PSPB
PUBLIC SERVICE PENSIONS BOARD
Securing Tomorrow, Together

2019

ANNUAL REPORT

PSPB
PUBLIC SERVICE PENSIONS BOARD
Securing Tomorrow, Together

VISION

Deliver excellence in member services – securing tomorrow, together

MISSION

Be recognized as best in class for investments and member services

VALUES

Professional
Kindness
Integrity
Respect
Innovation
Partnership
Performance

A Look Inside the Annual Report

Credit: Art on front cover is provided by Gordon Solomon of Solomon Studio. The original painting is proudly displayed at the PSPB Cayman Brac office and it was completed in commemoration of the Grand Opening Celebration of the Cayman Brac office in May 2019.

2019 Investment Milestones

0.835% Investment Management Expense Ratio

26.8% PSPB Fund Return

$1,017.4 USD Billion in Assets

$228 USD Million Growth in the PSPB Fund

2,010 Plan Member Files Processed

4,933 One-on-One Meetings with Members

35 Transfers into the Fund Totalling over $1,398,000

20 Presentations to 498 Members

2019 Administration Milestones

MESSAGE FROM THE CHAIR & CEO

On behalf of the Public Service Pensions Board (PSPB), we are pleased to present the Annual Report for the year ended 31 December 2019.

It is impossible to reflect on the 2019 calendar year as anything other than a massive success for the PSPB and our plan members. The first marker of achievement is that the PSPB Funds delivered a return of 26.8%. Further, as of 31 December 2019, the market value of the Public Service Pensions Fund was $1.017.4 billion USD. With our strong investment returns, the PSPB has become the first pension plan in Cayman to surpass $1 Billion USD in assets. It is sound investment management and oversight that has brought about such amazing returns, which was made possible by capitalizing on new investment strategies throughout the year as well as an extended bull market.

The PSPB was well ahead of the investment fund policy benchmark by 3.1%. In the end, the credited rates of return applied to member accounts were outstanding and the specific rates are noted later in this report, along with the outline of how the rates are now calculated and applied on a quarterly basis.

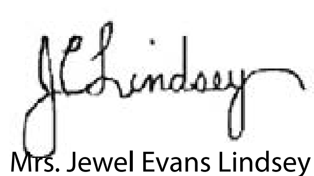
Another measure of success was the implemented changes to the Public Service Pensions Law that bring about vast improvements for the Plan and plan members. The updates to the Law did not just include changes to the more frequent application of the credited rate of return, but they also added new provisions to better support permanently disabled members and ensured that cash-out provisions were aligned to balance the needs of plan members and the integrity of the Fund. Also noteworthy is that the Law was amended to further establish a sound framework of governance and oversight of all matters under the administration of the PSPB. This ensures that control and independence of the PSPB is the sole responsibility of the Board of Directors. The specific updates to legislation are highlighted in the Governance Information and Highlights area of this report.

The final marker of achievement and equally important as investment returns and governance/policy updates is improved member services. In 2019, the PSPB took major steps towards the implementation of a new pension administration system, opened a brand new office in Cayman Brac and managed an over 20% increase in demand from plan members as it relates to processing cases. The Board of Directors and administration team for the PSPB work to ensure that excellence in member service is not just our mission, but it is also something we strive to achieve in all our actions.

The work completed in 2019 showed that, not only were major achievements reached, but a strong foundation was also developed for the PSPB for 2020. As we move into 2020, it is clear that the PSPB is positioned to deliver on key strategic goals and objectives that will have immediate benefits and deliver long-term positive impacts for plan members. In addition, the PSPB approach for 2020 reflects sound and appropriate investment that is balanced against sustaining the long-term financial health of the Fund, the practice of good governance and the commitment to a high standard of service to all stakeholders in the Fund.

Sincerely,

Mrs. Sheree Ebanks
Chair



Mrs. Jewel Evans Lindsey
Chief Executive Officer

GOVERNANCE INFORMATION AND HIGHLIGHTS

Edgar & Marlene
PSPB Pensioners

Board of Directors

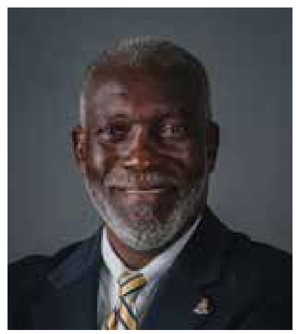
The Public Service Pensions Board (PSPB), which was originally established in 1992, is responsible for the administration of the Fund and the payment of all pensions and other benefits in accordance with the Law.

The Board has the responsibility for overseeing the administration of the Public Sector Pension Plans of the PSPB and in providing governance over audit, risk management oversight, investment activities and operations that are in the best interests of all members. At 31 December 2019, the Board was comprised of the members noted below.

Mrs. Sheree Ebanks
Chair of the Board

Mrs. Jewel Evans Lindsey
Chief Executive Officer
Administrator
Investment Committee
Governance Committee

Mr. Kenneth Jefferson, JP
Audit Committee Chair
Investment Committee



Mr. Orrett Connor, MBE, JP
Audit Committee

Mr. Robin Ellison
Governance Committee Chair

Mr. Simon Cawdery, CFA
Investment Committee Chair

Mr. James Watler, M.ED., JP
Investment Committee

Mrs. Gloria McField-Nixon, JP
Governance Committee

PSPB 2022 Strategy: Driving Plan Sustainability

In 2017, the PSPB 2022 Strategy was developed as a five year goal with an implementation start date of 1 January 2018. The PSPB 2022 Strategy is about driving plan sustainability and the highlights within the strategy have allowed PSPB business plans and operational objectives to work towards the successful delivery on the long-term outlook for the PSPB. In order to achieve the PSPB 2022 Strategy, three main strategic activities were established on behalf of the membership 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.

In 2019, a lot of work was completed in all areas, but the significant major milestones achieved were specific to the above third point relating to government policy, as there were major updates made to plan legislation, which are highlighted below. Moving forward, the focus will also now shift to improve efficiency and effectiveness, with the main goal being on implementing a new pension administration system in 2021.

New Board Director Appointments and Law Changes to Board Composition

Mrs. Sheree Ebanks was officially appointed as the new Chair of the PSPB Board in November 2019. Mrs. Ebanks joined the Public Service Pensions Board of Directors on 6 March 2018 and since her appointment, she has served in the capacity of Chairperson of the PSPB Investment Committee. Mrs. Ebanks replaces Mr. Kenneth Jefferson, who had served as Board Chairperson since 2004. Mr. Jefferson remains on the Board as a Director and continues to provide guidance to the PSPB, especially in the areas of audit, governance and budgeting.

The PSPB also welcomed Mr. Simon Cawdery, a Caymanian with extensive experience in the financial services and banking industry, to the Board of Directors in November 2019. Mr. Cawdery is a Chartered Financial Analyst with extensive investment experience and he is taking on the role of Chairperson of the PSPB Investment Committee, a sub-committee of the Board of Directors.

The updates were brought about through changes to the Board of Directors composition that were required by the Public Service Pensions (Amendment) Law, 2019. Specifically, the Law was amended to articulate that the responsibilities of the Board be focused on strategy and ensuring accountability of Executive Management. In addition, the Law outlines that the actual Director composition must include at least one director with substantial professional investment experience, one director who is an attorney-at-law with substantial fiduciary expertise and one director who is a retired plan member under the Plan. These changes ensure even further growth and effective governance and oversight of the PSPB and all plans under administration.

PSPB Welcomes Two New Employers

The PSPB continues to grow in assets and we are also continuing to grow in membership. One way we are achieving this is by adding new employers. On 1 January 2019, the PSPB welcomed the Cayman Stock Exchange as a participating employer and on 1 October 2019, the Tourism Attraction Board joined as an employer.

Updates to the Public Service Pensions Law

On 7 August 2019, the Public Service Pensions (Amendment) Law, 2019 was enacted by the Legislature of the Cayman Islands. The Amendment Law brought forward a few, but meaningful, improvements to the Public Service Pensions Plan (PSPP). Some of these are highlighted in other sections of this annual report, but two main changes are described below:

Disabled Persons Benefits

The Public Service Pensions Law (2017 Revision) (the Law) is amended to extend benefits to eligible "deferred vested" plan members (i.e. a former public servant who terminated employment before retirement age). This means that the Law is updated to allow former plan members, who are permanently disabled and unable to work for medical reasons, to have the payment of their pension benefits commence prior to otherwise becoming eligible for retirement, subject to being certified by the Chief Medical Officer.

This change was made to better support plan members as previously, a former plan member who is disabled still had to wait until retirement age in order to start receiving pension payments. Since the change to this portion of the Law, the PSPB has already been working with the Chief Medical Officer to verify eligibility for some deferred plan members. The first approval to medically retire a deferred vested plan member under this provision came on 6 November 2019.

Cash-out Provision for non-Caymanians

The cash-out provision is preserved for plan members, but some slight administrative modifications were made to this area. Presently, and moving forward, when a non-Caymanian stops working and residing in the Cayman Islands, the PSPB is and will still process a cash-out of that individual's pension benefit, if they request such an option.

For any current plan members, the modification to this provision results in the cash-out timeline moving to two months from the original one month period. For any individual who starts work and joins the Plan after 1 January 2020, then these future plan members who request a cash-out will be subject to a two-year waiting period of not working and residing in the Cayman Islands.

