

PUBLIC SERVICE PENSION FUND



2016 ANNUAL REPORT AND ACCOUNTS

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The Public Service Pension Fund Financial Statements for the year ended 31 December 2016

Chairman's Statement 2016

The year 2016 marked the end of the Conservatorship period for the two local banks; National Bank of Anguilla and the Caribbean Commercial Bank. This merger led to over EC\$19 million of Pension Fund investments being placed into the Deposit Protection Trust (DPT). This move signaled to the Board the need for urgent action to secure alternative means of growing the Pension Fund reserves. Case in point, these accounts show an impairment of EC\$1,315,073.00 on the long-term investments.

With the Fund's current investments yielding substantially less than in previous years and the long-term investments being impaired, there was an urgent need to seek out other types Investments that would yield higher rates of return. The Pension Board envisioned the implementation of the Pension Fund loan programme as being a step in the right direction. The program would serve a two-fold purpose by providing Contributors with access to money at significantly lower rates than at other lending institutions and simultaneously provide a way for the Pension Fund to earn interest at a higher rate with little risk of default. Given the current economic climate and Contributors' reliance on borrowing, the implementation of the lending programme was sure to be profitable for the Pension Fund.

Having previously obtained the necessary approval from the Actuary, the board sought to have the Pensions Act amended to allow for the lending of funds. This process though simple, proved to be lengthy and as such the launch of the Loan programme was delayed until 2017. In the meantime, a job description was prepared and approved by the Board and forwarded to the Job Grading committee for grading. The Board anticipated hiring this new officer in early 2017 to coincide with the launch of the Loan Programme.

Throughout 2016 the Pension Board continued to meet regularly to discuss matters as they arise and to plan for future development. There were no changes to the membership of the Board in 2016. The Pension Fund staff complement also remained unchanged from the previous year.



Kathleen Rogers
Chairman, PSPB
October 26, 2018

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2016

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

Opinion

I have audited the financial statements of the Public Service Pension Fund, which comprise the Net Assets Statement as at 31 December 2016, the Income Statement, Statement of Changes in Net Assets, Cash flow Statement for the year then ended and the related notes, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view in all material respects of the financial performance and cash flows of the Public Service Pension Fund during the year ended 31 December 2016 and the amount and disposition of its assets and liabilities at that date in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

I conducted my audit in accordance with Section 27 of the Pension Act 2010 and International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Public Service Pension Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Anguilla, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Public Service Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Public Service Pension Fund or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Public Service Pension Fund's financial reporting process.

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2016

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Public Service Pension Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Public Service Pension Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Public Service Pension Fund to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Financial Statements for the year ended 31 December 2016

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Anthony Barrett
Chief Auditor

Wales Audit Office
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United Kingdom

16 November 2018

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2016

Income and Expenditure Statement

		2016	2015
INCOME		EC\$	EC\$
	Notes		
Public Service Contributions	4	5,453,190	5,259,744
Police Contributions	4	666,659	651,901
Other Income	4	945,181	1,716,904
Total Income		7,065,030	7,628,549
EXPENDITURE			
Public Service Pension, Gratuity & Survivor Payments	5	5,257,303	4,172,215
Police Pension, Gratuity & Survivor Payments	5	610,255	1,380,016
Public Service Refunds		399,515	216,758
Public Service Staff Costs	6	412,360	430,286
Police Staff Cost	6	50,966	53,181
Public Service Administrative Expenditure	8	1,283,051	82,220
Police Administrative Expenditure	8	158,579	10,162
Total Expenditure		8,172,029	6,344,838
Surplus/(Deficit)		(1,106,999)	1,283,711

**The Public Service Pension Fund
Financial Statements for the year ended 31 December 2016**

Statement of Changes in Net Assets


		ECS
Balance as at January 1 2015		40,978,777
Surplus for 2015		1,283,711
Balance as at December 31 2015		42,262,488
Balance as at January 1 2016		42,262,488
Deficit for 2016		(1,106,999)
Balance as at December 31 2016		41,155,489

