ANNUAL REPORT OF THE PUBLIC SERVICE PENSIONS BOARD FOR THE FISCAL YEAR ENDED 30 JUNE 2015

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BOARD OF DIRECTORS
AS AT 30 JUNE 2015

BOARD OF DIRECTORS

Hon. Kenneth Jefferson JP
Financial Secretary
Chairman

Mrs. Jewel Evans Lindsey
Managing Director& Administrator

Mr. Eric Bush JP
Chief Officer, Ministry of Home Affairs

Mr. James Watler
President, Civil Service Association

Mr. Wayde Bardswell
Crown Counsel, Legal Department

Mr. Nick Freeland
Private Sector Representative

Mr. Kirkland Nixon MBE, QFSM, JP
Pensioners' Representative

Ms. Bethany Powery
Executive Secretary to the Board

BOARD ADVISORS
AS AT 30 JUNE 2015

Professional Services

Actuary

Mercer
Toronto, Ontario
Canada

Auditor

Office of the Auditor General
Grand Cayman, Cayman Islands

Investment Managers

Independent Franchise Partners
London, England
U.K.

Wellington Management Company
Boston, Massachusetts
U.S.A

Magellan Financial Group
Sydney, Australia

PIMCO
Newport Beach, California
U.S.A

Morgan Stanley
New York, New York
U.S.A

Aberdeen Asset Management
Philadelphia, Pennsylvania
U.S.A

Attorneys

Pillsbury Winthrop Shaw Pittman, LLP
New York, NY
U.S.A.

Attorney General's Chambers
C I Government
Grand Cayman
Cayman Islands

Custodian

CIBC Mellon
Toronto, Ontario
Canada

Investment Advisors

Advisory Capital Group
Toronto, Ontario
Canada

Managing Director & Chairman's Message

The fiscal year ended 30 June 2015 was in some ways more encouraging from an investment performance perspective than last year's double digit returns despite the lower return on investment, the Fund delivered a 6.3% return which is a 4.5% premium over its benchmark.. When the full context of the more recent state of the global market which included worries over Greece exiting the EU and problems in the local Chinese stock market is taken into consideration the achievement of a return of 6.3% should be more palatable.

With the market anticipating an increased level of volatility to continue - ushering in the next market cycle - the double digit returns that the PSPB has experienced in more recent times are likely not to be realized during this market cycle. Although the PSPB has experienced double digit returns in the past, more moderate returns on a consistent basis is the model that the PSPB follows when investing which is in line with a more conservative approach.

During the year the PSPB also submitted the 2014 Funding Valuation to the Financial Secretary for tabling in the Legislative Assembly. It is hoped that the recommended contribution rates stated in the 2014 valuation will be implemented which should lead to an improved funding position of the three Plans under administration.

As indicated in last year's report, the PSPB in conjunction with the Deputy Governor and the Portfolio of the Civil Service has commenced work on a number of legislative reforms, most importantly the proposition to increase the normal retirement age which will impact the entire Plan Membership when it comes to fruition in 2016. Work on other amendments to the Public Service Pensions law (2013 Revision) with less far reaching implications were also commenced during the year and will continue throughout the upcoming 2015/2016 fiscal year.

As part of the recommendations that came out of the IT Audit and Consulting exercise that the PSPB conducted during the 2013/2014 fiscal year, the organization has benefitted from an updated and improved IT infrastructure. In addition, the post of Chief Information Officer was added to the organization structure and filled in the first quarter of the 2015/2016 fiscal year.. The purpose of this role is to provide technological guidance and deliver efficiencies through the implementation of new technology in order to improve the overall functioning of the organization.

Finally, with all of the work that is slated to be continued and eventually completed regarding legislative changes as well as a full review of the current pension administration system, the PSPB is looking forward to a very busy but very productive 2015/2016 fiscal year.

JC Lindsay

Managing Director

Chairman

OVERVIEW OF THE
PUBLIC SERVICE PENSIONS BOARD

Background Information

The head office of the Board is located at 133 Elgin Avenue in George Town and responsibilities of the Board include but are not limited to, administering the Plans, investing the Public Service Pensions Fund (the Fund), communicating with the Plan employers and participants, recommending contribution rates in accordance with the latest actuarial valuation, and recommending amendments to the public sector pension plans and quantifying their financial impact as needed. The main functions of the Fund are to receive prescribed contributions, invest and pay out pension benefits as they become due under the Law. The Fund is vested in the Board.

The Public Service Pensions Board (the Board) was re-established as a Statutory Authority on 14 April 1999, by virtue of the Public Service Pensions Law, 1999, which repealed the Pensions Law (1999 Revision) and was since revised periodically culminating in the Public Service Pensions Law (2013 Revision) (the Law). The Law with its amendments governs the Public Service Pensions Plan (the Plan).

The Fund has a defined benefit and a defined contribution component. All employees who joined the Plan prior to 14 April 1999 were enrolled in the Defined Benefit Part of the Plan. Those employees joining after 14 April 1999 were enrolled in either one of the two components depending on their circumstances. The Public Service Pensions (Amendment and Validation) Law, 2000 which was passed on 20 June 2000 amended the date after which all new employees were to be enrolled in the Defined Contribution Part of the Plan to 1 January 2000.

Contribution Rates

Employees who participate in the Plan contribute at the rate of 6% of pensionable earnings and employers contribute a matching 6%. Contribution rates to cover additional defined benefit costs are recommended by the Board based on the latest Actuarial Valuation. This additional defined benefit cost largely reflects the eventual liability of benefits related to the past service at the valuation date. The full liability for additional defined benefit costs is borne by each respective employer.

Payment of Benefits

The Law provides for payment of retirement benefits to eligible participants. The normal retirement age is 60. However, participants with more than 10 years of qualifying service may retire at age 55 with unreduced benefits. The maximum amount of pension payable shall not exceed two-thirds of highest pensionable earnings drawn by a participant at any time during the course of his/her service. The formula used to calculate retirement benefits varies depending on whether the participant joined the service before or after 10 July 1980, with a higher rate of benefit accrual to those who commenced service before that date.

OTHER PLANS UNDER ADMINISTRATION

***Ex-Gratia* Pensions**

The Board administers the payment of *Ex-Gratia* Pensions on behalf of the Cayman Islands Government under Section 6(1)(i) of the Public Service Pensions Law (2013 Revision). Provisions contained in the Public Service Pensions (*Ex-Gratia* Pensions*)* Regulations (2012 Revision) are also applicable to the administration of Ex-Gratia Pensions. The *ex-gratia* recipients are former Caymanian civil servants over the age of 60, who were not in receipt of any pension, allowance, gratuity or other retirement or termination benefit. Those with an aggregate of four or more years but less than 10 years of service receive an *ex-gratia* pension of $300 per month. Those with 10 or more years of service received an *ex-gratia* pension of $450 per month. *Ex-Gratia* payments are not subject to increase for cost of living nor augmented annually across the board.

The Government makes a quarterly pre-payment into the Fund to cover the expected payments for *Ex-Gratia* Pensions for each quarter.

The Board does not charge a fee for the administration of the *Ex-Gratia* Pensions.

Parliamentary Pensions Plan

The Board began to administer the Parliamentary Pensions Plan (the PPP) with effect from 1 September 1999.

Benefits under the PPP were paid directly from the Government's General Revenue on a monthly basis for the first eight months of 1999. For the remainder of 1999, the Government made quarterly pre-payments to the Fund to cover the payment of PPP pensions. This "pay as you go" arrangement continued until the passage of the amendment to the Parliamentary Pensions Law in August 2004, which mandated that the payment of parliamentary pensions be made from the Fund. Under this new arrangement monthly pension contributions are made to the Fund in accordance with the latest Actuarial Valuation.

The Elected Members of the Legislative Assembly participate in PPP as governed by the Parliamentary Pensions Law, (2010 Revision). Both defined benefit and defined contribution members contribute at a rate of 6% of pensionable earnings and the Government contributes a matching 6%. Contribution to cover additional defined benefit costs are prescribed by the latest Actuarial Valuation and are borne by the Government. These contributions have been pooled for investment purposes with those of the Public Service Pensions Fund.

Judicial Pension Plan

Judges of the Grand Court of the Cayman Islands participate in the Judicial Pensions Plan (JPP). Judges' pensions fall under the remit of Her Excellency the Governor as set out in The Judges' Emoluments and Allowances Law (2006 Revision). Members of the JPP contribute at a rate of 10% of pensionable earnings; the Government contributes a matching 10% and an additional 21% of pensionable earnings which meet and exceed the requirements of the latest actuarial valuation for the Judges in the defined benefit part of the JPP. Judges in the defined contribution part of the Plan contribute at a rate of 10% while the Government pays at a rate of 20%. The assets duly belonging to the Judges of the Grand Court are under the administration of the Board and pooled with the assets of the other Plans for investment purposes.

The JPP started in 1997, notwithstanding the absence of the requisite order setting out Plan details and specifics relating to administration of the Plan. The Judges Emoluments and Allowances Order was effected by His Excellency the Governor in 2005.

FINANCIAL OVERVIEW

Growth of the Fund

The Public Service Pensions Fund (the "Fund") continues to remain in good financial health. The Fund holds a diversified portfolio of bonds and equity securities that, over the long term, provides above average returns with minimized variability.

The Fund is subject to an actuarial valuation every three years which assesses the financial viability of the Fund, and the adequacy of the contribution rates for funding of the Plan. The Board also uses the results of funding valuations as the basis for recommendations regarding contribution rates. An actuarial valuation was carried out in 2014 based on assets and liabilities as at 1 January 2014.

The results of the actuarial valuation as at 1 January 2014 determined the past service liability to be approximately $624.6 million. The calculation is made based on pensionable earnings as of the valuation date and reflect the liability in respect of benefits actually earned up to 31 December 2013. Although the Fund remains underfunded, the actuaries determined that the liability for inactive members (existing pensioners and beneficiaries, and those with deferred pensions) is sufficiently covered by available assets. It should be noted that the full liability for additional defined benefit costs is borne by each respective employer.

As at 30 June 2015 the net assets available for benefits stood at just over $511.4 million, which represents an approximate increase of $27 million or 6% in net assets available for benefit from 30 June 2014. The market value of the Fund (inclusive of local & foreign investment) at the same date was approximately $509.4 million, representing an increase of just over $32.6 million from 30 June 2014.

Investment Policy

The stated investment objective of the Board is "To preserve capital while adding value above its policy benchmark." The Board is committed to the investment objective, and has actively managed investment portfolios which are diversified, within the constraints of the Law as well as the Board's investment policy, to ensure that risk is not unduly concentrated in any one type of investment or area of currency. The Board adheres to internationally recognized benchmarks, and has established an asset mix policy, in collaboration with its investment advisors, for the purpose of achieving long-term returns of 3–4% above inflation. The asset mix policy establishes the percentage holdings by asset class and permissible ranges within the broad classes of investments. Within this framework, each investment manager is not limited by sector or country restrictions and is able to make discretionary decisions to capitalize on market opportunities. The Fund is biased to equities over the long term in order to achieve optimum returns. Equities, when compared to other classes of investments over the long term, have historically proven to generally outperform other forms of investments.

