2020 ANNUAL REPORT

PSPB
PUBLIC SERVICE
PENSIONS BOARD
Securing Tomorrow, Together

VISION

Deliver excellence in member services – securing tomorrow, together

MISSION

Be recognised as best in class for investments and member services

VALUES

- Professional
- Kindness
- Integrity
- Respect
- Innovation
- Partnership
- Performance

A LOOK INSIDE THE ANNUAL REPORT

2020 INVESTMENT MILESTONES

0.79%
Investment Management Expense Ratio

15.5%
PSPB Fund Return

$1.193
USD Billion in Assets

$170
USD Million Growth in the PSPB Fund

0.454%
Operations Expense Ratio

2020 ADMINISTRATION MILESTONES

2,375
Plan Member Files Processed

4,933
One-on-One Meetings with Members

128
New Retirements Processed

1,057
Interactions with Members during COVID-19 "Shelter in Place" Provisions

16
Presentations to 409 Members

80
Transfers Processed during COVID-19 "Shelter in Place" Provisions

Message from the Chair and CEO

On behalf of the Public Service Pensions Board (PSPB or the Authority), we are pleased to present the Annual Report for the year ended 31 December 2020.

The 2020 calendar year proved that stakeholder confidence in the PSPB was well founded as our management team and staff demonstrated its agility and ability to innovate. During one of the most challenging years throughout the world as a result of COVID-19, the Authority responded in a successful manner in both operations and through investment growth. In a year where it would be easy to have a pandemic to blame for any shortfall, the Cayman Islands benefited from a sound and ethical response from leaders in the country to ensure that our citizens were protected and further, that a pension provider like the PSPB could continue to thrive during unprecedented times. The PSPB not only continues to be the only pension plan in the Cayman Islands that is beyond $1 Billion USD in assets, but the Public Service Pensions Fund (the Fund) made outstanding gains over the year and as of 31 December 2020, the market value of the Fund was $1.193 Billion USD.

Strong investment returns were not just a result of a market that rebounded in 2020; it was also a direct result of the increased investment management and oversight that led to a much quicker recovery from the pandemic recession than PSPB industry peers. With that, the Fund ended the year ahead of its investment fund policy benchmark by 1.2%. Further to these gains, the quarterly credited rates of return applied to member accounts in 2020 were all positive as noted later in this report and it demonstrates that the investment approach of smoothing any market volatility benefits our plan members.

Most noteworthy in 2020 was the critical response that the entire staff undertook to not only maintain operations, but to actually deliver ongoing critical operations during the "Shelter in Place" provisions that were implemented in the Cayman Islands for a period of several months. During that time, the PSPB team used a blend of staff working and maintaining base functions in the office while others operated in a working from home arrangement to ensure that plan members continued to be served and supported during a critical time for our Islands. The Board of Directors increased our response to ensure that proper governance and auditing of all levels of the Authority continued during the pandemic and 2020 showed that all of the previous work that was done to plan and prepare for a business continuity incident paid off as the PSPB operated without any noted issues.

In 2020, the PSPB also continued to take major steps towards the implementation of a new pension administration system, by securing a contract with Sagitec Solutions LLC in August 2020. A great deal of planning and review ensured that this critical deliverable remained on target for a 2021 implementation, and that it was secured in a manner that covered all due diligence in order to move forward with this new partnership.

A look at the 2020 calendar year shows the agile ability of the Authority at all levels to continue to deliver our mission of "Excellence in Member Services". As we move into 2021, the PSPB continues to remain focused on delivering on key strategic goals that will provide improved member services benefits for our plan members. 2021 will also provide the Authority with an opportunity to develop additional policies and oversight that will continue our focus of ensuring the long-term financial health of the Fund.

For the PSPB, 2020 proved that the Board, CEO and staff were ready to meet the challenge of such a serious global event and we are poised to continue with delivering our ongoing high standard of service to all stakeholders.

