



Public Service Pension Fund
2017
Annual Report
And
Accounts



Table of Contents

Chairman's Statement	1
Audit Report	3
Income Statement	5
Statement of Changes Net Assets	6
Net Asset Statement	7
Cash Flow Statement	8
Notes to the Accounts	
▪ Accounting Policies	9
▪ Other Notes to the Accounts	17

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2017

Chairman's Statement 2017

The year 2017 brought positive change for the Public Service Pension Fund. In January 2017, the Governor signed into law an amendment to the Pensions Act that allowed the Pension Fund to lend money to Contributors. This meant that the long awaited Pension Fund Loan Programme could begin. In just the first month of operation, the pension staff processed 120 loans applications. Over the next 10 months, an additional 340 loans were processed and paid. Total interest earned from loans amounted to EC\$203,546 and loan application fees totaled EC\$23,000. Approximately EC\$5million was disbursed to Pension Fund Contributors in the form of loans. From the above quoted figures, it appears that the loan programme is meeting a great need among Contributors, who desire access to funds at affordable rates.

The Pension Fund also benefitted from a higher rate of return versus that earned on regular term deposit investments as well as the funds generated in the form of loan application fees. These fees helped to offset any additional operational expenses associated with the programme. With the popularity of the loan programme, it became necessary to secure a larger location to accommodate the increasing daily foot traffic and ensure privacy of applicants. It also became clear that a new employee would be needed to handle the growing volume of loan applications and monthly loan verifications. This need was further exacerbated with the resignation of the Pension Fund Administrator in May 2017, leaving the staff complement at just 3 persons.

In June 2017, the Pension Office was relocated to two units in the downstairs of the same building. The following month, an Accounts and Loans Officer, in the person of Mrs. Lenia Simpson, commenced work. Other Staff and Board changes included the promotion of the Finance Manager to the vacant Administrator post, on June 1, 2017 and the replacing of Ms. Emma Ferguson with Ms. Michelle Queeley as the representative for the Teachers' Union on the Pension Board.

Another key accomplishment for 2017 was the fulfilment of the revision of the current Pensions Legislation. Over the past five to six years several issues had been identified as not covered in the current Legislation, while some aspects mentioned were no longer relevant to current Contributors. Other concerns included the specific mention of certain rates of interest which was proving to be problematic given the overall reduction in rates of interest globally. There were also cases where the Pensions Act was silent on certain matters essential to the present day Contributor. The review was a collaborative effort between the Pension Board, Pension Office and Mr. Stanley Reid. The Amendments were submitted to the Ministry of Finance for the attention of the Minister of Finance. The Minister is responsible for soliciting the approval of Executive Council before the Amendments can be drafted by the Attorney General's Chambers. The Board is anticipating the passage of the amendments through the House Assembly within the year.

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2017

Other highlights for the year included staff training in QuickBooks by Mr. Girdon Connor and the hosting of a Pension Fund Open house. The Open House was held on Friday, December 8 under the theme “Cherishing your Golden Years”. Contributors and Retired persons were invited to attend and approximately 230 persons participated: from 19 departments, 5 agencies and included at least 20 retirees. Attendees were presented with a commemorative Pension Fund tote bag, pen and a snack. The bag contained the 2017 Pension Fund Information Brochure, which featured information on contributions, benefits, the loan programme as well as general information on the Board and staff. The event was well received and it is hoped that such an event can become an annual occurrence.

On December 16, the Public Service Pension Board held its Annual Retreat, at the new Pension Fund Office. As customary, Board members and staff attended and discussed outstanding, current and future matters of the Pension Fund. Of particular importance was the receipt of the Deposit Protection Trust (DPT) documents detailing the terms of the Pension Fund Investments in the DPT. The Budget was presented and approved by the Board. Plans for the upcoming year included launching a Facebook Page, going live with a Pension Fund website and hiring a Finance Manager. Plans would also be made to obtain a loan system to assist with the daily management of the Pension loans.

To close the year the Pension Fund collaborated with the Department of Social Development to distribute care baskets to some of the Fund’s retirees. The Board felt that given the devastating impact of hurricane Irma on Anguilla, a gesture such as this would bring some much needed cheer. The baskets were presented to those persons earning less than EC\$100 per month. Fifteen pensioners received two care baskets; one containing food and the other toiletries. Additionally for the first time ever, each Pensioner received a Christmas Card courtesy of the Pension Fund. The card was distributed at the same time as the annual Life Certificate.