Market Summary

Global Equities

Global stocks experienced a pullback late over the 4th quarter as focus shifted to macroeconomic uncertainties, including uneasiness surrounding a potential Greek exit from the EU, a bubble in the local Chinese stocks market and jitters within global bond markets.

As a result, the MSCI World Index delivered a flat return of 30 basis points over the quarter. Over the 1-year period, performance dropped to a sizably lower level of 1.4%

Global Investment Grade Credit

Over the 4th quarter, the corporate bond market followed the lead of other bond markets to higher yields and lower bond prices. Market volatility remained elevated, and for most of the quarter, economic fundamentals took a backseat to geopolitical tensions and uncertainty, including slowing economies overseas which led to an unexpected rally in bonds.

Overall, global credit bonds declined by 2.6% in the 4th quarter, bringing the 1-year performance to 1.8%.

Fund Performance

Worldwide equity markets had mixed and relatively subdued performances, both in the US and EAFE markets, experiencing decent returns of close to 2% in local currencies over the 4th quarter.

Global equities market returns, as measured by the MSCI World Index ended close to flat in US dollar terms, achieving 30 basis points for the quarter, led downward by negative performance in a number of sectors including Energy, Materials, Industrials, Utilities and Information Technology.

Additionally, bond yields experienced a significant decrease resulting from a variety of factors including higher oil prices, anticipated Federal Reserve rate increases, and a new optimism over US economic growth. The Barclays Global Aggregate Credit Index delivered a negative return of 2.6%. Both emerging markets universe and global infrastructure strategies have been increasingly characterized by diverging performances at regional levels, resulting in marginally positive to sizeably negative returns.

During the 4th quarter, the overall return of the PSPB Fund was 1.3%. The consolidated return was ahead of its policy benchmark by an impressive 1.5%. Given the quarterly performance, the PSPB Fund's return over the 1-year period was just under 6.3%. While the 1-year return has trended lower, the value added has increased significantly, delivering an active management premium of 4.5% which was a meaningful contribution to the policy benchmark of 1.8%.

Credited Rate of Return

The Credited Rate of Return (CRR) on contributions, calculated annually, is based on a three-year geometric average of actual returns, net of expenses, which amounted to a positive 11.21% for calendar 2014. As a result all participant contribution accounts would have been credited at the beginning of calendar year 2015 with an interest base of 11.21%. Table 1 indicates the CRR earned for the period 2007 to 2014 expressed in percentages.

Table 1

Year	2007	2008	2009	2010	2011	2012	2013	2014
Return	4.40%	-15.56%	11.77%	9.85%	7.30%	11.36%	15.99%	8.19%
CRR	8.29%	-0.41%	-0.49%	1.21%	9.79%	9.65%	11.66%	11.21%

APPENDIX 1

Copy of Public Service Pensions Board Certified Financial Statements and Notes for the year ended 30 June 2015

PUBLIC SERVICE PENSIONS BOARD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2015

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Public Service Pensions Board
Financial Statements
30 June 2015

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the Public Service Pensions Board in accordance with the provisions of the *Public Management and Finance Law (2013 Revision).*

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2013 Revision).*

As Chairman and Managing Director, we are responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Public Service Pensions Board.

As Chairman and Managing Director we are responsible for the preparation of the Public Service Pensions Board financial statements and for the judgements made in them.

The financial statements fairly present the statement of net assets available for benefits, statement of changes in net assets available for benefits and statement of cash flows for the financial year ended 30 June 2015.

To the best of our knowledge, we represent that these financial statements:

(a) are completely and reliably reflect the financial transactions of Public Service Pensions Board for the year ended 30 June 2015;
(b) fairly reflect the financial position as at 30 June 2015 and performance for the year ended 30 June 2015;
(c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.

Mr. Kenneth Jefferson, JP
Chairman
Public Service Pensions Board

Date- Oct 29/15

Jewel Evans Lindsey
Managing Director
Public Service Pensions Board

Date- Oct 29/15

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Auditor General's Report

To the Board of Directors of the Public Service Pensions Board

I have audited the accompanying financial statements of the Public Service Pensions Board (the "Board") which comprise the Statement of Net Assets Available for Benefits as at 30 June 2015, Statement of Changes in Net Assets Available for Benefits and the Statement of Cash Flows for the year then ended, a Statement of Accumulated Plan Benefits as at 30 June 2015 and a summary of significant accounting policies and other explanatory information as set out on pages 4 to 45 in accordance with the provisions of Section 11(3) of the *Public Service Pensions Law (2013 Revision)* and Section 60(1)(a) of the *Public Management and Finance Law (2013 Revision).*

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Public Service Pensions Board as at 30 June 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matters

1. I draw attention to Notes 14 and 15 to the financial statements which describe that the 2014 Actuarial Valuation Report which was completed in February 2015, has not yet been accepted and approved as at the date of this report. The 2011 and 2008 Actuarial Valuation Reports were accepted and approved by the Legislative Assembly in December 2013 and were gazetted in September 2015. As the Governor in Cabinet has not yet issued new regulations to prescribe new rates, both contributions received and contributions receivable in these financial statements are reflective of the rates in the 2005 actuarial valuation report, being the last approved rates.

2. As discussed in Note 15 to the financial statements, the actuary has determined that the continuation of the current scenario of the total plan contributions (including both Defined Benefit and Defined Contribution contributions) for the Public Service Pensions Plan will be insufficient to meet benefit payments and expenses. The actuary further states that the Parliamentary Pensions Plan ("PPP") continues to be severely underfunded. Assets allocated to the PPP cover only 41% of the past service obligations and are insufficient to cover the benefits currently being paid to retired members.

My opinion is not qualified with respect to these matters.

Supplemental Information

The supplemental information on pages 46 to 49 has not been audited by us and, therefore, we do not express an opinion thereon.

Garnet Harrison

Garnet Harrison, CPA, CA	29 October 2015
Acting Auditor General	Cayman Islands

Public Service Pensions Board
Statement of Net Assets Available for Benefits
As at 30 June 2015
(Expressed in Cayman Islands Dollars)

	2015	2015	2014 As restated (Note 24)	2014 As restated (Note 24)
		$000		$000
Assets				
Current assets				
Cash and cash equivalents				
Cash on hand and in bank	3,877		2,395	
Term deposits (Note 3)	56	3,933	5,068	7,463
Investments, at fair market value (Note 4)		509,415		476,764
Receivables				
Contributions receivable				
Employees' contributions	890		1,323	
Employers' contributions	888		1,323	
Employers' - Additional defined benefit costs	461		67	
Ex-gratia receivables	300		-	
Other receivables	114	2,653	195	2,908
Prepaid expenses		4		3
Total current assets		516,005		487,138
Non-current assets				
Fixed assets (Note 5)		73		78
Intangibles				
Pension administration system (Note 6)		257		371
Total non-current assets		330		449
Total assets		516,335		487,587
Liabilities				
Current liabilities				
Benefits due (Note 13)		2,098		512
Post retirement healthcare obligation (Notes 22 and 24)		1,048		993
PSPB deferred benefit liability (Note 21)		578		620
Investment management fees		570		534
Accounts payable		292		441
Overpaid contributions (Note 7)		-		287
Overpaid grants (Note 7)		244		244
Other liabilities		148		125
Total current liabilities		4,978		3,756
Total liabilities		4,978		3,756
Net assets		511,357		483,831
Represented by:				
Net assets available for benefits:				
Accumulated fund (Note 23)		511,357		483,831

Kenneth Jefferson, JP
Chairman

Jewel Evans Lindsey
Managing Director

The accounting policies and notes on pages 10 to 45 form part of these financial statements.

Public Service Pensions Board
Public Service Pension Plan
Statement of Changes in Net Assets Available for Benefits
For the year ended 30 June 2015
(Expressed in Cayman Islands Dollars)

	2015 $000	2014 As restated (Note 24) $000
Pensions		
Contributions		
Employees	12,756	12,999
Employers	12,767	12,935
Employers - Additional defined benefit cost	10,729	10,064
Total	36,252	35,998
Pre-Funded Ex-gratia pensions (Note 8)	1,200	1,200
Total contributions	37,452	37,198
Benefits paid to participants (Note 11)		
Public service pensions	(32,318)	(28,924)
Ex-Gratia pensions (Note 8)	(1,154)	(999)
Total benefits paid to participants	(33,472)	(29,923)
Net pensions	3,980	7,275
Investing		
Investment income		
Relized gain on sale of investments – net	31,805	43,389
Dividends earned on investments	6,235	7,634
Unrealized (loss)/gain on investments – net	(6,990)	15,486
Realized (loss)/gain on foreign exchange	(1,419)	275
Investment income – other	-	127
Interest earned on investments	70	112
Interest earned on term deposits and call accounts	1	8
Total investment income	29,702	67,031
Investment expenses		
Investment management and custodial fees (Note 16)	(3,867)	(3,532)
Interest attributable to Parliamentary contributions (Note 9)	(576)	(467)
Interest attributable to Judiciary contributions (Note 10)	(339)	(322)
Other investment expenses	(16)	(14)
Total investment expenses	(4,798)	(4,335)
Net investment income	24,904	62,696
Operating		
Operating income		
Other income	161	149
Total operating income	161	149
Operating expenses		
Administrative expenses (Note 12)	(3,378)	(3,533)
Depreciation and amortization (Notes 5 and 6)	(137)	(139)
Write-off of accounts receivable and stale-dated items	(160)	(6)
Total operating expenses	(3,675)	(3,678)
Net operating loss	(3,514)	(3,529)
Other comprehensive income/(loss)	197	(145)
Net increase in net assets available for benefits	25,567	66,297
Net assets available for benefits at start of year (Note 23)	473,281	406,984
Net assets available for benefits at end of year (Note 23)	498,848	473,281

The accounting policies and notes on pages 10 to 45 form part of these financial statements.

Public Service Pensions Board
Judicial Pension Plan: Supplemental Information
Statement of Changes in Net Assets Available for Benefits
For the year ended 30 June 2015
(Expressed in Cayman Islands Dollars)

	2015 $000	2015 $000	2014 $000	2014 $000
Assets				
Net assets available for benefits at beginning of year (Notes 8 and 23)				
Pension		4,206		3,620
Contributions				
Employees	90		103	
Employers	140		87	
Employers - Additional defined benefit cost	85		118	
Total contributions		315		308
Benefits paid to participants		(77)		(44)
Net pensions		238		264
Net investment income		339		322
Net increase in net assets available for benefits		577		586
Net assets available for benefits at end of year (Notes 8 and 23)		4,783		4,206

The accounting policies and notes on pages 10 to 45 form part of these financial statements.

