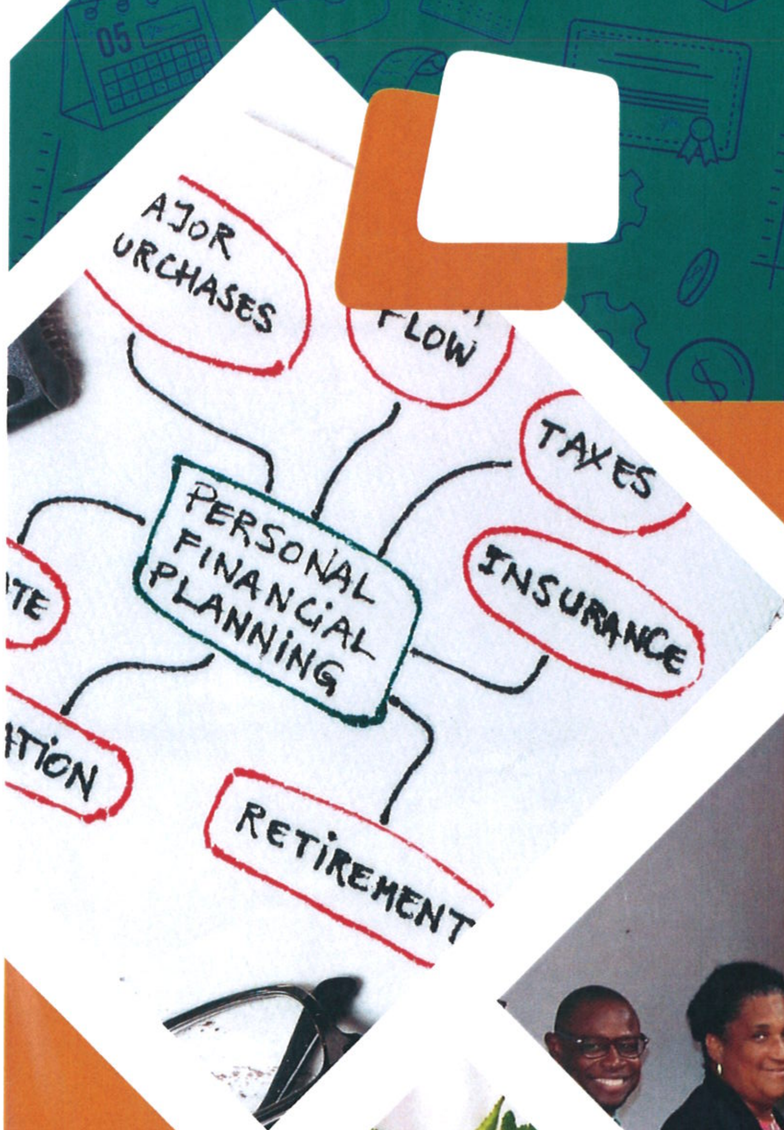
Public Service Pension Fund
Cherishing Your Golden Years

PS PENSIONS

2018

ANNUAL REPORT AND ACCOUNTS



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The Public Service Pension Fund
Financial Statements for the year ended 31 December 2018

Chairman's Statement 2018

The year 2018 held much promise for the Public Service Pension Fund. This was mainly due to the continued popularity of the Pension Fund Loan Programme. The loan programme grew in number of new loans issued with 151 and 229 refinanced loans for a total of almost 600 loans. This translated into loan application fees of EC$19,000 and total loan interest for 2018 totaled EC$286,857

Though the loan programme is considered a success on the part of the Pension Fund, concerns were raised with regards to some employees being overleveraged. These concerns led to one-on-one conversations with the relevant employees by the Administrator and Loans Officer but it has become obvious that more needs to be done. The Pension Board has decided to facilitate a series of financial management sessions geared specifically at helping persons manage their finances and learn to live within their means. The intent is to reverse the current trend of excessive lending and dependency on loans for everyday purchases.

The other major type of financial investment for Pension Funds continued to be Term Deposits. The majority of the investments have an interest rate of 4.25% but it is anticipated that this rate will decrease as overall interest rates on these types of accounts have continued to decline. The Board is however confined by Legislation to this type of investment until permission is granted to make other types of investments.