With the cash-out provision preserved, these modifications under the Law were done to:

- Ensure that proper due diligence can be done to ensure a non-Caymanian is no longer residing in the Cayman Islands;
- Allow the PSPB the necessary administrative timing to facilitate such requests, while not having to liquidate investments to pay cash-out requests; and,
- Discourage any 'revolving door' approach for non-Caymanians coming into and out of employment or residency in the Cayman Islands.

PLAN INFORMATION AND ADMINISTRATION REPORT

Sybil
PSPB Pensioner

About the PSPB

The Public Service Pensions Board is responsible for 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, leading public sector pension legislative reform 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 PSPB is a Statutory Authority that was first established in 1992. The PSPB is governed by the Public Service Pensions Law (2017 Revision) (the Law) and also falls under the governance umbrella of the Public Authorities Law, 2017, and the Public Management and Finance Law (2017 Revision).

In 28 years of existence, the PSPB administration team has worked to provide quality and timely service to plan members and stakeholders. In order to best serve these groups, the PSPB leadership creates a culture that shapes beliefs, values and norms with a focus on our plan members. It is a culture of "Excellence and Pride in PSPB" that guides the work of the PSPB team to have high levels of participation, feedback, engagement and cooperative teamwork in order to achieve organisational strategies and business objectives.

Our Offices

Serving All of Our Islands!

The PSPB is proud to serve all plan members and stakeholders at our two office locations.

The main administration office for the PSPB is located in Grand Cayman. The PSPB office is located within the Government Administration Building, at 133 Elgin Avenue. Hours of operation of this office are 8:30 a.m. to 5:00 p.m. Monday through Friday.

The PSPB is also serving the Sister Islands out of our Cayman Brac office, located at 5 Dennis Foster Road. Hours of operation of this office are 9:00 a.m. to 1:00 p.m. Monday through Friday.

Of note, walk-in and appointment services are available for all members at both of our offices during all operational hours.

PSPB PARTICIPATING EMPLOYERS

Cayman Islands Government
(15 Ministries and Portfolios)

Statutory Authorities and Government Owned Companies
Cayman Islands Airports Authority
Cayman Islands Development Bank
Cayman Islands Monetary Authority
Cayman Turtle Centre
CAYS Foundation
Civil Aviation Authority
Health Services Authority
Maritime Authority of the Cayman Islands
CINICO
Water Authority of the Cayman Islands
Public Service Pensions Board
National Roads Authority
Utility Regulation and Competition Office of the Cayman Islands
Cayman Stock Exchange
Tourism Attraction Board

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.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.

<u>Contribution Rates</u>
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.

<u>Payment of Benefits</u>
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 Pensions 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 (2019 Revision) are also applicable to the administration of Ex-Gratia Pensions. The Ex-Gratia recipients are former Caymanian Civil Servants over the age of 60, who were not in receipt of any pension, allowance, gratuity or other retirement or termination benefit. Those with an aggregate of four or more years but less than 10 years of service receive 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.

In 2019, 570 new plan members joined the Public Service Pensions Plan.

The PSPB Senior Management Team

The PSPB employs a senior management team and staff that is heralded as among the best in the entire Caribbean. Being viewed as the Cayman standard in pension administration, the PSPB employs a group with dynamic backgrounds and expertise that allows operations to be agile, seamless and committed to best serving plan members.

Drawn from diverse backgrounds and from throughout the Cayman Islands, United Kingdom and Jamaica, the PSPB Senior Management Team consists of highly skilled professionals, all of which who have been recognized as top achievers in their respective professions. Our Senior Management Team has over 125 years of accumulated wide-spread experience in Leadership and Business Development, Management, Pension Administration, Research, Finance, Banking, Human Resources, Risk Management, 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.

Left to Right:
Ms. Ledra Lawrence (Chief Operating Officer & Chief Risk Officer (Trainee)), Mr. Stephen Nichols (Chief Pensions Officer),
Mrs. Jewel Evans Lindsey (Chief Executive Officer and Administrator), Ms. Faith Ebanks (Chief Financial Officer),
Mr. Cal Powery (Chief Information and Projects Management Officer), Ms. Angella Bent-Thomas (Chief Human Resources Officer)

2019 YEAR IN REVIEW AND HIGHLIGHTS

Sheldon & Valden
PSPB Pensioners

2019 Highlights

New Pension Administration System

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

In October 2018, the PSPB issued a Request for Information (RFI) in order to best understand the key areas of pursuing a new pension administration system option and how to best proceed in getting the best product. From the learnings of that RFI process, on 4 February 2019, the PSPB issued a Request for Proposal (RFP) with the goal of partnering with a vendor who would be able to deliver a new customizable pension administration system.

Following the closing of the RFP on 7 March 2019, members of the PSPB Procurement Committee conducted a thorough review of the overwhelming responses to the RFP. Upon sorting through all of the information, a short-list of the top five vendors were visited by key members of the PSPB administration team to assess their solution and ensure that the best-suited vendor was recommended. In the latter part of 2019, the Chief Executive Officer and a few Board of Directors conducted a due diligence visit of the recommended vendor.

Based on approval by the Chief Executive Officer and the Board of Directors, the PSPB then proceeded to obtain approval from the Cayman Islands Government Public Procurement Committee, which was granted in Q4 of 2019.

The PSPB is pleased to be partnering with Sagitec Solutions to develop this new system. The 2020 Outlook section of this report outlines the next steps as the PSPB works towards delivery of the new system with Sagitec Solutions.

Ex-Gratia Pension Uplift

Again in 2019, the Government continued with plans to top-up the pensions of long-serving retired Public Servants, to align minimum pensions with the level of poor relief.

In 2019, 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 $750 per month for pensioners. The PSPB team completed all of the uplifts on behalf of the plan members, and this also included adding new recipients who were not previously eligible for a pension uplift. In alignment with the direction established by the Government, the threshold will be raised to $850 in 2020.

The PSPB approved 22 new Ex-Gratia applications in 2019. As a result, these pensioners are now receiving lifetime monthly benefits.

PSPB Officially Opens Office in Cayman Brac

The PSPB officially opened a new office in Cayman Brac and recognized the milestone with a Grand Opening Event on Friday, 31 May 2019. The event included the official ribbon cutting and remarks recognizing the opening from dignitaries such as His Excellency, The Governor, Mr. Martyn Roper, the Honourable Deputy Governor, Mr. Franz Manderson, the Honourable Deputy Premier, Mr. Moses Kirkconnell, the Honourable Minister, Ms. Juliana O'Connor-Connolly and other officials and supporters of the PSPB.

The PSPB has worked over the past two years to establish a much bigger presence on Cayman Brac. This has included the continued relationship with the District Administration office to serve the island and make quarterly trips by PSPB staff to ensure that on-island support was offered to plan members. It became clear from increasing demand for more regular service that an ongoing presence was necessary in order to deliver the highest standard of service to the Sister Islands.

Located on 5 Dennis Foster Road, the PSPB Cayman Brac office is now in place to serve nearly 700 individual members on Cayman Brac, including close to 200 pensioners. The PSPB Cayman Brac office opened in early April and in just over nine months, 798 files/requests have been processed through the new office. With high actual-use numbers exceeding the anticipated demand for services, it is clear that this office was not only needed, but already is and will continue to be a valuable service to the Sister Islands.

Since 1 April 2019, a total of 798 visitors have been served out of the Cayman Brac office.

2019 Highlights continued

Community and Charity Support for PSPB Pensioners & Plan Members

The PSPB works to regularly connect with our pensioners and this includes supporting community events. Members of the PSPB administrative team make it a priority to participate in various events where our pensioners and plan members will be present throughout the year.

Formal participation exists in events such as Older Persons Month. The PSPB was one of the four main sponsors of the Cayman Islands Older Persons Month held in October 2019. With that, PSPB team members attended many events in both Grand Cayman and Cayman Brac and the organisation provided key support through sponsorship of prizes and meals.

In addition, this year, PSPB staff themselves made generous donations to support PSPB pensioners. PSPB staff participate in an employee payroll deduction where each month, they take some of their salary and donate it into a PSPB staff charity account. Then throughout the year, they determine how to use those funds to support charities, local causes or areas of interest. Over the 2019 holiday season, the PSPB staff decided to use these funds to provide a donation close to 100 lower income pensioners in the Cayman Islands.

Private Sector Sponsorship and Partnering by the PSPB

Through in person participation by staff members and also by financial sponsorship donations, the PSPB also sponsored or participated in other Cayman events such as the AICPA and CIIPA 3rd Annual Summit for Accountants and Financial Professionals, Cayman Brac Seniors Citizens' Quarterly Birthday Parties, the Health Services Authority Staff Financial Fair, and so many others throughout the year.

Membership and Activity

Over the course of the reporting period, the pension administration division of the PSPB processed 2,010 member files. This amount of processing is an increase of over 22% in service delivery provided by the PSPB to plan members.

Of the 2,010 files, this included the following key highlights:

2019 Key Administration Files Processed	
Interim Benefit Statements	280
Cash Outs and Transfers	158
Benefit Projections	105
Retirements	179

One on One Member Meetings

If members want information specific to their pension they can meet one-on-one with a Member Services Officer. Walk-In Service at both the Grand Cayman and Cayman Brac offices is available Monday to Friday or by appointment.

This is a very popular service. During the reporting period the following visits were recorded:

2019 One-on-One Member Meetings	
Grand Cayman Meetings	4,135
Cayman Brac Meetings*	798
Total One-on-One Meetings	4,933

*Cayman Brac office numbers are from 1 April 2019.