Public Service Pensions Board
Parliamentary Pension Plan: Supplemental Information
Statement of Changes in Net Assets Available for Benefits
For the year ended 30 June 2015
(Expressed in Cayman Islands Dollars)

	2015 $000		2014 $000	
Net assets available for benefits at beginning of year (Notes 9 and 23)		6,344		5,200
Pensions				
Contributions				
Employees	169		201	
Employers	169		202	
Employers - Additional defined benefit cost	1,741		1,900	
Total contributions		2,079		2,303
Benefits paid to participants		(1,273)		(1,626)
Net pensions		806		677
Net investment income		576		467
Net increase in net assets available for benefits		1,382		1,144
Net assets available for benefits at end of Year (Notes 9 and 23)		7,726		6,344

The accounting policies and notes on pages 10 to 45 form part of these financial statements.

Public Service Pensions Board
Statement of Cash Flows
For the year ended 30 June 2015
(Expressed in Cayman Islands Dollars)

	2015 $000	2014 $000
Cash flows from operating activities		
Receipts		
Contributions received from employees	13,185	13,235
Contributions received from employers	13,221	13,168
Other income received	161	85
Net investment income received	58	65
Total	26,625	26,553
Payments		
Benefits paid to participants - Public Service	(30,732)	(28,924)
Administrative expenses paid	(3,354)	(3,186)
Investment management fees and other expenses paid	(2,598)	(2,493)
Benefits paid to participants - Ex-Gratia	(1,154)	(999)
Total	(37,838)	(35,602)
Net cash used in operating activities	(11,213)	(9,049)
Cash flows from investing activities		
Proceeds from sale of investments	-	11,706
Purchase of investments	(4,167)	(25,667)
Purchase of fixed assets and intangibles	(18)	(74)
Net cash applied to investing activities	(4,185)	(14,035)
Cash flows from financing activities		
Contributions received from employers - Additional defined benefit	10,049	10,441
Ex-gratia grant and prepaid Ex-gratia grant	900	1,200
Net cash received from financing activities	10,949	11,641
Cash flows from judiciary contributions		
Contributions received from employer	140	103
Contributions received from employees	90	87
Contributions received from employer - defined benefit	85	118
Benefits paid to participants	(77)	(44)
Net cash received from judiciary contributions	238	264
Cash flows from parliamentary contributions		
Contributions received from employer	169	201
Contributions received from employees	169	202
Contributions received from employer - defined benefit	1,741	1,900
Benefits paid to participants	(1,273)	(1,626)
Net cash received from judiciary contributions	806	677
Net (decrease) increase in cash and cash equivalents during the year	(3,405)	(10,502)
Cash and cash equivalents at beginning of year	7,338	17,840
Cash and cash equivalents at end of year (Note 3)	3,933	7,338

The accounting policies and notes on pages 10 to 45 form part of these financial statements.

Public Service Pensions Board
Supplemental Statement of Accumulated Plan Benefits
For the year ended 30 June 2015
(Expressed in Cayman Islands Dollars)

	2015 $000	2014 As Restated (Note 24) $000
Actuarial present value of accumulated plan benefits (Note 15)		
Inactive and Active Participants	(624,239)	(624,239)
Total actuarial present value of accumulated plan benefits	(624,239)	(624,239)
Fund's net assets available for benefits at year-end (Note 23)	511,357	483,831
Fund deficit	(112,882)	(140,408)

The accounting policies and notes on pages 10 to 45 form part of these financial statements.

1. Introduction and Background Information

a. Introduction

The Public Service Pensions Board (the "Board") was re-established as a Statutory Authority of the Cayman Islands Government on 14 April 1999. Principal place of business is the Government Administration Building, 133 Elgin Avenue, Grand Cayman, Cayman Islands. The Board's responsibilities include, but are not limited to, administering the Government-sponsored pension plans which consist of the Public Service Pensions, Parliamentary Pensions, Judicial Pension and Ex-gratia Pension Plans, administering the combined pension funds (the "Fund"), investing all contributions received from participants of the aforementioned Plans into the Fund, providing pension benefits as required under the Law, communicating with the Plans' stakeholders, recommending contribution rates to the Government in accordance with the latest actuarial valuation and determining the financial implications of any amendments to the Plans. The Fund is governed by the *Public Service Pensions Law (2013 Revision)* (the "Law").

b. General background information

The Public Service Pensions, the Parliamentary Pensions and the Judicial Pensions Plans each consist of two parts: a Defined Benefit part and a Defined Contribution part. For the main Public Service Pensions Plan (the "PSPP"), all employees who joined prior to 14 April 1999 were enrolled in the Defined Benefit part of the PSPP. Employees joining after 14 April 1999 were enrolled in either one of the two parts depending on their circumstances. The Public Service Pensions (Amendment and Validation) Law, 2000 which was passed on 20 June 2000 amended the date after which all new employees were to be enrolled in the Defined Contribution part of the Plan to 1 January 2000. Employees who received Contracted Officers Supplement (COS) were exempted from participation in the PSPP through the Public Service Pensions (Amendment and Validation) Law, 2000. However, when existing contracts were renewed, employees no longer provided with COS became eligible to join the Defined Contribution part of the PSPP.

c. Contributions

Employees who participate in the PSPP contribute at the rate of six percent of pensionable earnings and employers contribute a matching six percent. Contribution rates to cover additional defined benefit costs are recommended by the Board based on the latest actuarial results and were as follows:

	2005		2002	
	Defined Benefit*	Defined Contribution	Defined Benefit*	Defined Contribution
Cayman Islands Government (See note 20)	28.53%	1.00%	10.00%	1.00%
Cayman Islands Monetary Authority	1.00%	1.00%	1.00%	1.00%
Cayman Turtle Farm (1983) Ltd.	9.44%	1.00%	10.00%	1.00%
Civil Aviation Authority of the Cayman Islands	26.10%	1.00%	10.00%	1.00%
University College of the Cayman Islands	3.99%	1.00%	3.99%	1.00%
Public Service Pensions Board	1.00%	1.00%	10.00%	1.00%

1. Introduction and Background Information (continued)

c. Contributions (continued)

	2005		2002	
	Defined Benefit*	Defined Contribution	Defined Benefit*	Defined Contribution
Water Authority of the Cayman Islands	9.57%	1.00%	0.26%	1.00%
Cayman Islands Airport Authority	13.14%	1.00%	N/A	1.00%
Cayman Islands Health Services Authority	1.00%	1.00%	N/A	1.00%
National Roads Authority	2.24%	1.00%	N/A	1.00%
Cayman Islands Development Bank	17.11%	1.00%	N/A	1.00%
CAYS Foundation	12.31%	1.00%	N/A	1.00%
National Housing Development Trust	N/A	1.00%	N/A	1.00%
Information and Communications Technology Authority	N/A	1.00%	N/A	N/A

* The full liability for any additional defined benefit costs are borne by each respective employer.

Contribution rates for the additional defined benefit costs are based on pensionable earnings as of the valuation date and reflect the following:

i. with respect to the defined contribution participants, the cost of certain benefits provided that are of a defined benefit nature;
ii. with respect to the defined benefit participants, the excess of 12% of pensionable earnings of the normal benefit accrual cost plus the annual cost of meeting the unfunded past service liabilities.

An interim rate of 1% was applied to all authorities in 2004 and updated by the 2005 actuarial valuation. New rates will be prescribed based on the 2011 actuarial valuation, unless the Governor in Cabinet fails to accept the Board's actuarial valuation and causes its own valuation to be carried out.

d. Investment policy

The investment objective of the Board is for the Fund to earn returns that will, in conjunction with the financing plan, result in the Plans becoming fully funded or self-sustaining. The investments are diversified within the constraints of the Law to ensure that risk is not unduly concentrated in any one type of investment or geographical location and, when deemed appropriate, currencies are hedged into U.S. dollars. The Board has established an asset mix policy aligned with the underlying pension plans' liabilities to achieve a long-term rate of return of three to four percent above inflation. The asset mix policy dictates the policy benchmark mix and permissible ranges of participation in the broad classes of stock and bond investments. In the longer term the investment portfolio will have a bias towards equities because these investments have demonstrated a better potential for return enhancement along with protection from inflation when compared to other classes of investments.

2. Significant Accounting Policies

Basis of preparation
These financial statements are prepared on a going concern basis under the historical cost convention and in accordance with International Financial Reporting Standards and present the aggregate financial position of the Fund as a separate financial reporting entity independent of the plan sponsors and plan participants.

They are prepared to assist participants and others in reviewing the activities of the Fund for the fiscal period, but they do not portray the funding requirements of the Plan or the benefits security of individual plan participants.

Reporting and functional currency
The financial statements are presented in Cayman Islands dollars.

Changes in accounting policies
When presentation or classification of items in the financial statements is amended or accounting policies are changed, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

Reporting period
The reporting period is the year ended 30 June 2015.

Judgments and estimates
The preparation of financial statements in conformity with International Financial Reporting Standards requires judgments, estimates and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Contributions
Contributions are accounted for on the accrual basis. Both contributions received and contributions receivable in these financial statements are reflective of the contribution rates recommended in the 1 January 2005 actuarial valuation, which are the last approved rates. Actuarial valuations as of 1 January 2014 for each of the three Government sponsored pension plans have been finalised by the Board and its actuary and have been submitted to the Financial Secretary in accordance with the Law.

2. Significant Accounting Policies (continued)

Investments
Investments are stated at their fair market value at the date of the Statement of Net Assets Available for Benefits. Realized and unrealized gains and losses are recognized in the Statement of Changes in Net Assets Available for Benefits.

Investment Income
Investment income is accounted for on the accrual basis.

Fixed assets
Fixed assets are initially recorded at cost. Subsequently, depreciation is charged to operations per annum on a straight line basis as follows:

Furniture and fixtures	10%
Computer equipment and software	20%
Office equipment	20%
Vehicle	25%

Intangibles
Intangible asset is comprised of externally acquired software for internal use. It is measured at cost and amortized on a straight-line basis over its useful life over a period not exceeding 5 years.

Disposals
Gains and losses on disposals of fixed assets are determined by comparing the sale proceeds with the carrying amount of the asset. Gains and losses on disposals during the year are included in the Statement of Changes in Net Assets Available for Benefits.

Foreign currency transactions
Transactions in foreign currencies, other than in US Dollars, are translated at the rate of exchange prevailing at the date of the transaction. Transactions in US dollars are translated at the rate of US$1.20 = CI$1.00. Assets and liabilities denominated in foreign currencies are translated at the rate prevailing at the date of the Statement of Net Assets Available for Benefits. Exchange gains and losses are recognized in the Statement of Changes in Net Assets Available for Benefits.

Changes in International Financial Reporting Standards

Below are several new standards and amendments that have been issued but are not yet effective. They do not impact the annual financial statements of the Board. The nature and impact of each new standard/amendment is described below:

2. Significant Accounting Policies (continued)

Changes in International Financial Reporting Standards (continued)

(i) IFRS 15 Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2017).

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 will be applied using a five-step model: 1. Identify the contract(s) with a customer 2. Identify the performance obligations in the contract 3. Determine the transaction price 4. Allocate the transaction price to the performance obligations in the contract 5. Recognise revenue when (or as) the entity satisfies a performance obligation The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

(ii) IAS 1 Disclosure Initiative – Amendments to IAS 1 (Effective for annual periods beginning on or after 1 January 2016.)

