

PUBLIC SERVICE PENSION FUND



2015

ANNUAL REPORT

AND ACCOUNTS

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Chairman's Statement 2015

It is with much excitement and enthusiasm that I write my 2015 report on the Public Service Pension Fund. During the past year, many planned goals and objectives became realities or great steps were taken to accomplishing these goals.

In March, the Pension Board entered into an agreement with Misha Infotech to develop and install a Pension Management System. Such a system was envisioned as necessary to improve accuracy and efficiency, and to enhance the level of customer service offered to Contributors and Retirees. The system was installed for use in August and is currently being utilized by the Pension staff to: store contributor information, record monthly contributions and process refunds and monthly pension payments. With further improvements and enhancements to the system, it is hoped that additional features will offer even greater benefits to staff.

For at least the past two years, the Pension Board has discussed the possibility of lending funds to Contributors in an effort to combat the reduction in interest rates received on existing term deposits. In accordance with Schedule 2 of the Pensions Act, approval was obtained from the Actuary in May 2015. Following this, a lending policy outlining the details of the lending programme was developed and approved by the Board. It was decided that funds would be lent at 7.5% and approximately \$14 million would be allocated to this lending programme. Although, the Actuary approved the lending of funds, an amendment is needed in the Pensions Act. Instructions have been sent to the Attorney General's Chambers to begin the drafting of the amendment.

In a continued effort to diversify Pension Funds, a new account was opened at Scotia Bank Anguilla Ltd. The Board approved that effective October 2015; all monthly Government pension contributions would be deposited to the new account at Scotia. At the close of 2015, this account had a balance of EC\$1,607,089.45. Other investments, in the form of Term Deposits, at the two local banks totaled EC\$32,792,052.00.

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During 2015, all existing and one new Pension Fund office job was graded by the Government's Job Grading Committee. This was the first time such an exercise was undertaken but was necessary in order to determine the correct job grades and corresponding salary scales for jobs. Following this exercise, the post of Pensions Clerk was advertised, and a new employee in the person of Ms. Pamela Jalle was employed. The new post of Accounts Clerk was filled internally with the promotion of Sharice Richardson, former Pensions Clerk. The position of Accountant was renamed as Finance Manager. Plans are being made to have a new job of Accounts and Loan Officer graded, to accommodate the soon to be launched Loan Programme.

The Pension Board continued to meet regularly to discuss Pension matters and to plan for the future. There was one change to the composition of the board due to the resignation of Mr. Gerard Gumbs, representative for the Anguilla Civil Service Association. Mr. Gumbs was replaced by Ms. Susan Hodge in November 2015.



**Kathleen Rogers
Chairman, PSPB**

7-3-2018

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

Chief Auditor's Report to the Chairman and Members of the Public Service Pension Board

I have audited the financial statements of the Public Service Pension Fund for the year ended 31 December 2015 in accordance with Section 27 of the Pensions Act 2014. The accounts comprise the income statement, statement of change in net assets, the net assets 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.

Respective responsibilities of Board members and Auditor

The Board members are responsible for the preparation of financial statements which give a true and fair view.

My responsibility is to audit the financial statements in accordance with applicable law and with International Standards on Auditing. These standards require me to comply with the Financial Reporting Council'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 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 2015 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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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 2015, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year.



John Herniman
Chief Auditor

Wales Audit Office
24 Cathedral Road
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9 March 2018

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Income Statement

		2015	2014
INCOME		EC\$	EC\$
	Notes		
Public Service Contributions	4	5,259,744	5,270,701
Police Contributions	4	651,901	674,588
Other Income	4	1,716,904	1,768,023
Total Income		7,628,549	7,713,312
EXPENDITURE			
Public Service Pension, Gratuity & Survivor Payments	5	4,172,215	2,776,603
Police Pension, Gratuity & Survivor Payments	5	1,380,016	620,872
Public Service Refunds		216,758	357,086
Public Service Staff Costs	6	430,286	314,210
Police Staff Cost	6	53,181	38,835
Public Service Administrative Expenditure	8	82,220	145,661
Police Administrative Expenditure	8	10,162	18,003
Total Expenditure		6,344,838	4,271,270
Surplus/(Deficit)		1,283,711	3,442,042

