

# PUBLIC SERVICE PENSION FUND



## 2012 ANNUAL REPORT AND ACCOUNTS

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**The Public Service Pension Fund**  
**Financial Statements for the year ended 31 December 2012**

**Statement from the Chairman**

The Year 2012 marked the ninth year of operation of the Public Service Pension Fund. This year was highlighted with changes to the composition Public Service Pension Board due in large part to a rotation of Permanent Secretaries. Mrs. Kathleen Rogers replaced Ms. Aurjul Wilson as the Permanent Secretary for Public Administration and hence became the new Chair of the Pension Board. The other two new members are Dr. Aidan Harrigan, who was appointed to the post of Permanent Secretary in the Ministry of Finance and Mr. Gerald Gumbs, who was approved by the Governor as the representative for the Anguilla Civil Service Association. The remaining Board Members are Mr. Timothy Hodge, Director of Social Security and Mrs. Celestine John, representative from the Anguilla Teachers Union. The Pension Board continues to hold regular monthly meetings to discuss current issues and the future direction of the Pension Fund.

The Pension Fund continued to grow its reserves and assets during 2012, and at year's end these investments totaled EC\$32,130,111. All of the Fund's investments are held in the form of Term Deposit at the two local banks.

The Pension Fund had the sole responsibility for processing payments to 22 pensioners and 5 survivors.

As part of our ongoing effort to efficiently and effectively serve our Pensioners, The Pension Fund office created and subsequently distributed Life Certificate forms to all existing Pensioners and Survivors. These forms are essential as the Pensions Act in section 46, stipulates the distribution of similar materials to provide Proof of Life. The forms also provide up to date personal information on each Pensioner and Survivor and will be distributed bi-annually in January and June.

The Pension Board and employees of the Pension Fund have continued to aggressively pursue the development of a Pension System. Unfortunately, no alternative solution has been found to replace the existing database.

**The Public Service Pension Fund  
Financial Statements for the year ended 31 December 2012**

An Amendment to the Pensions Act was approved and gazetted on April 16<sup>th</sup> 2012. This amendment outlined the Liability of the Consolidated Fund, Gratuity to a Contributor and Calculation of Rate of Pensions.

In May 2012, the Administrator of the Pension Fund, Mrs. Charissa-Ann Busby, travelled to Jamaica to attend a workshop on Pension matters.



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Kathleen Rogers, Chairman PSPB

**The Public Service Pension Fund  
Financial Statements for the year ended 31 December 2012**

**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**

I have audited the financial statements of the Public Service Pension Fund for the year ended 31 December 2012 in accordance with Section 27 of the Pensions Act 2008. The accounts comprise 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.

**The Public Service Pension Fund  
Financial Statements for the year ended 31 December 2012**

**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 2012, 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 2012 those investments totalled EC\$32,130,111 excluding accrued interest. Note 7 to the accounts shows the cash balance of EC\$1,132,213 all of which is held in a current account at the National Bank of Anguilla. At 13<sup>th</sup> May, 2015 the investment balance was EC\$37,052,031 and the cash balance was EC\$1,120,014.

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



**John Herniman  
Chief Auditor**

**Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ  
United Kingdom**

**Date: 15 May 2015**

**The Public Service Pension Fund  
Financial Statements for the year ended 31 December 2012**

**Income Statement**

		<b>2012</b>	<b>2011</b>
<b>INCOME</b>		<b>ECS</b>	<b>ECS</b>
	<b>Notes</b>		
Public Service Contributions	2	5,222,062	5,192,865
Police Contributions	2	616,384	650,404
Other Income	2	<u>1,495,661</u>	<u>1,438,986</u>
<b>Total Income</b>		<b>7,334,107</b>	<b>7,282,255</b>
 <b>EXPENDITURE</b>			
Public Service Pension, Gratuity & Survivor Payments	3	1,299,997	1,888,277
Police Pension, Gratuity & Survivor Payments	3	510,495	352,803
Public Service Refunds		340,395	197,365
Public Service Staff Costs	4	297,946	284,861
Police Staff Costs	4	36,825	35,207
Public Service Administration Expenditure	5	70,570	148,540
Police Administration Expenditure	5	<u>22,921</u>	<u>18,359</u>
<b>Total Expenditure</b>		<b>2,579,149</b>	<b>2,925,412</b>
<b>Surplus/(Deficit)</b>		<b><u>4,754,958</u></b>	<b><u>4,356,843</u></b>

**The Public Service Pension Fund**  
**Financial Statements for the year ended 31 December 2012**

**Statement of Changes in Equity**

	<b>ECS</b>
	<b>General Fund</b>
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><u>29,169,733</u></u>
Balance as of 1 January 2012	29,169,733
Surplus for the year 2012	<u>4,754,958</u>
<b>Balance as at 31 December 2012</b>	<u><u>33,924,691</u></u>