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify: • The materiality requirements in IAS 1 • That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated • That entities have flexibility as to the order in which they present the notes to financial statements • That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

2. Significant Accounting Policies (continued)

Changes in International Financial Reporting Standards (continued)

(iii) IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (Effective for annual periods beginning on or after 1 January 2016.)

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

3. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of bank balances and term deposits maturing within one year from the financial statement date.

Cash and cash equivalents	30 Jun 2015	30 Jun 2014
	$ 000	$ 000
Cash	3,877	2,395
Term deposits	56	5,068
Total	**3,933**	**7,463**

The detail of the term deposits at Cayman National Bank at 30 June 2015 and 2014 is shown below:

At 30 June 2015

Account number	Principal $000	Value date	Maturity date	Interest Rate
TD-013-06149	56	08 June 2015	7 December 2015	0.1900%
Total	56			

At 30 June 2014

Account number	Principal $000	Value date	Maturity date	Interest Rate
TD-013-07285	5,012	10 June 2014	9 July 2014	0.12500%
TD-013-06149	56	09 June 2014	8 December 2014	0.1900%
Total	5,068			

4. Investments

The appointed Investment Managers manage the Fund's investments under discretionary investment agreements which conform to the list of Approved Investments detailed in the Schedule 2 of the *Public Service Pensions Law (2013 Revision)*.

a) Investment and Market conditions[1]

The Fund (in General)
During the 2nd quarter, 2015, the overall return of the PSPB Fund was a positive 1.3%. The consolidated return was ahead of its policy benchmark by an impressive 1.5%. Given the quarterly performance, the PSPB Fund's return over the 1 year period was just under 6.3%. While the 1-year return has trended lower, the value added has increased significantly, delivering an active management premium of 4.5% which was a meaningful contribution to the policy benchmark of 1.8%. Longer term, annualized returns and value added remained strongly positive with the 5- year return being double digit at 13.1%, providing a 3.0% in value added performance.

On a relative basis, the PSPB Fund's overall performance ranked at the 23rd percentile for the 2nd quarter and at the 6th percentile over the 1 year period. Longer term, being the 5-year period, the PSPB Fund's relative ranking is at the 4th percentile and well above average.

The Fund's long term risk return trade-off is low and above the norm when measured against a peer universe sample of about 170 diversified funds.

Global equities
Global stocks experienced a pullback late over the 2nd quarter as focus shifted to macroeconomic uncertainties, including uneasiness surrounding a potential Greek exit from the EU, a bubble in the local Chinese stocks market and jitters within global bond markets. As a result, MSCI World Index delivered a flat return of 30 basis points over the quarter. Over the 1-year period, performance dropped to a sizably lower level of 1.4%.

Equities under management with Independent Franchise Partners (IFP) delivered a return of 2.8% over the quarter, out performing the benchmark by 2.5%, while equity assets, under management with MFG Global Fund (Magellan), recorded a weaker return of 1.3%, outperforming the same benchmark by 1.0%.

Over the 1-year period, IFP recorded a return of 7.3%, which was well above the benchmark index, generating a positive 5.9% of value added. Longer term, being the 4 and 5-year periods, IFP has meaningfully added value to the broader index.

Over the 1-year period, Magellan recorded a return of 7.1%, which was also above the benchmark index, generating a positive 5.7% of value added.

[1] Cayman Islands Public Service Pensions Board, 'Performance Review for Periods Ending June 30, 2015', Advisory Capital Group Canada Inc., 30 July 2015.

4. Investments (continued)

a) Investment and Market conditions[1] (continued)

Global equities (continued)

On a relative basis, IFP global equities ranked at the 6th percentile over the quarter and at the 12th percentile rank over the 1-year period. Longer term, over the trailing 5-years relative ranking remains high at the 2nd percentile of the comparative peer sample universe of managers.

Fixed Income

Over the 2nd quarter, the corporate bond market followed the leader of other bond markets to higher yields and lower bond prices. Market volatility remained elevated, and for most of the quarter, economic fundamentals took a backseat to geopolitical tensions and uncertainty, including slowing economies overseas which led to an unexpected rally in bonds. Overall, global credit bonds declined by 2.6% in the 2nd quarter, bringing the 1-year performance to 1.8%.

Against this backdrop, actively managed corporate credit strategies under the PIMCO Global Investment Grade strategy (PIMCO) was negative over the second quarter by 2.1% and delivered value added of 50 basis points. Over the 1-year period bond returns declined sizeably to 2.9%, and generated a value added performance of 1.1%. Regarding the Wellington Global Credit Plus strategy (Wellington), returns delivered were similarly negative by 3.1% for the quarter but remained positive over the 1-year period, achieving a return of 2.5% and producing a value added of 70 basis points.

Regarding relative ranking, PIMCO ranked at the 69th percentile over the quarter and the 6th percentile over the 1-year period. In comparison, Wellington ranked at the 98th percentile over the quarter and at the 12th percentile rank over the 1-year period.

b) Investment returns

Total Returns to 30 June 2015
Annualized for periods exceeding 1 year

Last 3 Months	Year-to-Date	1 Year	2 Years	3 Years	4 Years	5 years	9 years	From Inception
1.5%	2.5%	4.5%	1.9%	1.5%	3.0%	3.0%	3.9%	1.7%

Total Returns to 30 June 2014
Annualized for periods exceeding 1 year

Last 3 Months	Year-to-Date	1 Year	2 Years	3 Years	4 Years	5 years	9 years	From Inception
4.8%	6.3%	16.8%	14.7%	11.8%	14.9%	15.1%	9.7%	6.4%

4. Investments (continued)

c) Investment portfolios

The investment portfolios are summarized below:

	30 June 2015		30 June 2014	
Description	**$ 000**	**%**	**$ 000**	**%**
Global Equities	411,608	80.80	381,163	79.90
Fixed Income	97,807	19.20	95,601	20.10
Total	**509,415**	**100.00**	**476,764**	**100.00**

5. Fixed Assets

Fixed assets consist of the following components:

	Furniture & Fixtures $000	Office Equipment $000	Computer Equipment $000	Computer Software $000	Vehicles $000	Total $000
Cost						
As at 01 July 2014	4	18	218	33	20	293
Additions	-	1	1	-	16	18
Adjustments	-	-	(1)	-	-	(1)
Disposal in the period	-	-	-	-	(20)	(20)
As at 30 June 2015	4	19	218	33	16	290
Accumulated Depreciation						
As at 01 July 2014	1	8	154	32	20	215
Depreciation	1	3	18	1	-	23
Disposals in the period	-	-	-	-	(20)	(20)
Adjustments	-	-	(1)	-	-	(1)
As at 30 June 2015	2	11	171	33	-	217
Carrying value at 30 June 2015	**2**	**8**	**47**	**-**	**16**	**73**

6. Intangibles

Intangibles consist of plan administration System as follows:

	$000
Cost	
As at 01 July 2014	571
Additions	-
As at 30 June 2015	571
Accumulated Amortization	
As at 01 July 2014	200
Amortization	114
As at 30 June 2015	314
Carrying value at 30 June 2015	257

7. Overpaid Contributions/Ex-Gratia Grants

Overpaid contributions were netted with contributions receivables as a result of a comprehensive review and reconciliation process undertaken in FY 14/15. The next stage, to be completed in FY 15/16, is to agree the netted contributions receivables with the individual employers and to make arrangements with those employers as to whether to apply the balances against future pension contributions or to refund the respective employers.

The review and reconciliation process will continue for Ex-Gratia Pension Grant and is expected to be completed in FY 15/16.

	30 June 2015	30 June 2014
Contributions	$000	$000
Overpaid contributions – Employee	-	158
Overpaid contributions – Employer	-	129
Total	-	287

	30 June 2015	30 June 2014
Pension grants	$000	$000
Ex-Gratia – Employer	244	244
Total	244	244

8. Ex-gratia Pensions

The Board administers the Ex-gratia Pensions Plan ("Ex-Gratia") on behalf of the Cayman Islands Government as set out in the *Public Service Pensions (Ex-Gratia Pensions) (Amendment) Regulations, 2011.*

Eligibility for Ex-gratia Pension as set out by said law:

"(1) Any Caymanian (as defined in the *Immigration Law (2011 Revision)* who-

- (a) is sixty years of age or older;
- (aa) resides in the Islands;
- (b) is not sixty years of age but who has been certified by the Chief Medical Officer of the Government as being permanently disabled;
- (c) held an office in the Public Service or the Other Public Service for any period of at least four or more years in the aggregate; and
- (d) during at least four years (in the aggregate) of his said service, was not entitled to a pension or did not receive a contracted officer's supplement or similar compensation."

An estimate of the payments to be administered during the year are appropriated to and received by PSPB, and reported as Annual Grants. Payments administered during each year are reported as annual payments. Excess or deficient funds result at year-end and reported either as receivables or payables respectively.

Ex-gratia pension payment activity: 2010 - 2015

Description	2010-11 $000	2011-12 $000	2012-13 $000	2013-14 $000	2014-15 $000
Accumulated Surplus /(Deficit)- Beginning of year	(190)	(345)	(44)	154	355
Annual Grant	349	1,111	998	1,200	1,200
Annual Payments	(504)	(810)	(800)	(999)	(1,154)
Surplus / (Deficit)	(155)	301	198	201	46
Accumulated Surplus / (Deficit) – End of year	**(345)**	**(44)**	**154**	**355**	**401**

9. Parliamentary Pensions Plan (PPP)

The Members of the Legislative Assembly participate in the Parliamentary Pensions Plan (PPP) as governed by the Parliamentary Pensions Law (2010 Revision) (the "Parliamentary Pensions Law"). Members contribute at a rate of 6% of pensionable earnings and employers contribute a matching 6%. An additional contribution as prescribed by the latest Actuarial Valuation is made by the employer to cover the additional defined benefit cost associated with the PPP. In practice, the Board administers the PPP and the related fund balances.

9. Parliamentary Pensions Plan (PPP) (continued)

The Parliamentary Pensions Law since 2004 provides for payment of retirement benefits to eligible members with one or more parliamentary terms. Normal retirement age under the Parliamentary Pensions Law is 55. The maximum amount of pension payable to the Parliamentarians cannot exceed two-thirds of their highest salary earned whilst a member of the Legislative Assembly.

Due In Respect of Parliamentary Pensions Plan

All contributions received, since inception, have been pooled for investment purposes with those of the larger Public Service Pensions Fund and the Judicial Pension Fund for greater investment return opportunities and to contain administrative costs. In addition, this also reflects benefits paid to participants and an element of net investment income and Operating Expenses allocated (on the net of the contributions received and benefits paid) based on the Fund's annual rate of return.

To clearly account for the amounts in respect of the separate Plans, supplementary information to the Statement Net Assets Available for Benefits are presented for the PPP on page 7, showing beginning and ending balances, as well as contribution, benefits paid and investment returns recognised for the PPP during the year.

Net assets available for benefits for PPP at end of year amounted to $7,726 million (2014: $6,344 million). The Board does not charge any additional fees for acting as administrators of the Parliamentary Pensions Plan. The assets duly belong to the Members of the of the Legislative Assembly are under the administration of the Board.