Annual Events

Pension Continuation Confirmation Certificates

As required by statute, annually the 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 and also ensures proof of life for each pensioner. 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 Chief Executive Officer, 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 2019, a total of 2,355 PCCCs were distributed to pensioners and 2,050 were returned by the required deadline, noting an 87% rate of compliance.

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 2019 was calculated at 3.3% based on an award of 100% of the CPI of 3.3% for 2018. As a result, pensions in payment as at 31st December 2018 were adjusted for inflation as of the first day of 2019 for all retired plan members.

Annual Benefit Statements

Annually, the PSPB distributes benefit statements to all active plan members. The statements aid plan 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 (to be remitted by the employer) for the statement period; and
- The Credited Rate of Return 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 2019, a total of 5,526 statements were distributed to our active membership.

Annual Events - continued

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. Feedback has been positive and continues to enhance the process.

During the reporting period, the PSPB continued with employer and PSPB staff training 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 Cabinet for the Cayman Islands Government, Tourist Attraction Board, Health Services Authority, Cayman Islands Fire Service and the Royal Cayman Islands Police Service.

Throughout 2019, the PSPB conducted a total of 20 formal presentations, which were delivered to a total of 498 plan members.

Staff Training

The PSPB has demonstrated that training and development play a vital role in its effectiveness. It is one of the most effective techniques for improving employees' performance and enhancing organization productivity. In 2019, the following training courses/learning forums were attended by one or more members of staff:

- Royal Fidelity CEO Cayman Economic Outlook 2019
- Morgan Stanley Global Investor Conference
- Pensions and Lifetime Savings Association Annual Conference & Exhibition 2019
- Professional Pensions: Pensions and Benefits UK Conference and Exhibition 2019
- Certified ISO 31000 Internal Controls Risk Analyst Training
- AICPA and CIIPA 3rd Annual Summit for Accountants and Financial Professionals
- Cayman Islands Society for Human Resources Professionals 2019 Annual Conference
- Chartered Institute of Personnel and Development Annual Conference and Exhibition 2019
- Cybersecurity & Cloud Expo North America 2019
- Annual Florida Public Relations Association Conference 2019
- International Association of Privacy Professionals General Data Protection Regulation Training
- International Society of Certified Employee Benefit Specialists: Employee Benefits Symposium 2019

With the PSPB's continued focus on Member Services, members of the pension administration team attended training on further exploring the processing and handling of death benefits, multiple sessions on business writing and communication skills and workshops on public tender document development. In addition, two employees also attended training at the Red Cross to become first aid responders.

2020 Outlook

New Pension Administration System

The major priority for 2020 is the new pension administration system. A signed contract with Sagitec Solutions is expected to be in place in Q2 2020 and immediately following, the PSPB will launch this project with Sagitec Solutions to work together to develop and implement Neospin™, a new pension administration system in 2021.

Specific to the new system, the outcome of this solution will greatly change the way the PSPB does pension administration. The new system will build on the current administration approach, meet the requirements of the Cayman Islands Data Protection Law and will introduce new features that will improve the accuracy, timeliness, accessibility and communication for plan members. The main updates is that the new administration system will feature integrated Electronic Content (ECM) Records Management, workflow tracking and approval, and secure member and employer web portal functionality.

Defined Contribution Adequacy Assessment

The PSPB has initiated a project and is now commencing work with Mercer on the analysis of the adequacy of the Defined Contribution component of the PSPP and PPP. As part of this analysis, Mercer has conducted research to determine the level of retirement income that Caymanians would require to maintain their pre-retirement standard of living. In 2020, the Board will oversee the process, purpose and the deliverable of the project, as well as the assumptions proposed to use for purposes of determining the replacement ratios required to maintain standards of living.

Based on work completed to date, Mercer and the Board of Director for the PSPB will dive deeper in the review and work to validate whether the assumptions are reasonable to complete the full assessment and document outcomes. The Ministry of Finance and Economic Development and the Portfolio of the Civil Service are going to be consulted with as well for consideration and further input.

Risk Management

In 2020, the PSPB will continue work on risk management in order to continue to provide guidance to the Board in the exercise of its duty to care and fiduciary responsibilities. Risk management remains a top governance priority and efforts to expand due diligence and monitoring programmes will continue to be explored and implemented. Specifically, in 2020, the PSPB will undertake recruitment efforts to add the roles of Manager of Risk Support and Internal Auditor to the organization.

This work is designed to specifically support the implementation of a PSPB Enterprise Risk Management Programme in 2020. In 2020 and 2021, the Board of Directors will have an increase in the number of new Directors and changes to Committees. As such, the PSPB will work to ensure not only that appropriate governance support is provided, but that risk management and applicable oversight remains part of the ongoing enterprise risk management assessment taken by the PSPB.

2020 Outlook - continued

Focus on Member Services

One of the most critical parts of the PSPB being successful is its focus on Member Services. Beyond the new pension administration system, there are additional administration efforts being put in place to ensure growth in this area that meets the increased expectations of plan members (such as allowing additional voluntary contributions). Focal points for Member Services centre on continuing to assess data against standards (Data Protection Law became effective 30 September 2019) and developing a programme to bring data up to those standards in order to meet plan member expectations.

The PSPB will also finalize the internal business value-for-money assessment on the products and services provided to members, so this can coincide with the planned deliverables of the new pension administration system. Upon this assessment being completed in 2021, the PSPB will shift to develop forward thinking solutions that will allow the PSPB to review and refine our target operating model and better understand and manage our costs.

In 2020, work will be done to re-implement annual pensioner/member appreciation events and other opportunities to improve branding and image for the PSPB will be explored. Efforts will also commence to update/improve existing letters and forms and a full redevelopment of all web content will be completed. Towards the latter part of 2020, communications work will also start with stakeholders to look at launching planning tools and workshops that assist members in making better/informed decisions about their pension, financial situation and retirement.

At the close of 2019, the PSPB has a total of 2,148 pensioners receiving a monthly payment. This is an increase of 266 pensioners over a one year period.

INVESTMENT REPORT

Clyde & Mary Verna
PSPB Pensioners

Investment Overview

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.

Growth and Outlook of the Fund

Over calendar 2019, pension plans worldwide saw nothing but smooth sailing as positive global equity market performance drove an impressive year, in spite of the bond markets reaching their lowest yields on long-term bonds in over 60 years. Given the tailwind from central banks worldwide, along with evidence of a rebound on global economic activity, global equities saw outstanding returns throughout the year.

Specific to the PSPB, the Fund experienced significant growth in 2019 and has surpassed the milestone of $1 billion USD in assets. With a return of 26.8%, it worth noting that growth was experienced throughout all four quarters of the year. To achieve this, the Fund holds a diversified portfolio of bonds and equity securities that, over the long term, provides above-average returns with minimized variability. This portfolio helps achieve outstanding returns and it also protects from significant downside risk in years with more investment challenges.

In terms of outlook, it will unrealistic to expect equity markets to repeat the strong 2019 performance. In addition, coming into 2020, depressed bond yields have stoked global growth worries. Initially, there was already a compelling view is that a global slowdown, not a recession, is most likely moving forward. There are issues like trade uncertainty that could also exacerbate global growth worries as any escalation in trade tensions would further weaken already fragile business confidence. A new concern relating to COVID-19 (Coronavirus) is also in the forefront for the 2020 calendar year. This virus has the potential to have global impacts, which could have significant impacts not only on the health and well-being of people, but also directly impact investments throughout the world. Should this virus create such a scenario of investment impact, the PSPB will rely on its diverse portfolio and investment strategy to protect against significant downside risks from market volatility and work to meet the ongoing needs of plan members and their future retirements.

Fund Performance

2019 Return and Overall Performance

Over the one-year period ending 31 December 2019, the PSPB Fund delivered a return of 26.8%. This result was due to positive global equity market performance driving an impressive year in spite of global bond markets reaching their lowest yields on long-term bonds in over 60 years. On another positive note, specific to the fourth quarter of 2019, the PSPB Fund was positive by 7.2%, delivering 50 basis points of value added over its policy benchmark over the period.

Performance over the 2019 calendar year was well ahead of the policy benchmark with 3.1% of value added. Longer term, over the five-year period, annualized performance is continuing to be strong at 10.1%, with value added of 2.3%.

On a relative basis, the PSPB Fund's overall performance ranked at the third percentile rank over the one-year period. Longer term, being the five-year period, the PSPB Fund's relative ranking remained at the first 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 340 diversified funds.

Credited Rate of Return

The Credited Rate of Return (CRR) is how the PSPB calculates investment returns based on a three-year geometric average of actual returns, net of expenses, and then applies an interest return rate to all plan member accounts. The Public Service Pensions (Amendment) Law, 2019 changed the manner in which interest is applied to plan member's accounts. Prior to the Amendment, at the end of each year, the PSPB determined the rate at which interest is credited on every plan member's account. This was done by calculating the average of the rates of return received on investments for the previous three years, net of expenses. Once the annual rate was calculated, a full year's interest was added to account balances.

The Law was updated in 2019 so that the credited rate of return is now calculated on a quarterly basis instead of annually. This now means that account balances are credited on a quarterly basis as well. This change is important because by moving to a quarterly update instead of an annual one, it ensures that plan member accounts are updated more regularly and allows an even better approach to actual returns being smoothed to address the effects of market volatility.