During 2018, total contributors to the Fund increased slightly over the previous year to a total of 1256 for the Public Service and 106 for Police. The increase came mainly from a revision in the contributors attributed to the Anguilla Air and Seaport Authority, following a Pension Audit. Pensions Audits are conducted by the Administrator and Pension Clerk to ensure that all eligible employees of contributing agencies are making regular pension contributions, and to maintain accuracy in keeping of personal information. A reconciliation of all employees is completed and information on start dates, annual salaries, job titles and personal data is collected and recorded. Pension Audits are usually completed on an annual basis or as needed. Total contributions for the Public Service were EC$5,488,362 and EC$671,569 for the Police.

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2018

Throughout 2018, the composition of Public Service Pension Board remained the same, as did the under staffing situation at the Pension Fund office. Given that the Pension Fund was short staffed since 2017, focus will be placed on filling the vacant post of Finance Manager in early 2019. The Board continued to meet face to face and if necessary correspondence is sent via email for urgent matters.

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Larry Franklin
Chairman, PSPB

Chief Auditor's independent report to the Members of the 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 2018, 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 2018 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 28 of the Pension Act 2014 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, 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.

Emphasis of Matter

I draw attention to Note 22.3 of the financial statements which discloses the actuarial valuation of the Public Service Pension Fund. My opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Chairman's Statement. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I are required to report that fact. I have nothing to report in this regard.

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 also 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.

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.

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.

25 May 2023

Richard Harries
Chief Auditor
Date:

Wales Audit Office
1 Capital Quarter
Cardiff
CF10 4BZ
United Kingdom

The maintenance and integrity of Public Service Pension Fund's website is the responsibility of the Fund; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Income and Expenditure Statement

		2018	2017
INCOME			**EC$**
	Notes		
Public Service Contributions	**4**	5,488,362	5,360,454
Police Contributions	**4**	671,569	665,476
Other Income	**4**	1,201,738	1,358,154
Total Income		**7,361,669**	**7,384,084**
EXPENDITURE			
Public Service Pension, Gratuity & Survivor Payments	**5**	5,797,097	5,300,248
Police Pension, Gratuity & Survivor Payments	**5**	589,265	589,265
Public Service Refunds		199,925	394,001
Public Service Staff Costs	**6**	415,844	386,978
Police Staff Cost	**6**	51,396	47,829
Public Service Administrative Expenditure	**8**	(509,667)	7,978
Police Administrative Expenditure	**8**	(62,993)	986
Total Expenditure		**6,480,867**	**6,727,285**
Surplus/(Deficit)		**880,802**	**656,799**

Statement of Changes in Net Assets

		EC$
Balance as at January 1 2017		41,155,489
Surplus for 2017		656,799
Balance as at December 31 2017		**41,812,288**
Balance as at January 1 2018		41,812,288
Surplus for 2018		880,802
Balance as at December 31 2018		**42,693,090**

Net Asset Statement

	Notes	2018	2017
ASSETS		**EC$**	**EC$**
Non-Current Assets			
Furniture & Equipment	**15**	19,673	27,126
Computer Software	**16**	62,642	72,030
Investments	**9**	20,505,045	18,690,629
PSPF Loans	**18.2**	1,948,497	2,226,734
Total Non-Current Assets		**22,535,857**	**21,016,519**
Current Assets			
Cash and Cash equivalents	**10**	6,335,151	5,141,601
Contributions Receivable	**11**	2,966,272	2,983,505
Pension Receivable	**12**	10,263	23,330
PSPF Loan Interest Receivable	**17**	116	476
Investments	**9**	8,990,033	11,627,123
PSPF Loans	**18.2**	2,557,149	1,678,604
Total Current Assets		**20,858,984**	**21,454,639**
Total Assets		**43,394,841**	**42,471,158**
LIABILITIES			
Current Liabilities			
Payables	**13**	(686,219)	(619,829)
Total Current Liabilities		**(686,219)**	**(619,829)**
Total Assets less Current Liabilities		**42,708,622**	**41,851,329**
Non- Current Liabilities			
Other Liabilities	**14**	(15,532)	(39,041)
Total Non-Current Liabilities		**(15,532)**	**(39,041)**
Net Assets Available for Benefits		**42,693,090**	**41,812,288**

The Financial Statements were approved on behalf of the Board and authorized for issue on ………………………. by Larry Franklin, Chairman of the Board.