10. Judicial Pensions Plan (JPP)

The Judges of the Grand Court (the "Judges") participate in the Judicial Pension Plan (JPP) as governed by the Judges' Emoluments and Allowance Law, 1997 (Law 21 of 1997) and the Judges' Emoluments and Allowances Order, 2005 (the "Judicial Pensions Law"). The Judges contribute at a rate of 10% of pensionable earnings and the Government contributes an additional 31% for Judges in the Defined Benefit part of the Plan and 20% for those in the Defined Contribution part of the JPP. Actuarial valuations as at 1st January 2011 and 2008 concluded that existing contribution rates to the plan are sufficient.

Normal retirement age under the Judicial Pensions Law is 65. The maximum amount of pension payable to the Judges cannot exceed an annual 80% of the participant's final average pensionable earnings.

10. Judicial Pensions Plan (JPP) (continued)

Due in Respect of Judiciary Pensions Plan

All contributions received since inception have been pooled for investment purposes with those of the larger Public Service Pensions Fund and the Parliamentary Pension Fund for greater investment return opportunities and to contain administrative costs. In addition, this also reflects benefits paid to participants and an element of net investment income and Operating Expenses allocated (on the net of the contributions received and benefits paid) based on the Fund's annual rate of return.

To clearly account for the amounts in respect of the separate Plans, supplementary information to the Statement Net Assets Available for Benefits are presented for the JPP on page 6, showing beginning and ending balances, as well as contribution, benefits paid and investment returns recognised for the PPP during the year.

Net assets available for benefits for JPP at end of year amounted to $4,783 million (2014: $4,206 million). The Board does not charge any additional fees for acting as administrators of the Judicial Pensions Plan. The assets duly belong to the Judges of the Grand Court are under the administration of the Board.

11. Benefits paid to participants

Beginning in April 1999, payments were paid directly out of the Fund for pensioners of the Public Service Pensions Plan. The Government is required to pre-fund payments made to recipients of the Ex-gratia pensions.

Pension payments in respect of the Parliamentary Pensions Plan were pre-funded by payments from the Government up until the passage of the *Parliamentary Pensions Law (2004)* on 23 August 2004 which required benefit payments be paid directly from the Parliamentary Pensions Fund.

12. Administrative expenses

Description	30 June 2015 $000	30 June 2014 $000
Salaries and benefits	2,419	2,494
Office accommodation	379	365
Actuarial fees	260	404
Other professional fees	141	91
General administrative	95	97
Audit fees	67	67
Trustee-related expenses	17	15
Total	**3,378**	**3,533**

13. Benefits due

Benefits Due represents the liability to pay participants who had attained the age of 60 but whose pension payments had not commenced prior to the fiscal year ends of 30 June 2015. Under Section 23 of the *Public Service Pensions Law (2013 Revision)*, participants of the Plan were required to initiate their pension benefit payments upon attaining the age of 60 and as such were no longer eligible to accrue further pension benefits and therefore contributions from the employer should cease.

14. Actuarial Valuation Reports

In accordance with the respective legislation, the tri-annual funding Actuarial Valuation as at 1 January 2014 was carried out by the Board's Actuary, Mercer, for each of the three Government sponsored pension plans. The Actuarial Valuations were finalised by the Board and its actuary in February 2015 and submitted to the Financial Secretary in accordance with the Law. If accepted by Cabinet, the recommended contribution rates, once gazetted, will provide the basis of reporting until the 2017 actuarial valuation is carried out.

The 1 January 2014 report presents current and future actuarial valuations under both 7% and 8% discount rate assumptions, whereas, it has not yet been tabled and accepted in the Legislative Assembly. The Board decided, for purpose of continuity, that the 2015 Statement of Accumulated Plan Benefits is presented under the 8% discount rate assumption. However, the recommended rates of contributions contained in the 2014 Report have not been approved by the Legislative Assembly and gazetted. The 2011 and 2008 Actuarial Valuation Reports, which were completed on April 2012 and March 2009, were submitted to the Financial Secretary on April 2012 and April 2009 respectively and accepted and approved by the Legislative Assembly in December 2013 and the reports were gazetted September 2015; however, government has not yet issued new regulations to proscribe the new rates. As a result, rates from the foregoing reports have not been used by the Board. Therefore, both contributions received and contributions receivable in these financial statements are reflective of the 2005 recommended contribution rates, which are the lastest approved rates.

15. Pension contributions (Re: Actuarial valuations – effective 1 January 2014)

The principal assumptions for the 2014 Actuarial valuations (excluding the estimated retirement age which varied with each Plan) used in the computation of the actuarial estimate of the pension liability for each of the three named Pensions plans are as follows:

i. annual salary increases of 3.5%;
ii. long term inflation rate of 2.5% per annum;
iii. valuation interest rate to discount future benefit payments are shown under both 7% and 8% per year assumptons;
iv. expected long-term rate of return on the Fund's invested assets are shown under both 7% and 8% per year assumptons;
v. anticipated future pensions payments increases of 2.5% per annum; and
vi. estimated retirement ages for the three plans are as follows;
    a. Parliamentary Pensions Plan: 55 years and 10 months
    b. Public Service Pensions Plan: 57 years and 10 months for DB members and 60 years for DC members
    c. Judiciary Pension Plan: 65 years

The 1 January 2011 Actuarial Valuation Report was completed on 12 April 2011, tabled and accepted in the Legislative Assembly on 11 December 2013. The report was gazetted September 2015; however, government has not yet issued new regulations to proscribe the new rates. If approved by the Legislative Assembly, the 1 January 2014 recommended rates would supercede rates recommended in the 1 January 2011 report.

Where actuarial results calculate that a Plan's share of Fund assets exceed the calculated past service liability, the Plan is said to have a Fund surplus. Conversely, should past service liabilities exceed a particular Plan's share of Fund assets; the result is called a Fund deficiency. Fund deficiencies arise mainly as a result of participants having accrued considerable Defined Benefit entitlements prior to establishment of the Fund. Results of the actuarial valuations are summarized under separate caption below for each of the Plans.

Actuarial valuations with an effective date of 1 January 2014 were conducted for three separate Plans; the Public Service Pensions Plan, the Parliamentary Pensions Plan and the Judicial Pensions Plan. These Actuarial Valuation reports were completed on 16 March 2015 and submitted to the Financial Secretary on 28 April 2015. The reports have not yet been tabled in the Legislative Assembly. As the recommended rates of contribution contained therein were not gazetted, contributions received and contributions receivable are based on the 2005 actuarial valuation.

15. Pension contributions (Re: Actuarial valuations – effective 1 January 2014) (continued)

a. Public Service Pensions Plan actuarial valuation – 1 January 2014

The Actuarial valuation calculated a Fund deficiency as at 1 January 2014 as follows:

Under 7% and 8% discount rate assumptions:

Public Service Pensions Plan (actuarial estimate)	At 7% Amount $ 000	At 8% Amount $ 000
Value of pension fund allocated assets	433,704	433,704
Past service liability	(660,149)	(599,993)
Fund deficiency	**(226,445)**	**(166,289)**

The Actuarial valuation calculated a normal cost during the year as follows:

Under 7% and 8% discount rate assumptions:

Public Service Pensions Plan (actuarial estimate)	At 7% Discount Rate	At 8% Discount Rate
Attributable to the Defined Contribution component of the Plan	12.4%	12.4%
Attributable to the Defined Benefit component of the Plan	19.1%	16.3%

The Board has established an objective that the Plan be fully funded in 20 years from the valuation date of 1 January 2014. Based on the principal assumptions and methods for the 2014 Actuarial valuations, in order to achieve this objective, contributions should be made as follows:

Under 7% and 8% discount rate assumptions:

Public Service Pensions Plan (actuarial estimate)	At 7% Discount Rate	At 8% Discount Rate
Attributable to the Defined Contribution component of the Plan	12.4%	12.4%
Attributable to the Defined Benefit component of the Plan	19.1%	16.3%

The Actuary has determined that a continuation of the current level of contributions to the Defined Benefit plan (close to 12% of salaries) is projected to result in the depletion of the Defined Benefit allocated fund by the year 2024.

15. Pension contributions (Re: Actuarial valuations – effective 1 January 2014) (continued)

b. Parliamentary Pensions Plan actuarial valuation – 1 January 2014

The Actuarial valuation calculated a Fund deficiency as at 1 January 2014 as follows:

Under 7% and 8% discount rate assumptions:

Public Service Pensions Plan (actuarial estimate)	At 7% Amount $ 000	At 8% Amount $ 000
Value of pension fund allocated assets	8,457	8,457
Past service liability	(22,561)	(20,354)
Fund deficiency	**(14,104)**	**(11,897)**

The Actuarial valuation calculated a normal cost during the year as follows:

Under 7% and 8% discount rate assumptions:

Public Service Pensions Plan (actuarial estimate)	At 7% Discount Rate	At 8% Discount Rate
Attributable to the Defined Contribution component of the Plan	12.4%	12.4%
Attributable to the Defined Benefit component of the Plan	63.9%	58.2%

The Board has established an objective that the Plan be fully funded in 20 years from the valuation date of 1 January 2014. Based on the principal assumptions and methods for the 2014 Actuarial valuations, in order to achieve this objective, contributions should be made as follows:

Under 7% and 8% discount rate assumptions:

Public Service Pensions Plan (actuarial estimate)	At 7% Discount Rate	At 8% Discount Rate
Attributable to the Defined Contribution component of the Plan	12.4%	12.4%
Attributable to the Defined Benefit component of the Plan	63.9%	58.2%

The Actuary has determined that the Fund continues to be severely underfunded. Assets allocated to the Parliamentary Pensions Plan cover only 36% (under a 7% discount rate assumptions) and 41% (under a 8% discount rate assumption) of the past service obligations.