Kathleen Rogers
Chairman, PSPB

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2017

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 2017, 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 2017 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 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.

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:

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2017

- 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.



Anthony Barrett
Chief Auditor

Date: 5 April 2019

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

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2017

Income and Expenditure Statement

		2017	2016
INCOME		EC\$	EC\$
	Notes		
Public Service Contributions	4	5,360,454	5,453,190
Police Contributions	4	665,476	666,659
Other Income	4	1,358,154	945,181
Total Income		7,384,084	7,065,030
EXPENDITURE			
Public Service Pension, Gratuity & Survivor Payments	5	5,300,248	5,257,303
Police Pension, Gratuity & Survivor Payments	5	589,265	610,255
Public Service Refunds		394,001	399,515
Public Service Staff Costs	6	386,978	412,360
Police Staff Cost	6	47,829	50,966
Public Service Administrative Expenditure	8	7,978	1,283,051
Police Administrative Expenditure	8	986	158,579
Total Expenditure		6,727,285	8,172,029
Surplus/(Deficit)		656,799	(1,106,999)

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2017

Statement of Changes in Net Assets

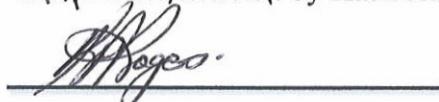
		EC\$
Balance as at January 1 2016		42,262,488
Deficit for 2016		(1,106,999)
Balance as at December 31 2016		41,155,489
Balance as at January 1 2017		41,155,489
Surplus for 2017		656,799
Balance as at December 31 2017		41,812,288

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2017

Net Asset Statement

	Notes	2017	2016
ASSETS		EC\$	EC\$
Non-Current Assets			
Furniture & Equipment	15	27,126	9,847
Computer Software	16	72,030	76,689
Investments	9.2	18,690,629	17,717,573
PSPF Loans	18.2	2,226,734	-
Total Non-Current Assets		21,016,519	17,804,109
Current Assets			
Cash and Cash equivalents	10	5,141,601	6,133,762
Contributions Receivable	11	2,983,505	3,547,469
Pension Receivable	12	23,330	36,400
PSPF Loan Interest Receivable	17	476	-
Investments	9.2	11,627,123	14,469,675
PSPF Loans	18.2	1,678,604	-
Total Current Assets		21,454,639	24,187,306
Total Assets		42,471,158	41,991,415
LIABILITIES			
Current Liabilities			
Payables	13	(619,829)	(759,815)
Total Current Liabilities		(619,829)	(759,815)
Total Assets less Current Liabilities		41,851,329	41,231,600
Non- Current Liabilities			
Other Liabilities	14	(39,041)	(76,111)
Total Non-Current Liabilities		(39,041)	(76,111)
Net Assets Available for Benefits		41,812,288	41,155,489

The Financial Statements were approved on behalf of the Board and authorized for issue on
...April...31...2017. by Kathleen Rogers, Chairman of the Board.



The Public Service Pension Fund
Financial Statements for the year ended 31 December 2017

Cash Flow Statement

	Notes	2017	2016
		EC\$	EC\$
Operating Activities			
Operating Surplus(Deficit)		656,799	(1,106,999)
Adjustments:			
Increase / (Decrease) in trade and other payables		(177,056)	(131,100)
(Increase)/Decrease in receivables		576,558	(1,320,061)
Depreciation and Impairment		(295,806)	1,341,377
Amortisation of non-current interest earned on investments		(1,114,979)	(885,219)
Net cash inflow from operating activities		(354,484)	(2,102,005)
Investing Activities			
Matured Term Deposits/ Sale of Investment Bonds		3,313,594	174,953
PSPF Loans		(4,991,754)	-
PSPF Principal Payments		1,086,414	-
Purchase of Equipment		(45,931)	(12,798)
Net cash outflow from investing activities		(637,677)	162,155
Financing Activities			
Net cash (used in) financing activities		-	-
Net increase/decrease in cash and cash equivalents		(992,161)	(1,939,850)
Cash and cash equivalents at the beginning of the year		6,133,762	8,073,612
Cash and Cash Equivalents at the end of the year	10	5,141,601	6,133,762

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2017

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.