May 11 2023

Cash Flow Statement

	Notes	2018	2017
		EC$	EC$
Operating Activities			
Operating Surplus/(Deficit)		**880,802**	**656,799**
Adjustments:			
Increase / (Decrease) in trade and other payables		42,881	(177,056)
(Increase)/Decrease in receivables		30,660	576,558
Depreciation and Impairment		(707,470)	(295,806)
Amortisation of non-current interest earned on investments		(879,763)	(1,114,979)
Net cash inflow from operating activities		**(632,890)**	**(354,484)**
Investing Activities			
Matured Term Deposits/ Sale of Investment Bonds		-	3,313,594
PSPF Loans		(4,896,739)	(4,991,754)
PSPF Principal Payments		2,364,447	1,086,414
Loans Repaid Due to Financing		1,931,984	
Principal Payment on DPT Investment		2,443,617	-
Purchase of Equipment		(16,869)	(45,931)
Net cash outflow from investing activities		**1,826,440**	**(637,677)**
Financing Activities			
Net cash (used in) financing activities		-	-
Net increase/decrease in cash and cash equivalents		**1,193,550**	**(992,161)**
Cash and cash equivalents at the beginning of the year		5,141,601	6,133,762

Cash and Cash Equivalents at the end of the year	**10**	**6,335,151**	**5,141,601**

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 21.

1.2 Accounting Conventions

Adoption of International Accounting Standards and Interpretations

The financial statements of the Public Service Pension Fund of Anguilla have been prepared in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies adopted are set out below.

1.3 Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the 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. The only amendment to IFRSs to have a material impact on the Fund in 2018 to is IFRS 9 Financial Instruments. This impact is reflected in these accounts.

Forthcoming changes to IFRSs that will have an impact on the Pension Fund are:-

IFRS 16 Leases (effective January 1, 2019)

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees leases of low-value assets (e.g., personal computers) and short-term leases (i.e.. leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognize a lability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).
Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset..

The Fund will assess the impact of the standards on its current lease assets and any impact will be recognised in the 2019 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.

1.7 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 in which assets are amortised, the depreciation policy provides carrying values which approximate to fair value.

1.8 Intangible Assets- Computer Software

Depreciation of the Pension Management system was completed using the straight-line method based on the total cost of the system over a period of 5 years.

1.9 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. (Level 1 – see note 1.17 below)

1.10 Contributions receivable

These represent the amounts due to the Fund from employing bodies. These are usually 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 – see note 1.17 below) ***As a point of note, the Government of Anguilla owes for Contributions from 2009, related to the reduced salaries effective 2009 and 2010. However, the Pension Board has decided not to impair these receivables given that the Debtor is the Government of Anguilla.***

1.11 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 amortised cost. 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 – see note 1.17) below)

1.12 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.

1.13 Operating Leases

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 rental of the office premises in the James Ronald Webster building, The Valley Anguilla. The original lease commenced on January 1, 2010 and is renewable annually. The cost is EC$2600 monthly

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

1.14 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.

1.15 Financial assets – investments and loans

Financial assets are initially recognised at fair value plus transaction costs directly attributable to their acquisition.

From 1 January 2018, the Pension Fund classifies its assets based on the Pension Funds business model and the assets contractual cash flows characteristics. There are three available classifications of financial assets, but the Fund recognizes its investments and loans at amortised cost as:

- the Fund's business model is to hold investments and loans to collect contractual cashflows; and
- the contractual payments of the investments and loans give rise to specific cashflows on specific dates which are solely repayment of principal and interest.

Investments income is calculated using the effective interest method. This is the rate that discounts future cash receipts over the life of the asset to the gross carrying amount.

Any impairment on financial assets is calculated using the expected credit loss approach. This is an allowance based on the credit losses expected to arise over the life of the asset, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on 12 months expected credit loss. IFRS 9 requires forward looking information as well as information on past events to be taken into account which calculating an allowance.

For assets held at amortised cost, any loss allowances are deducted from the gross carrying amount of the asset.

Financial assets will be derecognized when the right to receive cash flows has ended.

1.16 Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an arm's length transaction between market participants at the measurement date.