Based on the change to the Law, the first table below outlines the quarter end investment return of the Fund, net of fees and the corresponding CRR applied to plan member accounts based on the three-year geometric average of actual returns, also net of expenses. The PSPB Funds experiencing a 26.8% increase brings about positive quarterly increases to the CRR, however, the CRR returns are lower than the overall return from 2019. This is due mostly to the negative 4.1% return on the PSPB Funds in 2018. As noted in the historical chart, even with a negative return last year, the CRR applied to plan member accounts in 2018 was a positive 4.97%. Consecutive years like 2018 and 2019 shows the value that smoothing returns over a three-year period ends up being beneficial to plan members.

2019 Credited Rate of Return and 2019 Quarterly Investment Returns (%)				
	Q4	Q3	Q2	Q1
Quarterly Investment Returns (net rate)	6.76	0.83	3.53	12.16
Quarterly CRR Applied to Member Accounts	2.73	2.27	2.30	2.10

Historical Credited Rate of Return Compared to Annual Investment Returns (%)				
	2018	2017	2016	2015
Annual Investment Return (net rate)	-4.10	16.66	4.65	4.03
Annual CRR Applied to Member Accounts	4.97	8.29	4.92	8.72

Market Summary - Global Equities

The strong rally in global equities over the fourth quarter capped a year of robust gains across global equity markets, which included more than a 20% return, as reflected by the broader index performance and similar positive returns across other developed and emerging markets equities.

Global equities experienced impressive gains, where the U.S. market advanced by 28%, having its best year since 2013, despite slower economic growth, falling profits and ongoing trade disputes. European stocks also rose over 25%, except in Britain where gains were about half that much on continued Brexit worries. Notably, Asian markets also had similarly strong gains, except South Korea, which was caught up in trade slowdowns and Hong Kong, where the economy was negatively impacted by the ongoing public demonstrations. Overall, broader equity markets, as measured by the MSCI World

Index advanced by 8.6% over the fourth quarter. Despite lingering emerging market economic concerns, lesser developed markets advanced on the U.S.-China trade deal, causing the MSCI ACWI to advance by 9.0% over the fourth quarter.

In terms of drivers of performance, it was sentiment in the form of improving optimism over global growth, U.S.-China trade progress and an accommodative global monetary backdrop that buoyed risk appetite over the recent quarter, propelling U.S. and international equity indexes to record highs. However, looking ahead to 2020, the global economic outlook must continue to improve if risk assets are to remain in favour as institutional investors will be watching for more improvement in global leading economic indicators, coupled with further U.S.-China trade progress and signs of a soft Brexit. In addition, the U.S. 2020 election will be closely watched as will the U.S. Federal Reserve, the risks of COVID-19 and several other market indicators for signs of continued monetary policy accommodation.

Essentially, the picture for 2019 was one where the economic reality was far less impressive than equity market returns. Growth is near recessionary in Europe and Japan and has yet to recover in emerging markets such as Brazil and Mexico. Fourth quarter growth in the U.S. looks set to come in just under 2% for the entire year. In terms of expectations, the bottom line is that economic growth is likely going to remain subdued for at least the next few years. This however might be a scenario that stock investors are looking for since a below trend growth rate would keep inflation and interest rates low.

However, this tepid economic growth would also make it difficult to achieve any corporate earnings growth, so the real question moving forward relates to whether corporate earnings and valuations can continue to rise to keep the bull market intact.

2019 Performance by Equity Manager

37.1%
Morgan Stanley

32.5%
Wellington Management Company

30.2%
Independent Franchise Partners

29.3%
Magellan Financial Group

Market Summary - Global Investment Grade Credit

Overall, investment-grade corporate bonds had an impressive calendar year one-year period, delivering 11.9% on both their longer duration, which benefited from both a decline in interest rates, and the tightening of spreads. The investment grade corporate bond market in the US returned the best performance since the aftermath of the financial crisis in 2009.

Following the U.S. Federal Reserve's actions to calm markets with three rate cuts earlier this year, injections of additional liquidity measures served as a very effective backstop for financial markets. Over the fourth quarter, investors saw the impact of easy monetary policy as global growth expectations and economic data bottomed and reversed course, increasing optimism and market sentiment.

The improving economic and inflation picture lifted rates and steepened the US Treasury curve. Additionally, demand for US Treasuries waned during the quarter, pushing the 10 year Treasury yield to 1.92%. Consequently, concerns regarding an inverted yield curve were put to rest during the period under review and increased growth and inflation expectations lifted medium and long dated interest rates.

In terms of outlook, a closer look at corporate fundamentals for investment-grade issuers shows that the investment-grade index is now more sensitive to changes in interest rates and credit spreads than it has been in the past 20 years. The current low yield and longer duration of these corporate bonds means that their price changes resulting from a movement in rates and credit spreads are larger than in the past.

The higher sensitivity can help if credit spreads continue to tighten or if interest rates go lower, but this hasn't happened many times before and the chart below shows that both yields and spreads are at or near the lows of the last decade. Any reversion upwards would have negative consequences on the returns of all bonds, including investment-grade bonds going forward.

2019 Performance by Fixed Income Manager

PIMCO Global Investment Grade Credit

PIMCO US Short Term Fund

PSPB

PUBLIC SERVICE PENSIONS BOARD

Securing Tomorrow, Together

Financial Statements

Year ended 31 December 2019

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31 December 2019

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 Chief Executive Officer, we are responsible for establishing; and have established and maintained 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 Chair and Chief Executive Officer 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 2019.

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

(a) completely and reliably reflect the financial transactions of the Public Service Pensions Board for the year ended 31 December 2019;

(b) fairly reflect the financial position as at 31 December 2019 and performance for the 12 month financial year ended 31 December 2019;

(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.

Mrs. Sheree Ebanks	Jewel Evans Lindsey
Chair	Chief Executive Officer
Public Service Pensions Board	Public Service Pensions Board
Date- 29 April 2020	Date- 29 April 2020

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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 2019 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 2019, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 12 to 46.

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 2019 and its financial performance and its cash flows for the year ended 31 December 2019 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 Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to my audit of the financial statements in 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

As outlined in note 24 to the financial statements, *The Public Authorities Law (2020 Revision) Section 47 – Terms and conditions and remuneration of staff* came into effect on 1 June 2019 and required all Statutory Authorities and Government Companies to comply with its requirements to standardise salaries and benefits. At the date of this report, the process to complete this standardisation has not been completed. My opinion is not modified in respect of this matter.

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 | 29 April 2020
Auditor General | Cayman Islands

PSPB
PUBLIC SERVICE
PENSIONS BOARD
Securing Tomorrow Together

Public Service Pensions Board
Statement of Net Assets Available for Benefits
As at 31 December 2019
(Expressed in Cayman Islands Dollars)

	31 December 2019		31 December 2018	
	$000		$000	
Assets				
Current assets				
Cash and cash equivalents				
Cash on hand and in bank	11,431		5,967	
Term deposits (Note 3)	57	11,488	56	6,023
Investments, at fair market value (Note 4)		847,980		658,671
Receivables				
Contributions receivable				
Employees' contributions	1,636		1,632	
Employers' contributions	1,622		1,616	
Employers' - Additional defined benefit costs	14		61	
Additional Normal Cost (ANC)	1,976		1,300	
Ex-Gratia Receivables	-		-	
Other receivables	326	5,574	297	4,906
Prepaid expenses				
Prepaid expenses	15	15	-	-
Total current assets		**865,057**		**669,600**
Non-current assets				
Fixed assets (Note 5)		71		36
Total non-current assets		71		36
Total assets		**865,128**		**669,636**
Liabilities				
Current liabilities				
Benefits due (Note 13)		1,466		1,390
Post-Retirement healthcare obligation (Notes 22)		1,341		1,169
PSPB deferred benefit asset(Note 21)		(330)		(291)
Investment management fees		924		848
Accounts payable		185		264
Overpaid Contributions		211		197
Other liabilities		479		391
Total current liabilities		4,276		3,968
Total liabilities		4,276		3,968
Net assets		**860,852**		**665,668**
Represented by:				
Net assets available for benefits:				
Accumulated fund (Note 23)		**860,852**		**665,668**

Sheree Ebanks
Chair

Jewel Evans Lindsey
Chief Executive Officer

Public Service Pensions Board
Public Service Pension Plan
Statement of Changes in Net Assets Available for Benefits
For the year ended 31 December 2019
(Expressed in Cayman Islands Dollars)

