

PUBLIC SERVICE PENSION FUND



2014 ANNUAL REPORT AND ACCOUNTS

The Public Service Pension Fund Financial Statements for the year ended 31 December 2014

Chairman's Statement 2014

The year 2014 was a milestone year for the Public Service Pension Fund, as it marked 10 calendar years since the Fund began operations. In honour of this milestone, the Public Service Pension Board celebrated with a week of activities, from December 7 to 13, 2014. The theme for the week was **"Celebrating a Decade of Growth and Success"**. During this week, the Board launched a Commemorative Booklet in recognition of this anniversary. The booklet was designed with the specific intent of educating Contributors on the history, current activities and benefits associated with being members of the Pension Fund. Copies of the booklets were distributed to each Government Department and Contributing agency.

Other significant events included a Church Service at the Church of God Holiness and an Open House at the Pension Fund office. The Open House featured give-aways of the booklets and other Pension Fund memorabilia. Visitors at the Open House were given the opportunity to ask questions about the Fund and express any concerns related to the calculation of their benefits. The week ended with the Annual Pension Board Retreat on Saturday, December 13, where the 2015 Budget was presented and discussed. Other issues for discussion were future plans for the Pension Fund including increasing staff at the pension Fund office to meet the increasing workload, possible investment options, a pension system and the possibility of a comprehensive review of the Pensions Act, given the limitations in the current Pension Act.

During the year, the Pension Board continued to have regular monthly meetings and if necessary urgent correspondences were sent through email. A major focus for the Board was the growth of the Fund's Reserves through diversification of investments. The Board has decided to explore the possibility of lending to contributors as a means of diversifying. In accordance with the Pensions Act, approval and guidance for this new investment venture has been sought from the Actuary, Mr. Montas. There were no changes to the composition of the Board from the previous year.

On September 30, 2014, the Pensions (Amendment) Act 2014 was officially passed. This amendment replaced the previously stated fixed interest rate of 4% with a variable interest rate to

**The Public Service Pension Fund
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be determined by the Pension Board. In determining the interest rate the Board will consider economic factors and compare interest rates of similar types of investments. The Board decided to reduce the interest rate from 4% to 3%, effective on the date of amendment.

At the end of 2014, the Public Service Pension Fund had investments valued at EC\$38,995,367. Unfortunately, the Police Pension Fund still remains a major concern for the Board due to its unsustainability. At the time of this report the amendments to the Police Pension Act are still to be finalised and presented to the House of Assembly for passage.



Kathleen Rogers
Chairman, PSPB

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 2014 in accordance with Section 27 of the Pensions Act 2010. The accounts comprise the Income Statement, Statement of Changes in Net Assets, Net Asset Statement, 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.

Management's responsibility for the financial statements

The Public Service Pension Fund Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial statements based on our audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, I consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion on financial statements

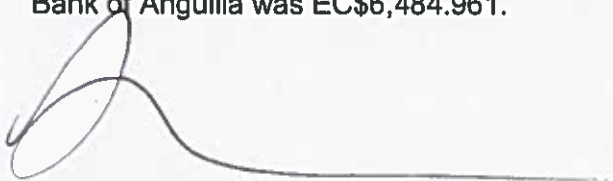
In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Service Pension Fund as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying my opinion, I draw attention to Notes 2, 3 and 21 to the financial statements which highlight 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.

Chief Auditor's Report on the accounts

Note 9 to the accounts shows that, as at 31 December 2014, investments held in these banks totalled EC\$38,995,367 including accrued interest, while Note 10 to the accounts shows a cash balance of EC\$539,815, all of which was held in a current account at the National Bank of Anguilla. At 8 January 2016 the value of investments (excluding accrued interest) held in these banks was EC\$31,619,831 and the cash balance held at the National Bank of Anguilla was EC\$6,484.961.