**The Public Service Pension Fund
Financial Statements for the year ended 31 December 2016**

Net Asset Statement

	Notes	2016	2015
ASSETS		EC\$	EC\$
Non-Current Assets			
Furniture & Equipment	14	9,847	16,979
Computer Software	15	76,689	83,063
Investments	9.2	17,717,573	18,466,229
Total Non-Current Assets		17,804,109	18,566,271
Current Assets			
Cash and Cash equivalents	10	6,133,762	8,073,612
Contributions Receivable	11	3,547,469	2,263,808
Pension Receivable	12	36,400	-
Investments	9.2	14,469,675	14,325,823
Total Current Assets		24,187,306	24,663,243
Total Assets		41,991,415	43,229,514
LIABILITIES			
Current Liabilities			
Payables	13	(759,815)	(834,720)
Total Current Liabilities		(759,815)	(834,720)
Total Assets less Current Liabilities		41,231,600	42,394,794
Non- Current Liabilities			
Other Liabilities	14	(76,111)	(132,306)
Total Non-Current Liabilities		(76,111)	(132,306)
Net Assets Available for Benefits		41,155,489	42,262,488

The Financial Statements were approved on behalf of the Board and authorized for issue on October 26, 2018 by Kathleen Rogers, Chairman of the Board.



The Public Service Pension Fund
Financial Statements for the year ended 31 December 2016

Cash Flow Statement

	Notes	2016	2015
		EC\$	EC\$
Operating Activities			
Operating Surplus(Deficit)		(1,106,999)	1,283,711
Adjustments:			
Increase / (Decrease) in trade and other payables		(131,100)	(87,001)
(Increase)/Decrease in contribution receivables		(1,320,061)	214,489
Depreciation and Impairment		1,341,377	7,132
Amortisation of non-current interest earned on investments		(885,219)	(1,698,735)
Net cash inflow from operating activities		(2,102,005)	(280,404)
Investing Activities			
Matured Term Deposits/ Sale of Investment Bonds		174,953	7,902,048
Purchase of investment bonds		-	-
Purchase of Equipment		(12,798)	(87,847)
Net cash outflow from investing activities		162,155	7,814,201
Financing Activities			
Net cash (used in) financing activities			
Net increase/decrease in cash and cash equivalents		(1,939,850)	7,533,797
Cash and cash equivalents at the beginning of the year		8,073,612	539,815
Cash and Cash Equivalents at the end of the year	10	6,133,762	8,073,612

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2016

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 20.

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.

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2016

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 few new standards, amendments to standards and interpretations have been issued but are not yet effective as at 31 December 2016. Forthcoming standards and interpretations are:

Amendment	Effective Date:
Amendment	Effective Date
• 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.

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2016

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.

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.

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Financial Statements for the year ended 31 December 2016

An analysis of the valuation levels relevant to the Fund's assets and liabilities will be found in Note 17.

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 Intangible Assets- Computer Software

During the year 2016, the Pension Fund fully utilized the Pension Management System designed and installed by Misha Infotech. At the end of 2016, depreciation of the new system was completed using the straight-line method based on the total cost of the system 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 most investments are made at market rates and for short terms (average maturity at 31 December 2016 was 1.093 years) this is a reasonable approximation of the fair value of such investments. (Level 2)

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2016

1.11 Long term investments

For investments which are held for more than two years, are valued using discounted cash flow techniques.

1.12 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 2016. (Level 1)

1.13 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)

1.14 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)

The Public Service Pension Fund

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1.15 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.

1.16 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.

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

1.17 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

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2016

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

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. 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 investment is 2%, which will be applied quarterly. The terms of the DPT are in accordance with the Bank Resolution Obligations Act 2016. This investment has incurred an impairment of EC\$1,315,073 to reflect the fact that these are now long term investments over 10 years with principal being repaid equally over the term and so future income needs to be discounted to present value. The discount factor used has been 3% to mirror the actuarial valuation discount factor.

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.

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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 2016 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.