	31 Dec 2019 $000	31 Dec 2018 $000
Pensions		
Contributions		
Employees	17,285	16,099
Employers	17,041	16,123
Additional Normal Costs	3,656	3,209
Employers - Additional defined benefit cost (Note 14)	20,739	16,521
Total	**58,721**	**51,952**
Transfers In	1,398	397
Pre-Funded Ex-gratia pensions (Notes 7 & 8)	2,638	2,146
Total contributions	**62,757**	**54,495**
Benefits paid to participants (Note 11)		
Public service pensions	(33,944)	(34,355)
Ex-Gratia pensions (Notes 7 & 8)	(2,406)	(1,924)
Total benefits paid to participants	**(36,350)**	**(36,279)**
Net pensions	**26,407**	**18,216**
Investing		
Investment income		
Realized gain on sale of investments – net	56,275	34,621
Dividends earned on investments	9,227	8,912
Unrealized gain/(loss) on investments – net	117,510	(71,722)
(Loss)/gain on foreign exchange	(4,145)	650
Interest earned on investments	47	53
Interest earned on term deposits and call accounts	53	43
Total investment income	**178,967**	**(27,443)**
Investment expenses		
Investment management and custodial fees (Note 16)	(6,353)	(5,730)
Other investment expenses	(19)	17
Total investment expenses	**(6,372)**	**(5,713)**
Net investment income	**172,595**	**(33,156)**
Operating		
Operating income		
Other income	184	173
Total operating income	**184**	**173**
Operating expenses		
Administrative expenses (Note 12)	(3,949)	(3,592)
Depreciation (Notes 5 & 6)	(22)	(21)
Write-off of accounts receivable and stale-dated items	274	134
Total operating expenses	**(3,697)**	**(3,479)**
Net operating loss	**(3,513)**	**(3,306)**
Other comprehensive (loss)/ income	**(63)**	**286**
Net increase/(decrease) in net assets available for benefits	**195,426**	**(17,961)**
Allocation of Net Increase in in Assets		
Attributable to PPP (Note 9)	**(332)**	**(307)**
Attributable to JPP (Note 10)	**(254)**	**(242)**
Attributable to PSPP	**194,840**	**(18,510)**
Net assets available for benefits at start of year (Note 23)	**654,258**	**672,770**
Net assets available for benefits at end of year (Note 23)	**849,098**	**654,258**

Public Service Pensions Board
Judicial Pension Plan: Supplemental Information
Statement of Changes in Net Assets Available for Benefits
For the year ended 31 December 2019
(Expressed in Cayman Islands Dollars)

	31 December 2019 $000	31 December 2018 $000
Assets		
Net assets available for benefits at beginning of year (Notes 10 & 23)		
Pension	5,073	5,712
Contributions		
Employees	320	279
Employers	219	139
Employers - Additional defined benefit cost	-	4
Total contributions	539	422
Benefits paid to participants	(661)	(1,303)
Net pensions	(122)	(881)
Net investment income	254	242
Net increase/(decrease) in net assets available for benefits	132	(639)
Net assets available for benefits at end of year (Notes 10 and 23)	**5,205**	**5,073**

Public Service Pensions Board
Parliamentary Pension Plan: Supplemental Information
Statement of Changes in Net Assets Available for Benefits
For the year ended 31 December 2019
(Expressed in Cayman Islands Dollars)

	31 December 2019 $000	31 December 2018 $000
Net assets available for benefits at beginning of year (Notes 9 and 23)	6,338	6,350
Pensions		
Contributions		
Employees	170	179
Employers	170	179
Past Service Liability (PSL)	1,140	1,161
Total contributions	1,480	1,519
Prior Year ANC Receivables	295	
Liabilities		
Additional Normal Costs	(118)	(295)
Benefits paid to participants	(1,778)	(1,544)
Net pensions	(121)	(320)
Net investment income	332	307
Net increase in net assets available for benefits	211	(13)
Net assets available for benefits at end of Year (Notes 9 and 23)	**6,549**	**6,338**

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PUBLIC SERVICE PENSIONS BOARD
Securing Tomorrow Together

Public Service Pensions Board
Statement of Cash Flows
For the year ended 31 December 2019
(Expressed in Cayman Islands Dollars)

	31 December 2019 $000	31 December 2018 $000
Cash flows from operating activities		
Receipts		
Contributions received from employees	18,584	16,557
Contributions received from employers	17,192	15.688
Other income received	240	354
Net investment income received	60	85
Total	**36,076**	**32,684**
Payments		
Benefits paid to participants - Public Service	(33,642)	(34,305)
Administrative expenses paid	(4,268)	(3,637)
Investment management fees and other expenses paid	(3,469)	(3,699)
Benefits paid to participants - Ex-Gratia	(2,406)	(1,924)
Total	**(43,785)**	**(43,565)**
Net cash used in operating activities	**(7,709)**	**(10,881)**
Cash flows from investing activities		
Proceeds from sale of investments	5,922	-
Purchase of investments	(19,166)	(12,167)
Purchase of fixed assets and intangibles	(17)	(10)
Net cash applied to investing activities	**(13,261)**	**(12,177)**
Cash flows from financing activities		
Contributions received from employers - Additional defined benefit	24,066	18,179
Ex-Gratia grant and prepaid Ex-Gratia grant	2,638	1,725
Net cash received from financing activities	**26,704**	**19,904**
Cash flows from judiciary contributions		
Contributions received from employer	512	281
Contributions received from employees	177	140
Contributions received from employer - defined benefit	-	11
Benefits paid to participants	(661)	(1,304)
Net cash received from judiciary contributions	**28**	**(872)**
Cash flows from parliamentary contributions		
Contributions received from employer	170	179
Contributions received from employees	170	179
Contributions received from employer - defined benefit	1,140	1,161
Benefits paid to participants	(1,777)	(1,544)
Net cash received from parliamentary contributions	**(297)**	**(25)**
Net (decrease) increase in cash and cash equivalents during the year	5,465	(4,051)
Cash and cash equivalents at beginning of year	6,023	10,074
Cash and cash equivalents at end of year (Note 3)	**11,488**	**6,023**

Public Service Pensions Board
Supplemental Statement of Accumulated Plan Benefits
For the year ended 31 December 2019
(Expressed in Cayman Islands Dollars)

	31 December 2019 $000	31 December 2018 $000
Actuarial present value of accumulated plan benefits (Note 14)		
Inactive and Active Participants	(765,111)	(624,239)
Total actuarial present value of accumulated plan benefits	(765,111)	(624,239)
Fund's net assets available for benefits at year-end (Note 23)	**860,852**	**665,668**
Fund income/(deficit)	**95,741**	**41,429**

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 Contributions Rates	DC Additional Normal Cost Contribution Rate	DC PSL Contributions Rates
AA = Cayman Islands Airports Authority*	6%	6%	2.30%	256,000	6%	6%	0.40%	0%
AO = Audit Office	6%	6%	5.50%	n/a*	6%	6%	0.40%	n/a*
CA = Civil Aviation Authority*	6%	6%	0%	0%	6%	6%	0.40%	0%
CC = Community College*	6%	6%	0%	96,000	6%	6%	0.40%	n/a*
CF = CAYS Foundation *	6%	6%	0%	n/a*	6%	6%	0.40%	n/a*
CG = Central Government	6%	6%	5.50%	n/a*	6%	6%	0.40%	n/a*
CI = CINICO	6%	6%	0.70%	0%	6%	6%	0.40%	0%
CO = Cabinet Office	6%	6%	5.50%	n/a*	6%	6%	0.40%	n/a*
CS = Portfolio of the Civil Service	6%	6%	5.50%	n/a*	6%	6%	0.40%	n/a*
DA = District Administration	6%	6%	5.50%	n/a*	6%	6%	0.40%	n/a*
DB = Cayman Islands Development Bank*	6%	6%	0%	n/a*	6%	6%	0.40%	n/a*
OR = Utility Regulation and Competition Office* (Combination of ICTA & ERA)	6%	6%	0%	n/a*	6%	6%	0.40%	n/a*
FD = Portfolio of Finance & Development	6%	6%	5.50%	n/a*	6%	6%	0.40%	n/a*
FO = Foreign Office	6%	6%	5.50%	n/a*	6%	6%	0.40%	n/a*
HS = Health Services Authority*	6%	6%	2.50%	36,000	6%	6%	0.40%	0%
HR = Ministry of Human Resources & Immigration (Internal & External Affairs)	6%	6%	5%	n/a*	6%	6%	0.40%	n/a*
JD = Judicial Department	6%	6%	5.50%	n/a*	6%	6%	0.40%	n/a*
JP = JPP Employees	n/a*	n/a*	n/a*	n/a*	10%	20%	n/a*	n/a*
LA = Portfolio of Legal Admin	6%	6%	5.50%	n/a*	6%	6%	0.40%	n/a*
MA = Cayman Islands Monetary Authority*	6%	6%	2.60%	0%	6%	6%	0.40%	0%
MC = Ministry of Communications	6%	6%	5.50%	n/a*	6%	6%	0.40%	n/a*
ME = Ministry of Education	6%	6%	5.50%	n/a*	6%	6%	0.40%	n/a*
MH = Ministry of Health	6%	6%	5.50%	n/a*	6%	6%	0.40%	n/a*
MP = Ministry of Planning	6%	6%	5.50%	n/a*	6%	6%	0.40%	n/a*
MT = Ministry of Tourism	6%	6%	5.50%	n/a*	6%	6%	0.40%	n/a*
PB = Public Service Pensions Board*	6%	6%	3.10%	0%	6%	6%	0.40%	0%
PP = Parliamentary Plan	6%	6%	45.20%	n/a**	6%	6%	0.40%	0%
RA = National Roads Authority*	6%	6%	1.50%	0%	6%	6%	0.40%	0%
SR = Maritime Authority *	6%	6%	2.90%	0%	6%	6%	0.40%	0%
TF = Cayman Turtle Centre*	6%	6%	4.80%	0%	6%	6%	0.40%	0%
WA = Water Authority Cayman*	6%	6%	5.10%	69,000	6%	6%	0.40%	0%
DP = Director of Public Prosecutions	6%	6%	5%	n/a*	6%	6%	0.40%	n/a*
FS = Ministry of Tourism Financial Services	6%	6%	5.50%	n/a*	6%	6%	0.40%	n/a*
GO = Governor's Office	6%	6%	5.50%	n/a*	6%	6%	0.40%	n/a*
OO = Office of the Ombudsman (Combination of Information Commissioner's Office & Office of the Complaints Commissioner)	6%	6%	5.50%	n/a*	6%	6%	0.40%	n/a*

* PSL received for the PSPP during the 2019 fiscal period totaled $16.257 million.