1.3 Use of Estimates and Judgments

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

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2017

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. One new amendment to standards and interpretations has been issued but is not yet effective as at 31 December 2017. Forthcoming standards and interpretations are:

Amendment	Effective Date:
Amendment	Effective Date
• IFRS 9, 'Financial instruments'	1 January 2018

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

1.5 Income

Income is measured at the fair value of the consideration received or receivable.

Income represents contributions receivable, interest earned on investments, other income derived from the assets of the Fund, and all other sums such as fines and penalties properly accruing to the Fund under the Act.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2017

1.6 Operating Expenditure

Operating expenditure is all the costs and charges associated with the annual running of the functions of the Fund and will include depreciation of assets and financing when appropriate.

Operational Costs are apportioned based on the proportion of contributions for the relevant year.

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

1.7 Fair value of assets and liabilities

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

Level 1

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

Level 2

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

Level 3

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

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

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2017

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

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.

1.10 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 2017 was 0.9889 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 2017

1.11 Long term investments

Investments 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 2017. (Level 1)

1.13 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) *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.*

1.14 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

Financial Statements for the year ended 31 December 2017

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 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. In July 2017, the Pension Office was relocated to two units downstairs the same building. No new lease was signed but the monthly rental increased from EC\$1,300 to EC\$2,600. A new lease would be signed in 2018.

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

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2017

future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i. Determination of Fair Values of Financial Instruments

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

ii. Investments held by Anguillian based banks

Most of the Fund's investments were held in the former National Bank of Anguilla and the former Caribbean Commercial Bank. On 22 April 2016, the two banks merged to form the National Commercial Bank of Anguilla. The merger resulted in 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 paid quarterly. The terms of the DPT are in accordance with the Bank Resolution Obligations Act 2016. This investment has incurred an impairment of EC\$1,015,948 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. Payments of Interest commenced on April 24, 2018 and Interest and Principal began on July 4, 2018. The payment made in April 2018, included accrued interest for late payment.

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2017

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

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

The items in the financial statements at 31 December 2017 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.

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2017

Note 4	INCOME	2017	2017	2016	2016
		EC\$	EC\$	EC\$	EC\$
	Public Service Contributions	5,036,257		5,110,949	
	Public Service Back payments	324,197		342,241	
*	Total Public Service Contributions		5,360,454		5,453,190
	Police Contributions	619,710		618,774	
	Police Back payments	45,766		47,885	
*	Total Police Contributions		665,476		666,659
	Interest Earned- Bank	5,758		16,589	
	Interest on Investments	1,114,979		885,219	
	Social Security Benefit	474		818	
	Commission	3,160		2,744	
	Interest on PSPF Loans	204,022		-	
	Loan Application Fees	23,000		-	
	Pension Fund Administrative Fee	6,760		-	
	Pension Income Receivable	-		39,811	
*	Total Other Income		1,358,154		945,181
	Total Income		7,384,084		7,065,030
	Analysed as follows:				
	Total Public Service Employer's Contribution		2,842,326		2,897,715
	Total Public Service Employee's Contribution		2,518,128		2,555,474
	Total Police Employer's Contribution		355,621		357,272
	Total Police Employee's Contribution		309,855		309,387

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

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2017

Note 5	PENSION PAYMENTS	2017 EC\$	2017 EC\$	2016 EC\$	2016 EC\$
	Public Service Pension Payments	2,364,652		1,889,413	
	Public Service Gratuity Payments	2,175,851		2,682,181	
	Public Service Discounted Gratuity Payments	669,746		611,036	
	Public Service Survivor Payments	89,999		74,673	
	Total Public Service Pension Payments		5,300,248		5,257,303
	Police Gratuity Payments	-		20,990	
	Police Pension Payments	573,749		573,749	
	Police Survivor Payments	15,516		15,516	
	Total Police Pension Payments		589,265		610,255
	Total Pension Payments		5,889,513		5,867,558

Note 6	STAFF COSTS	2017	2016
	Salaries	336,042	366,362
	Wages	3,284	2,350
	Board Fees	52,800	52,800
	Employer Contribution Social Security, Medical	42,681	41,814
	Total Staff Costs	434,807	463,326
	Distributed as follows:		
	Public Service Staff Costs	386,978	412,360
	Police Staff Costs	47,829	50,966

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:			
		2016(Act.) EC\$	2017(Act.) EC\$	2017 (Budget) EC\$
	Contributions	10,880	9,581	12,985
	Contributions are made in common with other Agencies of the Government of Anguilla, at 3% of salary.			