John Herniman
Chief Auditor

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

Date: 14 January 2016

The Public Service Pension Fund
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Income Statement

		2014	2013
INCOME	Notes	EC\$	EC\$
Public Service Contributions	4	5,270,701	5,240,137
Police Contributions	4	674,588	666,661
Other Income	4	1,768,023	1,619,089
Total Income		7,713,312	7,525,887
EXPENDITURE			
Public Service Pension, Gratuity & Survivor Payments	5	2,776,603	2,650,341
Police Pension, Gratuity & Survivor Payments	5	620,872	343,347
Public Service Refunds		357,086	488,825
Public Service Staff Costs	6	314,210	315,041
Police Staff Cost	6	38,835	42,960
Public Service Administrative Expenditure	8	145,661	64,530
Police Administrative Expenditure	8	18,003	8,799
Total Expenditure		4,271,270	3,913,843
Surplus/(Deficit)		3,442,042	3,612,044

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Financial Statements for the year ended 31 December 2014**

Statement of Changes in Net Assets

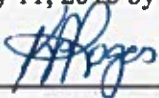
	ECS
Balance as at January 1, 2013	33,924,691
Surplus for the year 2013	3,612,044
Balance as at December 31, 2013	37,536,735
Balance as at January 1, 2014	37,536,735
Surplus for the year 2014	3,442,042
Balance as at 31 December 2014	40,978,777

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Net Asset Statement

	Notes	2014	2013
ASSETS		ECS	ECS
Non-Current Assets			
Furniture & Equipment	14	19,327	25,661
Investments	9.2	13,689,945	24,151,396
Total Non-Current Assets		13,709,272	24,177,057
Current Assets			
Cash and Cash equivalents	10	539,815	946,734
Contributions Receivable	11	2,478,297	2,109,597
Investments	9.2	25,305,420	11,741,040
Total Current Assets		28,323,532	14,797,371
Total Assets		42,032,804	38,974,428
Current Liabilities			
Payables	12	(932,730)	(1,254,131)
Total Current Liabilities		(932,730)	(1,254,131)
Total Assets less Current Liabilities		41,100,074	37,720,297
Non- Current Liabilities			
Provision for Contributions Payable	13	(121,297)	(183,562)
Total Non-Current Liabilities		(121,297)	(183,562)
Net Assets Available for Benefits		40,978,777	37,536,735

The Financial Statements were approved on behalf of the Board and authorized for issue on January 11, 2016 by Kathleen Rogers, Chairman of the Board.



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Financial Statements for the year ended 31 December 2014**

Cash Flow Statement

	Notes	2014	2013
		ECS	ECS
Operating Activities			
Operating Surplus		3,442,042	3,612,044
Adjustments:			
Increase / (Decrease) in trade and other payables		(383,667)	330,560
(Increase)/Decrease in contribution receivables		(368,699)	(369,583)
Depreciation		6,334	6,334
Amortisation of non-current interest earned on investments		(1,740,929)	(1,538,890)
Net cash inflow from operating activities		955,081	2,040,465
Investing Activities			
Accrued Interest Earned on Term Deposits in past years		-	191,519
Purchase of investment bonds		(1,362,000)	(2,414,954)
Purchase of Equipment		-	(2,509)
Net cash outflow from investing activities		(1,362,000)	(2,225,944)
Financing Activities			
Net cash (used in) financing activities		-	-
Net increase/decrease in cash and cash equivalents		(406,919)	(185,479)
Cash and cash equivalents at the beginning of the year		946,734	1,132,213
Cash and cash equivalents at the end of the year	10	539,815	946,734

The Public Service Pension Fund Financial Statements for the year ended 31 December 2014

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 18.

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). The principal accounting policies adopted are set out below.

1.3 Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the

The Public Service Pension Fund
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reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 2.

