2018
ANNUAL REPORT

PSPB
PUBLIC SERVICE
PENSIONS BOARD
Securing Tomorrow, Together

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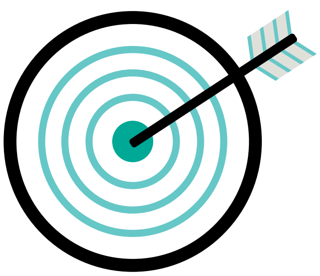
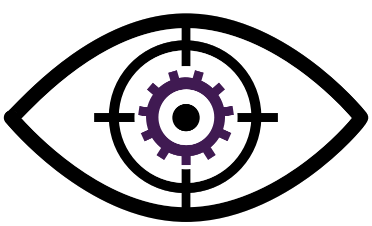
What's Inside



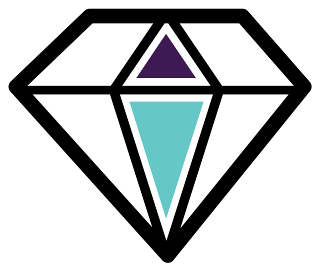
MISSION

Deliver excellence in member services – securing tomorrow, together



VISION

Be recognized as best in class for investments and member services



VALUES

Professional
Our conduct is appropriate

Kindness
We treat people with compassion

Integrity
We do what is right

Respect
We honour our commitments

Innovation
We are creative and have the courage to change

Partnership
We recognize and respond to the needs of others

Performance
We act in the best interest of the membership

CHAIRMAN'S & MANAGING DIRECTOR'S FOREWARD

On behalf of the Public Service Pensions Board, we are pleased to present the Annual Report for the year ended December 31, 2018.

The year was tough on investments and pension plans throughout the world with almost every major developed market ending the year in negative territory. While peers in our geographical area experienced a drop of 10% or worse on pension investments, the PSPB Funds delivered a return of negative 4.1%.

Nevertheless, the PSPB was still well ahead of the investment policy fund benchmark by 2.4%. Despite the negative return in 2018, the credited rate of return applied to member accounts in 2019 will be a positive 4.97%. This is due to the PSPB's credited rate of return being calculated using a three year geometric average of actual returns in order to smooth the effects of market volatility.

Negative returns are not something to hail as an accomplishment, but our ongoing work ensures that the PSPB and its members are set for a strong 2019 as markets are expected to rebound from late 2018 losses.

2018 was clearly a year of highs and lows and not just in the markets. The Board achieved major success by adding three new Trustee members in the year and the additions are showing that we continue to build a Board that has the best and brightest. We were saddened by the passing of Mr. Kirkland Nixon, one of the founding members of the PSPB. There are not enough words to describe Mr. Nixon's impact and commitment on so many levels and his voice at the Trustee level is dearly missed.

The Board undertook a lot of work in 2018 to continue to focus on the long-term sustainability of our Plans to ensure that we continue to offer retirement security for our members. This will continue as a key focus as we embark on our second year of achieving our PSPB 2022 Strategy: "Driving Plan Sustainability".

As we look ahead to 2019, the PSPB is undertaking a major initiative to start work towards implementing a new pension administration system. As the backbone of the administrative operations, this new system will improve the overall service delivery by the PSPB while adding self-service functions for members and offering greater efficiency. In 2019, the PSPB will also expand services by opening an office in Cayman Brac.

Sincerely,

Mr. Kenneth Jefferson, JP
Chairman

Mrs. Jewel Evans Lindsey
Managing Director and Administrator

Governance Report

Board Governance

Priorities and Highlights

Board of Directors

The Public Service Pensions Board ("the Board"), which was originally established in 1992, is responsible for the administration of the Fund and the payment of all pensions and other benefits in accordance with the Law.

The Board has the responsibility for overseeing the administration of the Public Sector Pension Funds of the PSPB and in providing governance over audit, investment activities and operations that are in the best interests of all members. At December 31, 2018, the Board was composed of the members noted below.

BACK ROW (L-R): Mr. Orrett Connor, Mr. James Watler, Mr. Robin Ellison, Mr. Wesley Howell
FRONT ROW (L-R): Mrs. Jewel Evans Lindsey, Mr. Kenneth Jefferson, Mrs. Sheree Ebanks

2018 Governance Highlights

PSPB 2022 Strategy: Driving Plan Sustainability

2018 was the second year of the work towards achieving the PSPB 2022 Strategy. The initial established strategic goals remain a continued focus and these are:

- To improve the long-term pension benefit/plan sustainability;
- Cultivate at all levels (Board to MD to management to administrative staff) a high performing, risk-intelligent and innovative organization focusing on Member Services; and,
- Engage in Government policy development to enhance the long-term sustainability and effectiveness of our pension schemes.

Focusing on our 2022 Strategy, the PSPB collaborated with the Portfolio of the Civil Service and the Deputy Governor on the following legislation:

- The Public Service Pensions (Ex-Gratia Pensions) (Amendment) Regulations, 2018
- The Public Service Pensions (Ex-Gratia Uplift Payments) Regulations, 2018
- The Public Service Pensions Amendment Bill, 2019

Work on the above bill will continue with a planned submission for legislative approval expected in mid-2019.

The Board of Directors continue their focus on governance, risk management and further assessment of financial controls and investment monitoring. New work in 2018 started on continuous education for the Board as a whole and efforts also commenced to update the Board Policy Manual, which should be finalized in 2019.

New Director Appointments and Board Director Training

The Public Service Pensions Board (PSPB) welcomed Mr. Orrett Connor, Ms. Sheree Ebanks, and Mr. Robin Ellison as three new appointments to join their Board. Mr. Connor officially joined the PSPB Board on 1 August 2018, and Mr. Ellison and Ms. Ebanks officially joined on 1 March 2018. In order to ensure the new members were well versed in the PSPB specific legislation and pension schemes, the three new directors joined the existing members at a full-day training and orientation session on 7 August 2018, which was titled, "Trustees and their Advisors".

The full-day training encompassed learning from supporting advisors to the PSPB which included education from the Board's legal advisors, plan actuary, investment consultant and the Auditor General. The training ensures that as a group, the Board is focused and prepared as a group to spend the year on priority matters. The training will become an annual event to ensure that strategic goals and focuses of the Board are reviewed and confirmed.

Passing of Kirkland Nixon QFSM, IDSA, MBE, JP

On 30 April 2018, the PSPB lost one of its founding directors as Mr. Kirkland Nixon passed away. Mr. Nixon was not only an extraordinary man, but he was a tireless civil servant and continually demonstrated his commitment and support to all Caymanians. Specific to his time with the PSPB, Mr. Nixon helped start the PSPB and continued to be a Board Director for 26 years until his passing. In a report it is impossible to articulate the full impact that Mr. Nixon had on the PSPB, but it is not an overstatement to say that Mr. Nixon helped start, grow and make the PSPB Cayman's pension administration leader. Any participating member under the administration of the PSPB, benefits today, and will also in the future because of Mr. Nixon's unmatched commitment to bring his thoughtful, balanced and hardworking approach to the PSPB throughout his 26 years on the Board.

PSPB Management Team

The benchmark in pension administration throughout the Cayman Islands, the PSPB employs a senior management team and staff that is recognized as one of the strongest groups of leaders for our members. Drawn from different backgrounds and from throughout the Cayman Islands, United Kingdom, Jamaica and Canada, the PSPB Senior Management Team consists of highly skilled professionals that are among the best in the industry. Our Senior Management Team brings to bear over 125 years of accumulated wide spread experience in Management, Pension administration, Research, Finance, Banking, Information Technology, Communications, Investments, Marketing, Auditing and Corporate Services.

The PSPB Senior Management Team and staff ensure that pension schemes under the administration of the PSPB operate effectively and sustainably, while working to deliver industry leading services and support to plan members.

Mrs. Jewel Evans Lindsey
Managing Director, Administrator and Trustee

Mr. Stephen Nichols
Chief Pensions Officer

Ms. Ledra Lawrence
Chief Operating Officer
Chief Risk Officer (Trainee)

Ms. Faith Ebanks
Chief Financial Officer

Ms. Angella Bent-Thomas
Chief Human Resources Officer

Mr. Cal Powery
Chief Information and Projects Officer

Mr. Trevor Davis
Communications and Public Relations Manager

PSPB Advisors

Actuary	Mercer Toronto, Ontario Canada
Attorneys	Attorney General's Chambers Cayman Islands Government George Town, Grand Cayman Cayman Islands Collas Crill George Town, Grand Cayman Cayman Islands Pillsbury Winthrop Shaw Pittman, LLP New York, New York U.S.A
Auditor	Office of the Auditor General George Town, Grand Cayman Cayman Islands
Global Custodian	CIBC Mellon Toronto, Ontario Canada
Investment Advisor	Advisory Capital Group Toronto, Ontario Canada
Investment Managers	Independent Franchise Partners London, England U.K. Magellan Financial Group Sydney, Australia Morgan Stanley New York, New York U.S.A PIMCO Newport Beach, California U.S.A Wellington Management Company Boston, Massachusetts U.S.A

General Information

PSPB PARTICIPATING EMPLOYERS

Cayman Islands Government

15 Ministries and Portfolios

Statutory Authorities and Government Owned Companies

Cayman Islands Airports Authority
Cayman Islands Monetary Authority
CAYS Foundation
Health Services Authority
CINICO
Public Service Pensions Board
Cayman Islands Development Bank
Cayman Turtle Centre
Civil Aviation Authority
Maritime Authority of the Cayman Islands
Water Authority of the Cayman Islands
National Roads Authority
Utility Regulation and Competition Office of the Cayman Islands

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"Thanks to the PSPB team! I really did not think my pension could be handled so quickly and so professionally. It made me feel secure and know that my pension is in good hands."
PSPB Pensioner

About the PSPB

The head office of the Public Service Pensions Board (the PSPB) is located at 133 Elgin Avenue in George Town and responsibilities of the Board include but are not limited to, administering the Public Sector Pension Plans (the Plans), investing the Public Sector Pensions Funds (the Funds), communicating with the Plans employers and members, recommending contribution rates in accordance with the latest actuarial valuation, providing policy advice to the Cayman Islands Government and recommending amendments to the Plans and quantifying their financial impact, as needed.

The main functions of the Funds are to receive prescribed contributions, invest and pay-out pension benefits as they become due under the Law. The Funds are vested in the 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 (2017 Revision) (the Law).

Plans Under Administration

Public Service Pensions Plan
Employees of the Civil Service and the wider Public Sector participate in the Public Service Pensions Plan (PSPP) which is governed by the Law.