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Statement of Changes in Net Assets

		EC\$
Balance as at January 1, 2014		37,536,735
Surplus for the year 2014		3,442,042
Balance as at December 31, 2014		40,978,777
Balance as at January 1, 2015		40,978,777
Surplus for the year 2015		1,283,711
Balance as at December 31, 2015		42,262,488

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Net Asset Statement

	Notes	2015	2014
ASSETS		ECS	ECS
Non-Current Assets			
Furniture & Equipment	14	16,979	19,327
Computer Software	15	83,063	0
Investments	9.2	18,466,229	13,689,945
Total Non-Current Assets		18,566,271	13,709,272
Current Assets			
Cash and Cash equivalents	10	8,073,612	539,815
Contributions Receivable	11	2,263,808	2,478,297
Investments	9.2	14,325,823	25,305,420
Total Current Assets		24,663,243	28,323,532
Total Assets		43,229,514	42,032,804
LIABILITIES			
Current Liabilities			
Payables	12	(834,720)	(932,730)
Total Current Liabilities		(834,720)	(932,730)
Total Assets less Current Liabilities		42,394,794	41,100,074
Non- Current Liabilities			
Other Liabilities	13	(132,306)	(121,297)
Total Non-Current Liabilities		(132,306)	(121,297)
Net Assets Available for Benefits		42,262,488	40,978,777

The Financial Statements were approved on behalf of the Board and authorized for issue on March 7, 2018 by Mrs. Kathleen Rogers, Chairman of the Board.



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Cash Flow Statement

	Notes	2015	2014
		EC\$	EC\$
Operating Activities			
Operating Surplus		1,283,711	3,442,042
Adjustments:			
Increase / (Decrease) in trade and other payables		(87,001)	(383,667)
(Increase)/Decrease in contribution receivables		214,489	(368,699)
Depreciation		7,132	6,334
Amortisation of non-current interest earned on investments		(1,698,735)	(1,740,929)
Net cash inflow from operating activities		(280,404)	955,081
Investing Activities			
Matured Term Deposits / Sale of investment bonds		7,902,048	-
Purchase of investment bonds		-	(1,362,000)
Purchase of Equipment		(87,847)	-
Net cash outflow from investing activities		7,814,201	(1,362,000)
Financing Activities			
Net cash (used in) financing activities		-	-
Net increase/decrease in cash and cash equivalents		7,533,797	(406,919)
Cash and cash equivalents at the beginning of the year		539,815	946,734
Cash and Cash Equivalents at the end of the year	10	8,073,612	539,815

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Notes to the Accounts

Note 1: Accounting Policies

1.1 Functions of the Pension Fund

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

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

There shall be paid out of the Fund:

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

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

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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 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. A number of new standards, amendments to standards and interpretations have been issued but are not yet effective as at 31 December 2015. Forthcoming standards and interpretations are:

Amendment	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

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Amendment	Effective Date
• 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.

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.

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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 16.

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

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

1.9 Intangible Assets- Computer Software

During the year 2015, the Pension Fund contracted Misha Infotech to build and install a new Pension Management System. This system was not fully functional at the close of 2015, so for the purposes of these accounts, the system has been classified as a work in progress. No depreciation is charged to assets classified as such. Upon completion of the new system, the total cost associated with obtaining the system will be amortised over a period of 5 years.

1.10 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 2015 was 1.484 years) this is a reasonable approximation of the fair value of such investments. (Level 2)

1.11 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 2015. (Level 1)

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1.12 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)

1.13 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)

1.14 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.

1.15 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.