**The Public Service Pension Fund  
Financial Statements for the year ended 31 December 2012**

**Balance Sheet**

	Notes	2012 ECS	2011 ECS
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Furniture & Equipment	11	29,486	12,722
Investments	6	12,492,689	19,948,540
<b>Total Non Current Assets</b>		<u>12,522,175</u>	<u>19,961,262</u>
<b>Current Assets</b>			
Cash and Cash equivalents	7	1,132,213	305,769
Contributions Receivable	8	1,740,014	1,127,544
Investments	6	19,637,422	8,806,642
<b>Total Current Assets</b>		<u>22,509,649</u>	<u>10,239,955</u>
<b>Total Assets</b>		<b>35,031,824</b>	<b>30,201,217</b>
<b>Current Liabilities</b>			
Payables	9	(914,072)	(812,609)
<b>Total Current Liabilities</b>		<u>(914,072)</u>	<u>(812,609)</u>
<b>Total Assets less Current Liabilities</b>		<b>34,117,752</b>	<b>29,388,608</b>
<b>Non- Current Liabilities</b>			
Provision for Contributions Payable		(193,061)	(218,875)
Other Liabilities		-	-
<b>Total Non-Current Liabilities</b>		<u>(193,061)</u>	<u>(218,875)</u>
<b>Total ASSETS less LIABILITIES</b>		<u><b>33,924,691</b></u>	<u><b>29,169,733</b></u>
<b>EQUITY:</b>			
General Fund @ 1 January 2012		29,169,733	24,721,359
(Deficit)/Surplus		4,754,958	4,356,843
Overstatement of Liabilities for 2009 and 2010		-	91,531
<b>TOTAL EQUITY</b>		<u><b>33,924,691</b></u>	<u><b>29,169,733</b></u>

The Financial Statements were approved on behalf of the Board and authorized for issue on May 13, 2015 by Kathleen Rogers, Chairman of the Board.

  
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**The Public Service Pension Fund**  
**Financial Statements for the year ended 31 December 2012**

**Cash Flow Statement**

	Notes	2012 EC\$	2011 EC\$
<b>Operating Activities</b>			
Operating Surplus		4,754,958	4,356,843
Adjustments:			
Increase / (Decrease) in trade and other payables		75,649	78,989
(Increase)/Decrease in contribution receivables		(612,470)	(505,648)
Depreciation		5,916	2,840
Amortisation of non-current interest earned on investments		(1,474,929)	(1,434,126)
Net cash inflow from operating activities		<u>2,749,124</u>	<u>2,498,898</u>
<b>Investing Activities</b>			
Purchase of investment bonds		(1,900,000)	(3,200,000)
Purchase of Equipment		(22,680)	(3,396)
Net cash outflow from investing activities		<u>(1,922,680)</u>	<u>(3,203,396)</u>
<b>Financing Activities</b>			
Net cash (used in) financing activities		-	-
<b>Net increase/decrease in cash and cash equivalents</b>		<u>826,444</u>	<u>(704,498)</u>
Cash and cash equivalents at the beginning of the year		<u>305,769</u>	<u>1,010,267</u>
Cash and cash equivalents at the end of the year	7	<u><u>1,132,213</u></u>	<u><u>305,769</u></u>

# **The Public Service Pension Fund**

## **Financial Statements for the year ended 31 December 2012**

### **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 2012**

### **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	4-7 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**

In accordance with IAS 26, fund assets are carried at fair value.

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 2012**

#### **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 of calculating the fair value of such investments.

#### **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, which is a suitable method of calculating the fair value of such assets.

#### **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

**The Public Service Pension Fund**  
**Financial Statements for the year ended 31 December 2012**

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**  
**Financial Statements for the year ended 31 December 2012**