The PSPP has a Defined Benefit and a Defined Contribution component. All employees who joined the PSPP prior to 14 April 1999 were enrolled in the Defined Benefit Part. 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 PSPP to 1 January 2000.

Contribution Rates
Public servants who participate in the PSPP 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 funding 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 members. The normal retirement age with effect from 9 September 2016 is age 65. Prior to this the normal retirement age was age 60. However, members with at least 10 years of qualifying service may elect for early retirement from age 50 if they joined the service prior to 9 September 2016 or age 55 if they joined the service after the 9 September 2016.

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 the PPP as governed by the Parliamentary Pensions Law, (2016 Revision). The Defined Contribution and Defined Benefit members contribute at a rate of 6% of pensionable earnings and the Government contributes a matching 6%. Contribution rates 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 and Magistrates participate in the Judicial Pension Plan (JPP). Judges' pensions fall under the remit of Her / His Excellency the Governor as set out in The Judges' Emoluments and Allowances Law (2006 Revision). There are no active members in the Defined Benefit part of the JPP. Judges in the Defined Contribution part of the JPP contribute at a rate of 10% of pensionable earnings 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.

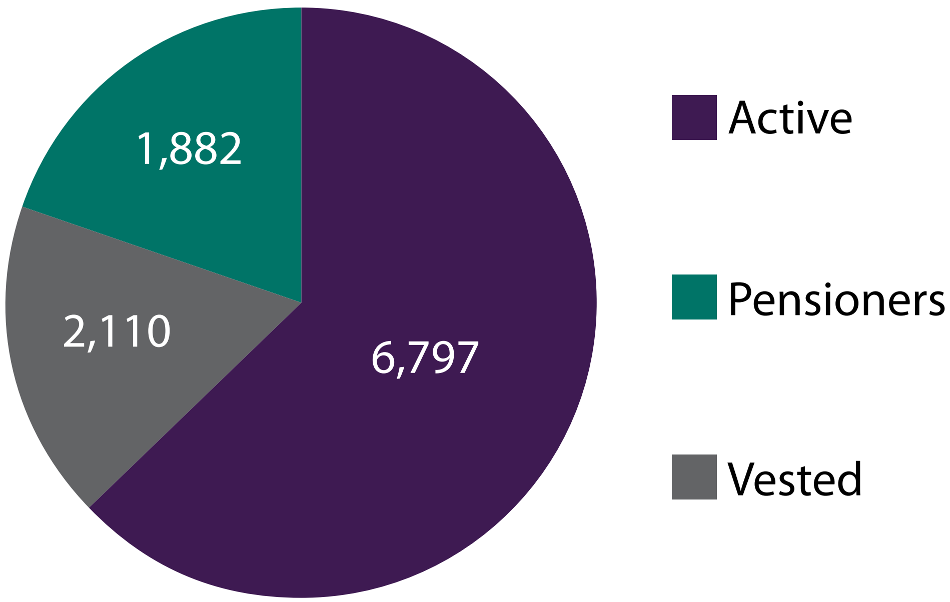
The JPP started in 1997, notwithstanding the absence of the requisite order setting out plan details and specifics relating to administration of the JPP. The Judges Emoluments and Allowances Order was effected by His Excellency the Governor in 2005.

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 (2017 Revision). Provisions contained in the Public Service Pensions (Ex-Gratia Pensions) Regulations (2018 Revision) and the Public Service Pensions (Ex-Gratia Pensions) (Amendment) Regulations 2018 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 a minimum ex-gratia pension of $300 per month. Those with 10 or more years of service receive a minimum 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.

Membership Breakdown as at December 31, 2018



Administration Report

2018 Highlights

Administration Team and Key Activities

During the reporting period, the administration team completed its restructure of the 'Pensions Administration and Member Services' (PAMS) team. The 2018 activities included the development of new job descriptions and the transition of staff to the new organisation structure. The next phase of the organisation review is to conduct a compensation review and to develop new HR policies and programmes.

The key activities undertaken during the 12-month period were:

- implementation of a new workflow application;
- continued implementation of a suite of new Standard Operating Procedures;
- on-going regular quarterly visits to Cayman Brac;
- completion of a competency based staff education programme, and
- completion of multiple employer and membership engagement activities.

New Pension Administration System

In 2017, the PSPB issued a Request for Proposal (RFP) for vendors to respond to offer services for a new pension administration system. The PSPB cancelled that RFP process as it was clear from the responses and feedback to the RFP that there was a need to adjust the scope of the solution being sought. In October 2018, the PSPB issued a Request for Information in order to better understand the key areas of pursuing a new pension administration system option and how to best proceed in getting the best product.

Pursuit of a new pension administration system is a major way to deliver on the "Member Services" focus for the PSPB. A new pension administration system will provide new services that members do not presently have and it helps PSPB's administration operate in a far more efficient and precise manner. A new system makes the PSPB a more high performing and innovative organization and allows for even further flexibility to grow into the future as well, which helps the PSPB be more agile to address sustainability options.

IAS19 Training

PSPB hosted and partnered with Mercer to provide IAS19 training for Chief Executive and Chief Financial Officers of the Statutory Authorities of the Cayman Islands. The PSPB utilized this unique opportunity to bring together key leaders across the Cayman Islands to collectively attend a training specific to IAS19 and how it impacts each Statutory Authority and Central Government.

The focus of the training was to reinforce disclosure, statements, reporting and assumptions to be used as per the Cayman Islands Government as it relates to pension and healthcare accounting and actuarial requirements. Attended by over 40 leaders, the session demonstrated a commitment to learn and work together and the need to keep future sessions on track for continued alignment to the vision and principles outlined by the Cayman Islands Government.

Ex-Gratia Pension Uplift

In August 2017 the Premier announced plans to top-up the pensions of long-serving retired Public Servants, to align minimum pensions with the level of poor relief.

In 2018, the PSPB in partnership with the Portfolio of the Civil Service, undertook the necessary measures to assess the eligibility and implement the new minimum pension threshold of $650 per month for pensioners. The PSPB team was recognized for the seamless completion of the uplifts on behalf of the members. In alignment with the direction established by the Premier, the threshold will be raised to $750 in 2019.

Workflow Overview

In August 2018, the PSPB installed a new workflow application and this has already been delivering real benefits since being in operation. After working through some bug fixes and arriving at a fully functional application, the clear benefit is a much more timely, accurate and detailed monitoring and reporting of administration work to all stakeholders.

This new application will continue to be used for even more workflow reports and information sharing as the PSPB moves towards building a tailored engagement programme with employers. This application is an interim solution that is be used to support current needs. Instead, workflow will become an integrated part of a new pension administration system that the PSPB is looking to launch in the next 18 months.

"Let me express my sincere thanks to the PSPB team who worked tirelessly for my pension to reach completion. I am extremely grateful to you all for your input. Again, thank you, thank you. Highly appreciative of all efforts."

PSPB Pensioner

Membership and Activity

As noted in the table below, over the course of the reporting period, the PAMS team processed 1,635 member files.

Of the 1,635 files, this included the following key highlights:

2018 Key Administration Files Processed	
Interim Benefit Statements	328
Cash Outs and Transfers	186
Benefit Projections	130
Retirements	96

Walk-in Service

If members want to find out information specific to their pension they can meet one-on-one with a Member Services Officer. Walk-In Service at our head office is available Monday to Friday or by appointment. This is a very popular service. During the reporting period the following visits were recorded:

2018 One-on-One Member Meetings	
Walk-in Meetings	3,526
Pre-arranged Appointments	155
Total One-on-One Meetings	3,681

Annual Events

Pension Continuation Confirmation Certificates

As required by statute, annually the Public Service Pensions Board (PSPB) distributes by mail pension continuation confirmation certificates (PCCCs) to all of our Pensioners in receipt of a monthly benefit. The PCCCs ensure that pension benefits are paid to the right recipients. The PCCCs are to be signed by the pensioner and witnessed by a Justice of the Peace, a Notary Public, a minister of religion, an attorney licensed to practice law in the Cayman Islands, a Member of the Legislative Assembly or the Administrator (which is the Managing Director, Public Service Pensions).

If the certificate is not returned within the specified timeline monthly benefit payments will be stopped until the certificate is received.

For 2018, 2,029 PCCCs were distributed and 1,686 were returned by the required deadline.

Pension Augmentation

Each year, the PSPB considers the annual movement of the Consumer Price Index (CPI) (as determined by the Economic and Statistics Office (ESO)) in conjunction with its inflation protection legislation to determine the level of pension augmentation for its' Pensioners. In accordance with the Public Service Pensions Law, the augmentation for 2018 was calculated at 1.9% based on an award of 100% of the CPI of 1.9% for 2017. As a result, pensions in payment as at 31st December 2017 were adjusted for inflation as of the first day of 2018.

Credited Rate of Return and Benefit Statements

The Credited Rate of Return (CRR) on contributions is a three-year geometric average of the Funds' returns net of expense. Our membership benefits from this methodology as they are less vulnerable to market fluctuations. The 2017 Funds return was 16.66% however the CRR applied to the members accounts in 2018 was 8.29%. See page 19 for historic information on the CRR.

Annually, the PSPB distributes benefit statements to all active members. The statements aid members in planning for their retirement. The benefit statement confirms:

- The personal details on file for the member;
- The contributions paid-in during the statement period for the member;
- The interest credited during the statement period;
- The member's account balance as at the end of the statement period;
- Outstanding contributions for the statement period; and
- The CRR applied to the member's account during the statement period.

If members disagree with any of the information on their statement they should advise PSPB as soon as possible. For 2018, 5,981statements were distributed to our membership.

Employer and Member Presentations

Employer and member presentations are available upon request. The presentations are delivered by PSPB staff and designed to give a good understanding of the operation of the pension plan. These presentations have proved to be very successful in educating our members on their benefits and employers on our changing requirements and feedback has been positive and continues to enhance the process.

During the reporting period, the PSPB continued with employer and staff briefings on the changes to the normal retirement age and the new arrangements for members returning to work after retirement. Monthly presentations were given to new members in association with the Portfolio of the Civil Service new staff orientation sessions.

In addition, bespoke staff and employer presentations were also held for the Office of the Premier, the Audit Office, National Roads Authority, the Mosquito Research and Control Unit, Judicial Administration, the Department of Commerce and Investment, the Department of Vehicle and Equipment Services, the Cayman Islands Stock Exchange and the Department of Sports. Participation from the PSPB was also included at the Cayman Islands Government celebration of Older Persons Month.

