305,769	1,010,267

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	2011 ECS	2010 ECS
Note 8 CONTRIBUTION RECEIVABLES		
Anguilla Community College	2,248	-
Anguilla Tourist Board	3,583	9,157
Government of Anguilla	7,749	9,304
Government of Anguilla - Back Pay	993,242	534,495
Police- Backpay	120,722	65,212
Other Receivables	-	3,728
Total Contributions Receivable	1,127,544	621,896

Note 9 Current Liabilities		
Payable to the consolidated fund for pension payments and gratuities paid in 2010 on behalf of the pension fund	636,141	727,672
Gratuity Payable	37,250	0
Audit fees	138,029	110,065
Other Payables	1,189	0
Total Current Liabilities	812,609	837,737

	As at January 1 2011 ECS	Increase During the Year ECS	Amounts used in the period ECS	At December 31 2011
Note 10 Provisions				
Provision for Contribution Refunds	206,289	48,590	36,004	218,875

	Furniture & Equipment ECS	IT Equipment ECS	Total ECS
Cost			
At January 1 2011	12,200	7,681	19,881
Additions in the year	3,396	0	3,396
Disposals in the year	-	-	-
At December 31 2011	15,596	7,681	23,277
Depreciation			
At January 1 2011	4,726	2,989	7,715
Charge for the year	1,560	1,280	2,840
At December 31 2011	6,286	4,269	10,555
Net Book Value at December 31 2011	9,310	3,412	12,722

The Public Service Pension Fund Financial Statements for the year ended 31 December 2011

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 to the pension fund. The Pension Fund commenced making payments to Pensioners in January 2011. Prior to this, payments were made by the Government of Anguilla, with the understanding that the Pension Fund would reimburse the costs. This liability is reflected in these financial statements.

The Public Service Pension Fund Financial Statements for the year ended 31 December 2011

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

The normal retirement age is 60 years for officers appointed before 1 January 2004 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.

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/her contributions to the Fund with interest thereon shall be paid to the contributor or his/her legal personal representative.

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.

The main retirement benefits to be paid as set out by the Police Pensions Act

Pension and Gratuity on Full Retirement

This applies to officers at age 55 or the attainment of 30 years of pensionable service. The first 20 years of service earns a pension at the rate of 0.01667% per year and 0.0333% per year for the next 9 ½ years. The option to take a Gratuity payment and a reduced pension is available at a rate of 25% for the gratuity and 75% for reduced pension.

Pension and Gratuity on Early Retirement

This applies to any resignation or dismissal of officers with at least 10 years but less 30 years of pensionable service. Pension is deferred until age 60 but there is an option for a gratuity which is

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payable immediately. This gratuity is reduced by a discount factor of 12.5% for each year left to age 60.

Other Benefits

An option of a discounted gratuity and a deferred pension is offered to officer who have at least 2 years but less than 10 years of pensionable service.

A refund is paid to officers with less than 2 years of pensionable service.

Ill-Health and Injury Pensions- benefit payments are outlined in the Act.

Survivors Pensions are payments made to the spouse or dependant children of any officer who is entitled to a pension. Part 5 of the Police Pensions Act provides details.

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 table was extracted from Mr. Hernando Montas' recent full actuarial valuation, which was undertaken as at December 31, 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	24,269	(131)	24,138
Net Projected Liability	(75,824)	(98,046)	(18,366)	(192,236)

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. In 2011, the Police Pensions Fund did not have a deficit. 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\$192,236,000 was determined. This figure includes

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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:

	2011 EC\$	2010 EC\$
As at 1 January	24,721,359.00	20,038,032.00
Return on Assets	1,438,986.00	1,093,292.00
Contributions from employers	2,825,806.00	2,888,008.00
Contribution from employees	2,367,059.00	2,353,512.00
Police contributions	650,404.00	677,590.00
Overstatement of Liabilities for 2009 & 2010	91,531.00	0
Total Expenses	(2,925,412.00)	(2,329,075.00)
As at 1 December	29,169,733.00	24,721,359.00

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

Actuarial assumptions

The principal actuarial assumptions used in the 2010 Actuarial Valuation 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

The Public Service Pension Fund Financial Statements for the year ended 31 December 2011

of PSPF. Contributions totalling EC\$ 5,321,621 was received from the Government of Anguilla and the Agencies in 2011.