1.4 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year except that the PSPF has adopted the following new and amended IFRS and IFRIC (International Financial Reporting Interpretations Committee) interpretations :

	Effective Date:
• Amendment to IAS 32, 'Financial Instruments: Presentation'- Offsetting financial assets and financial liabilities	1 January 2014
• Amendment to IFRS 10, IFRS 12 and IAS 27- Investment entities	1 January 2014
• Amendment to IAS 36, 'Impairment of Assets' – Recoverable amount disclosures for non-financial assets	1 January 2014
• Amendment to IAS 39, 'Financial Instruments: Recognition and Measurement' – Novation of derivatives and continuation of hedge accounting	1 January 2014
• IFRIC 21 'Levies'	1 January 2014
• Amendment to IAS 19- Defined benefit plans: Employee contributions	1 July 2014
• Annual improvements to IFRSs 2010-2012 cycle	1 July 2014
• Annual improvements to IFRSs 2011-2013 cycle	1 July 2014

The adoption of these standards and interpretations did not have any impact on the financial performance or financial position of the Pension Fund.

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A number of new standards, amendments to standards and interpretations have been issued but are not yet effective as at December 31 2014. Forthcoming standards and interpretations are:

	Effective Date:
• Amendment to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	1 January 2016
• Amendment to IFRS 16 and IAS 41 'Agriculture: Bearer plants'	1 January 2016
• Amendment to IAS 27, ' Separate financial statements- Equity method in separate financial statements'	1 January 2016
• Amendment to IFRS 10 and IAS 28: 'Sale or contribution of assets between an investor and its associate or joint venture'	1 January 2016
• Amendments to IFRS 11- 'Accounting for acquisitions of interest in joint operations'	1 January 2016
• IFRS 14- Regulatory deferred accounts	1 January 2016
• Annual improvements to IFRSs 2012-2014 cycle	1 July 2016
• IFRS 15- 'Revenue from contracts with customers'	1 January 2017
• IFRS 9, 'Financial instruments'	1 January 2018

The Fund has not yet assessed the impact of these new standards on the future year's financial statements.

1.5 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.

The Public Service Pension Fund Financial Statements for the year ended 31 December 2014

1.6 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 contributions for the relevant year.

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

1.7 Fair value of assets and liabilities

In accordance with IAS 26 all assets and liabilities are valued at fair value. In accordance with IFRS 13, the valuation of assets and liabilities has been classified into three levels, according to the quality and reliability of information used to determine fair values:

Level 1

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

An analysis of the valuation levels relevant to the Fund's assets and liabilities will be found in Note 15.

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1.8 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

Over the short term which assets are amortised, the depreciation policy provides carrying values which approximate to fair value.

1.9 Held to Maturity Investments

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

Held-to-maturity investments are recorded at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis. As investments are made at market rates and for short terms (average maturity at 31 December 2014 was 0.98 years) this is a reasonable approximation of the fair value of such investments. (Level 2)

1.10 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 Net Assets Statement under the category current liabilities. These are valued on the basis of the balances held at 31 December 2014. (Level 1)

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1.11 Contributions receivable

These represent the amounts due to the Fund from employing bodies. These are short term in nature and the carrying value is regarded as a reasonable approximation of fair value. If any amount becomes due in more than 12 months then fair value would be measured as amortised cost using the effective interest method, less provision for impairment. This would provide a reasonable approximation of the fair value of receivables. (Level 2)

1.12 Payables/liabilities

These represent:

- Payables for expenditure incurred but unpaid at year end either as invoiced amounts outstanding or as amounts awaiting invoices from suppliers.
- liabilities in respect of contribution refunds

Payables/liabilities are short term in nature and the carrying value is regarded as a reasonable approximation of fair value. If any amount becomes payable in more than 12 months then fair value would be measured as amortised cost using the effective interest method, which provides a reasonable approximation of the fair value of the liability. (Level 2)

1.13 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 and converted 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 are accounted for appropriately.

1.14 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 1 January 2010 and is renewable annually.

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As this is an annual lease, any outstanding liability at the year-end is not material and is not separately disclosed.

1.15 Pension Fund Staff Retirement Benefits

Staff members of the Pension Fund are enrolled in the Public Service Pension Fund (PSPF), which is a defined benefit scheme. This is a funded multi-employer scheme but is not designed to enable the PSPF to identify its share of the underlying assets and liabilities. Therefore under IAS 19 pension contributions are recognised as a pension expense in the income statement when they are due.