	2012	2011
	ECS	ECS
<b>Note 2 INCOME</b>		
Public Service Contributions	4,785,088	4,734,119
Public Service Backpayments	436,974	458,746
Police Contributions	569,160	594,893
Police Back payments	47,224	55,511
Interest Earned- Bank	3,458	3,839
Interest on Investments	1,474,929	1,434,126
Social Security Benefit	16,843	1,021
Commission	431	0
<b>Total Income</b>	<u>7,334,107</u>	<u>7,282,255</u>
<b>Note 3 PENSION PAYMENTS</b>		
Public Service Pension Payments	442,936	331,255
Public Service Gratuity Payments	828,597	1,546,665
Public Service Survivor Payments	28,464	10,357
Police Gratuity Payments	174,623	30,407
Police Pension Payments	304,852	292,668
Police Survivor Payments	31,020	29,728
<b>Total Pension Payments</b>	<u>1,810,492</u>	<u>2,241,080</u>
Pension payments have been reduced by \$83,699 and Gratuity payments have been reduced by \$130,780, as a result of accounting for the event after the Balance Sheet as described in Note 16(iv)		
<b>Note 4 STAFF COSTS</b>		
Salaries	252,672	244,968
Wages	1,617	1,300
Board Fees	51,510	43,450
Employer Contribution Social Security, Medical, MASA, Pension	28,972	30,350
<b>Total Staff Costs</b>	<u>334,771</u>	<u>320,068</u>
<b>Distributed as follows:</b>		
Public Service Staff Costs	297,946	284,861
Police Staff Costs	36,825	35,207

**The Public Service Pension Fund**  
**Financial Statements for the year ended 31 December 2012**

**Note 5 ADMINISTRATION EXPENDITURE**

Depreciation Expense	5,916	2,840
Public Service Administration Cost	28,058	33,569
Police Administration Cost	3,468	4,149
Public Service Actuarial Fee	0	75,927
Police-Actuarial Fee	14,943	9,384
Public Service Audit Fee	36,490	36,490
Police- Audit Fee	4,510	4,510
Bank Charges	106	30
<b>Total Administration Expenditure</b>	<b>93,491</b>	<b>166,899</b>

**Note 6 INVESTMENTS**

	2012	2011
	ECS	ECS
Held to maturity investments carried at amortised cost		
Fixed Deposits	32,130,111	28,755,182
<b>Total Investments</b>	<b>32,130,111</b>	<b>28,755,182</b>
Analysed as follows		
Non-Current	12,492,689	19,948,540
Current	19,637,422	8,806,642

**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	4.50	13-Feb-14	1,606,200
Caribbean Commercial Bank	4.50	23-Oct-13	1,284,577
Caribbean Commercial Bank	5.00	21-Dec-14	2,750,342
Caribbean Commercial Bank	5.00	29-Mar-13	800,000
Caribbean Commercial Bank	4.75	15-May-14	500,000
Caribbean Commercial Bank	4.75	8-Oct-14	400,000
National Bank of Anguilla	5.00	7-Sep-13	6,101,594
National Bank of Anguilla	5.00	1-Jul-13	1,390,497



**The Public Service Pension Fund  
Financial Statements for the year ended 31 December 2012**

Listed as follows continued from page 14			
Bank	Annual Interest Rate (%)	Maturity Date	Principal Amount EC\$
National Bank of Anguilla	4.75	8-Feb-13	1,601,678
National Bank of Anguilla	4.50	6-Jun-14	2,018,750
National Bank of Anguilla	5.00	23-Mar-14	500,000
National Bank of Anguilla	5.00	17-Aug-14	500,000
National Bank of Anguilla	5.00	22-Dec-14	2,750,342
<b>TOTAL INVESTMENTS</b>			<b>30,673,013</b>

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.

	2012 EC\$	2011 EC\$
<b>Note 7 CASH AND CASH EQUIVALENTS</b>		
Cash at Bank	1,132,213	305,769
<b>Total Cash at Bank</b>	<u>1,132,213</u>	<u>305,769</u>
<b>Note 8 CONTRIBUTION RECEIVABLES</b>		
Anguilla Community College	-	2,248
Anguilla Tourist Board	3,583	3,583
Government of Anguilla	4,325	7,749
Anguilla Air and Sea Port Authority	133,587	-
Public Service Back Payments	1,430,216	993,242
Police Back Payments	167,947	120,722
Other Receivables	356	-
<b>Total Contributions Receivable</b>	<u>1,740,014</u>	<u>1,127,544</u>
<b>Note 9 Current Liabilities</b>		
Payable to the consolidated fund for pension payments and gratuities paid in 2010 on behalf of the pension fund	421,662	636,141
Audit fees	138,376	138,029
Gratuity and Pension Payable	353,402	37,250
Other Payables	632	1,189
<b>Total Current Liabilities</b>	<u>914,072</u>	<u>812,609</u>

**The Public Service Pension Fund**  
**Financial Statements for the year ended 31 December 2012**

Note		As at January 1 2012 ECS	Increase During the Year ECS	Amounts used in the period ECS	At December 31 2012
Note 10	<b>Provisions</b>				
	Provision for Contribution Refunds	218,875	52,964	78,778	193,061

Note  
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Cost	Office Equipment	Furniture & Equipment ECS	IT Equipment ECS	Total ECS
At January 1 2012	0	15,596	7,681	23,277
Additions in the year	18866	3,814	0	22,680
Disposals in the year	0	-	-	-
<b>At December 31 2012</b>	<b>18,866</b>	<b>19,410</b>	<b>7,681</b>	<b>45,957</b>

Depreciation	Office Furniture	Furniture & Equipment ECS	IT Equipment ECS	Total ECS
At January 1 2012	0	6,286	4,269	10,555
Charge for the year	2,695	1,941	1,280	5,916
<b>At December 31 2012</b>	<b>2,695</b>	<b>8,227</b>	<b>5,549</b>	<b>16,471</b>

<b>Net Book Value at December 31 2012</b>	<b>16,171</b>	<b>11,183</b>	<b>2,132</b>	<b>29,486</b>
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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.