15. Pension contributions (Re: Actuarial valuations – effective 1 January 2014) (continued)

c. Judicial Pensions Plan actuarial valuation – 1 January 2014

The Actuarial valuation calculated a Fund surplus as at 1 January 2014 as follows:

Under 7% and 8% discount rate assumptions:

Public Service Pensions Plan (actuarial estimate)	At 7% Amount $ 000	At 8% Amount $ 000
Value of pension fund allocated assets	5,050	5,050
Past service liability	(4,268)	(3,892)
Fund surplus	782	1,158

The Actuarial valuation calculated a normal cost during the year as follows:

Under 7% and 8% discount rate assumptions:

Public Service Pensions Plan (actuarial estimate)	At 7% Discount Rate	At 8% Discount Rate
Attributable to the Defined Contribution component of the Plan	30.0%	30.0%
Attributable to the Defined Benefit component of the Plan	0.0%	00.0%

The Board has established an objective that the Plan remain fully funded in 20 years from the valuation date of 1 January 2014. Based on the principal assumptions and methods for the 2014 Actuarial valuations, in order to achieve this objective, contributions should be made as follows:

Under 7% and 8% discount rate assumptions:

Public Service Pensions Plan (actuarial estimate)	At 7% Discount Rate	At 8% Discount Rate
Attributable to the Defined Contribution component of the Plan	30.0%	30.0%
Attributable to the Defined Benefit component of the Plan	0.0%	00.0%

16. Investment management and consultancy fees

The Board utilizes the services of various Investment Managers, a Global Custodian and an Investment Advisor in the course of its business. During the year, the Board employed the services of the following:

a. Independent Franchise Partners ("IFP", Investment Manager)
b. MFG Global Fund ("Magellan" Investment Manager)
c. Aberdeen Global Emerging Markets Fund ("Aberdeen", Investment Manager)
d. Morgan Stanley Global Infrastructure Fund ("Morgan Stanley", Investment Manager)
e. PIMCO Global Investment Grade Credit ("PIMCO", Investment Manager)
f. Wellington Global Credit Plus ("Wellington", Investment Manager)
g. CIBC Mellon Global Securities Company ("CIBC Mellon", Global Custodian)
h. Advisory Capital (Investment Advisor)

The Board incurred investment management and consultancy expenses as follows:

	30 June 2015 $000	30 Jun 2014 $000
Investment managers:		
IFP	2,048	1,821
Magellan	808	92
PIMCO	323	455
Wellington	96	54
Aberdeen	8	-
Morgan Stanley	2	-
GMO	-	190
ING	-	177
Custodian: CIBC Mellon	104	92
Investment advisor: Advisory Capital	343	446
Legal Fees: Pillsbury, Winthrop, Shaw, Pittman LLP	135	205
Total	**3,867**	**3,532**

17. Financial and actuarial risk management

(i) Financial instruments risks

All investments are subject to one or more types of inherent risk(s) which is expected and necessary to assume in order to achieve targeted returns. From a pensions plan perspective, inherent risk factors typically comprise of:

a. Capital risk
b. Credit risk
c. Inflation risk
d. Interest rate risk
e. Balance sheet/Liquidity risk
f. Market/equity risk

Capital risk
The fund is currently comprised of one segregated fund with the remaining investments in pooled funds in both the equities and fixed income sectors. It is a risk-averse strategy through which inherent risks are mitigated primarily by adherence to asset allocation and diversification policies prescribed by law. Each class of assets is managed by separate internationally-recognized money managers, who are recommended by the Investment Committee, with the guidance of independent investment advisors (Advisory Capital), and approved by the Board of Directors, thereby further diversifying the portfolio among unrelated managers and investments. Performance of each investment manager is monitored and measured against international benchmarks by Advisory Capital. Senior management and the Board, advised by Advisory Capital, also perform annual due diligence visits to each of the investment managers.

Some inherent risks are further mitigated by specific circumstances.

Credit risk
Financial assets that potentially subject the Fund to credit risk consist principally of current, call and fixed deposits, long and short-term investments, accounts and interest receivable and other receivables and prepayments. The Board's current, call and fixed deposits are placed with high-credit quality institutions. Credit risk with respect to long and short-term investments, accounts and interest receivable, and other receivables and prepayments is limited because the Board only transacts business with counterparts it believes to be reputable and capable of performing their contractual obligations.

Inflation risk
Inflation risks are inherent in the monthly benefits payments, which are adjusted for cost-of-livng increases when applicable, and the resulting impact on the funding valuations of the three plans. Inflation risks are mitigated by regular review and adjustment of Plan funding, in accordance with the mandated Actuarial valuations due every three years.

17. Financial and actuarial risk management (continued)

(i) Financial instruments risks (continued)

Interest rate risk
The Board's interest-bearing investments and deposits are at fixed interest rates.

Volitility in market interest rates not only affect the return on investments, but also the discount rate used to measure funding valuations and pension liabilities. Long-term interest rates declined in 2014, placing downward pressure on the discount rate.

Interest rate risks, in terms of investment returns, are mitigated primarily by investing in fixed income instruments that are relatively easy to divest and the avoidance of derivatives.

Liquidity risks
For pension funds, liquidity risk presents at the time of retirement. Once the retirement phase has begun, the liquidity risk is equivalent to the pension payments due to the retirees. For the Board, liquidity risk is primarily manifested in the ability for monthly contributions to exceed benefits paids and administrative expenses. A current surplus is maintained through the receipt of payments from Cayman Islands Government against past service liabilities for the Defined Benefit Contributions component of the Plan. The greatest risk that the Board faces, other than market related risks in terms of its investments, is the possibility that there could be some form of pension contribution holiday. Should this happen it would seriously impede the Boards operations, as it would then become necessary to liquidate the investments in order to meet its statutory financial obligations.

At the investment level, liquidity risk is mitigated somewhat by the liquid nature of the investments and the ability to divest on relatively short notice.

Fair values
The carrying amount of current, call, and fixed deposits, accounts and interest receivable, other receivables and prepayments, demand liabilities, and other liabilities and payables approximated their fair value due to the short-term maturities of these assets and liabilities. The market value of investments is presented in Note 4. The fair values of other assets and liabilities are not materially different from the carrying amounts.

Market risks are inherent in the reported amounts of financial instruments. These market risks are mitigated by the risk-averse strategy pursued by the Board and supported by the investment manager selection, monitoring and due diligence processes.

17. Financial and actuarial risk management (continued)

(ii) Main actuarial risks to the funding of the plans

There are several actuarial risks that can adversely impact the funding of the plan. In general, actuarial risks are mitigated by mandated tri-annual actuarial valuation reviews performed by a universally reputable actuarial firm and the implementation of contribution rates adjustment contained therein. In addition, the Board has instructed the actuary to provided an annual interim update for each fiscal year in between the issuance of the tri-annual report. The key actuarial risks are as follows:

a. Contribution deficiency risks
b. Longevity risks
c. Investment return assumption and other financial risks
d. Demographic assumption risks
e. Plan structure risks

Contribution deficiency risks
This arises when contributions are not being paid in accordance with reliable actuarial valuation requirements. In addition, delays in tabling the actuarial valuation reports and delays in enabling regulations to prescribe the recommended rates exacerbate this. Adequate contribution funding is significantly affected by governmental processes, including appropraitions and is at the discretion of the government.

Longevity risk
Longevity risk applies primarily to the Defined Benefit (DB) part of the Plans, which is inclusive of elements of the Defined Contributions portion of the plan converting to Defined benefits at retirement.

Investment return assumption and other financial risks
The most important one here is when the assumed rate of return on investments is not being met. Financial instruments risk management in Note 17 (i) details some of the associated risks. Other financial risks include inflation, which impacts the rate at which pension payments are increased, and pay increases above those assumed in the valuation.

Demographic assumption risks
These include retirements occurring before the expected retirement ages, and longevity risks.

Currently there is considerable subsidy provided to Defined contribution participants in the form of generous actuarial factors being used in the conversion of account balances to pensions at retirement. This subsidy reduces the value of the assets that can be allocated to the Defined benefit part.

In addition, there are other inherent features of the plans, such as the pensions benefits being based on final month's pay that can lead to adverse plan experiences.

17. Financial and actuarial risk management (continued)

(ii) Main actuarial risks to the funding of the plans (continued)

Plan structure risks
Currently there is considerable subsidy provided to Defined contribution participants in the form of generous actuarial factors being used in the conversion of account balances to pensions at retirement. This subsidy reduces the value of the assets that can be allocated to the Defined benefit part.

In addition, there are other inherent features of the plans, such as the pensions benefits being based on final month's pay that can lead to adverse plan experiences.

18. Leases and commitments

On March 31, 2011, PSPB moved into the new Government Administration Building. The Board is leasing 3,798 square feet under a year-to-year term. Occupational charges are as follows:

Occupational charges	Space	Running cost	Total
Unit cost	$ 12 / sq ft	$ 52.35 / sq ft	$ 64.35 / sq ft
Monthly cost	$3,798	$16,569	$20,367
Annual	$45,576	$198,825	$244,401

19. Related party transactions

Key management personnel
There are six full-time equivalent personnel considered as "Key management personnel". The total remuneration includes: regular salary, pension contributions, health insurance contributions, acting allowances, duty allowances and motor car upkeep/allowance. Total remuneration for Key management personnel in FY 2014-15 was $828 thousand (FY2013-14: $828 thousand).

Intra-government agencies
The Board engaged the services of the Computer Services Department and the Office of the Auditor General during the year. The transactions amounted to $57 thousand and $67 thousands, respectively (2013-14: $57 thousand and $67 thousands, respectively). The services are deemed to have been engaged at arm's length.

20. Plan participants

IAS 19 Accounting policy requires the Public Service Pensions Board to disclose the entities to which the assets of the Fund belong and the amounts for each participant. The current pension administration system does not allow for the breakdown of this information. The ministries and portfolios in Public service pensions plan are the following:

a. Audit Office
b. Cabinet Office
c. Judicial Administration Department
d. Portfolio of Legal Affairs
e. Ministry of Finance, Economic and Development
f. Office of the Complaints Commissioner
g. Portfolio of the Civil Service
h. Ministry of Home Affairs, Health and Culture
i. Ministry of District Administration, Tourism and Transport
j. Ministry of Planning, Lands, Agriculture, Housing and Infrastructure
k. Ministry of Education, Employment and Gender Affairs
l. Ministry of Community Affairs, Youth and Sports
m. Financial Services, Commerce & Environment
n. Information Commissioner's Office

See note 1 (c) for statutory authorities and government companies that participate in the PSPP.

21. PSPB Pension Liabilities

The Board's Actuary, Mercer, has calculated the actuarial estimates of liabilities as at 30 June 2015, related to the PSPB's participation in the Defined Benefit Part of the Public Service Pensions Plan under International Financial Reporting Standard - International Accounting Standard 19 (Rev June 2011) ("IAS19 R"). IAS 19 was revised in June 2011 and became effective for reporting periods commencing on or after 1 January 2013. For purpose of PSPB reporting, IAS 19R for fiscal year ending 30 June 2015 reflects the following:

The amounts recognized in the statement of net assets available for benefits are as follows:

	30 June 2015 $000	30 June 2014 $000
Defined benefit obligation	(2,097)	(1,996)
Fair value of plan assets	1,519	1,376
Funded status	(578)	(620)
Effect of asset ceiling/onerous liability	-	-
Net Liability	**(578)**	**(620)**

21. PSPB Pension Liabilities (continued)

The change in defined benefit obligation are as follows:

	30 June 2015 $000	30 June 2014 $000
Defined benefit obligation at beginning of year	1,996	1,589
Current service cost	108	124
Interest expense	90	83
Cashflows - participant contribution	21	22
Effect of changes in demographic assumptions	(4)	-
Effect of changes in financial assumptions	(116)	285
Effect of changes in foreign exchange rates	2	(107)
Defined benefit obligation at end of year	**2,097**	**1,996**

The change in fair value of plan assets are as follows:

	30 June 2015 $000	30 June 2014 $000
Fair value of plan assets at beginning of year	1,376	1,123
Interest income	63	60
Cash flows		
Employer and participant contributions	45	47
Remeasurements – return on plan assets (excluding interest income)	35	146
Fair value of plan assets at end of year	**1,519**	**1,376**

The net defined benefit liability reconciliation are as follows:

	30 June 2015 $000	30 June 2014 $000
Net defined benefit liability as of beginning of year	620	466
Defined benefit cost included in P&L	135	147
Total remeasurements included in OCI	(153)	32
Cash flows – employer contributions	(24)	(25)
Net defined benefit liability as of end of year	**578**	**620**

21. PSPB Pension Liabilities (continued)

The components of defined benefit cost is as follows:

	30 June 2015 $000	30 June 2014 $000
Current service Cost	108	124
Net interest cost		
Interest expense on DBO	90	83
Interest (income) on plan assets	(63)	(60)
Total net interest cost	27	23
Administrative expenses and taxes	-	-
Defined benefit cost included in statement of changes in net assets available for benefits	135	147
Remeasurements (recognized in other comprehensive income)		
Effect of changes in demographic assumptions	(4)	-
Effect of changes in financial assumptions	(116)	285
Effect of experience adjustments	2	(107)
(Return) on plan assets (excluding interest income)	(35)	(146)
Total remeasurements included in other comprehensive income	(153)	32
Total defined benefit cost recognized in statement of changes in net assets available for benefits and other comprehensive income	(18)	179

The sensitivity analysis on defined benefit obligation is shown below:

	30 June 2015	30 June 2014
1. Discount rate		
a. Discount rate - 25 basis points	2,213	2,111
b. Discount rate + 25 basis points	1,990	1,891
2. Inflation rate		
a. Inflation rate - 25 basis points	1,985	1,893
b. Inflation rate + 25 basis points	2,218	2,108
3. Mortality		
a. Mortality - 10% of current rates	2,135	2,029
b. Mortality +10% of current rates	2,063	1,966

The expected cash flow for the following year is as follows:

	30 June 2015 $000	30 June 2014 $000
Expected employer contributions	25	26

21. PSPB Pension Liabilities (continued)

The significant actuarial assumptions are presented below:

Weighted-average assumptions to determine benefit obligations

	30 June 2015	30 June 2014
1. Discount rate	4.75%	4.50%
2. Rate of salary increase	3.50%	3.50%
3. Rate of price inflation	2.50%	2.50%
4. Rate of pension increases	2.50%	2.50%
5. Post-retirement mortality table	RP-2014 projected on a generational basis using Scale MP-2014	UP-94 projected on a generational basis using Scale BB
6. Cost Method	Projected Unit Credit	Projected Unit Credit
7. Asset valuation method	Market Value	Market Value

Weighted-average assumptions to determine defined benefit cost

	30 June 2015	30 June 2014
1. Discount rate	4.50%	5.20%
2. Rate of salary increase	3.50%	3.50%
3. Rate of price inflation	2.50%	2.50%
4. Rate of pension increases	2.50%	2.50%
5. Post-retirement mortality table	UP-94 projected on a generational basis using Scale BB	UP-94 projected on a generational basis using Scale BB

Plan Assets

The Defined Benefit assets as well as Defined Contribution assets of the Plan are held as part of the Public Service Pensions Fund ("the Fund") and managed by the PSPB. The assets of two other pension plans are pooled together to constitute the Fund.

The assets are notionally allocated to each of the three participating pension plans through an internal accounting mechanism that tracks, for each accounting period, actual cash flows and allocates investment income based on the rate of return earned by the Fund. The gross rate of return earned by the Fund for fiscal 2014/2015 was 6.69%. Similar internal accounting is used for developing each participating entity's share of the asset portfolio of the Fund.

The valuations are based on the asset value as June 30, 2015, along with cash flow and other supplemental asset information. The assets are held in trust by CIBC Mellon.

21. PSPB Pension Liabilities (continued)

Plan Assets (continued)

The Fund currently has an investment policy with a target asset mix of 80% equities and 20% bonds. As at June 30, 2015, the Fund was invested as follows:

	30 June 2015		30 June 2014	
Plan Assets by Asset Category	($000)	Percentage	($000)	Percentage
Global equities securities	411,606	80%	381,162	79%
Debt securities	97,807	19%	95,602	20%
Real estate / Infrastructure	-	-	-	-
Cash	6,312	1%	6,871	1%
Total	515,725	100%	483,635	100%

The Defined Contribution portion of the Fund totalled $237,627,800 as at June 30, 2015 and $195,701,000 as at June 30, 2014.

The share of the Fund that been notionally allocated in respect of PSPB defined benefit employees with regards to its participation in the Defined Benefit Part of the Plan is $1,519,000 as at June 30, 2015 and $1,376,000 as at June 30, 2014.

The Actuarial Assumptions

The principal financial and demographic assumptions used at June 30, 2015 and June 30, 2014 are shown in the table below. The assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date and the pension expense for the following year.

Measurement Date	30 June 2015	30 June 2014
Discount rate		
- BOY disclosure and current year expense	4.50% per year	5.20% per year
- EOY disclosure and following year expense	4.75% per year	4.50% per year
Increases in pensionable earnings	3.50% per year	3.50% per year
Rate of Pension Increases	2.50% per year	2.50% per year
Rate of Indexation	2.50% per year	2.50% per year
Expected long-term rate of return on assets (net of expenses) for purposes of IFRIC only	7.00% per year	7.00% per year
Mortality		
- BOY disclosure and current year expense	UP-94 generationally projected using Scale BB	UP-94 generationally projected using Scale BB
- EOY disclosure and following year expense	RP-2014 generationally projected using Scale MP-2014	UP-94 generationally projected using Scale BB

21. PSPB Pension Liabilities (continued)

Measurement Date	30 June 2015	30 June 2014
Disability	None	None
Turnover Rates	Age related table	Age related table
Retirement	Age 57 and 10 years of service	Age 57 and 10 years of service
Assumed life expectations on retirement	Retiring today (member age 57) 30.12 Retiring in 25 years (at age 57): 32.40	Retiring today (member age 57) 29.93 Retiring in 25 years (at age 57): 32.43
Liability Cost Method	Projected unit credit method	Projected unit credit method
Asset Value Method	Market Value of Assets	Market Value of Assets
Commutation of pension	All members commute 25% at retirement	All members commute 25% at retirement

Turnover Rates at sample ages:

Age	Males	Females
20	7.5%	12.5%
25	5.0%	12.5%
30	3.5%	7.5%
35	2.5%	4.5%
40	1.5%	2.5%
45	0.5%	5.0%
50	0.0%	0.0%

Except for the discount rate and mortality assumptions, there have been no changes in actuarial assumptions since the prior valuation. Recent mortality studies in the U.S. and Canada show that people are living longer. New mortality tables have been issued by the U.S. and Canada. The mortality assumption was updated to reflect the mortality tables, RP-2014 and Improvement scale, MP-2014, released by the society of Actuaries in its RP-2014 Mortality Tables Report, dated October 2014 (revised November 2014). These tables form the new standard basis for measurement of retirement program obligations in the United States.

The discount rate as at June 30, 2015 was determined in accordance with IAS 19. In accordance with IAS 19R paragraph 83, determined by reference to market yields on high quality corporate bonds (consistent with the term of the benefit obligations) at the fiscal year end date. The Mercer US Above Mean Yield Curve (referencing US corporate bond yields) was used to determine discount rates due to strong economic and currency links between the US and the Cayman Islands.

22. PSPB Post Retirement Healthcare Obligation

The Board's Actuary, Mercer, has calculated actuarial estimates of liabilities as at 30 June 2015 and actuarial estimates of the defined benefit cost for the fiscal years ending 30 June 2015 and 30 June 2016, for the Post Retirement Healthcare Program ("the Health Plan"). For purpose of PSPB reporting, IAS 19R for fiscal year ending 30 June 2015 reflects the following:

The amounts recognized in the statement of net assets available for benefits are as follows:

	30 June 2015 $'000	30 June 2014 $'000
Defined benefit obligation	1,048	993
Funded status	-	-
Net defined benefit liability (asset)	**1,048**	**993**

The change in defined benefit obligation are as follows:

	30 June 2015 $'000	30 June 2014 $'000
Defined benefit obligation at beginning of year	993	794
Current service cost	54	45
Interest expense	45	41
Effect of changes in demographic assumptions	14	-
Effect of changes in financial assumptions	(58)	113
Defined benefit obligation at end of year	1,048	993

The net defined benefit liability reconciliation are as follows:

	30 June 2015 $'000	30 June 2014 $'000
Net defined benefit liability (asset) at beginning of year	993	794
Defined benefit cost included in P & L	99	86
Total remeasurement included in OCI	(44)	113
Net defined benefit liability (asset) as of end of year	1,048	993

22. PSPB Post Retirement Healthcare Obligation (continued)

The components of defined benefit cost are as follows:

	30 June 2015 $'000	30 June 2014 $'000
Current service cost	54	45
Interest expense on DBO	45	41
Defined benefit cost included in P & L	99	86
Remeasurements (recognized in other comprehensive income)		
Effect of changes in demographic assumptions	14	-
Effect of changes in financial assumptions	(58)	113
Total Remeasurement included in OCI	(44)	113
Total defined benefit cost recognized in P & L and OCI	55	199

The sensitivity analysis on defined benefit obligation is shown below:

	30 June 2015 $'000	30 June 2014 $'000
1. Discount rate		
a. Discount rate – 25 basis points	1,160	N/A
b. Discount rate + basis points	973	N/A
2. Health care cost trend rates		
a. Health care cost trend rates – 100 basis points	780	N/A
b. Health care cost trend rates + 100 basis points	1,409	N/A
3. Mortality		
a. Mortality assumption + 1	1,074	N/A

The estimated defined benefit cost for the following year (FY 15/16) is as follows:

	Amount ($000)
Interest expense on DBO	50

The significant actuarial assumptions are presented below:

Weighted-average assumptions to determine benefit obligations

	30 June 2015	30 June 2014
Discount rate	4.75%	4.50%
Health care cost trend rates		
Immediate trend rate	5.00%	5.00%
Ultimate trend rate	5.00%	5.00%
Year rate reaches ultimate trend rate	N/A	N/A

22. PSPB Post Retirement Healthcare Obligation (continued)

Weighted-average assumptions to determine defined benefit cost

	30 June 2015	30 June 2014
Discount rate	4.50%	5.10%
Health care cost trend rates		
Immediate trend rate	5.00%	5.00%
Ultimate trend rate	5.00%	5.00%
Year rate reaches ultimate trend rate	N/A	N/A

Actuarial Assumptions:

The assumptions as at the reporting date are used to determine the present value of the defined benefit obligation (DBO) at that date and the defined benefit cost for the following year. The Actuary used actuarial assumptions selected by the PSPB, which are consistent with the assumptions used to determined the results for the CIG's post retirement healthcare program. The principal financial and demographic assumptions used at 30 June 2015 and 30 June 2014 are shown in the table below. Except where noted below, the assumptions at 1 July 2013 are the same as those at 30 June 2014.