		2016	2016	2015	2015
		EC\$	EC\$	EC\$	EC\$
Note 4	INCOME				
	Public Service Contributions	5,110,949		4,988,946	
	Public Service Back payments	342,241		270,798	
*	Total Public Service Contributions		5,453,190		5,259,744
	Police Contributions	618,774		612,443	

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	Police Back payments	47,885		39,458	
*	Total Police Contributions		666,659		651,901
	Interest Earned- Bank	16,589		13,029	
	Interest on Investments	885,219		1,698,735	
	Social Security Benefit	818		2,871	
	Commission	2,744		2,269	
	Pension Receivable	39,811		0	
*	Total Other Income		945,181		1,716,904
	Total Income		7,065,030		7,628,549
	Analysed as follows:				
	Total Employer's Contribution		3,254,987.20		3,110,950.50
	Total Employee's Contribution		2,864,861.80		2,800,694.50

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

Note 5	PENSION PAYMENTS	2016	2016	2015	2015
		EC\$	EC\$	EC\$	EC\$
	Public Service Pension Payments	1,889,413		1,416,252	
	Public Service Gratuity Payments	2,682,181		2,180,822	
	Public Service Discounted Gratuity Payments	611,036		495,916	
	Public Service Survivor Payments	74,673		79,225	
	Total Public Service Pension Payments		5,257,303		4,172,215
	Police Gratuity Payments	20,990		856,970	
	Police Pension Payments	573,749		507,509	
	Police Survivor Payments	15,516		15,537	
	Total Police Pension Payments		610,255		1,380,016
	Total Pension Payments		5,867,557		5,552,231

Note 6	STAFF COSTS	2016	2016	2015	2015
		EC\$	EC\$	EC\$	EC\$
	Salaries	366,362		388,128	
	Wages	2,350		2,434	
	Board Fees	52,800		52,800	
	Employer Contribution Social Security, Medical	41,814		40,105	
	Total Staff Costs		463,326		483,647
	Distributed as follows:				
	Public Service Staff Costs		412,360		430,286
	Police Staff Costs		50,966		53,181

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:			
		2015 (Act) EC\$	2016 (Act) EC\$	2016 (Budget) EC\$
	Contributions	10,723	10,880	10,800

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Contributions are made, in common with other Agencies of the Government of Anguilla, at 3% of salary.

Note 8	ADMINISTRATION EXPENDITURE	2016	2015
		EC\$	EC\$
	Depreciation and Impairment Expense	1,341,377	7,132
	Administration Cost	30,074	30,287
	Actuarial Fee	9,781	9,781
	Audit Fee	60,000	45,000
	Bank Charges	398	182
	Total Administration Expenditure	1,441,630	92,382
	Distributed as follows:		
	Public Service Staff Costs	1,283,051	82,220
	Police Staff Costs	158,579	10,162

Note 9	INVESTMENTS	2016	2015
		EC\$	EC\$
	Held to maturity investments carried at amortised cost		
	Fixed Deposits	14,469,675	32,792,052
	DPT- Long Term Investment	17,717,573	-
	Total Investments	32,187,248	32,792,052

Note 9.1		Market value 1 January 2016	Investments during the year	Repaid during the year	Change in market value during the year	Market value 31 December 2016
		EC\$	EC\$	EC\$	EC\$	EC\$
	Fixed interest investments held at fair value	13,856,630	(1,208)	3	614,250	14,469,675
	DPT Investments after Impairment	18,936,630	0	(174,953)	(1,044,104)	17,717,573

Note 9.2	Analysed as follows	2016	2015
		EC\$	EC\$
	Non Current	17,717,573	18,466,229

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2016

Current	14,469,675	14,325,823
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Note 9.3	Listed as follows			
	Bank	Annual Interest Rate (%)	Maturity Date	Principal Amount EC\$
	National Commercial Bank of Anguilla	4.75	3 July 2017	1,309,688
	National Commercial Bank of Anguilla	4.25	23 Oct 2017	1,533,380
	National Commercial Bank of Anguilla	4.50	15 Feb 2018	1,908,973
	National Commercial Bank of Anguilla	4.75	22 Dec 2018	3,313,594
	National Commercial Bank of Anguilla	4.75	30 March 2017	1,211,681
	National Commercial Bank of Anguilla	4.75	16 May 2018	599,655
	National Commercial Bank of Anguilla	2.43	10 Oct 2018	931,082
	National Commercial Bank of Anguilla	4.75	6 Nov 2017	547,500
	National Commercial Bank of Anguilla	4.75	2 May 2018	547,565
	National Commercial Bank of Anguilla	4.75	3 July 2017	1,529,546
	National Commercial Bank of Anguilla	4.25	2 May 2018	492,809
	TOTAL INVESTMENTS			13,925,472

The above table shows the principal amounts of Investments held at the National Commercial Bank of Anguilla. The total is different from the value of the overall investments due to interest which has accrued since the investments were initially made.