Short term assets and liabilities

The carrying value of these assets and liabilities is a reasonable estimate of their fair value due to their short maturity. Short term assets are compromised of cash balances, accounts receivable and fixed term investments. Short term liabilities are accounts payable.

Long term assets and liabilities

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 17. Fair values are not anticipated to be materially different to carrying values.

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 (NBA) and the former Caribbean Commercial Bank (CCB). On 22 April 2016, the two banks merged to form the National Commercial Bank of Anguilla. The merger resulted in EC$19,032,646 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 paid quarterly, the effective rate of interest is 2.1%. The terms of the DPT are in accordance with the Bank Resolution Obligations Act 2016.

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

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2018

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 financial statements at 31 December 2018 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.

Note 4	INCOME	2018	2018	2017	2017
		EC$	EC$	EC$	EC$
	Public Service Contributions	5,181,092		5,036,257	
	Public Service Back payments	307,270		324,197	
*	Total Public Service Contributions		5,488,362		5,360,454
	Police Contributions	628,063		619,710	
	Police Back payments	43,506		45,766	
*	Total Police Contributions		671,569		665,476
	Interest Earned- Bank	3,846		5,758	
	Interest on Investments	879,763		1,114,979	

	Social Security Benefit	273		474	
	Commission	3,569		3,160	
	Interest on PSPF Loans	286,897		204,022	
	Loan Application Fees	19,000		23,000	
	Pension Fund Administrative Fee	8,390		6,760	
*	Total Other Income		1,201,738		1,358,154
	Total Income		**7,361,669**		**7,384,084**
	Analysed as follows:				
	Total Public Service Employer's Contribution		**2,897,816**		**2,842,326**
	Total Public Service Employee's Contribution		**2,590,546**		**2,518,128**
	Total Police Employer's Contribution		**357,538**		**355,621**
	Total Police Employee's Contribution		**314,031**		**309,855**

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

Note 5	PENSION PAYMENTS	2018 EC$	2018 EC$	2017 EC$	2017 EC$
	Public Service Pension Payments	2,963,759		2,364,652	
	Public Service Gratuity Payments	2,093,990		2,175,851	
	Public Service Discounted Gratuity Payments	666,864		669,746	
	Public Service Survivor Payments	72,484		89,999	
	Total Public Service Pension Payments		5,797,097		5,300,248
	Police Gratuity Payments		-	-	
	Police Pension Payments	573,749		573,749	
	Police Survivor Payments	15,516		15,516	
	Total Police Pension Payments		589,265		589,265
	Total Pension Payments		**6,386,362**		**5,889,513**

Note 6	STAFF COSTS	2018	2017
	Salaries	365,919	336,042
	Wages	4,200	3,284
	Board Fees	52,800	52,800
	Employer Contribution Social Security, Medical	44,322	42,681
	Total Staff Costs	**467,241**	**434,807**
	Distributed as follows:		
	Public Service Staff Costs	**415,844**	**386,978**
	Police Staff Costs	**51,397**	**47,829**

Note 7	Contributions to the Public Service Pension Fund		
	Four 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 the next year in respect of these staff members are:		
	2017(Act.) EC$	**2018(Act.) EC$**	**2018 (Budget) EC$**
Contributions	9,581	9,282	12,702
	Contributions are made in common with other Agencies of the Government of Anguilla, at 3% of salary.		

		EC$	EC$
Note 8	**ADMINISTRATIVE EXPENDITURE**	**2018**	**2017**
	Depreciation and Impairment Expense	(707,470)	(295,806)
	Administration Cost	53,347	93,946
	Actuarial Fee	19,859	71,087
	Audit Fee	60,000	60,000
	Consulting Fee	326	78,345
	Bank Charges	1,278	1,391
	Total Administrative Expenditure	**(572,660)**	**8,964**
	Distributed as follows:		
	Public Service Administrative Expenditure	**(509,667)**	**7,978**
	Police Administrative Expenditure	**(62,993)**	**986**

Note 9	INVESTMENTS	2018 EC$	2017 EC$
	Fixed Deposits	12,098,014	11,627,123
	DPT Investments Long-Term Investments	17,397,065	18,690,629
	Total Investments	**29,495,078**	**30,317,752**

Analysed as follows:			
	Non- current	20,505,045	18,690,629
	Current	**8,990,033**	**11,627,123**