** PSL received for the Parliamentary Plan during the 2019 fiscal period totaled $1.140 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.

2. **Significant Accounting Policies (continued)**

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

Reporting period
The reporting period is the year ended 31 December 2019.

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 in 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 2017 actuarial valuation.

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

IFRS 16 Leases
IFRS 16 Leases became effective 1st January 2019. The nature and impact is described below:

The scope of IFRS 16 includes all contracts that convey the right to use an asset for a period of time in exchange for consideration, except for:

- Licenses of intellectual property granted by a lessor
- Rights held by a lessee under licensing agreements (such as motion picture films, video recordings, plays, manuscripts, patents and copyrights)
- Leases of biological assets
- Service concession agreements
- Leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources.

There is an optional scope exemption for lessees of intangible assets other than the licenses mentioned above.

IFRS 16 includes detailed guidance to help companies assess whether a contract contains a lease or a service, or both.

The analysis starts by determining if a contract meets the definition of a lease. This means that the customer has the right to control the use of an identifiable asset for a period of time in exchange for consideration.

2. Significant Accounting Policies (continued)

The distinction between operating and finance leases is eliminated for lessees, and a new lease asset (representing the right to use the leased item for the lease term) and the lease liability (representing the obligation to pay rentals) are recognized for all leases, except for:

- ***Short-term Leases and low value assets leases.***

Short-term Leases
Under IFRS 16 lessees may elect not to recognize assets and liabilities for leases with a lease term of 12 months or less. In such cases a lessee recognizes the lease payments in profit or loss on a straight-line basis over the lease term. The exemption is required to be applied by class of underlying assets.

To be able to apply this exemption, entities need to determine the lease term. The determination of short-term lease is consistent with the definition of a lease term (i.e. the options to extend should be taken into account if an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease.

Any lease that contains a purchase option is not a short-term lease.

Leases of low value assets
Based on feedback provided to the IASB on cost and benefits, the Board included another exemption in the new standard to reduce the costs and complexity of IFRS 16. Lessees are not required to recognize assets or liabilities for leases of low value assets such as tablets and personal computers, small items of office furniture and telephones.

The PSPB currently holds leases with Ministry of Planning, Lands, Aviation, Housing & Infrastructure, CAYBRAC Ltd. and Rosseau Ltd. The leases relate to office space in the Government Administration Building, rental of office space for the Cayman Brac office and warehouse space in Grand Cayman. The leasing terms is on a year to year basis with a value of $244,401.00, $13,116.00 and $8,100.00 respectively. Therefore, these leases have been deemed short-term (i.e. 12 months or less and low value, as it related to the CAYBRAC and Rosseau Ltd.) and treated accordingly in these financial statements.

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 2019**	**31 Dec 2018**
	$ 000	**$ 000**
Cash	11,431	5,967
Term deposits	57	56
Total	**11,488**	**6,023**

3. Cash and cash equivalents (continued)

The detail of the term deposits at Cayman National Bank at 31 December 2019 is shown below:

At 31 December 2019

Account number	Principal $000	Value date	Maturity date	Interest Rate
TD-013-06149	57	09 December 2019	7 June 2020	1.100%
Total	57			

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 (Amendment) Law, (2019 Revision).*

a) Investment and Market conditions[1]

The Fund (In General)

Over the 4th quarter and throughout the calendar year 2019, positive global equity market performance drove an impressive year for the typical pension plan in spite of the bond markets reaching their lowest yields on long-term bonds in over 60 years.

Over the 4th quarter 2019, the overall return for the PSPB Fund was positive by 7.2%, delivering 50 basis points of value added over its policy benchmark over the period; Over the 1-year period ending December 31, 2019, the PSPB Fund delivered a return of positive 26.8%, producing an overall value-added contribution of 3.1%. On a relative basis, the PSPB Fund's overall performance ranked at the 22nd percentile for the 4th quarter and at the 3rd percentile rank over the 1-year period. Longer term, being the 5-year period, the PSPB Fund's relative ranking remained at the 1st percentile.

[1] Cayman Islands Public Service Pensions Board, 'Performance Review for Periods Ending December 31, 2019', Advisory Capital, 14 February 2020.

4. Investments (continued)

a) Investment and Market conditions[2]

Global Equities
Global equities experienced yet another quarter of impressive gains, where the U.S. market advanced by 28% having its best year since 2013. The strong rally in global equities over the 4th quarter capped a year of robust gains across global equity markets, which included more than a 20% return, as reflected by the broader index performance and similar positive returns across other developed and emerging markets equities.

Global Investment Grade Credit
The broad global corporate bond market, as measured by the Barclays Global Aggregate Credit Index, delivered 0.6% return as rates bounced off their Labor Day lows and credit continued to outperform. Overall, investment-grade corporate bonds had an impressive calendar year 1-year period, delivering 11.9% on both their longer duration, which benefited from both a decline in interest rates, and the tightening of spreads. The investment grade corporate bond market in the US returned the best performance since the aftermath of the financial crisis in 2009.

Over the 4th quarter, investors saw the impact of easy monetary policy as global growth expectations and economic data bottomed and reversed course, increasing optimism and market sentiment. The improving economic and inflation picture lifted rates and steepened the US Treasury curve. Additionally, demand for US Treasuries waned during the quarter, pushing the 10-Yr Treasury yield to 1.92%. Consequently, concerns regarding an inverted yield curve were put to rest during the period under review and increased growth and inflation expectations lifted medium and long dated interest rates.

b. Investment returns

Total Returns to 31 December 2019
Annualized for periods exceeding 1 year

Last 3 Months	1 Year	2 Years	3 Years	4 Years	5 years	10 years	From Inception
7.2%	26.8%	10.3%	12.9%	11.2%	10.1%	10.9%	7.2%

[2] Cayman Islands Public Service Pensions Board, 'Performance Review for Periods Ending December 31, 2019', Advisory Capital, 14 February 2020.

Public Service Pensions Board
Notes to the Financial Statements
For the year ended 31 December 2019
(Expressed in Cayman Islands Dollars)

4. Investments (continued)

c. Investment portfolios

The investment portfolios are summarized below:

	31 December 2019		31 December 2018	
Description	**$ 000**	**%**	**$ 000**	**%**
Global Equities	680,288	80.20	523,686	79.50
Fixed Income	167,692	19.80	134,985	20.50
Total	**847,980**	**100.00**	**658,671**	**100.00**

5. Fixed Assets

Fixed assets consist of the following components:

	Leasehold Improvements $000	Furniture &Fixtures $000	Office Equipment $000	Computer Equipment $000	Computer Software $000	Vehicles $000	Total $000
Cost							
As at 01 January 2019	**-**	**20**	**21**	**249**	**42**	**16**	**348**
Additions	19	16	3	19	-		57
Adjustments			-	-	-		-
Disposal in the period		-	(2)	-	-		(2)
As at 31 December 2019	**19**	**36**	**22**	**268**	**42**	**16**	**403**
Accumulated Depreciation							
As at 01 January 2019	**-**	**8**	**20**	**233**	**40**	**11**	**312**
Depreciation	**3**	3	1	10	2	3	22
Disposals in the period	-	-	(2)	-	-	-	(2)
Adjustments		-	-	-	-	-	
As at 31 December 2019	**3**	**11**	**19**	**243**	**42**	**14**	**332**
Carrying value at 31 December 2019	**16**	**25**	**3**	**25**	**1**	**1**	**71**
Carrying value at 31 December 2018	**-**	**12**	**1**	**16**	**2**	**5**	**36**

6. Intangibles

Intangibles consist of Plan Administration System as follows:

	$000
Cost	
As at 01 January 2019	571
Additions	-
As at 31 December 2019	571
Accumulated Amortization	
As at 01 January 2019	571
Amortization	-
As at 31 December 2019	571
Carrying value at 31 December 2019	**-**
Carrying value at 31 December 2018	**-**

7. 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) and by provisions contained in the Public Service Pensions (Ex-Gratia Pensions) Regulations (2019 Revision).

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."

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

7. Ex-Gratia Pensions (continued)

Ex-Gratia pension activity:

Description	**31 Dec 2019** $000	**31 Dec 2018** $000
Pre-Funded Ex-Gratia Pensions	1,432	1,380
Ex-Gratia Pensions Payments	(1,276)	(1,246)
Overpayment / (Underpayment)	156	134

8. 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 Board in partnership with the Portfolio of the Civil Service (in compliance with the Public Service Pensions (Ex-Gratia Uplift Payments) Regulations 2018), undertook the necessary measures to assess the eligibility and implement the new minimum pension for qualifying pensioners. The initial minimum pension threshold of $650 per month came in effect from 1st January 2018, and the increased minimum pension threshold of $750 per month came in effect from 1st January 2019.

In alignment with the direction established by the Premier, the minimum pension threshold was increased again under the Public Service Pensions (Ex-Gratia Uplift Payments) (Amendment) Regulations 2019, to $850 per month with effect from 1st January 2020, with allowance to increase the minimum pension to $950 per month with effect from 1st January 2021.