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2017

Note 8	ADMINISTRATIVE EXPENDITURE	EC\$	
		2017	2016
	Depreciation and Impairment Expense	(295,806)	1,341,377
	Administration Cost	93,946	30,074
	Actuarial Fee	71,087	9,781
	Audit Fee	60,000	60,000
	Consulting Fee	78,345	-
	Bank Charges	1,391	398
	Total Administrative Expenditure	8,964	1,441,630
	Distributed as follows:		
	Public Service Administrative Expenditure	7,978	1,283,051
	Police Administrative Expenditure	986	158,579

Note 9	INVESTMENTS	2017 EC\$	2016 EC\$
	Fixed Deposits	11,627,123	14,469,675
	DPT Investments Long-Term Investments	18,690,629	17,717,573
	Total Investments	30,317,752	32,187,248

Note 9.1		Market Value 1 January 2017	Investments during the year	Repaid during the year	Change in market value during the year	Market Value 31 December 2017	
	Fixed Interest Investments held at fair value	14,469,675		-	3,313,594	471,042	11,627,123

Note 9.2		Market Value 1 January 2017	Investments during the year	Repaid during the year	Decrease in market value during the year	Market Value 31 December 2017	
	DPT Investments after impairment	17,717,573	1,315,073		-	(342,016)	18,690,630

Note 9.2	Analysed as follows:	2017 EC\$	2016 EC\$
	Non Current	18,690,629	17,717,573
	Current	11,627,123	14,469,675

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2017

Note 9.3	Listed as follows:			
	Bank	Annual Interest Rate (%)	Maturity Date	Principal Amount EC\$
	National Commercial Bank of Anguilla	4.25	3 July 2019	1,434,619
	National Commercial Bank of Anguilla	4.25	23 Oct 2019	1,664,253
	National Commercial Bank of Anguilla	4.50	15 Feb 2018	1,908,973
	National Commercial Bank of Anguilla	4.25	1 April 2019	1,328,549
	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	4.25	6 Nov 2019	599,655
	National Commercial Bank of Anguilla	4.75	2 May 2018	547,565
	National Commercial Bank of Anguilla	4.25	3 July 2019	1,675,450
	National Commercial Bank of Anguilla	4.25	2 May 2018	492,809
	TOTAL INVESTMENTS			11,182,609

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	Listed as Follows:			
	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
	TOTAL INVESTMENTS in DPT			19,032,646

The above table shows investment held in the Deposit Protection Trust at National Commercial Bank of Anguilla. The Impairment amount for 2017 has not been applied above.

Note 10	CASH AND CASH EQUIVALENTS	2017	2016
		EC\$	EC\$
	Cash at Bank- NCBA	1,021,214	476,875
	Cash at Bank- Scotiabank	4,120,387	5,656,887
	Total Cash at Bank	5,141,601	6,133,762

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2017

Note 11	CONTRIBUTION RECEIVABLES	2017	2016
		EC\$	EC\$
	Anguilla Tourist Board	-	2,691
	Government of Anguilla- Public Service	318,184	959,492
	Government of Anguilla- Police	53,535	157,415
	Health Authority of Anguilla	-	10,450
	Anguilla Air and Sea Port Authority	-	129
	Public Service Back payments	2,334,841	2,160,928
	Police Back payments	276,069	255,743
	Other Receivables	876	621
	Total Contributions Receivable	2,983,505	3,547,469

Note 12	PENSION RECEIVABLE	2017	2016
		EC\$	EC\$
	Pension Receivable	23,330	36,400
	Total Pension Receivable	23,330	36,400

Note 13	Current Liabilities	2017	2016
		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	154,574	94,574
	Gratuity and Pension Payable	64,518	263,688
	Other Current Liabilities	-	816
	Total Current Liabilities	619,829	759,815

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2017

Note 14	Provisions	As at January 1 2017 EC\$	Increase During the Year EC\$	Amounts used in the period EC\$	As at December 31, 2017 EC\$
	Provision for Contribution Refunds	76,111	9,819	46,889	39,041