Note 9.1		Value 1 January 2018	Investments during the year	Repaid during the year	Accrued interest in year	Value 31 December 2018
Fixed Interest Investments		11,627,123	-		470,891	12,098,014

Note 9.2 Analysis of Fixed Interest Investments			
2018	**Annual Interest Rate (%)**	**Maturity Date**	**Amount EC$**
Bank			
National Commercial Bank of Anguilla	4.25	4 May 2020	549,495
National Commercial Bank of Anguilla	4.25	3 July 2019	1,781,164
National Commercial Bank of Anguilla	4.25	3 July 2019	1,525,138
National Commercial Bank of Anguilla	4.25	23 Oct 2019	1,751,309
National Commercial Bank of Anguilla	4.25	17 Feb 2020	2,160,513
National Commercial Bank of Anguilla	2.80	10 Oct 2020	982,059
National Commercial Bank of Anguilla	4.25	18 May 2020	674,795
National Commercial Bank of Anguilla	4.25	1 April 2019	1,428,481
National Commercial Bank of Anguilla	4.25	4 May 2020	616,178
National Commercial Bank of Anguilla	4.25	6 Nov 2019	628,882
	TOTAL INVESTMENTS		**12,098,014**

2017	**Annual Interest Rate (%)**	**Maturity Date**	**Amount EC$**
Bank			
National Commercial Bank of Anguilla	4.25	3 July 2019	1,464,179
National Commercial Bank of Anguilla	4.25	23 Oct 2019	1,681,311
National Commercial Bank of Anguilla	4.50	15 Feb 2018	2,073,547
National Commercial Bank of Anguilla	4.75	1 April 2019	1,370,491
National Commercial Bank of Anguilla	4.75	16 May 2018	646,765
National Commercial Bank of Anguilla	2.43	10 Oct 2018	959,054
National Commercial Bank of Anguilla	4.75	6 Nov 2019	603,746
National Commercial Bank of Anguilla	4.75	2 May 2018	590,583
National Commercial Bank of Anguilla	4.25	3 July 2019	1,709,971
National Commercial Bank of Anguilla	4.25	2 May 2018	527,476

	TOTAL INVESTMENTS		11,627,123

Note 9.3 DPT Investments		Value 1 January 2018	Interest credit during the year	Received during the year	Movement in value during the year	Value 31 December 2018
	DPT Investments - carrying value	**18,690,630**	**408,872**	**(2,444,902)**	**742,465**	**17,397,065**

Investments in the Depositors Protection Trust (DPT) have a final payment date of 30 March 2028 and are accruing interest at 2% per annum. Initial investment amounts were EC$10,224,676 and EC$8,807,970.

		2018	2017
Note 10	**CASH AND CASH EQUIVALENTS**	**EC$**	**EC$**
	Cash at Bank- NCBA	1,223,395	1,021,214
	Cash at Bank- Scotiabank	5,111,757	4,120,387
	Total Cash at Bank	**6,335,151**	**5,141,601**

		2018	2017
Note 11	**CONTRIBUTION RECEIVABLES**	**EC$**	**EC$**
	Anguilla Tourist Board	-	-
	Government of Anguilla- Public Service	6,115	318,184
	Government of Anguilla- Police	842	53,535
	Health Authority of Anguilla	86,530	-
	Anguilla Air and Sea Port Authority	37,365	-
	Public Service Back payments	2,531,429	2,334,841
	Police Back payments	303,991	276,069
	Other Receivables		876
	Total Contributions Receivable	**2,966,272**	**2,983,505**

		2018	2017
Note 12	**PENSION RECEIVABLE**	**EC$**	**EC$**
	Pension Receivable	10,263	23,330
	Total Pension Receivable	**10,263**	**23,330**

		2018	2017
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
	Accounts Payable /Audit fees	226,216	154,574
	Gratuity and Pension Payable	59,264	64,518
	Total Current Liabilities	**686,219**	**619,829**

Note 14	Provisions	As at January 1 2018 EC$	Increase During the Year EC$	Amounts used in the period EC$	As at December 31, 2018 EC$
	Provision for Contribution Refunds	39,041	1,168	(24,676)	**15,532**