Sincerely,

Mrs. Sheree Ebanks
Chair of the Board

Mrs. Jewel Evans Lindsey
Chief Executive Officer

GOVERNANCE INFORMATION AND HIGHLIGHTS

Bethany Powery *(left)*, Board Secretary and Lucie Manderson, Personal Assistant to the Chief Executive Officer

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 Act. The Board is the corporate body charged with governance and its fiduciary responsibilities focus on strategy and ensuring accountability of the Chief Executive Officer (CEO) and executive management. The Board is also responsible for oversight over the administration of the Public Sector Pension Plans of the PSPB and management of the Fund. Pension corporate governance dictates that the Board be comprised of industry experts and other professionals skilled and qualified to act prudently on behalf of and in the best interests of all members.

The work of the Board is reflective of the broad spectrum of long-term risks and opportunities in the global economy and the financial markets, taking into account the actuarial assumptions and funding requirements of the Plans and maintaining adequate liquidity to meet the required benefit payments to plan members and expenses of the Plans. At 31 December 2020, the Board was comprised of the members noted below.

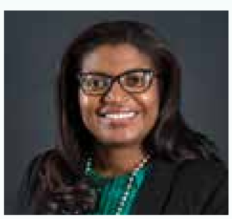
Mrs. Sheree Ebanks
Chair of the Board

Mrs. Jewel Evans Lindsey
Chief Executive Officer
Administrator
All Board Committees

Mr. Robin Ellison
Governance Committee Chair

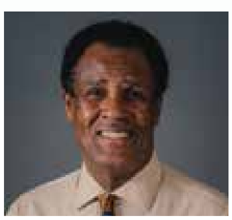
Mr. Simon Cawdery, CFA
Investment Committee Chair

Mr. Bryan Bothwell, MBE
Audit and Risk Committee Chair

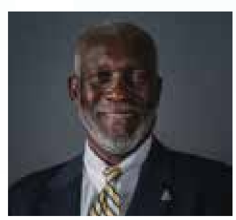


Mrs. Gloria McField-Nixon, JP
Governance Committee

Mr. Kenneth Jefferson, JP
Audit and Risk Committee
Investment Committee



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



Mr. Orrett Connor, MBE, JP
Audit and Risk 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 CEO to management to administrative staff) a high performing, risk-intelligent and innovative organisation focusing on Member Services; and,
- Engage in Government policy development to enhance the long-term sustainability and effectiveness of our pension schemes.

In 2020, and in spite of impacts from COVID-19, the PSPB Board of Directors continued to work towards achieving this strategy. A new Board Director was added with significant experience and expertise in audit, governance and risk management. In addition, the Board worked through the pandemic with a focus on governance to ensure the short and long-term sustainability of the Plan. With a focus on Member Services, the Board and CEO initiated critical operations to continue with ongoing operations and further, utilized the pandemic to test business continuity practices and to ensure that operations and first-class service could continue in the face of the challenges that COVID-19 presented.

In this report, the achievements noted through COVID-19 were a demonstration of the success of work done within the Board's strategy to ensure the Authority is a high performing organisation that showed it can be innovative during a time when operations could have had impacts.

Moving forward, the focus will now be on taking the learnings from COVID-19 and shifting these into improving efficiency and effectiveness. This will certainly be achieved with the implementation of a new pension administration system in 2021 and it will be enhanced with policy development to ensure the PSPB is set-up to continue to be the leader in pension administration in the Cayman Islands.

Board Governance and Investment Response throughout COVID-19

The pandemic challenges organisations throughout the world and the PSPB Board of Directors acted immediately and prudently to ensure that governance and investment oversight was a key priority during a volatile period. Committees of the Board significantly increased the regularity of their meetings and focused on ensuring that all levels of the PSPB were monitored, audited and supported.