1.16 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 Anguillian based banks

Most of the Fund's investments were held in the former National Bank of Anguilla and the former Caribbean Commercial Bank. On 22 April 2016, the two banks merged to form the National Commercial Bank of Anguilla. The merger resulted in

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EC\$19,032,646.31 being held in a Deposit Protection Trust (DPT) for 10 years. Seven term deposits from NBA were transferred along with interest accrued up to April 24, 2016. The Pension Fund was paid the accrued interest from the lone investment transferred from CCB. The interest rate to be earned on the DPT investments is 2%, which will be applied quarterly. The terms of the DPT are in accordance with the Bank Resolution Obligations Act 2016.

Following the passing of the Banking Resolution Obligations Act 2016, there is likely to be an impairment of the assets transferred to the DPT. The amount of the impairment is expected to be EC\$1,315,072.73 in 2016. The other investments totaling EC\$13,456,829.37 remained under the same terms and conditions as when the institutions operated separately.

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 2015 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.

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Note 4	INCOME	2015	2015	2014	2014
		EC\$	EC\$	EC\$	EC\$
	Public Service Contributions	4,988,946		4,931,285	
	Public Service Back payments	270,798		339,416	
*	Total Public Service Contributions		5,259,744		5,270,701
	Police Contributions	612,443		622,568	
	Police Back payments	39,458		52,020	
*	Total Police Contributions		651,901		674,588
	Interest Earned- Bank	13,029		4,455	
	Interest on Investments	1,698,735		1,740,929	
	Social Security Benefit	2,871		21,163	
	Commission	2,269		1,476	
	Total Other Income		1,716,904		1,768,023
	Total Income		7,628,549		7,713,312
*	Analysed as follows:				
	Total Employer's Contribution	3,110,950.50			3,168,362.50
	Total Employee's Contribution	2,800,694.50			2,776,926.50

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

Note 5	PENSION PAYMENTS	2015	2015	2014	2014
		EC\$	EC\$	EC\$	EC\$
	Public Service Pension Payments	1,416,252		1,026,516	
	Public Service Gratuity Payments	2,180,822		1,071,244	
	Public Service Discounted Gratuity Payments	495,916		568,690	
	Public Service Survivor Payments	79,225		110,153	
	Total Public Service Pension Payments		4,172,215		2,776,603
	Police Gratuity Payments	856,970		236,211	
	Police Pension Payments	507,509		361,643	
	Police Survivor Payments	15,537		23,018	
	Total Police Pension Payments		1,380,016		620,872
	Total Pension Payments		5,552,231		3,397,475

Note 6	STAFF COSTS	2015	2014
		EC\$	EC\$
	Salaries	388,128	268,326
	Wages	2,434	2,434
	Board Fees	52,800	52,471
	Employer Contribution Social Security, Medical	40,105	29,814
	Total Staff Costs	483,467	353,045
	Distributed as follows:		
	Public Service Staff Costs	430,286	315,041
	Police Staff Costs	53,181	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:		

Note 8	ADMINISTRATION EXPENDITURE	2015	2014
		EC\$	EC\$
	Depreciation Expense	7,132	6,334
	Administration Cost	30,287	45,561
	Actuarial Fee	9,781	70,639
	Audit Fee	45,000	41,000
	Bank Charges	182	130
	Total Administration Expenditure	92,382	163,664
	Distributed as follows:		
	Public Service Staff Costs	82,220	145,661
	Police Staff Costs	10,162	18,003

Note 9	INVESTMENTS	2015	2014
	Held to maturity investments carried at amortised cost	EC\$	EC\$
	Fixed Deposits	32,792,052	38,995,365
	Total Investments	32,792,052	38,995,365

Note 9.1		Market value 1 January 2015	Investments during the year	Repaid during the year	Change in market value during the year	Market value 31 December 2015
		EC\$	EC\$	EC\$	EC\$	EC\$
	Fixed interest investments held at fair value	38,995,365	0	7,902,048	1,698,735	32,792,052