Note 15	**FURNITURE & EQUIPMENT**	**Office Equipment**	**Furniture & Equipment**	**IT Equipment**	
	Cost		**EC$**	**EC$**	**Total EC$**
	At January 1 2018	28,948	34,584	17,508	81,040
	Additions in the year	927	0	0	927
	Disposals in the year	-	-	-	-
	At December 31 2018	**29,875**	**34,584**	**17,508**	**81,967**
	Depreciation	**Office Furniture**	**Furniture & Equipment**	**IT Equipment**	**Total EC$**
			EC$	**EC$**	

	At January 1 2018	17,610	19,449	16,855	53,914
	Charge for the year	4,268	3,458	653	8,379
	At December 31 2018	**21,878**	**22,907**	**17,507**	**62,294**
	Net Book Value at December 31 2018	**7,997**	**11,677**	**0.00**	**19,673**

Note 16	**INTANGIBLE ASSETS**	**Computer Software**
	Cost	**Total EC$**
	At January 1, 2018	114,003
	Additions in the year	15,941
	Disposal in the year	-
	At December 31 2018	**129,944**
	Depreciation	**Total EC$**
	At January 1, 2018	**41,973**
	Charge for the year	25,329
	At December 31 2018	**67,302**
	Net Book Value at December 31 2018	**62,642**

Note 17	**Level in Fair Value Hierarchy**				
	Values at 31 December 2018	Level 1 EC$	Level 2 EC$	Level 3 EC$	Total EC$
	Assets				
	Furniture, Equipment and Computer software		82,315		82,315
	Investments	12,098,014	17,397,065		29,495,079
	Cash and Cash equivalents	6,335,151			6,335,151
	Contributions Receivable		2,966,272		2,966,272
	Pension Receivable		10,263		10,263
	PSPF Loan Interest Receivable	116			116
	Pension Fund Loans		4,505,647		4,505,647
	Sub Total	18,433,281	24,961,562	0	43,394,843
	Liabilities				
	Payables		(686,219)		(686,219)
	Other Liabilities		(15,532)		(15,532)

	Sub Total		(701,751)		(701,751)
	Net Assets	**18,433,281**	**24,259,811**	**0**	**42,693,092**
	Values at 31 December 2017	Level 1 EC$	Level 2 EC$	Level 3 EC$	Total EC$
	Assets				
	Furniture & Equipment		99,156		99,156
*	Investments	11,627,123	18,690,629		30,317,752
	Cash and Cash equivalents	5,141,601			5,141,601
	Contributions Receivable		2,983,505		2,983,505
	Pension Receivable		23,330		23,330
	PSPF Loan Interest Receivable	476			476
			3,905,338		3,905,338
	Sub Total	16,769,200	25,701,958		42,471,158
	Liabilities				
	Payables		(619,829)		(619,829)
	Other Liabilities		(39,041)		(39,041)
	Sub Total		(658,870)		(658,870)
	Net Assets	**16,769,200**	**25,043,088**	**0**	**41,812,288**

* Values for investments at 31 December 2017 have been restated to include fixed term investments as level 1.

Note 18.1	**Pension Fund Loans**	**EC$**	**EC$**
		2018	**2017**
	Opening Balance as at January 1	**3,905,339**	-
	Funds Disbursed in 2018	4,896,739	4,991,754
	Loans repaid due to refinancing in year	(1,931,984)	-
	Principal Payments in 2018	(2,364,447)	(1,086,414)
	Ending Balance as at December 31	**4,505,647**	**3,905,338**
Note 18.2	**Pension Fund Loans**	**EC$**	**EC$**
	Current Loans	1,948,497	1,678,604
	Non-Current Loans	2,557,150	2,226,734
	Ending Balance as at December 31	**4,505,647**	**3,905,338**

Note 19 Nature and extent of risks arising from financial instruments

19.1 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 Pension Board sought and received advice from the Actuary to proceed with the issuance of Pension Loans to active Contributors.

The Fund's financial assets are cash, held to maturity investment bonds (including the investments held under the DPT) and Pension Loans. The financial liabilities are the accounts payable and the provision for contribution refunds.

The Fund is potentially exposed to the following risks:

- Market risk
- Credit risk
- Liquidity risk

19.2 Market Risk

Market risk is the risk that changes in market prices such as interest rates will affect the Pension Fund's income or the value of the Fund's investments. The majority of the Fund's transactions are in EC Dollars. As at the Net Asset Statement date the fund is not exposed to any significant market risks (including currency risks).