Note 9.3	Bank	Annual Interest Rate (%)	Maturity Date	Principal Amount EC\$
	National Commercial Bank of Anguilla- DPT	2.00	27 April 2026	10,224,676
	National Commercial Bank of Anguilla- DPT	2.00	22 April 2026	8,807,970
	Impairment for on DPT Investments for 2016			(1,315,073)
	TOTAL INVESTMENTS in DPT			17,717,573

The above table shows investment held in the Deposit Protection Trust at National Commercial Bank of Anguilla. The Impairment amount for 2016 has been applied.

		2016	2015
Note 10	CASH AND CASH EQUIVALENTS	EC\$	EC\$
	Cash at Bank- NCBA	476,875	6,466,522
	Cash at Bank- Scotiabank	5,656,887	1,607,090
	Total Cash at Bank	6,133,762	8,073,612

Note 11	CONTRIBUTION RECEIVABLES	2016	2015
		EC\$	EC\$
	Anguilla Tourist Board	2,691	3,583
	Government of Anguilla- Public Service	959,492	14,420
	Government of Anguilla- Police	157,415	-
	Public Service Back payments	2,160,928	1,989,921

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Financial Statements for the year ended 31 December 2016

	Police Back payments	255,743	255,506
	Health Authority of Anguilla	10,450	-
	Anguilla Air and Sea Ports Authority	129	-
	Other Receivables	621	378
	Total Contributions Receivable	3,547,469	2,263,808

		2016	2015
Note 12	PENSION RECEIVABLE	EC\$	EC\$
	Pension Receivable	36,400	-
	Total Pension Receivable	36,400	-

		2016	2015
Note 13	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	94,574	130,663
	Gratuity and Pension Payable	263,688	303,320
	Other Current Liabilities	816	-
	Total Current Liabilities	759,815	834,720

Note 14	PROVISIONS	As at January 1 2016 EC\$	Increase During the Year EC\$	Amounts used in the period EC\$	As at December 31, 2016 EC\$
	Provision for Contribution Refunds	132,306	19,553	75,748	76,111

Note 15	FURNITURE & EQUIPMENT	Office Equipment	Furniture & Equipment	IT Equipment	
	Cost		EC\$	EC\$	Total EC\$
	At January 1 2016	18,866	19,410	14,974	53,250
	Additions in the year	-	-	-	-
	Disposals in the year	-	-	-	-

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	At December 31 2016	18,866	19,410	14,974	53,250
	Depreciation	Office Equipment	Furniture & Equipment	IT Equipment	Total EC\$
			EC\$	EC\$	
	At January 1 2016	10,780	14,050	11,441	36,271
	Charge for the year	2,695	1,941	2,496	7,132
	At December 31 2016	13,475	15,991	13,937	43,403
	Net Book Value at December 31 2016	5,391	3,419	1,037	9,847

Note 16	INTANGIBLE ASSETS	Computer Software
	Cost	Total EC\$
	At January 1, 2016	83,063
	Additions in the year	12,798
	Disposal in the year	-
	At December 31 2016	95,861
	Depreciation	Total EC\$
	At January 1, 2016	-
	Charge for the year	19,172
	At December 31 2016	19,172
	Net Book Value at December 31 2016	76,689

Note 17	Level in Fair Value Hierarchy				
	Values at 31 December 2016	Level 1 EC\$	Level 2 EC\$	Level 3 EC\$	Total EC\$
	Assets				
	Furniture & Equipment			86,536	86,536
	Investments		32,187,248		32,187,248
	Cash and Cash equivalents	6,133,762			6,133,762

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	Contributions Receivable		3,547,469		3,547,469
	Pension Receivable		36,400		36,400
	Sub Total	6,133,762	35,771,117	86,536	41,991,415
	Liabilities				
	Payables		(759,815)		(759,815)
	Other Liabilities		(76,111)		(76,111)
	Sub Total		(835,926)		(835,926)
	Net Assets	6,133,762	34,935,191	86,536	41,155,489
	Values at 31 December 2015	Level 1 EC\$	Level 2 EC\$	Level 3 EC\$	Total EC\$
	Assets				
	Furniture & 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		(967,026)		(967,026)
	Net Assets	8,073,612	34,088,834	100,042	42,262,488

Note 18 Nature and extent of risks arising from financial instruments

18.1 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.