2 Critical Accounting Estimates and Judgments

The Pension Fund makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historic experiences and other facts, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i. Determination of Fair Values of Financial Instruments

The Pension Fund determines the fair value of financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

ii. Investments held by Anguillan based banks

All of the Fund's investments are held in the National Bank of Anguilla and the Caribbean Commercial Bank. In August 2013 these banks were placed under the conservatorship of the Eastern Caribbean Central Bank. Insufficient information is

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available at present to assess whether there is a need to impair these investments; this issue is therefore treated as a contingent loss.

3 Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the net assets statement at 31 December 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	Changes in individual assumptions will have an impact on the net pension liability. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability, an increase in assumed earnings inflation would increase the value of liabilities, and an increase in assumed life expectancy would increase the liability.
Conservatorship of the two Local banks	All of the Fund's investments are held in the National Bank of Anguilla and the Caribbean Commercial Bank. As no information has yet been released regarding the solvency of the banks it is not possible to assess the extent that these investments are realizable.	If either bank is unable to repay any or all of these investments, it could materially impact on the Fund's liquidity, financial position and performance.

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Note 4	INCOME	2014	2014	2013	2013
		ECS	ECS	ECS	ECS
	Public Service Contributions	4,931,285		4,835,355	
	Public Service Back payments	339,416		404,782	
*	Total Public Service Contributions		5,270,701		5,240,137
	Police Contributions	622,568		612,535	
	Police Back payments	52,020		54,126	
*	Total Police Contributions		674,588		666,661
	Interest Earned- Bank	4,455		5,195	
	Interest on Investments	1,740,929		1,605,837	
	Social Security Benefit	21,163		7,033	
	Commission	1,476		1,024	
	Total Other Income		1,768,023		1,619,089
	Total Income		7,713,312		7,525,887
*	Analysed as follows:				
	Total Employer's Contribution		3,168,362.50		3,182,853.00
	Total Employee's Contribution		2,776,926.50		2,723,945.00

The pension contribution rate is 3% for Public Service and 4% for Police for both employer and employee.

Note 5	PENSION PAYMENTS	2014	2014	2013	2013
		ECS	ECS	ECS	ECS
	Public Service Pension Payments	1,026,516		694,592	
	Public Service Gratuity Payments	1,071,244		1,888,725	
	Public Service Discounted Gratuity Payments	568,690			
	Public Service Survivor Payments	110,153		67,024	
	Total Public Service Pension Payments		2,776,603		2,650,341
	Police Gratuity Payments	236,211		0	
	Police Pension Payments	361,643		316,655	
	Police Survivor Payments	23,018		26,692	
	Total Police Pension Payments		620,872		343,347
	Total Pension Payments		3,397,475		2,993,688

Note 6	STAFF COSTS	2014	2013
		ECS	ECS
	Salaries	268,326	272,073
	Wages	2,434	2,400
	Board Fees	52,471	52,800
	Employer Contribution Social Security, Medical	29,814	30,728
	Total Staff Costs	353,045	358,001
	Distributed as follows:		
	Public Service Staff Costs	314,210	315,041
	Police Staff Costs	38,835	42,960

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Note 7 Contributions to the Public Service Pension Fund			
Three members of the Pension Fund Staff are enrolled in the Public Service Pension Fund, (approximately 0.25 % of contributors to the scheme). Contributions made to the fund for the year and for the next year in respect of these staff members are:			
	2013 (Act)	2014 (Act)	2015 (Budget)
	EC\$	EC\$	EC\$
Contributions	7,773	7,674	11,000
Contributions are made, in common with other Agencies of the Government of Anguilla, at 3% of salary.			