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Note 9.2 Analysed as follows			
		2015	2014
		EC\$	EC\$
	Non Current	18,466,229	13,689,945
	Current	14,325,823	25,305,420

Note 9.3 Listed as follows				
	Bank	Annual Interest Rate (%)	Maturity Date	Principal Amount EC\$
	Caribbean Commercial Bank	4.75	3 July 2017	1,309,688
	Caribbean Commercial Bank	4.25	23 Oct 2017	1,533,380
	Caribbean Commercial Bank	5.00	4 Dec 2017	8,807,970
	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	4.75	30 March 2017	1,211,681
	Caribbean Commercial Bank	4.75	16 May 2016	547,500
	Caribbean Commercial Bank	4.75	10 Oct 2016	850,000
	Caribbean Commercial Bank	4.75	6 Nov 2017	547,500
	Caribbean Commercial Bank	4.75	2 May 2016	500,000
	National Bank of Anguilla	4.75	9 Feb 2017	2,080,747
	National Bank of Anguilla	4.75	3 July 2017	1,529,546
	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 2017	657,000
	National Bank of Anguilla	4.75	12 June 2017	492,691
	National Bank of Anguilla	4.75	2 May 2016	450,000
	TOTAL INVESTMENTS			31,619,830

The above table shows the principal amounts prior to the merger of NBA and CCB. The total 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		2015	2014
		EC\$	EC\$
	Cash at Bank	8,073,612	539,815
	Total Cash at Bank	8,073,612	539,815

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Note 11	CONTRIBUTION RECEIVABLE	2015	2014
		EC\$	EC\$
	Anguilla Tourist Board	3,583	3,583
	Government of Anguilla	14,420	119
	Anguilla Community College	0	4,695
	Financial Services Commission	0	5,860
	Health Authority of Anguilla	0	15,155
	Public Service Back payments	1,989,921	2,174,414
	Police Back payments	255,506	274,093
	Other Receivables	378	378
	Total Contributions Receivable	2,263,808	2,478,297

		2015	2014
Note 12	CURRENT LIABILITIES	EC\$	EC\$
	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	130,663	181,539
	Gratuity and Pension Payable	303,320	350,454
	Total Current Liabilities	834,720	932,730

Note 13	PROVISIONS	As at January 1 2015 EC\$	Increase During the Year EC\$	Amounts used in the period EC\$	As at December 31, 2015 EC\$
	Provision for Contribution Refunds	121,297	35,643	24,634	132,306

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Note 14	FURNITURE & EQUIPMENT	Office Equipment	Furniture & Equipment	IT Equipment	
	Cost		EC\$	EC\$	Total EC\$
	At 1 January 2015	18,866	19,410	10,190	48,466
	Additions in the year	-	-	4,784	4,784
	Disposals in the year	-	-	-	-
	At 31 December 2015	18,866	19,410	14,974	53,250
	Depreciation	Office Furniture	Furniture & Equipment	IT Equipment	Total EC\$
	At 1 January 2015	8,085	12,109	8,945	29,139
	Charge for the year	2,695	1,941	2,496	7,132
	At 31 December 2015	10,780	14,050	11,441	36,271
	Net Book Value at 31 December 2015	8,086	5,360	3,533	16,979

Note 15	INTANGIBLE ASSETS	Computer Software
	Cost	Total EC\$
	At 1 January 2015	-
	Additions in the year	83,063
	Disposal in the year	-
	At 31 December 2015	83,063
	Depreciation	Total EC\$
	At 1 January 2015	-
	Charge for the year	-
	At 31 December 2015	-
	Net Value at 31 December 2015	83,063