Throughout 2018, the PSPB conducted a total of 23 formal presentations, which were delivered to a total of 674 members and/or pensioners.

"I am extremely grateful to the PSPB for everything over the years...for sitting with me to diligently explain the retirement process, and embracing subsequent email/telephone queries. These instances caused me to be really comfortable with the decision I eventually made."
PSPB Pensioner

Staff Training

in 2018, the following training courses/learning forums were attended by one or more members of staff:

- Pensions and Lifetime Savings Association - Annual Conference 2018
- EuroMoney Learning Solutions Risk Management Education Program
- IFEBP – 64th Annual Employee Benefits Conference
- AICPA CFO Conference
- World Congress of Accountants Conference
- An Overview of the Cayman Islands Data Protection Law
- 71st Annual CIPD Conference
- Armour Expo CyberSecurity Conference
- Cyber Connect 2018 Conference

With the PSPB's continued focus on Member Services, members of the administration team attended training sessions on: how to better work in teams, the new PSPB Workflow Application, A Refresher on Calculating Death and Dependent Benefits and the Orbidder and Bonfire Portal online systems.

2019 Outlook

Member Services

Member Services remains critical to the success of the PSPB and in 2019, administration efforts will focus to maintain existing offerings while also developing new services and products for the membership and employers. The key output to be assessed this year by the PSPB is conducting an internal business value for money assessment on the products and services provided to members. Building upon the success of 2018, PSPB is also looking to enhance its services to members and employers during 2019 by the:

- development and introduction of a tailored employer engagement programme;
- formal assessment of current customer service interactions between the PSPB and the members and employers;
- development of the Quality Control and Compliance function;
- improvement to the customer experience at the front desk; and,
- introduction of a PSPB / PSPL based Certificate of Knowledge and Understanding for staff.

Communications and Public Relations

In 2019, the PSPB will implement a five year communications strategy. The strategy will work to initiate communication and public relations activities that will improve member, employer and stakeholder awareness, engagement and education. To start, the main communications and public relations efforts will build strong foundational items that will be the backbone for all communications efforts moving forward. In addition, work will be started to finish the branding efforts, implement some annual events and update/improve existing communication materials and web content. Once this is complete, work will continue on relationship building with stakeholders and developing new communications pieces that members will value.

New Pension Administration System

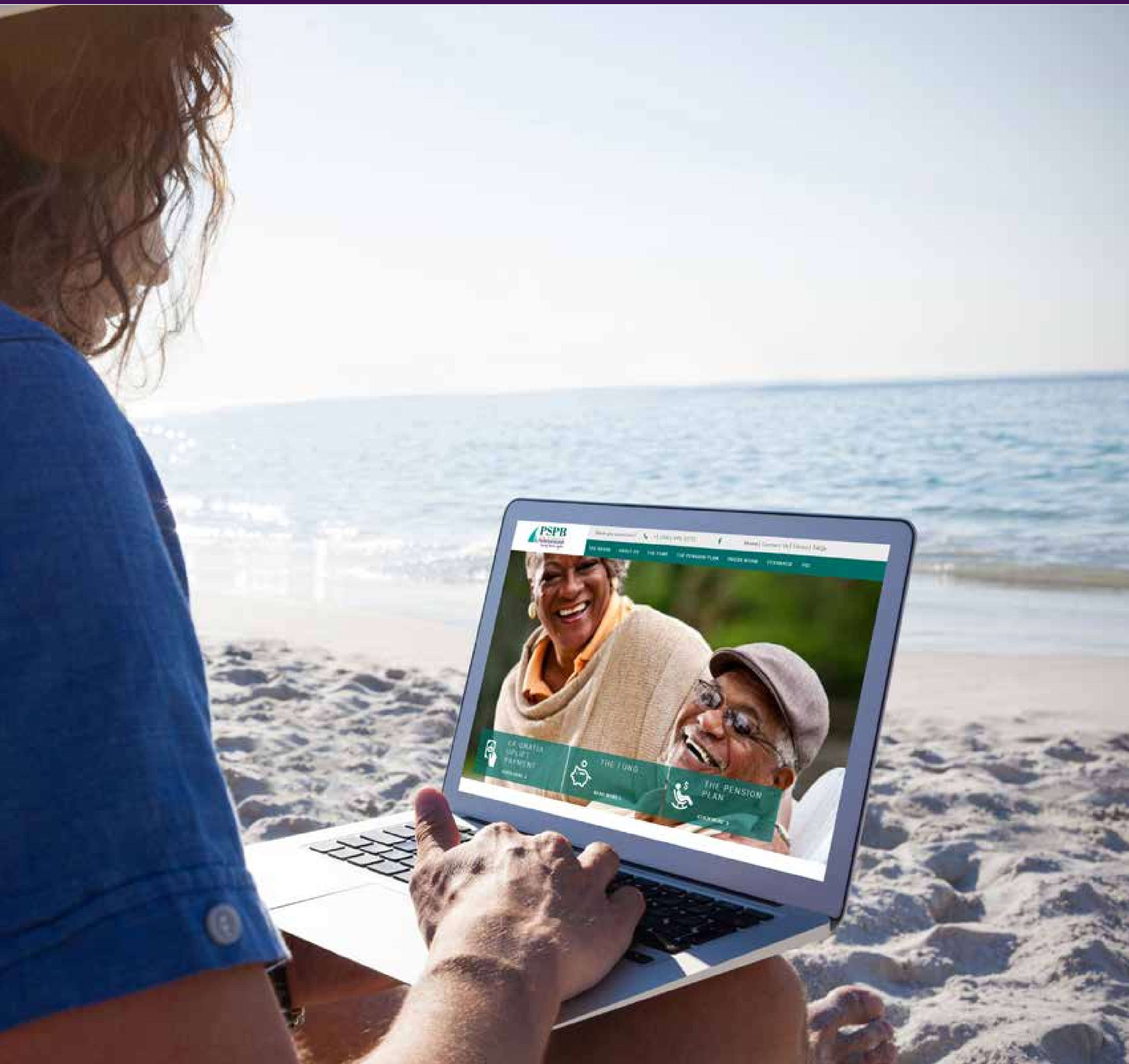
A key focus in 2019 will be working towards securing and implementing a new pension administration system. Specific to a new system, the PSPB is seeking a supplier who will fundamentally provide the systems functionality and support to deliver all transactional aspects of day-to-day Defined Contribution and Defined Benefit administration work. Other key features is that this new system will be inclusive of integrated Electronic Content Management (ECM), workflow tracking and auditing, and secure member and employer web portal functionality.

With the Request for Information process completed, the PSPB will adjust its approach and issue a new Request for Proposals in early 2019 in order to partner with a vendor who will be able to deliver a new pension administration system. 2019 will see a lot of work to assess individually interested vendors, and then finalize formal legal and contractual requirements to start work. Work on developing the new system is planned to commence in 2019, but the actual solution is expected to be implemented in the latter part of 2020.

Data Protection

With the Cayman Islands Government implement the new Data Protection legislation in 2019, the PSPB will continue to improve the current IT infrastructure and build on the framework for cybersecurity. The PSPB will place an emphasis on promoting and delivery of quality service through IT innovation and project methodology and to support this, cyber security incident awareness and mitigation will be a primary focus for the 2019 year.

Investment Report



Investment Overview

Growth of the Fund

The Funds continue to remain in good financial health. The Funds hold a diversified portfolio of bonds and equity securities that, over the long term, provides above average returns with minimized variability.

In terms of outlook, the Funds look to maintain a strong position as forecasters are predicting that global equity markets will fight back amidst a potential economic couple with, in some cases, weakening corporate earnings. In addition, there are expectations for a recovery in overall commodity prices and recession risks are expected to remain low while late-cycle equity market conditions take hold.

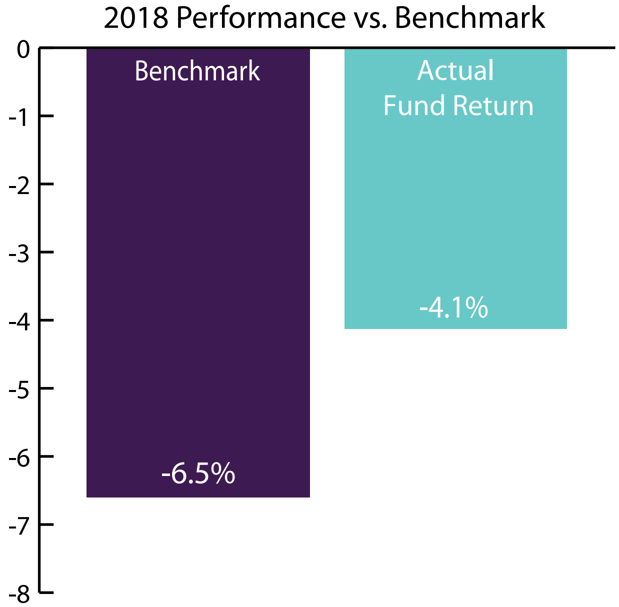
Investment Policy

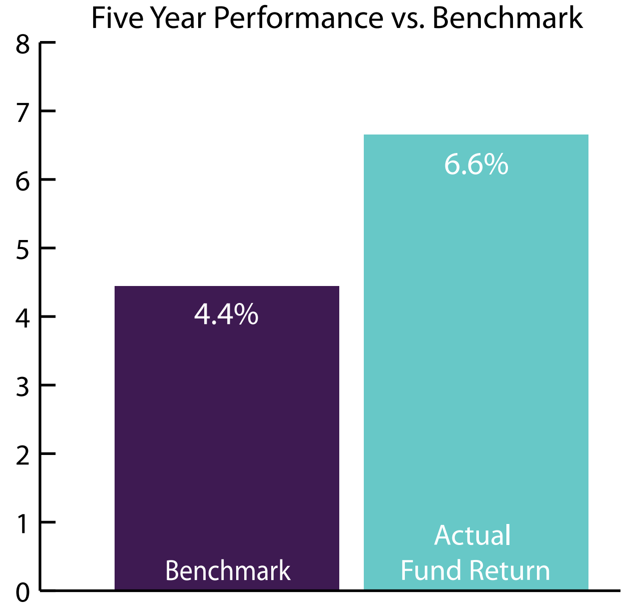
The stated investment objective of the Board is "To preserve capital while adding value above its policy benchmark." The Board is committed to the investment objective, and has actively managed investment portfolios which are diversified, within the constraints of the Law as well as the Board's investment 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 Funds are 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.

The PSPB invests in a manner to best serve members and this means working to invest in a value added manner. As noted in the graphs below and even in spite of a down year, the PSPB still exceeded the benchmark investment returns. In addition, over a five year period, funds are again well ahead of benchmark expectations.