Note 8	ADMINISTRATION EXPENDITURE	2014	2013
		EC\$	EC\$
	Depreciation Expense	6,334	6,334
	Administration Cost	45,561	25,875
	Public Service Actuarial Fee	62,869	0
	Police Actuarial Fee	7,770	0
	Audit Fee	41,000	41,000
	Bank Charges	130	120
	Total Administration Expenditure	163,664	73,329
	Distributed as follows:		
	Public Service Staff Costs	145,661	64,530
	Police Staff Costs	18,003	8,799

Note 9	INVESTMENTS	2013	2013
		EC\$	EC\$
	Held to maturity investments carried at amortised cost		
	Fixed Deposits	38,995,365	35,892,436
	Total Investments	38,995,365	35,892,436

Note 9.1					
	Market value 1 January 2014	Investments during the year	Repaid during the year	Change in market value during the year	Market value 31 December 2014
	EC\$	EC\$	EC\$	EC\$	EC\$
Fixed interest investments held at fair value	35,892,436	1,362,000	0	1,740,929	38,995,365

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Note 9.2 Analysed as follows			
		2014	2013
		ECS	ECS
	Non Current	13,689,945	24,151,396
	Current	25,305,420	11,741,040

Note 9.3 Listed as follows				
	Bank	Annual Interest Rate (%)	Maturity Date	Principal Amount ECS
	Caribbean Commercial Bank	5.00	1 July 2015	1,190,625
	Caribbean Commercial Bank	4.75	21 Oct 2015	1,400,347
	Caribbean Commercial Bank	5.00	2 Dec 2015	8,007,246
	Caribbean Commercial Bank	4.50	15 Feb 2016	1,750,955
	Caribbean Commercial Bank	4.75	22 Dec 2016	3,025,753
	Caribbean Commercial Bank	5.00	30 March 2015	1,100,000
	Caribbean Commercial Bank	4.75	16 May 2016	547,500
	Caribbean Commercial Bank	4.75	10 Oct 2016	850,000
	Caribbean Commercial Bank	5.00	6 March 2015	500,000
	Caribbean Commercial Bank	4.75	5 Nov 2015	500,000
	Caribbean Commercial Bank	4.75	2 May 2016	500,000
	National Bank of Anguilla	4.75	9 Feb 2015	1,900,000
	National Bank of Anguilla	5.00	1 July 2015	1,390,497
	National Bank of Anguilla	4.75	9 Sept 2015	6,714,261
	National Bank of Anguilla	4.75	6 June 2016	2,199,940
	National Bank of Anguilla	4.75	22 Dec 2016	3,025,753
	National Bank of Anguilla	4.75	21 March 2016	549,863
	National Bank of Anguilla	4.75	15 Aug 2016	549,863
	National Bank of Anguilla	4.75	16 Jan 2015	600,000
	National Bank of Anguilla	4.75	12 June 2015	450,000
	National Bank of Anguilla	4.75	2 May 2016	450,000
	TOTAL INVESTMENTS			37,202,603

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

Note 10 CASH AND CASH EQUIVALENTS		2014	2013
		ECS	ECS
	Cash at Bank	539,815	946,734
	Total Cash at Bank	539,815	946,734

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Note 11	CONTRIBUTION RECEIVABLE	2014	2013
		ECS	ECS
	Anguilla Tourist Board	3,583	3,583
	Government of Anguilla	119	13,358
	Anguilla Air and Seaport Authority	0	31,203
	Anguilla Community College	4,695	4,004
	Financial Services Commission	5,860	0
	Health Authority of Anguilla	15,155	0
	Public Service Back payments	2,174,414	1,834,998
	Police Back payments	274,093	222,073
	Other Receivables	378	378
	Total Contributions Receivable	2,478,297	2,109,597

		2014	2013
		ECS	ECS
Note 12	CURRENT LIABILITIES		
	Payable to the consolidated fund for pension payments and gratuities paid in 2010 on behalf of the pension fund	400,737	400,737
	Audit fees	181,539	179,376
	Gratuity and Pension Payable	350,454	673,196
	Other Payables	0	822
	Total Current Liabilities	932,730	1,254,131