## **The Public Service Pension Fund**

### **Financial Statements for the year ended 31 December 2012**

#### **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 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.

## **The Public Service Pension Fund Financial Statements for the year ended 31 December 2012**

### **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 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.

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Survivors Pensions- payments made to the spouse or dependant children of any officer who is entitled to a pension.

**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.

	<b>Consolidated Fund</b>	<b>Pension Fund</b>	<b>Police Fund</b>	<b>Total</b>
	EC\$ '000	EC\$ '000	EC\$ '000	EC\$ '000
<b>Total Projected Liability</b>	(75,824)	(122,315)	(18,235)	(216,374)
<b>Net Assets / (Liabilities)</b>	0	24,269	(131)	24,138
<b>Net Projected Liability</b>	(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. 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 the pension liability for all current employees and pensioners, as at December 31<sup>st</sup> 2010, and is based on service entitlement prior to the commencement of the Fund.

The Pensions Act provides that, as with Police Pensions, if at any time the Public Service Pensions Account is insufficient to meet the payments chargeable against it, the deficiency shall be made up by the Consolidated Fund.

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

	2012 EC\$	2011 EC\$
As at 1 January	29,169,733.00	24,721,359.00
Return on Assets	1,495,661.00	1,438,986.00
Contributions from employers	2,829,518.00	2,825,806.00
Contribution from employees	2,392,544.00	2,367,059.00
Police Contributions	616,384.00	650,404.00
Overstatement of Liabilities	0.00	91,531.00
Total Expenses	(2,579,149.00)	(2,925,412.00)
As at 1 December	33,924,691.00	29,169,733.00

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 six other executive Agencies in the Public Sector, whose employees are members of PSPF. Contributions totalling EC\$ 5,838,446 was received from the Government of Anguilla and the Agencies in 2012.

Mrs. Kathleen Rogers, who is the Chairman of PSPB, is also the Permanent Secretary of Public Administration. Dr. Aidan Harrigan is a member of the Pension Board and is also the Permanent

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Secretary in the Ministry of Finance. As noted above, material income transactions have taken place in 2012 involving the Government of Anguilla.

Throughout 2012, the Pension Fund maintained its main current account with the National Bank of Anguilla and had fixed deposit investments totalling EC\$14,862,861.53 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. Mr. Timothy Hodge is Director of Social Security and 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 and employees of the Pension Fund are ordinary members of the scheme. During the year, Board members received fees totalling EC\$51,510.

### **Note 16 Events after the Reporting Period**

#### **(i) 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 III 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.

#### **(ii) 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.

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**(iii) Actuarial Review of the Public Officers and the Police Officers Pension Fund**

The 2013 Actuarial Valuation of the Pension Fund's assets and liabilities was finalized on October 15, 2014. The net revised projected liability is outlined below. The results of this valuation will be fully reported in the 2013 Financial Accounts.

	<b>Consolidated Fund</b>	<b>Pension Fund</b>	<b>Police Fund</b>	<b>Total</b>
	<b>EC\$</b>	<b>EC\$</b>	<b>EC\$</b>	<b>EC\$</b>
<b>Net Projected Liability</b>	<b>(73,505,749)</b>	<b>(136,951,778)</b>	<b>(33,944,639)</b>	<b>(244,402,166)</b>

**(iv) Offsetting Liability due to Consolidated Fund**

The Pension Board became aware of an Executive Council minute 06/757 dated December 12, 2006 entitled Retirement Benefits for Government Agencies. This minute stated in point 4 that "the payment of retirement benefits for two pensioners should be paid from the Treasury Department and billed to the ADB at the end of each month." The Treasury had been making payments to one pensioner but payments to the second were being made from the Pension Fund. The Pension Fund ceased making payments in August 2013, the total to be offset (as of December 31, 2012) the existing liability to the Consolidated Fund of EC\$214,478.72, has been accounted for in these financial statements.

**Note 17 Authorised for Issue**

These Financial Statements are authorized for issue by the Chairman of the Public Service Pension Board on May 13, 2015.