Ex-gratia Uplift Payment activity:

Description	**31 Dec 2019** $000	**31 Dec 2018** $000
Pre-Funded Ex-Gratia Uplift Payments	1,206	766
Ex-Gratia Uplift Payments	(1,130)	(678)
Overpayment / (Underpayment)	76	88

9. Parliamentary Pensions Plan (PPP):

The Members of the Legislative Assembly participate in the Parliamentary Pensions Plan (PPP) as governed by the Parliamentary Pensions Law (2010 Revision) (the "Parliamentary Pensions Law"). Members contribute at a rate of 6% of pensionable earnings and employers contribute a matching 6%.

9. Parliamentary Pensions Plan (PPP) (continued)

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.

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

Due in Respect of Parliamentary Pensions Plan

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

To clearly account for the amounts in respect of the separate Plans, supplementary information to the Statement Net Assets Available for Benefits are presented for the PPP on page 9, 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 $6,549 million (2018: $6,338 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.

10. Judicial Pensions Plan (JPP)

The Judges of the Grand Court of the Cayman Islands and Magistrates 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"). Plan participants contribute at a rate of 10% of pensionable earnings and in accordance with the 2017 funding valuation and the Government contributes 0% for participants 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 2017 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 a participant cannot exceed an annual 80% of the participant's final average pensionable earnings.

10. Judicial Pensions Plan (JPP) (continued)

Due in Respect of Judiciary Pensions Plan

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

To clearly account for the amounts in respect of the separate Plans, supplementary information to the Statement Net Assets Available for Benefits are presented for the JPP on page 8, showing beginning and ending balances, as well as contribution, benefits paid and investment returns recognized for the PPP during the year.

Net assets available for benefits for JPP at end of year amounted to $5,205 million (2018: $5,073 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 of the Cayman Islands and Magistrates are under the administration of the Board.

11. Benefits paid to participants

Beginning in April 1999, payments were paid directly out of the Fund for pensioners of the Public Service Pensions Plan. The Government is required to pre-fund payments made to recipients of the Ex-gratia pensions. Pension payments in respect of the Parliamentary Pensions Plan were pre-funded by payments from the Government up until the passage of the *Parliamentary Pensions Law (2004)* on 23 August 2004, which required benefit payments be paid directly from the Parliamentary Pensions Fund.

12. Administrative expenses

Description	**31 December 2019**	**31 December 2018**
	$000	**$000**
Salaries, benefits & other staff related expenses	2,748	2,488
Office accommodation & related expenses	345	320
General administrative	123	143
IT Support	166	98
Other professional fees	75	49
Audit fees	70	70
Actuarial fees	312	349
Trustee-related expenses	110	75
Total	**3,949**	**3,592**

13. Benefits Due

Benefits Due represents the liability to pay participants who have attained the Normal Retirement Age prior to 31 December 2019 but whose pension payments have not commenced as at the fiscal year end.

14. 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%).

14. 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%

14. 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%.

15. Pension Contributions (Re: Funding Actuarial valuations – effective 1 January 2017)

The recommended rates of contribution contained in the 2017 funding actuarial valuations became effective by Regulations on 31 October 2019 and are retroactive to 1 January 2017. See note (1c).

16. Investment Management and Consultancy Fees

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

a. Independent Franchise Partners (“IFP”, Investment Manager)
b. MFG Global Fund (“Magellan” Investment Manager)
c. 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 2019 $000	31 December 2018 $000
Investment managers		
IFP	2,945	2,775
Magellan	1,017	921
PIMCO	697	625
Wellington	485	350
Morgan Stanley	223	123
Custodian		
CIBC Mellon	112	106
Investment advisor		
Advisory Capital	635	566
Legal fees		
Pillsbury, Winthrop, Shaw, Pittman LLP	239	264
Total	**6,353**	**5,730**

17. Financial and Actuarial Risk Management

(i) Financial instruments risks

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

17. Financial and Actuarial Risk Management (continued)

(i) Financial instruments risks (continued)

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.

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.

17. Financial and Actuarial risk management (continued)

(i) Financial instruments risks (continued)

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.

(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 provide 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

17. Financial and actuarial risk management (continued)

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

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 DC 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.

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

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

18. Leases and Commitments

On 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 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.

Also, in March 2019 the Board entered into a three-year lease agreement (with the option to renew for an additional two years) with CAYBRAC Ltd. for 1,093 sq. ft. of office space located on Dennis Foster Road in Cayman Brac at an annual cost of CI$13,116.00 ($1,093.00 monthly).

19. Related party transactions

Key management personnel
There are seven full-time equivalent personnel considered as “Key management personnel”. They consist of the Chief Executive Officer, Chief Operating Officer and Risk Officer (Trainee), Chief Pension Officer, Chief Financial Officer, Chief Human Resource Officer, Chief Information Officer and 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 2019 was $1.091 million, (FY 2018: $935,245 thousand).

During the 2019 fiscal year, a new Chairman and one new member was appointed to the Board. Total compensation paid to Board Directors of the PSPB for the fiscal year 2019 was $78 thousand (FY 2018: $44 thousand).

Intra-government agencies
The Board engaged the services of the HR IRIS, the Office of the Auditor General, during the year. The transactions amounted to $3 thousand and $87 thousand respectively (2018: $3 Thousand, $40 Thousand respectively). The services are deemed to have been engaged at arm’s length.

20. Plan Participants

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

a. 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
p. Foreign Office (Ministry of International Trade)

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
p. The Cayman Islands Stock Exchange
q. Queen Elizabeth II Botanic Park
r. Pedro Castle
s. Pirates Week
t. Tourism Board

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

21. 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 2019, 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 2019 reflects the following:

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

	31 December 2019 $000	31 December 2018 $000
Defined benefit obligation	(2,053)	(1,568)
Fair value of plan assets	2,383	1,859
Funded status	(330)	(291)
Effect of asset ceiling/onerous liability	-	-
Net Liability	**(330)**	**(291)**

The change in defined benefit obligation is as follows:

	31 December 2019 $000	31 December 2018 $000
Defined benefit obligation at end of prior year	1,568	1,709
Current service cost	45	46
Interest expense	66	60
Cashflows - participant contribution	12	10
Benefit payments from plan		
Effect of changes in demographic assumptions	(8)	(5)
Effect of changes in financial assumptions	371	(245)
Effect of experience adjustments	(1)	(7)
Effect of changes in foreign exchange rates		
Defined benefit obligation at end of year	**2,053**	**1,568**

21. PSPB's IAS19R Pension Liabilities (continued)

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

	31 December 2019 $000	31 December 2018 $000
Fair value of plan assets at end of prior year	1,859	1,920
Interest income	79	68
Cash flows		
Employer and participant contributions	24	20
Benefit payments from plan		
Administrative expenses paid from plan assets		
Remeasurements – return on plan assets (excluding interest income)	421	(149)
Fair value of plan assets at end of year	**2,383**	**1,859**

The net defined benefit liability reconciliation is as follows:

	31 December 2019 $000	31 December 2018 $000
Net defined benefit liability as of beginning of year	(291)	(211)
Defined benefit cost included in P&L	32	38
Total remeasurements included in OCI	(59)	(108)
Cash flows – employer contributions	(12)	(10)
Net defined benefit liability as of end of year	**(330)**	**(291)**

21. PSPB's IAS19R Pension Liabilities (continued)

The components of defined benefit cost is as follows:

	31 December 2019 $000	31 December 2018 $000
Current service Cost	45	46
Net interest cost		
Interest expense on DBO	66	60
Interest (income) on plan assets	(79)	(68)
Total net interest cost	(13)	(8)
Administrative expenses and taxes	-	-
Defined benefit cost included in statement of changes in net assets available for benefits	32	38
Remeasurements (recognized in other comprehensive income)		
Effect of changes in demographic assumptions	(8)	(5)
Effect of changes in financial assumptions	371	(245)
Effect of experience adjustments	(1)	(7)
(Return) on plan assets (excluding interest income)	(421)	149
Total remeasurements included in other comprehensive Income	(59)	(108)
Total defined benefit cost recognized in statement of changes in net assets available for benefits and other comprehensive Income	**(27)**	**(70)**

The sensitivity analysis on defined benefit obligation is shown below:

	31 December 2019	31 December 2018
1. Discount rate		
a. Discount rate - 25 basis points	2,163	1,649
b. Discount rate + 25 basis points	1,951	1,492
2. Inflation rate		
a. Inflation rate - 25 basis points	1,969	1,505
b. Inflation rate + 25 basis points	2,142	1,633
3. Mortality		
a. Mortality - 10% of current rates	2,104	1,601
b. Mortality +10% of current rates	2,006	1,537

21. PSPB's IAS19R Pension Liabilities (continued)

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

	31 December 2019 $000	31 December 2018 $000
Expected employer contributions	17	17

The significant actuarial assumptions are presented below:

Weighted-average assumptions to determine benefit obligations

		31 December 2019	31 December 2018
1.	Discount rate	3.50%	4.50%
2.	Rate of salary increase	2.50%	2.50%
3.	Rate of price inflation	2.00%	2.00%
4.	Rate of pension increases	2.00%	2.00%
5.	Post-retirement mortality table	Rp-2014 scale back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2019	Rp-2014 scale back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2018
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 2019	31 December 2018
1.	Discount rate	4.55%	3.85%
2.	Rate of salary increase	2.50%	2.50%
3.	Rate of price inflation	2.00%	2.00%
4.	Rate of pension increases	2.00%	2.00%
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 scaled back to 2006 using Scale MP-2014, then generationally projected from 2006 using Scale MP-2016

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.