Note 13	PROVISIONS	As at January 1 2014 ECS	Increase During the Year ECS	Amounts used in the period ECS	As at December 31, 2014 ECS
	Provision for Contribution Refunds	183,562	10,717	72,982	121,297

Note 14	FURNITURE & EQUIPMENT				
	Cost	Office Equipment	Furniture & Equipment	IT Equipment	Total ECS
	At January 1 2014	18,866	19,410	10,190	48,466
	Additions in the year	0	0	0	0
	Disposals in the year	0	0	0	0
	At December 31 2014	18,866	19,410	10,190	48,466
	Depreciation	Office Furniture	Furniture & Equipment	IT Equipment	Total ECS
	At January 1 2014	5,390	10,168	7,247	22,805
	Charge for the year	2,695	1,941	1,698	6,334
	At December 31 2014	8,085	12,109	8,945	29,139
	Net Book Value at December 31, 2014	10,781	7,301	1,245	19,327

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Note 15 Level in Fair Value Hierarchy				
Values at 31 March 2104	Level 1 ECS	Level 2 ECS	Level 3 ECS	Total ECS
Assets				
Furniture and Equipment			19,327	19,327
Investments		38,995,367		38,995,367
Cash and Cash Equivalents	539,815			539,815
Contributions Receivable		2,478,295		2,478,295
Sub Total	539,815	41,473,662	19,327	42,032,804
Liabilities				
Payables		(932,730)		(932,730)
Other Liabilities		(121,297)		(121,297)
Sub Total	0	(1,054,027)		(1,054,027)
Net Assets	539,815	40,419,635	19,327	40,978,777
Values at 31 March 2013	Level 1 ECS	Level 2 ECS	Level 3 ECS	Total ECS
Assets				
Furniture and Equipment			25,661	25,661
Investments		35,892,436		35,892,436
Cash and Cash Equivalents	946,734			946,734
Contributions Receivable		2,109,597		2,109,597
Sub Total	946,734	38,002,033	25,661	38,974,428
Liabilities				
Payables		(1,254,131)		(1,254,131)
Other Liabilities		(183,562)		(183,562)
Sub Total	0	(1,437,693)	0	(1,437,693)
Net Assets	946,734	36,564,340	25,661	37,536,735

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Note 16 Nature and extent of risks arising from financial instruments

16.1 Risk and Risk Management

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

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.

The Fund is potentially exposed to the following risks:

- Market risks
- Credit risks
- Interest rate risk
- Currency risk
- Liquidity risk

16.2 Market Risks

Held to maturity investment bonds are fixed term and at fixed interest rates. As at the Net Asset Statement date the fund is not exposed to any significant market risks.

16.3 Credit risks

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

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. No such report has yet been produced. 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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16.4 Interest rate risks

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

16.5 Currency risks

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

Some EC\$3.3m of investments are denominated in US Dollars. As the Eastern Caribbean Dollar has a fixed exchange rate with the US Dollar, this does not give rise to any significant currency risk.

16.6 Liquidity risks

As at 31 December 2014, the fund's investment was of short term maturity. No significant liquidity risks arise therefore from financial instruments.

Note 17 Contributions

Employer contributions are determined in accordance with the Pensions Act, which require that an Actuarial Valuation is completed every three years by an Actuary. Contributions should be set so as to secure the solvency of the Fund.

Note 18 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;

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- 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 Public Service Pension Act

Pension and Gratuity on Full Retirement

For all employees whose employment commenced prior to January 1, 2004, 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 $1/960^{\text{th}}$ of his pensionable emoluments for each complete month of pensionable service. Additionally for employees in service prior to January 1, 2004, Section 3 of the Pensions Regulations states that pensionable service prior to 2004 be calculated at an annual rate of $1/600^{\text{th}}$ of his pensionable emoluments for each completed month of service. There is an option to take a lump sum gratuity and a reduced pension. Pension is reduced to 75% of full pension and the lump sum payment is equal to 12 and a half times the amount of the reduction in pension.

Pension and Gratuity on Early Retirement

Early Retirement can only be granted in the circumstances stated in Section 6 of the Pensions Act.