Fund Performance

2018 Return and Overall Performance

During the 4th quarter 2018, the overall return for the PSPB Fund was negative by 8.9%, which was ahead of the policy benchmark by 1.6%. Over the 1-year period ending December 31, 2018, the PSPB Fund delivered a return of negative 4.1%.

Performance over the 2018 calendar year was well ahead of the policy benchmark with 2.4% of value added. Longer term, over the 5-year period, performance remained strong at 6.6%, with value added of 2.2%.

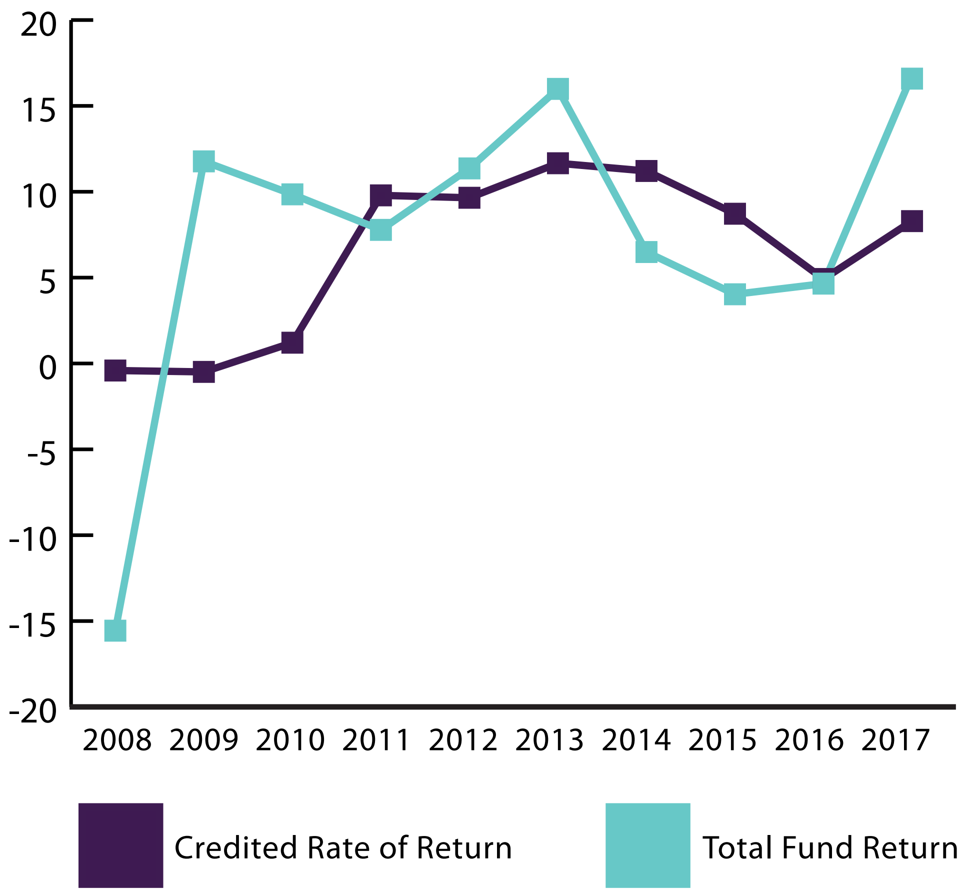
On a relative basis, the PSPB Fund's overall performance ranked at the 68th percentile for the 4th quarter and at the 18th percentile rank for the 1-year period. Longer term, being the 5-year period, the PSPB Fund's relative ranking remained at the 1st percentile.

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 8.29% for calendar year 2017. As a result all member contribution accounts were credited at the beginning of calendar year 2018 with an interest base of 8.29 %.

Credited Rate of Return vs. Total Fund Return (%)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Fund Return	**16.66**	4.65	4.03	6.49	15.99	11.36	7.78	9.85	11.77	-15.56
Credited Rate of Return	**8.29**	4.92	8.72	11.21	11.66	9.65	9.79	1.21	-0.49	-0.41



Market Summary - Global Equities

Global equity markets fell precipitously throughout a volatile 4th quarter. The MSCI World Index fell 13.4% and the MSCI All Country World Index fell 12.8%.

The decline in global markets was fueled by fears that overly aggressive interest-rate hikes could spark a recession relative to fundamentals and caused equity markets worldwide to overshoot to the downside (though fears were subsequently quelled by remarks from the U.S. Federal Reserve indicating that its monetary policy would take cues from economic data).

There were few places to hide within global markets in 2018, with almost every major developed market ending the year in negative territory.

The overall negative trend capped the year lower by about 12.0%, and while the U.S. had been held up by stronger economic growth and better corporate profits (inflated by the 2017 tax cuts), those walls came crumbling down in December 2018.

The U.S. stocks had their worst close to the year since the great depression, with the previously invincible tech stocks being among the biggest losers. In the end, the U.S. was simply the final pin to fall in a cascade of declines that populated the overall global investment landscape as central banks started to slowly withdraw monetary stimulus and raise interest rates.

Investors worldwide were spooked by the stock market declines; however, it has to be pointed out that these short-term declines are hardly unprecedented (the largest percentage declines, except for 1987, were in the '20s and '30s) and, even though there now appears to be broad agreement that the global economy is slowing, the consensus view is that the downshift in global growth is expected to be modest and, only 14.0% of institutional investors see a global recession in the cards for 2019.

The current ratcheting down in overall growth simply reflects the fading boost from U.S. tax cuts and stimulus a year ago, and many of the largest risks fall into the category of politics, not economics.

It's equally difficult to predict the Brexit outcome and the biggest enigma continues to be China, which has accounted for roughly 30% of global growth in recent years. China has successfully engineered a rapid expansion by directing vast amounts of capital into infrastructure projects, real estate and heavy industry, but the limits of that approach may now be apparent. Measures unveiled by Beijing to stimulate its economy should, at best, stabilize the situation.

Assets by Investment Manager

Market Summary - Global Investment Grade Credit

Over the 4th quarter, credit spreads widened as the market adjusted to higher interest rates and slowing growth. A host of factors contributed to the increased volatility, including Brexit uncertainty, concerns of slowing Chinese growth, uncertainty in Italian negotiations, and the potential for more restrictive central bank policies despite these events.

Credit sensitive issues declined though investment-grade performed better than high yield bonds. Over the 1-year period, the investment grade strategy generated a return of negative 40 basis points, surpassing the broader benchmark by 10 basis points.

Global investment-grade corporate credit continued to be under pressure as credit spreads widened. Within the U.S. investment-grade credit spreads reached the highest level in more than 2 years as the bond market ended 2018 with the worst returns in a decade. In comparison, high-grade bonds returned negative 2.7% this year, which is the biggest loss since the asset class lost 4.9% in 2008.

The bond market was battered by rising interest rates. In a widely anticipated move, the U.S. Federal Reserve hiked rates for the fourth time in 2018, while reducing its expectations for rate increases in 2019 to two times from three.

December's quarter-point rate hike brought the policy rate to 2.25%-2.5%, which was just below the U.S. Federal Reserve's range of estimates for neutral monetary policy and trimmed its 2019 GDP projections from 2.5% to 2.3%. Although it reduced its guidance for hikes in 2019, the U.S. Federal Reserve's bias to tighten further amid already tightening financial conditions partially contributed to the selloff in global equity markets.

With the subsequent rally in U.S. Treasuries, market expectations for 2019 hikes have fallen dramatically since September, with less than one hike now priced into the markets. In Europe, the European Central Bank (ECB) announced the end of its asset purchase program this year, as expected, and reiterated its intention to leave rates unchanged through the summer of 2019. The ECB also cut growth forecasts for both 2018 and 2019 by 0.1% to 1.9% and 1.7%, respectively.

Despite concerns over slowing growth, the U.S. consumer remained a bright spot and, even though U.S. corporate debt is on the high side, the carrying cost of debt is far lower than in previous cycles. Given the U.S. Federal Reserve's ultralow interest-rate policy since the financial crisis, investment-grade credit carrying costs are, in many cases, less than half what they were before the crisis. With the strong U.S. economy, the ability of companies to shoulder higher leverage has therefore increased.

"I want to say a heartfelt thank you for the efficiency and response to my request. I am seriously impressed and pleasantly surprised. It is a small thing to some, but a big thing to me. I really appreciate it and commend you on a great job."

PSPB Active Member

Financial Statements

PSPB
PUBLIC SERVICE
PENSIONS BOARD
Securing Tomorrow, Together

Year ended December 31, 2018

Public Service Pensions Board
Financial Statements
31 December 2018

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 (2018 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 (2018 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, supplemental statement of accumulated plan benefits and statement of cash flows for the financial year ended 31 December 2018.

To the best of our knowledge, we represent that these financial statements:
(a) completely and reliably reflect the financial transactions of Public Service Pensions Board for the year ended 31 December 2018;
(b) fairly reflect the financial position as at 31 December 2018 and performance for the 12 month financial year ended 31 December 2018;
(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- 17 April 2019

Jewel Evans Lindsey
Managing Director
Public Service Pensions Board

Date- 17 April 2019

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CAYMAN ISLANDS

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AUDITOR GENERAL'S REPORT

To the Board of Directors of the Public Service Pensions Board

Opinion

I have audited the financial statements of the Public Service Pensions Board (the "Board"), which comprise the statement of net assets available for benefits as at 31 December 2018 and the statement of changes in net assets available for benefits, supplemental statement of accumulated plan benefits and statement of cash flows for the year ended 31 December 2018, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 12 to 44.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Public Service Pensions Board as at 31 December 2018 and its financial performance and its cash flows for the year ended 31 December 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Emphasis of Matter

I draw attention to Note 23 to the financial statements which describe that the January 1, 2017 tri-annual Actuarial Valuation Reports were approved by the Cabinet but not yet gazetted to bring them into effect. As a result, contributions received and contributions receivable are based on the recommended contribution rates contained in the 2014 Funding Actuarial Valuations which are the contribution rates currently in effect. Had the contribution rates in the 2017 Actuarial Valuation been used, the effect would have been a net increase of approximately $2.022 million.