Ms. Aurjul Wilson, Permanent Secretary of Public Administration is also Chairman of the Pension Board. Mrs. Kathleen Rogers, who is a member of PSPB, is also the Permanent Secretary in the Ministry of Finance. As noted above, material income transactions have taken place in 2011 involving the Government of Anguilla.

Throughout 2011, the Pension Fund maintained its main current account with the National Bank of Anguilla and had fixed deposit investments totalling EC\$13,293,769.06 at this bank (see note 6 for details). The Government of Anguilla 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. Mr. Timothy Hodge, who is Director of Social Security, is also an Ex-Officio member of the Pension Board.

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, with the exception Mr. Timothy Hodge, and employees of the Pension Fund are ordinary members of the scheme. During the year, Pension Board members received fees totalling EC\$43,450. This figure is lower than usual because the Board operated with four members instead of the customary five members.

Note 16 Events after the Reporting Period

Sustainability of the Police Pension Fund

As mentioned in note 14, the Police Pension Fund is currently unsustainable in its present state. In an effort to rectify this situation, The Public Service Pension Board in collaboration with the Police Officers has proposed several amendments to the Police Pension Act. The amendments include:

- an increase in the contribution rate from 4% to 5%,
- an increase in the Retirement age from 55 to 60,
- an increase in the vesting period from 10 to 15 years
- removal of the Gratuity payment form Ill health benefits
- reduction of the tabular values for Injury Gratuity and Pension

These changes have been presented and approved by the Executive Council and are in the process of being drafted by the Attorney General Chambers for approval by the House of Assembly.

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Conservatorship of the two Local banks

In August 2013, the National Bank of Anguilla and the Caribbean Commercial Bank were placed under the conservatorship of the Eastern Caribbean Central Bank. This process was expected to last for six months in the first instance and after that period a report would be produced to determine the future of both banks. This is significant for the Public Service Pension Fund because all of the Fund's investments are currently held in Term Deposits at both banks.

Note 17 Restatement of 2010 Audited Accounts

In July 2009, the Government of Anguilla began a series of salary cuts that affected all employees. As a result the pension payments received by the Pension Fund were reduced. However, Section 30 of the Pension Act states that "deductions shall be made in relation to the full salary payable at the time the deduction is made whether or not the contributor is for any reason receiving less than that salary". Consequently, the Financial Accounts for 2010 have been adjusted to reflect that portion of pension due to be paid on back payments. Going forward the amount of pension contributions due on back payments will be included on a yearly basis. Additional details are provided in Note 8.

Note 18 Authorised for Issue

These Financial Statements are authorized for issue by the Chair of the Public Service Pension Board on March 3, 2015.

Audit report of the Chief Auditor to the Public Service Pension Fund Board

Independent Auditor's Report to the Chairman and Members of the Public Service Pension Fund Board trustees

I have audited the financial statements of the Public Service Pension Fund for the year ended 31 December 2011 in accordance with Section 27 of the Pensions Act 2004, as amended by the Pensions (Amendment) Act 2012 and Police Pensions Act 2008. The accounts comprises the Income Statement, Statement of Changes in Equity, Balance sheet, Cash flow statement and the related notes. The Financial Statements have been prepared in accordance with IAS 26 (Accounting and reporting by retirement benefit plans) and the accounting policies set out within the accounts.

Respective responsibilities of the Government Pension Fund Board and the Auditor

The Public Service Pension Fund Board is responsible for the preparation and fair presentation of the Financial Statements. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; keeping proper records showing the amount of contributions to the Fund by, or on behalf of, each contributor and all other payments into or out of the Fund, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

My responsibility is to audit the financial statements in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Auditing Practice Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Public Service Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition I read all the financial and non-financial information in the Chairman's Statement to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the fund during the year ended 31 December 2011, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with applicable legislation and IAS 26 (Accounting and Reporting by Retirement Benefit Plans).

Emphasis of matter

Without qualifying my opinion I draw attention to note 16 of the financial statements which highlights the significant risk to the pension fund as a result of all its investments being held in the National Bank of Anguilla and the Caribbean Commercial Bank, both of which have been placed in conservatorship. Note 6 to the accounts shows that as 31 December 2011 those investments totalled EC\$28,755,182. Note 7 to the accounts shows the cash balance of EC\$305,769 which is held in a current account at the National Bank of Anguilla. At 3 March 2015, the investment balance was EC\$36,990,375 and the cash balance was EC\$409,202.

If the banks are unable to repay these amounts it could impact on the Public Service Pension Fund's liquidity, financial position and performance.



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