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Note 16 Level in Fair Value Hierarchy				
Values at 31 March 2015	Level 1 EC\$	Level 2 EC\$	Level 3 EC\$	Total EC\$
Assets				
Furniture and Equipment			100,042	100,042
Investments		32,792,052		32,792,052
Cash and Cash Equivalents	8,073,612			8,073,612
Contributions Receivable		2,263,808		2,263,808
Sub Total	8,073,612	35,055,860	100,042	43,229,514
Liabilities				
Payables		(834,720)		(834,720)
Other Liabilities		(132,306)		(132,306)
Sub Total	0	(967,026)		(967,026)
Net Assets	8,073,612	34,088,834	100,042	42,262,488
Values at 31 March 2014	Level 1 EC\$	Level 2 EC\$	Level 3 EC\$	Total EC\$
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		2,109,597
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)	0	(1,054,027)
Net Assets	539,815	40,419,635	19,327	40,978,777

The Public Service Pension Fund

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Note 17 Nature and extent of risks arising from financial instruments

17.1 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

17.2 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.

17.3 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.

17.4 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.

17.5 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.

The Public Service Pension Fund

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Some EC\$3.45m 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.

17.6 Liquidity risks

As at 31 December 2015, the fund's investment was of short term maturity. No significant liquidity risks arise therefore from financial instruments. Following the merger of the two local banks NBA and CCB, a significant sum of the Pension Fund's investments were converted to two ten year investments. This means that liquidity could be a problem in the near future.

Note 18 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 19 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 1 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

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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 1 January 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 1 January 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 calculated in accordance with the start date of the employee. The gratuity is discounted using a 3% discount rate (effective October 2015), 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.

The Public Service Pension Fund

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- **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 0.03333% 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.

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.

The Public Service Pension Fund

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Note 20 Actuarial Valuation

Note 20.1 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 31 December 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

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,

The Public Service Pension Fund

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as at 31 December 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 20.2 Deficit on the Pension Fund

As noted in note 20.1, 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.

The Public Service Pension Fund
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Note 20.3 **Changes in the value of the pension fund assets are as follows:**

	2015 EC\$	2014 EC\$
As at 1 January	40,978,777.00	37,536,735.00
Other Income	1,716,904.00	1,768,023.00
Contributions from employers	2,765,271.00	2,805,058.50
Contributions from employees	2,494,473.00	2,465,642.50
Police Employer Contributions	345,679.50	363,304.00
Police Employee Contributions	306,221.50	311,284.00
Total Expenses	(6,344,838.00)	(4,271,270.00)
As at 1 December	42,262,488.00	40,978,777.00

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

Note 21 **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\$5,911,645 (EC\$5,945,289 in 2014) and EC\$2,263,808 (EC\$2,478,297 in 2014) 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 2015 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 (DITES), which is a Government department. During the year the Pension Board contracted Misha Infotech to build and install a Pension Management System at a cost of US\$26,000.00. This agreement with Misha Infotech does not change the existing partnership with DITES for providing maintenance on IT equipment.

All members of the Pension Board, with the exception of Mr. Timothy Hodge, are employees of the Pension Fund and ordinary members of the scheme. During the year, Board members received fees totalling EC\$52,800.

Note 22 Events after the Balance Sheet Date

As referred to in Note 2 ii to the accounts, most of the Fund's investments were held in the former National Bank of Anguilla and the former Caribbean Commercial Bank. On 22 April 2016, the two banks merged to form the National Commercial Bank of Anguilla. The merger resulted in EC\$19,032,646.31 being held in a Deposit Protection Trust (DPT) for 10 years. The interest rate to be earned on the DPT investments is 2%, which will be applied quarterly. The terms of the DPT are in accordance with the Bank Resolution Obligations Act 2016.

Following the passing of the Banking Resolution Obligations Act 2016, there is likely to be an impairment of the assets transferred to the DPT. The amount of the impairment is expected to be EC\$1,315,072.73 in 2016.

Note 23 Authorised for Issue

These Financial Statements are authorized for issue by the Chairman of the Public Service Pension Board on March 7, 2018.