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

Management is responsible for the preparation of the 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.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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

I have undertaken the audit in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2018 Revision).* I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Sue Winspear, CPFA
Auditor General

17 April 2019
Cayman Islands

Public Service Pensions Board
Statement of Net Assets Available for Benefits
As at 31 December 2018
(Expressed in Cayman Islands Dollars)

		31 December 2018 $000		31 December 2017 $000
Assets				
Current assets				
Cash and cash equivalents				
Cash on hand and in bank	5,967		10,018	
Term deposits (Note 3)	56	6,023	56	10,074
Investments, at fair market value (Note 4)		658,671		676,075
Receivables				
Contributions receivable				
Employees' contributions	1,632		1,396	
Employers' contributions	1,616		1,396	
Employers' - Additional defined benefit costs	61		35	
Additional Normal Cost (ANC)	1,300		32	
Ex-Gratia Receivables	-		345	
Other receivables	297	4,906	259	3,463
Total current assets		669,600		689,612
Non-current assets				
Fixed assets (Note 5)		36		47
Total non-current assets		36		47
Total assets		669,636		689,659
Liabilities				
Current liabilities				
Benefits due (Note 12)		1,390		2,022
Post-Retirement healthcare obligation (Notes 21)		1,169		1,300
PSPB deferred benefit liability (Note 20)		(291)		(211)
Investment management fees		848		902
Accounts payable		264		217
Overpaid Contributions		197		249
Other liabilities		391		348
Total current liabilities		3,968		4,827
Total liabilities		3,968		4,827
Net assets		**665,668**		**684,832**
Represented by:				
Net assets available for benefits:				
Accumulated fund (Note 22)		**665,668**		**684,832**

Kenneth Jefferson, JP
Chairman

Jewel Evans Lindsey
Managing Director

Public Service Pensions Board
Public Service Pensions Plan
Statement of Changes in Net Assets Available for Benefits
For the year ended 31 December 2018
(Expressed in Cayman Islands Dollars)

	31 Dec 2018 $000	31 Dec 2017 $000
Pensions		
Contributions (Note 19)		
Employees	16,099	24,358
Employers	16,123	23,702
Additional Normal Costs	3,209	-
Employers - Additional defined benefit cost	16,521	27,420
Total	51,952	75,480
Transfers In	397	-
Pre-Funded Ex-gratia pensions (Notes 6 & 7)	2,146	2,070
Total contributions	**54,495**	**77,550**
Benefits paid to participants (Note 10)		
Public service pensions	(34,355)	(47,511)
Ex-Gratia pensions (Notes 6 & 7)	(1,924)	(1,960)
Total benefits paid to participants	(36,279)	(49,471)
Net pensions	**18,216**	**28,079**
Investing		
Investment income		
Realized gain on sale of investments – net	34,621	41,908
Dividends earned on investments	8,912	10,815
Unrealized (loss)/gain on investments – net	(71,722)	67,352
Gain/(loss) on foreign exchange	650	(3,616)
Interest earned on investments	53	78
Interest earned on term deposits and call accounts	43	22
Total investment income	**(27,443)**	**116,560**
Investment expenses		
Investment management and custodial fees (Note 15)	(5,730)	(7,525)
Other investment expenses	17	(25)
Total investment expenses	**(5,713)**	**(7,550)**
Net investment income	**(33,156)**	**109,010**
Operating		
Operating income		
Other income	173	96
Total operating income	**173**	**96**
Operating expenses		
Administrative expenses (Note 11)	(3,592)	(4,963)
Depreciation (Note 5)	(21)	(186)
Write-off of accounts receivable and stale-dated items	134	305
Total operating expenses	**(3,479)**	**(4,844)**
Net operating loss	**(3,306)**	**(4,748)**
Other comprehensive income/(loss)	**286**	**957**
Net (decrease)/increase in net assets available for benefits	**(17,961)**	**133,298**
Allocation of Net Increase in in Assets		
Attributable to PPP (Note 8)	**(307)**	**(299)**
Attributable to JPP (Note 9)	**(242)**	**(262)**
Attributable to PSPP	**(18,510)**	**132,737**
Net assets available for benefits at start of year (Note 22)	**672,770**	**540,033**
Net assets available for benefits at end of year (Note 22)	**654,258**	**672,770**

Public Service Pensions Board
Judicial Pension Plan: Supplemental Information
Statement of Changes in Net Assets Available for Benefits
For the year ended 31 December 2018
(Expressed in Cayman Islands Dollars)

	31 December 2018 $000		31 December 2017 $000	
Assets				
Net assets available for benefits at beginning of year (Notes 9 and 22)				
Pension		5,712		5,209
Contributions				
Employees	279		138	
Employers	139		231	
Employers - Additional defined benefit cost	4		86	
Total contributions		422		455
Benefits paid to participants		(1,303)		(214)
Net pensions		(881)		241
Net investment income		242		262
Net increase in net assets available for benefits		(639)		503
Net assets available for benefits at end of year (Notes 9 and 22)		**5,073**		**5,712**

Statement of Changes in Net Assets Available for Benefits
For the year ended 31 December 2018
(Expressed in Cayman Islands Dollars)

	31 December 2018 $000		31 December 2017 $000	
Net assets available for benefits at beginning of year (Notes 8 and 22)		6,350		7,048
Pensions				
Contributions				
Employees	179		203	
Employers	179		203	
Past Service Liability (PSL)	1,161		1,742	
Total contributions		1,519		2,148
Liabilities				
Additional Normal Costs		(295)		(376)
Benefits paid to participants		(1,544)		(2,769)
Net pensions		(320)		(997)
Net investment income		307		299
Net increase in net assets available for benefits		(13)		(698)
Net assets available for benefits at end of Year (Notes 8 and 22)		**6,337**		**6,350**

Public Service Pensions Board
Statement of Cash Flows
For the year ended 31 December 2018
(Expressed in Cayman Islands Dollars)

	31 December 2018 $000	31 December 2017 $000
Cash flows from operating activities		
Receipts		
Contributions received from employees	16,557	21,726
Contributions received from employers	15,688	21,432
Other income received	354	198
Net investment income received	85	81
Total	**32,684**	**43,437**
Payments		
Benefits paid to participants - Public Service	(34,305)	(48,162)
Administrative expenses paid	(3,637)	(4,299)
Investment management fees and other expenses paid	(3,699)	(5,683)
Benefits paid to participants - Ex-Gratia	(1,924)	(1,960)
Total	**(43,565)**	**(60,104)**
Net cash used in operating activities	**(10,881)**	**(16,667)**
Cash flows from investing activities		
Proceeds from sale of investments	-	4,679
Purchase of investments	(12,167)	(32,269)
Purchase of fixed assets and intangibles	(10)	(16)
Net cash applied to investing activities	**(12,177)**	**(27,606)**
Cash flows from financing activities		
Contributions received from employers - Additional defined benefit	18,179	31,305
Ex-Gratia grant and prepaid Ex-Gratia grant	1,725	1,725
Net cash received from financing activities	**19,904**	**33,030**
Cash flows from judiciary contributions		
Contributions received from employer	281	231
Contributions received from employees	140	138
Contributions received from employer - defined benefit	11	86
Benefits paid to participants	(1,304)	(214)
Net cash received from judiciary contributions	**(872)**	**241**
Cash flows from parliamentary contributions		
Contributions received from employer	179	203
Contributions received from employees	179	203
Contributions received from employer - defined benefit	1,161	1,742
Benefits paid to participants	(1,544)	(2,769)
Net cash received from judiciary contributions	**(25)**	**(621)**
Net (decrease) increase in cash and cash equivalents during the year	(4,051)	(11,623)
Cash and cash equivalents at beginning of year	10,074	21,697
Cash and cash equivalents at end of year (Note 3)	**6,023**	**10,074**

Public Service Pensions Board
Supplemental Statement of Accumulated Benefits
For the year ended 31 December 2018
(Expressed in Cayman Islands Dollars)

	31 December 2018 $000	31 December 2017 $000
Actuarial present value of accumulated plan benefits (Note 13)		
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 22)	**665,668**	**684,832**
Fund income/(deficit)	**41,429**	**60,593**

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 (the "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 (2017 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. Those 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 last approved actuarial results and were as follows:

1. Introduction and Background Information (continued)

Employer	DB Employee Contributions Rates	DB Employer Contributions Rates	DB Additional Normal Cost Contribution Rate	DB PSL Contributions Rates	DC Employee Contributions Rates	DC Employer Contrib-utions Rates	DC Additional Normal Cost Contribution Rate	DC PSL Contributions Rates
Cayman Islands Airports Authority*	6%	6%	2%	23%	6%	6%	0%	0%
Sister Island Affordable Housing	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Audit Office	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Civil Aviation Authority*	6%	6%	0%	0%	6%	6%	0%	0%
Community College*	6%	6%	5%	n/a*	6%	6%	0%	n/a*
CAYS Foundation *	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Central Government	6%	6%	5%	n/a*	6%	6%	0%	n/a*
CINICO	6%	6%	0%	0%	6%	6%	0%	0%
Cabinet Office	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Portfolio of the Civil Service	6%	6%	5%	n/a*	6%	6%	0%	n/a*
District Administration	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Cayman Islands Development Bank*	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Electricity Regulatory Authority*	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Portfolio of Finance & Development	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Foreign Office	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Health Services Authority*	6%	6%	3%	3%	6%	6%	0%	0%
Housing Trust*	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Investment Bureau	6%	6%	5%	n/a*	6%	6%	0%	n/a*
ICTA*	6%	6%	0%	0%	6%	6%	0%	0%
Ministry of Human Resources & igration	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Judicial Department	6%	6%	5%	n/a*	6%	6%	0%	n/a*
JPP Employees	10%	0%	0%	0%	10%	20%	0%	0%
Portfolio of Legal Admin	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Cayman Islands Monetary Authority*	6%	6%	0%	0%	6%	6%	0%	0%
Ministry of Communications	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Ministry of Education	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Ministry of Health	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Ministry of Planning	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Ministry of Tourism	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Office of the Complaints Commissioner	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Public Service Pensions Board*	6%	6%	0%	0%	6%	6%	0%	0%
Parliamentary Plan	6%	6%	46%	n/a**	6%	6%	0%	0%
National Roads Authority*	6%	6%	0%	0%	6%	6%	0%	0%
Maritime Authority *	6%	6%	0%	0%	6%	6%	0%	0%
Cayman Turtle Centre*	6%	6%	5%	0%	6%	6%	0%	0%
Water Authority Cayman*	6%	6%	6%	17%	6%	6%	0%	0%
Information Commissioner's Office	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Office of the Premier	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Director of Public Prosecutions	6%	6%	5%	n/a*	6%	6%	0%	n/a*
Ministry of Tourism Financial Services	6%	6%	5%	n/a*	6%	6%	0%	n/a*

eceived for the PSPP during the 2018 fiscal period totaled $15.990 million.

received for the Parliamentary Plan during the 2018 fiscal period totaled $1.161 million.