21. PSPB's IAS19R Pension Liabilities (continued)

Plan Assets (continued)

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 2019 to 31 December 2019 was 26.55% per annum. Similar internal accounting is used for developing each participating entity's share of the asset portfolio of the Fund.

The valuations are based on the asset value as 31 December 2019 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 2019 and 31 December 2018, the Fund was invested as follows:

	31 December 2019		31 December 2018	
Plan Assets by Asset Category	**($000)**	**Percentage**	**($000)**	**Percentage**
Equities	680,288	79%	523,688	79%
Debt securities	167,692	20%	134,985	20%
Cash	10,444	1%	5,056	1%
Total	858,424	100%	663,729	100%

The Defined Contribution portion of the Fund totalled $392,935,800 as at 31 December 2019 and $361,762,700 as at December 31, 2018, 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 $2,383,000 as at December 31, 2019 and $1,859,000 as at December 31, 2018.

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 31 December 2019 and 31 December 2018 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 2019**	**31 December 2018**
Discount rate		
- BOY disclosure and current year expense	4.50% per year	3.80% per year
- EOY disclosure and following year expense	3.50% per year	4.50% per year
- Following year current service cost	3.60% per year	4.55% per year
- Rate used to determine interest on defined benefit obligation and plan assets for following year expense	3.15% per year	4.20% per year
- Rate used to determine interest on current service cost for following year expense	3.40% per year	4.40% 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

21. PSPB Pension Liabilities (continued)

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-2018	RP-2014 scale back to 2006 using Scale MP-2014, then generationally projected from 2006 using Scale MP-2016
- EOY disclosure and following year expense	RP-2014 scaled back to 2006 using Scale MP-2014, then generationally projected using Scale MP-2019	RP-2014 scaled back to 2006 using Scale MP-2014, then generationally projected using Scale MP-2018
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) 28.66 Retiring in 25 years (at age 57): 30.93	Retiring today (member age 57) 28.80 Retiring in 25 years (at age 57): 31.08
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%

21. 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 table above.

22. PSPB Post Retirement Healthcare Obligation

The Board's Actuary, Mercer, has calculated actuarial estimates of liabilities as at 31 December 2019 and actuarial estimates of the defined benefit cost for the fiscal years ending 31 December 2018, for the Post Retirement Healthcare Program ("the Health Plan"). For purpose of PSPB reporting, IAS 19R for fiscal year ending 31 December 2019 reflects the following:

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

	31 December 2019 $'000	31 December 2018 $'000
Defined benefit obligation	1,341	1,169
Funded status	-	-
Net defined benefit liability (asset)	**1,341**	**1,169**

The change in defined benefit obligation are as follows:

	31 December 2019 $'000	31 December 2018 $'000
Defined benefit obligation at beginning of year	1,169	1,300
Current service cost	-	-
Interest expense	50	47
Benefit payments from Employer	-	-
Effect of changes in demographic assumptions	112	(12)
Effect of changes in financial assumptions	221	(150)
Effect of experience adjustments	(211)	(16)
Defined benefit obligation at end of year	**1,341**	**1,169**

The net defined benefit liability reconciliation are as follows:

	31 December 2019 $'000	31 December 2018 $'000
Net defined benefit liability (asset) at beginning of year	1,169	1,300
Defined benefit cost included in P & L	50	47
Total remeasurement included in OCI	122	(178)
Employer direct benefit payments	-	-
Net defined benefit liability (asset) as of end of year	**1,341**	**1,169**

22. PSPB Post Retirement Healthcare Obligation (continued)

The components of defined benefit cost are as follows:

	31 December 2019 $'000	**31 December 2018 $'000**
Current service cost	-	-
Interest expense on DBO	50	47
Defined benefit cost included in P & L	50	47
Remeasurements (recognized in other comprehensive income)		
Effect of changes in demographic assumptions	112	(12)
Effect of changes in financial assumptions	221	(150)
Effect of experience adjustments	(211)	(16)
Total Remeasurement included in OCI	122	(178)
Total defined benefit cost recognized in P & L and OCI	172	(131)

The sensitivity analysis on defined benefit obligation is shown below:

	31 December 2019 $'000	**31 December 2018 $'000**
1. Discount rate		
a. Discount rate – 25 basis points	68	54
b. Discount rate + 25 basis points	(63)	(52)
2. Health care cost trend rates		
a. Health care cost trend rates – 100 basis points	(228)	(200)
b. Health care cost trend rates + 100 basis points	287	254
3. Mortality		
a. Post-retirement mortality assumption + 10%	(61)	(46)

The estimated defined benefit cost for the following year (FY 2020) is as follows:

	Amount ($000)
Interest expense on DBO	45

22. PSPB Post Retirement Healthcare Obligation (continued)

The significant actuarial assumptions are presented below:

Weighted-average assumptions to determine benefit obligations

	31 December 2019	31 December 2018
Discount rate	3.60%	4.55%
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-2019	RP-2014 projected w/ MP-2018

Weighted-average assumptions to determine defined benefit cost

	31 December 2019	31 December 2018
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

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 Government's post retirement healthcare program. The principal financial and demographic assumptions used at 31 December 2019 and 31 December 2018 are shown in the following table below.

22. 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 2018 • 31 December 2019	 4.55% 3.6%	Per IAS 19 para. 83, determined by reference to market yields on high quality corporate bonds (consistent with the term of the benefit obligations) at the fiscal year end date. Mercer US Above Mean Yield Curve (referencing US corporate bond yields) used to determine discount rates due to strong economic and currency links between the US and Cayman Islands.
Administrative expenses	Included in projected premiums	-
Rate of Medical Inflation (p.a.)	5.0%	Based on an analysis of historical claims information and long-term medical inflation expectations.
Current mortality rates	RP-2014 Mortality Table scaled back to 2006 using MP-2014	Recent mortality studies in the U.S. and Canada show that people are living longer. New mortality tables have been issued by U.S. and Canada. The mortality table has been updated to better reflect actual mortality improvement rates experienced in the US over the last 20 years.
Mortality improvements • 31 December 2018 • 31 December 2019	 Scale MP-2018 Scale MP-2019	Broad consensus amongst longevity experts that mortality improvement will continue in the future. Scale MP-2014 was released October 2014. In the U.S., the latest future mortality improvement scale issued by the Society of Actuaries is Scale MP-2019. The prior valuation used scale MP-2018.
Disability rates	None	-
Retirement Age	Age 57 & 10 years of service	-
Marital assumption	80% married, wife 3 years younger	-
Current healthcare claims cost assumption	Based on 2020 premium rates: Health - $12,675 per participant Dental - $1,480 per participant	-
Healthcare coverage - future pensioners	Male - 27% single, 73% family Female - 50% single, 50% family	Based on Cayman Islands Government experience.
Healthcare utilization changes due to age	Mercer standard healthcare aging assumptions for medical and dental	Based on analysis of healthcare utilization for Mercer clients in Canada and US and by reference to Society of Actuaries studies.

22. PSPB Post Retirement Healthcare Obligation (continued)

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 Service Cost is the total present value of the individuals' benefits attributable to service during the year.

Participant Data

	30 September 2019	30 June 2016
Active Members		
Number	2	1
Average years of service	36 years	22 years
Average years of service after age 40	18 years	12years
Average age	57.9	51.9
Pensioners		
Number	0	1
Average Age	0	57.4

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

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

	31 December 2019 $000	31 December 2018 $000
Public Service Pension Plan	849,098	654,258
Judiciary Pension Plan	5,205	5,073
Parliamentary Pension Plan	6,549	6,337
Total	**860,852**	**665,668**

24. Contingent Liability
Section 47 of The Public Authorities Law, (2020 Revision, (the "PAL"):

Section 47 of the PAL came into effect on 1 June 2019. The section requires public authorities to use the same salary scale as determined by the Cayman Islands' Cabinet and requires the remuneration of employees of a public authority to be adjusted to reduce any differences between the public authorities' and public service's pay grades.

The Cayman Islands Government's Portfolio of the Civil Service has not completed its evaluation of the Board's salary grade versus that of the public service. As such, management could not adjust for the impact of section 47 of the PAL in these financial statements. Management is also unable to derive an estimate of the potential impact of the evaluation on its financial statements and as such, no resultant provisions have been made in these financial statements.

25. Subsequent Event

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The global efforts to contain the spread of the coronavirus began to cause significant disruption in the global and local economies from January 2020 to date. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Board expects this matter to temporarily impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

As a result of the COVID19 induced correction/downturn, the Fund declined from a high water mark of $1,029.3 million USD market value at 31 December 2019 to $ 893.3 million USD as at March 31 2020. As an institutional investor, specifically a pension plan, the PSPB is a long-term investor and takes a long-term view on these matters. The Board, recognizing its responsibilities, has constructed a well-diversified Fund designed to meet and mitigate market volatility risks. We believe the Plan's investment strategy and holdings are positioned well to rebound and add value during a down market.

26. Going Concern Disclosure note:

As explained in Note 25, the coronavirus outbreak has caused significant disruption in both global and local economies. However, on the basis of management assessment and forecasts, management believes that the risk that the Entity would not be able to meet its obligation as they become due is low and that the Board will continue as going concern for the foreseeable future.

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