19.3 Credit risks

Credit risk is the risk that the counterparties to the Fund's investments and loans default on their obligations to repay. The Fund's principal financial assets are held to maturity investment bonds, cash at bank, loan receivables 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.

To manage the risk, the Fund contracts with counterparties of good standing. The commencement of the Pension Fund Loan programme brings with it a level of risk associated with non-payment. The Pensions (Loan Implementation) Regulations 2017 and the Loan Agreement attempt to reduce this type of risk by marrying the default risk with future benefit payments. Once employment has ceased, the Pension Fund has the legal right to deduct any outstanding loan amount from pension benefits.

The Fund has the following assets that are subject to the expected credit loss model:

- Cash balances – no material impairment loss
- Fixed term (NCBA) investments – no material impairment loss. No history of default, obligations are currently being met.
- Contribution Receivables – all contribution receivables are expected to be received. The significant value due from the Government of Anguilla has not been impaired, see note 1.10.
- Loan Receivables – as indicated above, loan repayments are taken directly from salaries and paid by employers. Should an individual leave employment, loan repayments will be deducted from pension benefits (including refunds). There is no history of default, no loan payment terms have been extended and there is the ability to legally recoup outstanding funds. At 31 December, the Fund has decided that no material impairment allowance is required.

19.3 Liquidity risks

Liquidity risk is the risk that the Fund is unable to meet all its payment obligations as they fall due.

The Fund believes that none of its operations are subject to significant liquidity risks. As at 31 December 2018, 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). These funds cannot be readily accessed but will be repaid in accordance with the Bank Resolutions Obligation Act, 2016. Interest payments, including accrued interest for late payment, commenced in April 2018 and principal payments commenced in July 2018. As at December 2018, all interest and principal payments are up to date.

The maturity dates of investments are managed to ensure that a steady stream of cash is available to fund liability payments. Loan repayments are expected to be received uniformly over the lifetime of each loan (between 1 and 5 years)

The Fund has not entered into any hedging arrangements.

Note 20 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 21 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.

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 1/960th 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 1/600th 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.
- **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.

Note 22 Actuarial Valuation

Note 22.1 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' 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 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 22.2 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 22.3 Updated actuarial valuation

Since the 2018 accounts were prepared, further actuarial valuations have taken place, the latest being at 31 December 2020. This was completed by Lifeworks and confirmed that:

- over the 35 years to 2055, the best estimate was that pension fund actuarial liabilities would exceed actuarial assets by EC$275million.
- at current contribution rates and with the current investment strategy, Fund assets would be depleted by 2028.

The Pension Fund Board is currently exploring all options to secure the future sustainability of the Fund.

Note 22.4 Changes in the value of the pension fund assets are as follows:

	2018 EC$	2017 EC$
As at 1 January	41,812,288.00	41,155,489.00
Other Income	1,201,738.00	1,358,154.00
Contributions from employers	2,897,816.00	2,842,326.00
Contributions from employees	2,590,546.00	2,518,128.00
Police Employer Contributions	357,538.00	355,621.00
Police Employee Contributions	314,031.00	309,855.00

Total Expenses	**(6,480,867)**	(6,727,285.00)
As at 31 December	**42,693,090.00**	**41,812,288.00**

The majority of 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 23 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$6,159,931 (EC$6,025,930 in 2017) and EC$2,966,672 (EC$2,983,506 in 2017) of the contributions receivable in Note 11 relate to the Government of Anguilla and the eight agencies.

Mr. Larry Franklin, who is the Chairman of PSPB, is also the Permanent Secretary of Public Administration. Mrs. Kathleen Rogers 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 2018 involving the Government of Anguilla.

The Pension Fund office is leased from the Social Security Board at a monthly rate of EC$ 2,600 previously. Dr. Maglan Lewis is Director of Social Security (Ag) 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 paid annual maintenance fees of US$4,597.50 to Misha Infotech for the upkeep of the Pension Management System. 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 totaling EC$52,800.

Note 24 Authorised for Issue

These Financial Statements are authorized for issue by the Chairman of the Public Service Pension Board on May 11, 2023.