1. Introduction and Background Information (continued)

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.

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 rounded to the nearest thousand.

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.

2. Significant accounting policies (continued)

Reporting period
The reporting period is the year ended 31 December 2018.

In 2016 the decision was made by Cabinet to change the fiscal year-end from 30 June to 31 December. Accordingly, the current financial statements are prepared from 1 January 2018 to 31 December 2018 and as a result, the comparative figures for 31 December 2017 in the statement of net assets available for benefits, statement for changes in net assets available for benefits, supplemental statement of accumulated benefits and statement of cash flows and related notes are for the 18-month period from 1 July 2016 to 31 December 2017 and are not directly comparable.

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 2014 actuarial valuation.

The 2017 actuarial valuation has been tabled and approved in the Legislative Assembly however, the legislation to effect the contribution rate changes have not yet been gazetted.

Investments
Investments are stated at their fair market value at the date of the Statements of Net Assets Available for Benefits. Realized and unrealized gains and losses are recognized in the Statements 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	20%

2. Significant accounting policies (continued)

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 two new standards that became effective 1st January 2018. They do not impact the annual financial statements of the Board. The nature and impact of each standard is described below:

(i) IFRS 15 Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2018).

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.

2. Significant accounting policies (continued)

(ii) IFRS 9 Financial Instruments (Effective for annual periods beginning on or after 1 January 2018.)

IFRS 9 Financial Instruments is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018.

Under IFRS 9 all financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs. This requirement is consistent with IAS 39.

Financial asset classification and measurement is an area where many changes have been introduced by IFRS 9. Consistent with IAS 39, the classification of a financial asset is determined at initial recognition, however, if certain conditions are met, an asset may subsequently need to be reclassified.
Subsequent to initial recognition, all assets within the scope of IFRS 9 are measured at:
• amortised cost;
• fair value through other comprehensive income (FVTOCI); or
• fair value through profit or loss (FVTPL).

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	**31 Dec 2018**	**31 Dec 2017**
	$ 000	**$ 000**
Cash	5,967	10,018
Term deposits	56	56
Total	**6,023**	**10,074**

The detail of the term deposits at Cayman National Bank at 31 December 2018 is shown below:

At 31 December 2018

Account number	**Principal $000**	**Value date**	**Maturity date**	**Interest Rate**
TD-013-06149	56	07 December 2018	7 June 2019	1.25%
Total	56			

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 (2017 Revision).*

a) Investment and Market conditions[1]

The Fund (In General)

During the 4th quarter 2018, the overall return for the PSPB Fund was negative by 8.9%, which was ahead of the policy benchmark by 1.6%. Over the 1-year period ending December 31, 2018, the PSPB Fund delivered a return of negative 4.1%.

Performance over the 2018 calendar year was well ahead of the policy benchmark with 2.4% of value added. Longer term, over the 5-year period, performance remained strong at 6.6%, with value added of 2.2%.

On a relative basis, the PSPB Fund's overall performance ranked at the 68th percentile for the 4th quarter and at the 18th percentile rank for the 1-year period. Longer term, being the 5-year period, the PSPB Fund's relative ranking remained at the 1st percentile.

The Fund's long term risk/return trade-off is moderately low and above the norm when measured against a peer universe sample of about 360 diversified funds.

Global Equities

After swallowing markets from Germany to China, the stock market negativity finally reached the U.S. shores over the 4th quarter, 2018. U.S. stocks declined by 13.5% and had their worst close to the year since the great depression.

As the 4th quarter concluded, globally, central banks started to slowly withdraw monetary stimulus with the end result being that there were few places to hide in global equity markets in 2018, with almost every major asset class ending the calendar 2018 in negative territory.

Global equity markets fell precipitously throughout the volatile quarter. The MSCI World Index fell 13.4% and the MSCI All Country World Index fell 12.8%. The decline in global markets was fuelled by fears that overly aggressive interest-rate hikes could spark a recession relative to fundamentals and caused equity markets worldwide to overshoot to the downside (though fears were subsequently quelled by remarks from the U.S. Federal Reserve indicating that its monetary policy would take cues from economic data).

[1] Cayman Islands Public Service Pensions Board, 'Performance Review for Periods Ending December 31, 2018', Advisory Capital, 24 January 2019.

4. Investments (continued)

a) Investment and Market conditions (continued)

Global Investment Grade Credit

Bonds as measured by the Barclay's Global Aggregate Credit Index advanced by 40 basis points over the 4th quarter but declined by 50 basis points over the 1-year period.

Over the 4th quarter, credit spreads widened as the market adjusted to higher interest rates and slowing growth. A host of factors contributed to the increased volatility, including Brexit uncertainty, concerns of slowing Chinese growth, uncertainty in Italian negotiations, and the potential for more restrictive central bank policies despite these events. Credit sensitive issues declined though investment-grade performed better than high yield bonds. The global investment-grade credit market, as represented by the Bloomberg Barclays Global Aggregate Credit Index (USD hedged) returned a negative 0.40% as credit spreads widened and long-term interest rates, within the U.S. bond markets, increased.

Over the recent quarter, global investment-grade corporate credit continued to be under pressure as credit spreads widened. Within the U.S. investment-grade credit spreads reached the highest level in more than 2 years as the bond market ended 2018 with the worst returns in a decade. In comparison, high-grade bonds returned negative 2.7% this year, which is the biggest loss since the asset class lost 4.9% in 2008.

b. Investment returns

Total Returns to 31 December 2018
Annualized for periods exceeding 1 year

Last 3 Months	1 Year	2 Years	3 Years	4 Years	5 years	10 years	From Inception
-8.9%	-4.1%	6.6%	6.5%	6.3%	6.6%	10.4%	6.3%

c. Investment portfolios

The investment portfolios are summarized below:

	31 December 2018		31 December 2017	
Description	**$ 000**	**%**	**$ 000**	**%**
Global Equities	523,686	79.50	547,495	80.98
Fixed Income	134,985	20.50	128,580	19.02
Total	**658,671**	**100.00**	**676,075**	**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 January 2018	**20**	**21**	**239**	**42**	**16**	**338**
Additions			10	-		10
Adjustments	-	-	-	-		-
Disposal in the period	-	-	-	-		-
As at 31 December 2018	**20**	**21**	**249**	**42**	**16**	**348**
Accumulated Depreciation						
As at 01 January 2018	**6**	**19**	**220**	**38**	**8**	**291**
Depreciation	2	1	13	2	3	21
Disposals in the period	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-
As at 31 December 2018	**8**	**20**	**233**	**40**	**11**	**312**
Carrying value at 31 December 2018	**12**	**1**	**16**	**2**	**5**	**36**
Carrying value at 31 December 2017	**15**	**2**	**19**	**4**	**7**	**47**

6. 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 (2017 Revision). Provisions contained in the Public Service Pensions (Ex-Gratia Pensions) Regulations (2012 Revision) and the Public Service Pensions (Ex-Gratia Pensions) (Amendment) Regulations 2011.

Eligibility for Ex-Gratia Pension as set out by said laws:

“(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.”

6. Ex-Gratia Pensions (continued)

An estimate of the payments to be administered during the year are appropriated to and received by PSPB, and reported as Pre-Funded Ex-Gratia Pensions. Payments administered during each year are reported as Ex-Gratia Pensions.

Ex-Gratia pension activity:

Description	**2018** $000	**2016-2017** $000
Pre-Funded Ex-Gratia Pensions	1,380	2,070
Ex-Gratia Pensions Payments	(1,246)	(1,960)
Overpayment / (Underpayment)	(134)	110

7. Ex-Gratia Uplift Payments

In August 2017 the Premier announced plans to top-up the pensions of long-serving retired Public Servants, to align minimum pensions with the level of poor relief.

In 2018, the PSPB in partnership with the Portfolio of the Civil Service, undertook the necessary measures to assess the eligibility and implement the new minimum pension threshold of $650 per month for Ex-Gratia pensioners. In alignment with the direction established by the Premier, the threshold will be raised to $750 in 2019.

Ex-Gratia Uplift Payment activity:

Description	**2018** $000
Pre-Funded Ex-Gratia Uplift Payments	766
Ex-Gratia Uplift Payments	(678)
Overpayment / (Underpayment)	88

8. 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.

8. 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, 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 $6,337 million (2017: $6,350 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 Legislative Assembly are under the administration of the Board.

9. 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 in accordance with the 2014 funding valuation the Government contributes 0% 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 2014 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.

9. Judicial Pensions Plan (JPP) (continued)

Due in Respect of Judicial 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, 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 $5,072 million (2017: $5,712 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.

10. 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 are 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.

11. Administrative expenses

Description	**31 December 2018**	**31 December 2017**
	$000	**$000**
Salaries and benefits	2,488	3,363
Office accommodation	320	668
General administrative	143	248
IT Support	98	-
Other professional fees	49	100
Audit fees	70	87
Actuarial fees	349	480
Trustee-related expenses	75	17
Total	**3,592**	**4,963**

12. Benefits due

Benefits Due represents the liability to pay participants who have attained their Normal Retirement Age prior to 31 December 2018 but whose pension payments have not commenced as at the fiscal year end.

13. Funding Actuarial Valuation Reports – 1 January 2017

In accordance with the respective legislation, the tri-annual funding Actuarial Valuation as at 1 January 2017 was carried out by the Board's Actuaries, Mercer, for each of the three Government sponsored pension plans.

The principal assumptions for the 2017 funding 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 3.0%;
ii. long term inflation rate of 2.0% per annum;
iii. valuation interest rate to discount future benefit payments have been presented using phased in discount rates of 8% in 2017, 7.625% in 2018 and ultimate rate of 7.25% thereafter and 7% in 2017, 6.625% in 2018 and 6.25% thereafter
iv. expected long-term rate of return on the Fund's invested assets are shown under both 7.25% and 6.25% (phased-in from 8% and 7% respectively);
v. anticipated future pensions payments increases of 2.0% 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: Age-related table (see below)
   c. Judiciary Pension Plan: N/A

Age Related Tables

Age	Termination Male	Termination Female	Retirement
20	7.50%	12.50%	0.00%
25	5.00%	12.50%	0.00%
30	3.50%	7.50%	0.00%
35	2.50%	4.50%	0.00%
40	1.50%	2.50%	0.00%
45	0.50%	0.50%	0.00%
50	0.00%	0.00%	0.00%
55 to 59	0.00%	0.00%	8.00%
60	0.00%	0.00%	60.00%
61 to 64	0.00%	0.00%	8.00%
65	0.00%	0.00%	100.00%

Whereas, the 1 January 2017 valuation reports present results based on both a 7.25% and 6.25% discount rate (phased-in from 8% and 7% respectively); The discount rate recommended by the Board for the January 2017 valuation is 7.25% (phased-in over two years from 8%).