Note 15	FURNITURE & EQUIPMENT	Office Equipment	Furniture & Equipment	IT Equipment	
		Cost	EC\$	EC\$	Total EC\$
	At January 1 2017	18,866	19,410	14,974	53,250
	Additions in the year	10,082	15,174	2,534	27,790
	Disposals in the year	-	-	-	-
	At December 31 2017	28,948	34,584	17,508	81,040
	Depreciation	Office Furniture	Furniture & Equipment	IT Equipment	Total EC\$
			EC\$	EC\$	
	At January 1 2017	13,475	15,991	13,937	43,403
	Charge for the year	4,135	3,458	2,918	10,511
	At December 31 2017	17,610	19,449	16,855	53,914
	Net Book Value at December 31 2017	11,338	15,135	653	27,126

Note 16	INTANGIBLE ASSETS	Computer Software
	Cost	Total EC\$
	At January 1, 2017	95,861
	Additions in the year	18,142
	Disposal in the year	-
	At December 31 2017	114,003
	Depreciation	Total EC\$
	At January 1, 2017	19,172
	Charge for the year	22,801
	At December 31 2017	41,973
	Net Book Value at December 31 2017	72,030

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2017

Note 17	Level in Fair Value Hierarchy				
	Values at 31 December 2017	Level 1 EC\$	Level 2 EC\$	Level 3 EC\$	Total EC\$
	Assets				
	Furniture & Equipment			99,156	99,156
	Investments		30,317,752		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
	Pension Fund Loans		3,905,338		3,905,338
	Sub Total	5,142,077	37,229,925	99,156	42,471,158
	Liabilities				
	Payables		(619,829)		(619,829)
	Other Liabilities		(39,041)		(39,041)
	Sub Total		(658,870)		(658,870)
	Net Assets	5,142,077	36,571,056	99,156	41,812,288
	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
	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

Note 18.1	Pension Fund Loans	EC\$
	Opening Balance as at January 1, 2017	-
	Funds Disbursed in 2017	4,991,754
	Principal Payments in 2017	1,086,414
	Ending Balance as at December 31, 2017	3,905,338

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2017

Note 18.2	Pension Fund Loans	EC\$
	Current Loans	1,678,604
	Non-Current Loans	2,226,734
	Ending Balance as at December 31, 2017	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 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 risks
- Credit risks
- Interest rate risk
- Currency risk
- Liquidity risk
- Default risk

19.2 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.

19.3 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.

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2017

Default risks

The commencement of the Pension Fund Loan programme brings with it a level of risk associated with non-payment or Default risk. 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.

19.4 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.

19.5 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.

19.6 Liquidity risks

As at 31 December 2017, 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. At this stage there are no liquidity issues for the Pension Fund.

As at December 31, 2017 interest payable for the investments transferred to the DPT totaled EC\$643,937.86. This amount represented EC\$298,002.99 due from the former CCB investment and EC\$345,934.87 for the former NBA investment.

As mentioned in Note 2(ii), interest payments, including accrued interest for late payment, commenced in April 2018 and principal payments commenced in July 2018. As at July 2018, all interest and principal payments are up to date.

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2017

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

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2017

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 Dependents-** 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 Public Service Pension Fund

Financial Statements for the year ended 31 December 2017

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' 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 Public Service Pension Fund

Financial Statements for the year ended 31 December 2017

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.

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2017

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

	2017 EC\$	2016 EC\$
As at 1 January	41,155,489.00	42,262,488.00
Other Income	1,358,154.00	945,181.00
Contributions from employers	2,842,326.00	2,897,715.50
Contributions from employees	2,518,128.00	2,555,474.50
Police Employer Contributions	355,621.00	357,272.00
Police Employee Contributions	309,855.00	309,387.00
Total Expenses	(6,727,285.00)	(8,172,029.00)
As at 1 December	41,812,288.00	41,155,489.00

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.

The Public Service Pension Fund

Financial Statements for the year ended 31 December 2017

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\$6,025,930(EC\$6,119,849 in 2016) and EC\$2,983,506 (EC\$3,547,469 in 2016) 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 2017 involving the Government of Anguilla. Two other members, Ms. Susan Hodge and Ms. Michelle Queeley, are employees of the Government of Anguilla and regular Contributors to the Pension fund.

The Pension Fund office is leased from the Social Security Board at a monthly rate of EC\$ 2,600(July 2017), previously EC\$1,300. 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 paid annual maintenance fees of US\$4,652.50 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 totalling EC\$52,800.

The Public Service Pension Fund
Financial Statements for the year ended 31 December 2017

Note 24 Authorised for Issue

These Financial Statements are authorized for issue by the Chairman of the Public Service Pension Board on April 3, 2019.