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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

18.2 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.

18.3 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.

18.4 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.

18.5 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.

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18.6 Liquidity risks

As at 31 December 2016, the fund's investments were of short term and long term maturities. 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 called the Deposit Protection Trust (DPT). As at December 31, 2016 interest payable for the investments transferred to the DPT totaled EC\$263,284.94. This amount represented EC\$121,843.59 due from the former CCB investment and EC\$141,441.35 for the former NBA investment. If such non-payment of interest continues it will have an impact on liquidity in the future.

Note 19 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 20 Retirement Benefit Obligations

The Government of Anguilla's pension scheme is a defined benefit scheme. Under the transitional arrangements specified under section 68(3) of the Pensions Act 2014, 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.

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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.
- **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.

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- **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.

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.

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Note 21.1 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 2016.

	Pension Fund	Police Fund	Total
	EC\$	EC\$	EC\$
Total Projected Liability	(266,405,927)	(52,111,352)	(318,517,279)
Net Assets/ (Liabilities)	42,258,339	180,702	42,439,041
Net Projected Liability	(224,147,588)	(51,930,650)	(276,078,238)

The above table shows that the Police Fund had positive assets of EC\$180,702.00 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 have been drafted by the Attorney General Chambers for approval by the House of Assembly. However, given the fact that these changes cannot be applied to existing Officers, they will not address the immediate unsustainable position of the Police Fund. The Pension Board has begun to seek alternative solutions. As at December 31, 2016, total Contributors to the Police Pension Fund was 105.

The Public Officers Pension Fund continued to grow steadily and at the time of the Actuary's report had total Contributors of 1187 and accumulated assets of over EC\$42 million. However, the Actuary suggested that in January 2018 or January 2019 The Pension Board should consider an increase in contribution rate and an increase in the retirement age. These changes would prevent any material decline in the reserves. An overall liability of EC\$266,405,927 was determined. This

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figure included the pension liability for all current employees and pensioners, as at 31 December 2016, 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 2016 Actuarial Valuation were as follows:

Discount rate:	3 per cent per annum
Expected Long-term rate of return on assets	*3 per cent per annum
Salary Scale	1 per cent per annum
Mortality table	GAM-83 (USA)

*No material assets available on the Police Pension Fund.

Note 21.2 Deficit on the Pension Fund

As noted in note 21.1, the Actuary based his work on estimated values of assets available for benefits totaling EC\$42,439,041. Subsequently, the estimate of the value of assets available for benefits was revised to EC\$41,155,489 (see Net Assets Statement as at 31 December 2016), resulting in a revised overall deficit on the Fund of EC\$277,361,790 as at 31 December 2016.

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

Note 21.3 Changes in the value of the pension fund assets are as follows:

	2016 EC\$	2015 EC\$
As at 1 January	42,262,488.00	40,978,777.00
Other Income	945,181.00	1,716,904.00
Contributions from employers	2,897,715.50	2,765,271.00
Contributions from employees	2,555,474.50	2,494,473.00
Police Employer Contributions	357,272.00	345,679.50

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Police Employee Contributions	309,387.00	306,221.50
Total Expenses	(8,172,029.00)	(6,344,838.00)
As at 1 December	41,155,489.00	42,262,488.00

The net assets of the Pension Fund are held in fixed deposits and the Deposit Protection Trust (DPT) at the National Commercial Bank of Anguilla.

Note 22 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\$6,119,849(EC\$5,911,645 in 2015) and EC\$3,547,469 (EC\$2,263,808 in 2015) of the contributions 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 2016 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.

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 make changes to the existing Pension Management System at a cost of US\$4,710.00. 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, and employees of the Pension Fund are ordinary members of the scheme. During the year, Board members received fees totalling EC\$52,800.

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Note 23 **Authorised for Issue**

These Financial Statements are authorized for issue by the Chairman of the Public Service Pension Board on October 26, 2018.