Economic Assumptions	Post Retirement Healthcare	Basis of Development – Accounting Specific Assumptions
Discount rate (p.a.) • 01 July 2013 • 30 June 2014 • 30 June 2015	 5.10% 4.50% 4.75%	Per IAS 19 para. 83, determined by reference to market yields on high quality corporate bonds (consistent with the term of the benefit obligations) at the fiscal year end date. Mercer US Above Mean Yield Curve (referencing US corporate bond yields) used to determine discount rates due to strong economic and currency links between the US and Cayman Islands.
Administrative expenses	Included in projected premiums	-
Rate of Medical Inflation (p.a.)	5.0%	Based on an analysis of historical claims information and long-term medical inflation expectations.
Current mortality rates • 30 June 2014 • 30 June 2015	 UP94 projected to 2014 RP-2014	Recent mortality studies in the U.S. and Canada show that people are living longer. New mortality tables have been issued by U.S. and Canada. The mortality table has been updated to better reflect actual mortality improvement rates experienced in the US over the last 20 years. Prior valuation used UP94 projected to 2014 using scale BB

22. PSPB Post Retirement Healthcare Obligation (continued)

Actuarial Assumptions (continued):

Economic Assumptions	Post Retirement Healthcare	Basis of Development – Accounting Specific Assumptions
Future mortality improvements • 30 June 2014 • 30 June 2015	 Scale BB Scale MP-2014	Broad consensus amongst longevity experts that mortality improvement will continue in the future. In the U.S., the future mortality improvement scale has been updated to Scale MP-2014, which replaces scale BB which was an interim scale. Scale MP-2014 was released October 2014.
Disability rates	None	-
Retirement Age	Age 57 & 10 years of service	-
Marital assumption	80% married, wife 3 years younger	-
Current healthcare claims cost assumption	Based on 2014/15 premium rates: Health - $9,200 per participant Dental - $900 per participant	-
Healthcare coverage - future pensioners	Male - 27% single, 73% family Female - 50% single, 50% family	Based on Cayman Islands Government experience.
Healthcare utilization changes due to age	Mercer standard healthcare aging assumptions for medical and dental	Based on analysis of healthcare utilization for Mercer clients in Canada and US and by reference to Society of Actuaries studies.

22. PSPB Post Retirement Healthcare Obligation (continued)

Turnover rates

Age	Male	Female
20-24	7.5%	12.5%
25-29	5.0%	12.5%
30-34	3.5%	7.5%
35-39	2.5%	4.5%
40-44	1.5%	2.5%
45-49	0.5%	0.5%
50+	0.0%	0.0%

Actuarial Methods

Benefit obligations are estimated using the Projected Unit Credit method. Under this method each participant's benefits under the Plan are attributed to years of service, taking into consideration projection of benefit costs. Thus, the estimated total benefit to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

A description of the calculation follows:

- An individual's estimated accrued benefit for valuation purposes is the projected benefit at the full eligibility date, or current age if later, multiplied by the ratio of service at the valuation date over service at the full eligibility date. Service for this purpose is measured from 10 years prior to full eligibility. The full eligibility date for this plan is the minimum of age 50 with 10 years of continuous service.
- The benefit attributed to an individual's service during a plan year is the excess of the attributed benefit for valuation purposes at the end of the plan year over the attributed benefit for valuation purposes at the beginning of the plan year. Both attributed benefits are estimated from the same projections to the various anticipated separation dates.
- Estimated benefit obligation in respect of a given individual in the Health Plan is the present value of the attributed benefit for valuation purposes at the beginning of the plan year, and the service cost is the present value of the benefit attributed to the year of service in the plan year.

In all cases, the Defined Benefit Obligation is the total present value of the individuals' attributed benefits for valuation purposes at the measurement date, and the Current Service Cost is the total present value of the individuals' benefits attributable to service during the year.

22. PSPB Post Retirement Healthcare Obligation (continued)

Participant Data

	All participants	Participants age 40+
Active Members		
Number	3	2
Average years of service	22 years	9 years
Average age	47.4	49.4

23. Balances Attributable to Each Plan in Respect to Total Net Assets Available for Benefits

Net assets available for benefits accumulated fund consist of the following components:

	30 June 2015 $000	30 June 2014 $000
Public Service Pension Plan	498,848	473,281
Judiciary Pension Plan (page 6)	4,783	4,206
Parliamentary Pension Plan (page 7)	7,726	6,344
Total	**511,357**	**483,831**

24. Prior Period Adjustment

Per Note 22, The Board's Actuary, Mercer, has present actuarial estimates of liabilities and defined benefit cost as at 30 June 2015 for the Post Retirement Healthcare Program, for qualified personnel. No liabilities or costs had been recorded prior to FY 14/15. As a result, a prior period adjustment of $993,000 has been recorded. The financial statement items affected are as follows:

Financial statement areas	As reported in the 30 June 2014 audited financial statements	Adjustments arising from current year restatement	Restated 30 June 2014 balances
	CI$000	CI$000	CI$000
Statement of Net Assets Available for Benefits:			
Liabilities			
Post-retirement healthcare obligation	-	993	993
Total current liabilities	2,763	993	3,756
Total liabilities	2,763	993	3,756

24. Prior Period Adjustment (continued)

Financial statement areas	As reported in the 30 June 2014 audited financial statements	Adjustments arising from current year restatement	Restated 30 June 2014 balances
Net Assets			
Net assets available for benefits: Accumulated fund	484,824	(993)	483,831
Statement of Changes in Net Assets Available for Benefits:			
Administrative expenses	(3,447)	(86)	(3,533)
Total operating expenses	(3,592)	86)	(3,678)
Other comprehensive income/(loss)	(32)	(113)	(145)
Net increase in net assets available for benefits	66,496	(199)	66,297
Net assets available for benefits at start of year	407,778	(794)	406,984
Net assets available for benefits at end of year	474,274	(794)	473,281
Statement of Accumulated Plan Benefits:			
Actuarial present value of accumulated plan benefits	(494,849)	(129,390)	(624,239)
Fund's net assets available for benefits at the valuation date	484,824	(993)	483,831
Fund deficit	(10,025)	(130,383)	(140,408)

25. Comparative Figures

Other comprehensive income / (loss) account from prior year presented under administrative expense have been reclassified for comparative purposes.

Actuarial valuations – effective 1 January 2015

At the request of the Board the Actuary, Mercer, has calculated an update to the 1 January 2014 funding valuation report as at 1 January 2015. As the funding valuation report is produced tri-annually, the purpose of the interim report is to provide the Board with an update of the funding valuation position for each fiscal year in between the issuance of funding valuation reports. The report is based on known assumptions and on assumptions of proposed legislative changes under consideration by the Government. As such, the figures have not been used in the financial statements. Following are the findings from the 1 January 2015 update:

Events since 1 January 2014 valuation

DB contributions to the pension plans in 2014 were lower than expected for the Public Service Pensions Plan (PSPP). Other plans were in excess of required contribution amounts. See table below:

Total DB (ER + EE) contributions $'000)	PSPP	PPP	JPP
Recommended 1 January 2014	24,147	1,547	45
Previously approved by Cabinet (September 2013)	23,750	791	49
Actual contributions	17,367	2,927	218

- Normal retirement age is being changed to 65 years
  - Not mandatory for existing plan members
  - Not expected to have a material impact on liability unless retirement behaviour of existing DB member change (currently assumed to retire at age 57)
- The Society of Actuaries has released new mortality tables and projection scales
  - The 2014 valuation reflected preliminary version of tables so adopting the new table is not expected to have a material impact on the next valuations
- Global Equity Market performed well in 2014
  - MSCI World Index return of 7.0% per year
  - S&P 500 US return of 13.7% per year
- Long-term interest rates declined in 2014 which puts downward pressure on the discount rate used to measure liabilities
- PSPB consolidated Fund earned just under 8% in 2014
- So far, 2015 has witnessed volatile global equity markets
  - MSCI World Index return of 0.0% per year to August 31, 2015
  - S&P 500 US return of (2.9%) per year to August 31, 2015
- The funded status of the pension plans has likely deteriorated further since the beginning of the year.

Actuarial valuations – effective 1 January 2015 (continued)

<u>The projected fund status as at 1 January 2015</u>

Projected funding status as at 1 January 2015 is as follows:

Public Service Pension Plan	
2015	2014
Deficit	Deficit
$191M	$166M

- Deficit increased during the course of 2014
- 2014 contributions remitted were below levels approved by Cabinet on September 17, 2013.
- Losses due to reflection of strong past returns in Defined Contribution (DC) account balances (due to 3-year average mechanism)
- Funded position is likely to continue deteriorating unless contributions are increased significantly

Parliamentary Pension Plan	
2015	2014
Deficit	Deficit
$10.3M	$11.9M

- Deficit decreased during 2014
- 2014 contributions were significantly in excess of the minimum required

Judiciary Pension Plan	
2015	2014
Surplus	Surplus
$1.1M	$1.2M

- Plan still expected to be in a surplus positions as at January 2015

<u>Basis for projected funded status</u>

1 January 2015 project is based on:
- Membership data used for 1 January 2014 valuation
- 1 January 2015 asset information and cash flow
- Actuarial assumption as outlined in 1 January 2014 valuation

Estimates do not reflect any demographic experience subsequent to 1 January 2014.

Actuarial valuations – effective 1 January 2015 (continued)

Estimated funded status as at 1 January 2015

Public Service Pensions Plan		
	8% Basis	
($'000)	**1 January 2015**	**1 January 2014**
Market value of DB plan assets	254,000	261,000
Market value of DC plan assets	216,000	173,000
Market value of total plan assets	470,000	434,000
Defined contribution (DC) liabilities	216,000	173,000
Defined benefit (DB) liabilities	445,000	427,000
Total liabilities (DB + DC)	661,000	600,000
Surplus / (Deficiency)	(191,000)	(166,000)
Funded ratio (DB + DC)	*71%*	*72%*
Funded ratio (DB only)	*57%*	*61%*

Parliamentary Pensions Plan		
	8% Basis	
($'000)	**1 January 2015**	**1 January 2014**
Funded surplus / (Deficiency)	($10,335)	($11,897)
Funded ratio		
- DB only	50%	41%
- DB and DC combined	51%	42%
20-year amortization payment	$1,009	$1,161
DB (ER + EE) cost as % of pay	*207.4%*	*232.2%*
DC (ER + EE) cost as % of pay	*12.4%*	*12.4%*

Judiciary Pensions Plan		
	8% Basis	
($'000)	**1 January 2015**	**1 January 2014**
Funded surplus / (Deficiency)	$1,140	$1,158
Funded ratio		
- DB only	130%	135%
- DB and DC combined	125%	130%
20-year amortization payment	$0	$0
DB (ER + EE) cost as % of pay	*10%*	*10%*
DC (ER + EE) cost as % of pay	*30%*	*30%*

Actuarial valuations – effective 1 January 2015 (continued)

Reconciliation of funded status (PSPP only)

Public Service Pensions Plan		
($'000)		
Surplus / (Deficiency) as at 1 January 2014	**(166,000)**	
Interest on funding shortfall at expected return of 8%	(13,000)	*Equivalent to interest on a debt*
Loss due to net investment returns lower than 8% per year	(5,000)	
Employer contributions to fund the deficit	11,000	
Interest credited on DC accounts greater than 8%	(18,000)	
Surplus / (Deficiency) as at 1 January 2015 – (8%)	**(191,000)**	