Other Benefits

- **Discounted Gratuity and Deferred Pension-** A discounted gratuity is payable upon resignation to employees having 10 or more years of pensionable service. This is

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calculated in accordance with the start date of the employee. The gratuity is discounted using a 4% discount rate for each year left to the normal retirement age. In accordance with section 41(1), pension is deferred until the normal retirement age.

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

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 4% for each year left to age 60.

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Other Benefits

- An option of a discounted gratuity and a deferred pension is offered to officers 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- payments made to the spouse or dependant children of any officer who is entitled to a pension.

Note 19 Actuarial Valuation

Note 19.1 Actuary's Report

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, 2013.

	Pension Fund	Police Fund	Total
	EC\$	EC\$	EC\$
Total Projected Liability	(172,982,344)	(34,366,415)	(207,348,759)
Net Assets/ (Liabilities)	36,030,566	421,776	36,452,342
Net Projected Liability	(136,951,778)	(33,944,639)	(170,896,417)

The above table shows that the Police Fund had positive assets of EC\$421,776 at the date of the Actuary's report. 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. 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 from Ill health benefits
- reduction of the tabular values for Injury Gratuity and Pension

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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.

On the other hand, the Public Officers Pension Fund continues to grow steadily and at the time of the Actuary's report, had accumulated assets of over EC\$36 million and therefore, no liquidity constraints are envisioned in the medium term. An overall liability of EC\$170,896,417 was determined. This figure included the pension liability for all current employees and pensioners, as at December 31st 2013, 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.

Actuarial assumptions

The principal actuarial assumptions used in the 2013 Actuarial Valuation were as follows:

Discount rate:	4 per cent per annum
Expected Long-term rate of return on assets	4 per cent per annum
Salary Scale	2 per cent per annum
Mortality table	GAM-83 (USA)

Note 19.2 Deficit on the Pension Fund

As noted in note 19.1, the Actuary based his work on estimated values of assets available for benefits totaling EC\$36,452,342. Subsequently, the estimate of the value of assets available for benefits was revised to EC\$37,536,735(see Net Assets Statement as at 31 December 2013), resulting in a revised overall deficit on the Fund of EC\$169,812,024 as at 31 December 2013.

The change has no impact on contribution rates as these are determined by the relevant Pensions Act.

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Note 19.3 Changes in the value of the pension fund assets are as follows:

	2014 EC\$	2013 EC\$
As at 1 January	37,536,735.00	33,924,691.00
Other Income	1,768,023.00	1,619,089.00
Contributions from employers	2,805,058.50	2,822,459.50
Contributions from employees	2,465,642.50	2,417,677.50
Police Employer Contributions	363,304.00	612,535.00
Police Employee Contributions	311,284.00	54,126.00
Total Expenses	(4,271,270.00)	(3,913,843.00)
As at 1 December	40,978,777.00	37,536,735.00

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

Note 20 Related Party Disclosures

The Public Service Pension Fund (PSPF) is a public sector entity in Anguilla. During the year, PSPF has had material transactions with the Government of Anguilla, and the eight other Agencies in the public sector, whose employees are members of PSPF. All of the contributions in Note 4, EC\$5,945,289 (EC\$5,906,998 in 2013) and EC\$2,477,917 (EC\$2,109,219 in 2013) of the accounts receivable in Note 11 relate to the Government of Anguilla and the eight agencies.

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 Secretary in the Ministry of Finance. As noted above, material income transactions have taken place in 2014 involving the Government of Anguilla.

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.

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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 of Mr. Timothy Hodge, and employees of the Pension Fund are ordinary members of the scheme. During the year, Board members received fees totalling EC\$52,471.

Note 21 Contingent Loss - 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.

As no information has yet been released regarding the solvency of the banks it is not possible to assess the extent these investments are realizable.

Note 22 Authorised for Issue

These Financial Statements are authorized for issue by the Chairman of the Public Service Pension Board on January 11, 2016.