13. Funding Actuarial Valuation Reports – 1 January 2017 (continued)

a. Public Service Pensions Plan actuarial valuation – 1 January 2017

The funding actuarial valuation calculated a Fund deficiency as at 1 January 2017 as follows:

Public Service Pensions Plan (actuarial estimate)	Amount $ 000
Value of pension fund allocated assets	550,564
Past service liability	(737,268)
Fund deficiency	**(186,704)**

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

Public Service Pensions Plan (actuarial estimate)	
Attributable to the Defined Contribution component of the Plan	12.4%
Attributable to the Defined Benefit component of the Plan	16.7%

The Plan is in a deficit position as of January 1, 2017. Based on an ultimate discount rate of 7.25%, the Plan has a deficit of $187 million at January 1, 2017 and the funded ratio of the DB Part of the Plan is 60% and when combined with the DC part of the Plan is 75%.

The Board has established an objective of funding the deficit over a 20 year period, and decided to fund the Plan on the basis of the valuation results prepared based on an ultimate discount rate of 7.25%.

b. Parliamentary Pensions Plan actuarial valuation – 1 January 2017

The funding Actuarial valuation calculated a Fund deficiency as at 1 January 2017 as follows

Parliamentary Pensions Plan (actuarial estimate)	Amount $ 000
Value of pension fund allocated assets	10,865
Past service liability	(21,920)
Fund deficiency	**(11,055)**

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

Parliamentary Pensions Plan (actuarial estimate)	
Attributable to the Defined Contribution component of the Plan	12.4%
Attributable to the Defined Benefit component of the Plan	57.2%

13. Funding Actuarial Valuation Reports – 1 January 2017 (continued)

b. Parliamentary Pensions Plan actuarial valuation – 1 January 2017 (continued)

The Board has established an objective that the Plan be fully funded in 20 years from the valuation date. Based on the assumptions and methods described in this report, in order to achieve this objective, contributions should be made on the basis of the valuation results prepared based on an ultimate discount rate of 7.25%.

The Plan is in a deficit position as of January 1, 2017. Based on an ultimate discount rate of 7.25%, the Plan has a deficit of $11 million at January 1, 2017 and the funded ratio of the DB Part of the Plan is 47% and when combined with the DC part of the Plan is 50%.

c. Judicial Pensions Plan actuarial valuation – 1 January 2017

The Actuarial valuation calculated a Fund surplus as at 1 January 2017 as follows:

Judicial Pensions Plan (actuarial estimate)	**Amount**
	$ 000
Value of pension fund allocated assets	6,567
Past service liability	(5,923)
Fund surplus	**644**

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

Judicial Pensions Plan (actuarial estimate)	
Attributable to the Defined Contribution component of the Plan	30.0%
Attributable to the Defined Benefit component of the Plan	00.0%

The Board has established an objective that the Plan be fully funded in 20 years from the valuation date. The Plan is currently fully funded, as such, in accordance with the Board’s objective; contributions should be made on the basis of the valuation results prepared based on an ultimate discount rate of 7.25%.

The DB Part of the Plan has a surplus as at January 1, 2017, hence no further Employer contributions are required to fund the DB accrual, until the next valuation review. The funded ratio of the DB Part of the Plan is 114% and when combined with the DC part of the Plan is 111%.

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

The recommended rates of contribution contained in the 2014 funding actuarial valuations became effective by Regulations on 1 July 2016. See note (1c). Recommended rates of contribution contained in the 2017 funding actuarial valuations will become became effective once the reports have been accepted by Cabinet, tabled in the Legislative Assembly, and Gazetted.

15. 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. Morgan Stanley Global Infrastructure Fund ("Morgan Stanley" Investment Manager)
d. PIMCO Global Investment Grade Credit ("PIMCO", Investment Manager)
e. PIMCO U.S. Short-Term Fund ("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:

	31 December 2018 $000	31 December 2017 $000
Investment managers		
IFP	2,775	3,971
Magellan	921	1,286
PIMCO	625	721
Wellington	350	219
Aberdeen	-	39
Morgan Stanley	123	76
Custodian		
CIBC Mellon	106	141
Investment advisor		
Advisory Capital	566	756
Legal fees		
Pillsbury, Winthrop, Shaw, Pittman LLP	264	316
Total	**5,730**	**7,525**

16. 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 needed 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-living 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.

16. 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.

Volatility in market interest rates not only affect the return on investments, but also the discount rate used to measure funding valuations and pension liabilities.

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 paid and administrative expenses. A current surplus is maintained through the receipt of payments from the 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.

16. 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 appropriations 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 Contribution 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.

16. Financial and actuarial risk management (continued)

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

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.

17. Leases and commitments

On 31 March 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

On 1 July 2015, the Board entered into a two year lease agreement with Artemis Property Services for a warehouse storage facility at an annual cost of CI$8,100.00 per annum ($675 monthly). Unit No. 8 is located within the property known as Highgrove Business Park, Building A, consisting of 225 sq.ft. situated at Sparky Drive, George Town.

18. Related party transactions

Key management personnel

There are seven full-time equivalent personnel considered as "Key management personnel". They consist of the Managing Director, Chief Operating Officer/Chief Risk Officer (Trainee), Chief Pensions Officer, Chief Financial Officer, Chief Human Resources Officer, Chief Information Officer and the Communications and Public Relations Manager. 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 2018 was $935,245 thousand (FY 2017: $1,431 million).

During the 2018 fiscal year, the PSPB appointed to three new Directors to the Board: one an independent professional Director. Total compensation paid to Board Directors of the PSPB for the fiscal year 2018 was $44K (FY 2017: $7k). Additionally, the Financial Secretary serves as ex-officio Chairman of the Public Service Pensions Board and as a result is not compensated.

Intra-government agencies

The Board engaged the services of the HR IRIS and the Office of the Auditor General during the year. The transactions amounted to $3 Thousand and $70 Thousand, respectively (FY 2017: $34 Thousand, $4 Thousand and $87 Thousand, respectively). The services are deemed to have been engaged at arm's length.

19. 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. Auditor General's Office
b. Cabinet Office
c. Judicial Department
d. Ministry of Human Resources & Immigration
e. Ministry of Health, Environment, Culture & Housing
f. Ministry of District Administration, Tourism & Transport
g. Ministry of Finance & Economic Development
h. Ministry of Education, Youth, Sports, Agriculture and Lands
i. Ministry Commerce, Planning & Infrastructure
j. Ministry of Financial Services & Home Affairs
k. Ministry of Community Affairs
l. Director of Public Prosecutions
m. Portfolio of Civil Service
n. Portfolio of Legal Affairs
o. Office of the Ombudsman

The statutory authorities and government companies that participate in the Public Service Pensions Plan are the following:

a. Cayman Islands Airports Authority
b. Cayman Islands Development Bank
c. Cayman Islands Health Services Authority
d. Cayman Islands Monetary Authority
e. Cayman Turtle Farm Ltd.
f. CAYS Foundation
g. CINICO
h. Civil Aviation Authority
i. Utility Regulation and Competition Office
j. Maritime Authority CI
k. National Housing Development Trust
l. National Roads Authority
m. Public Service Pensions Board
n. University College of the Cayman Islands
o. Water Authority of the Cayman Islands

Contribution rates paid in by each Plan Participant is in accordance with the default rates as set out in the Public Service Pensions Law.

20. PSPB's IAS19R Pension Liabilities

The Board's Actuary, Mercer, has calculated Public Service Pensions Board ("PSPB") actuarial estimates of liabilities as at 31 December 2018, related to the PSPB's staff 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 31 December 2018 reflects the following:

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

	31 December 2018 $000	31 December 2017 $000
Defined benefit obligation	(1,568)	(1,709)
Fair value of plan assets	1,859	1,920
Funded status	291	211
Effect of asset ceiling/onerous liability	-	-
Net Liability	**291**	**211**

The change in defined benefit obligation is as follows:

	31 December 2018 $000	31 December 2017 $000
Defined benefit obligation at end of prior year	1,709	2,076
Current service cost	46	132
Interest expense	60	106
Cashflows - participant contribution	10	16
Benefit payments from plan	-	-
Effect of changes in demographic assumptions	(5)	(180)
Effect of changes in financial assumptions	(245)	(153)
Effect of experience adjustments	(7)	(288)
Effect of changes in foreign exchange rates	-	-
Defined benefit obligation at end of year	**1,568**	**1,709**

20. PSPB's IAS19R Pension Liabilities (continued)

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

	31 December 2018 $000	31 December 2017 $000
Fair value of plan assets at end of prior year	1,920	1,560
Interest income	68	81
Cash flows		
Employer and participant contributions	20	32
Benefit payments from plan		
Administrative expenses paid from plan assets		-
Remeasurements – return on plan assets (excluding interest income)	(149)	247
Fair value of plan assets at end of year	**1,859**	**1,920**

The net defined benefit liability reconciliation is as follows:

	31 December 2018 $000	31 December 2017 $000
Net defined benefit liability as of beginning of year	(211)	516
Defined benefit cost included in P&L	38	157
Total remeasurements included in OCI	(108)	(868)
Cash flows – employer contributions	(10)	(16)
Net defined benefit liability as of end of year	**(291)**	**(211)**

20. PSPB's IAS19R Pension Liabilities (continued)

The components of defined benefit cost is as follows:

	31 December 2018 $000	31 December 2017 $000
Current service Cost	46	132
Net interest cost		
Interest expense on DBO	60	106
Interest (income) on plan assets	(68)	(81)
Total net interest cost	(8)	25
Administrative expenses and taxes	-	-
Defined benefit cost included in statement of changes in net assets available for benefits	38	157
Remeasurements (recognized in other comprehensive income)		
Effect of changes in demographic assumptions	(5)	(180)
Effect of changes in financial assumptions	(245)	(153)
Effect of experience adjustments	(7)	(288)
(Return) on plan assets (excluding interest income)	149	(247)
Total remeasurements included in other comprehensive Income	(108)	(868)
Total defined benefit cost recognized in statement of changes in net assets available for benefits and other comprehensive Income	**(70)**	**(711)**

The sensitivity analysis on defined benefit obligation is shown below:

	31 December 2018	31 December 2017
1. Discount rate		
a. Discount rate - 25 basis points	1,649	1,808
b. Discount rate + 25 basis points	1,492	1,617
2. Inflation rate		
a. Inflation rate - 25 basis points	1,505	1,631
b. Inflation rate + 25 basis points	1,633	1,792
3. Mortality		
a. Mortality - 10% of current rates	1,601	1,749
b. Mortality +10% of current rates	1,537	1,672

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

Expected employer contributions	17	27

20. PSPB's IAS19R Pension Liabilities (continued)

The significant actuarial assumptions are presented below:

Weighted-average assumptions to determine benefit obligations

	31 December 2018	31 December 2017
1. Discount rate	4.50%	4.00%
2. Rate of salary increase	2.50%	3.50%
3. Rate of price inflation	2.00%	2.50%
4. Rate of pension increases	2.00%	2.50%
5. Post-retirement mortality table	RP-2014 scale back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2018	RP-2014 projected on a generational basis using Scale MP-2014
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

	31 December 2018	31 December 2017
1. Discount rate	3.85%	4.10%
2. Rate of salary increase	2.50%	3.50%
3. Rate of price inflation	2.00%	2.50%
4. Rate of pension increases	2.00%	2.50%
5. Post-retirement mortality table	RP-2014 scaled back to 2006 using Scale MP-2014, then generationally projected from 2006 using Scale MP-2016	RP-2014 projected on a generational basis using Scale MP-2014

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. Based on the data provided, the gross rate of return earned by the Fund over the 12 month period, 1 January 2018 to 31 December 2018 was (4.13%) per annum. Similar internal accounting is used for developing each participating entity's share of the asset portfolio of the Fund.

20. PSPB's IAS19R Pension Liabilities (continued)

Plan Assets (continued)

The valuations are based on the asset value as 31 December 2018 provided to us by PSPB, along with cash flow and other supplemental asset information provided. The assets are held in trust by CIBC Mellon.

The Fund currently has investment policy with a target asset mix of 80% equities and 20% bonds. As at 31 December, 2018, the Fund was invested as follows:

	31 December 2018		31 December 2017	
Plan Assets by Asset Category	**($000)**	**Percentage**	**($000)**	**Percentage**
Equities	523,688	79%	547,494	80%
Debt securities	134,985	20%	128,580	19%
Cash	5,056	1%	10,074	1%
Total	663,729	100%	686,148	100%

The Defined Contribution portion of the Fund totalled $361,762,700 as at 31 December 2018 and $303,457,800 as at December 31, 2017, as provided by PSPB.

The share of the Fund that been notionally allocated to PSPB with regards to its participation in the Defined Benefit Part of the Plan is $1,859,000 as at December 31, 2018 and $1,920,000 as at December 31, 2017.

The Actuarial Assumptions

We have used actuarial assumptions approved by the Financial Secretary, the main sponsor of the Plan. The principal financial and demographic assumptions used at December 31, 2018 and December 31, 2017 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 defined benefit cost for the following year.

Measurement Date	**31 December 2018**	**31 December 2017**
Discount rate		
- BOY disclosure and current year expense	3.80% per year	4.00% per year
- EOY disclosure and following year expense	4.50% per year	3.80% per year
- Following year current service cost	4.55% per year	3.85% per year
- Rate used to determine interest on defined benefit obligation and plan assets for following year expense	4.20% per year	3.50% per year
- Rate used to determine interest on current service cost for following year expense	4.40% per year	3.70% per year
- Increases in pensionable earnings	2.50% per year	2.50% per year
- Rate of Pension Increases	2.00% per year	2.00% per year

20. PSPB's IAS19R Pension Liabilities (cont'd)

The Actuarial Assumptions(continued)

Mortality - BOY disclosure and current year expense	RP-2014 scale back to 2006 using Scale MP-2014, then generationally projected from 2006 using Scale MP-2016	RP-2014 generationally projected using Scale MP-2014
- EOY disclosure and following year expense	RP-2014 scaled back to 2006 using Scale MP-2014, then generationally projected using Scale MP-2018	RP-2014 scaled back to 2006 using Scale MP-2014, then generationally projected using Scale MP-2016
Disability	None	None
Turnover Rates	Age related table	Age related table
Retirement	Age-related retirement rates used. See table below.	Age-related retirement rates used. See table below.
Assumed life expectations on retirement	Retiring today (member age 57) 28.80 Retiring in 25 years (at age 57): 31.08	Retiring today (member age 57) 29.13 Retiring in 25 years (at age 57): 31.42
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%

Retirement Rates:

Age	
Below 55	0%
55-59	8%
60	60%
61-64	8%
65	100%

20. PSPB's IAS19R Pension Liabilities (continued)

The Actuarial Assumptions (continued)

There have been no changes in actuarial assumptions since the prior valuation other than the changes to the principal assumptions shown in the previous table.

21. PSPB Post-Retirement Healthcare Obligation

The Board's Actuary, Mercer, has calculated actuarial estimates of liabilities as at 31 December 2018 and actuarial estimates of the defined benefit cost for the fiscal years ending 31 December 2018 and 30 June 2016, for the Post-Retirement Healthcare Program ("the Health Plan"). For purpose of PSPB reporting, IAS 19R for fiscal year ending 31 December 2017 reflects the following:

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

	31 December 2018 $'000	31 December 2017 $'000
Defined benefit obligation	1,169	1,300
Funded status	-	-
Net defined benefit liability (asset)	**1,169**	**1,300**

The change in defined benefit obligation are as follows:

	31 December 2018 $'000	31 December 2017 $'000
Defined benefit obligation at beginning of year	1,300	1,317
Current service cost	-	-
Interest expense	47	72
Benefit payments from Employer	-	-
Effect of changes in demographic assumptions	(12)	(122)
Effect of changes in financial assumptions	(150)	50
Effect of experience adjustments	(16)	(17)
Defined benefit obligation at end of year	**1,169**	**1,300**

21. PSPB Post-Retirement Healthcare Obligation (continued)

The net defined benefit liability reconciliation are as follows:

	31 December 2018 $'000	31 December 2017 $'000
Net defined benefit liability (asset) at beginning of year	1,300	1,317
Defined benefit cost included in P & L	47	72
Total remeasurement included in OCI	(178)	(89)
Employer direct benefit payments	-	-
Net defined benefit liability (asset) as of end of year	**1,169**	**1,300**

The components of defined benefit cost are as follows:

	31 December 2018 $'000	31 December 2017 $'000
Current service cost	-	-
Interest expense on DBO	47	72
Defined benefit cost included in P & L	47	72
Remeasurements (recognized in other comprehensive income)		
Effect of changes in demographic assumptions	(12)	(122)
Effect of changes in financial assumptions	(150)	50
Effect of experience adjustments	(16)	(17)
Total Remeasurement included in OCI	(178)	(89)
Total defined benefit cost recognized in P & L and OCI	(131)	(17)

The sensitivity analysis on defined benefit obligation is shown below:

	31 December 2018 $'000	31 December 2017 $'000
1. Discount rate		
a. Discount rate – 25 basis points	54	66
b. Discount rate + 25 basis points	(52)	(62)
2. Health care cost trend rates		
a. Health care cost trend rates – 100 basis points	(200)	(231)
b. Health care cost trend rates + 100 basis points	254	296
3. Mortality		
a. Post-retirement mortality assumption + 10%	(46)	(56)

21. PSPB Post-Retirement Healthcare Obligation (continued)

The estimated defined benefit cost for the following year (FY 2019) is as follows:

	Amount ($000)
Interest expense on DBO	50

The significant actuarial assumptions are presented below:

Weighted-average assumptions to determine benefit obligations

	31 December 2018	**31 December 2017**
Discount rate	4.55%	3.85%
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
Post-retirement mortality assumption	RP-2014 projected w/ MP-2018	RP-2014 projected w/ MP-2016

Weighted-average assumptions to determine defined benefit cost

	31 December 2018	**31 December 2017**
Discount rate	3.85%	4.05%
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
Post-retirement mortality assumption	RP-2014 projected w/ MP-2016	RP-2014 projected w/ MP-2014

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 determine the results for the CIG's post-retirement healthcare program. The principal financial and demographic assumptions used at 31 December 2018 and 31 December 2017 are shown in the following table.

21. PSPB Post-Retirement Healthcare Obligation (continued)

Actuarial Assumptions (continued):

Economic Assumptions	**Post Retirement Healthcare**	**Basis of Development – Accounting Specific Assumptions**
Discount rate (p.a.) 31 December 2017 31 December 2018	 3.85% 4.55%	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.
Marital assumption	80% married, wife 3 years younger	-
Current healthcare claims cost assumption	Based on 2015/16 premium rates: Health - $9,500 per participant Dental - $1,100 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.

21. PSPB Post-Retirement Healthcare Obligation (continued)

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.

Participant Data

	30 June 2016	01 January 2014
Active Members		
Number	1	3
Average years of service	22 years	22 years
Average years of service after age 40	12 years	9 years
Average age	51.9	49.4
Pensioners		
Number	1	N/A
Average Age	57.4	N/A

22. 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:

	31 December 2018 $000	31 December 2017 $000
Public Service Pension Plan	654,258	672,770
Judiciary Pension Plan	5,073	5,712
Parliamentary Pension Plan	6,337	6,350
Total	**665,668**	**684,832**

23. Subsequent Event

In accordance with the respective legislation, the tri-annual funding Actuarial Valuation as at 1 January 2017 was carried out by the Board's Actuaries, Mercer, resulting in the recommendation of new contribution rates for DB Additional Normal Cost Contributions and DB PSL Contributions. Employer and Employee Contribution rates remain the same at 6% and 6% respectively.

The 1 January 2017 Actuarial Valuation also recommended changes to the fixed funding for DC PSL for both Central Government (Public Service Pension Plan) and the Parliamentary Pension Plan. The recommended rates of contribution contained in the 2017 funding actuarial valuations were accepted by Cabinet, and tabled in the Legislative Assembly on 10 April 2019.

Amending pension regulations have been drafted which will have the effect of bringing the existing pension contribution rates in line with the rates recommended in the actuarial reports. Once the amending pension Regulations are put in place, the new rates will be effective retroactive to 1 January 2017.

Therefore, calculations of DB Additional Normal Cost Contributions, DB PSL Contributions as well as the fixed funding for DC PSL in the 2018 financial statements are reflective of the pension Regulations resulting from the 1 January 2014 actuarial valuation. Had the contribution rates in the 2017 Actuarial Valuation been used, the effect would have been a net increase of approximately $2.022 million inclusive of the recommended changes to the fixed funding for DC PSL for both Central Government (Public Service Pension Plan) and the Parliamentary Pension Plan.

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