As noted in the Investment Overview part of this report, the Fund not only persevered in a year of COVID-19, but the investment strategy and ongoing oversight of the Board and its partners ensured a quicker recovery from the COVID-19 recession during a volatile time to end the year with a significant increase in the Fund. As a result, the quarterly credited rates of return applied to plan member accounts in 2020 were all positive.

New Board Director – Mr. Bryan Bothwell

The Authority welcomed Mr. Bryan Bothwell, a Caymanian with over 35 years of financial industry experience in the Cayman Islands, a Governor's appointed member of the PSPB Board of Directors. Mr. Bothwell brought to the Board a specialised background in areas such as trusts, company management and other elements of international private banking services. Mr. Bothwell had previously held Board level positions with other key Cayman companies and groups, where his leadership and attention to detail were invaluable to the ongoing success of these organizations. It is Mr. Bothwell's background in audit and governance that is helping to shape the ongoing focus and delivery of all of the priorities of the PSPB Board's Audit and Risk Committee, which he chairs.

PLAN INFORMATION AND ADMINISTRATION REPORT

Rosesalyn Parkinson-Lindsay,
Member Services Officer,
Plan Administration and
Member Services Department

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 plan 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 Act. 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 Act (2021 Revision) (the Act) and also falls under the governance umbrella of the Public Authorities Law (2020 Revision) and the Public Management and Finance Law (2020 Revision).

In 29 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 Act.

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 Act. The Funds are vested in the Board.

Contribution Rates

Public servants who participate in the PSPP contribute at the rate of 6% of pensionable earnings and employers contribute a matching 6%. Contribution rates to cover additional Defined Benefit costs are recommended by the Board based on the latest funding Actuarial Valuation.

This additional Defined Benefit cost largely reflects the eventual liability of benefits related to the past service at the valuation date. The full liability for additional Defined Benefit costs is borne by each respective employer.

Payment of Benefits

The Act 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 Act 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 Act (2021 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 PSPB administered over 1,000 Ex-Gratia and Ex-Gratia Uplift payments on a monthly basis throughout 2020.

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, Canada and Jamaica, the PSPB Senior Management Team consists of highly skilled professionals, all of whom have been recognised as top achievers in their respective professions. Our Senior Management Team has over 100 years of accumulated widespread 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 CEO and the PSPB administration team is responsible for administering the Public Sector Pension Plans, managing the cash flow of the Fund, delivering specialised outputs through consultants, communicating with the Plans' employers and members, recommending contribution rates in accordance with the latest actuarial valuation, benefit plan design and structure, developing policy and providing policy advice to the Cayman Islands Government and the Board, risk management, and the many other operational and strategic functions of a medium-sized pension fund.

As such, the administration team handles significant financials, with transactions of over CI$40 million annually in payments and receivables. This includes collection of prescribed contributions of over CI$58 million annually across all categories, investing and paying out pension benefits and providing quality and timely service to plan members and stakeholders while working to achieve organisational strategies and business objectives. 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.

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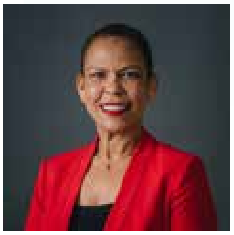
Mrs. Jewel Evans Lindsey
Chief Executive Officer and Administrator

Ms. Ledra Lawrence
Chief Operating Officer and Chief Risk Officer

Mr. Trevor Davis
Acting Chief Pensions Officer

Ms. Angella Bent-Thomas
Chief Human Resources Officer



Ms. Faith Wright
Chief Financial Officer

2020 YEAR IN REVIEW AND HIGHLIGHTS

Jewel Bodden, Senior Projects Officer, Projects Department

2020 Highlights

New Pension Administration System

Following continued efforts to review all of the submissions received from the 2019 Request for Proposal process to partner with a vendor who would be able to deliver a new customisable pension administration system, on 30 April 2020, the PSPB signed a contract with Sagitec Solutions LLC. This new partnership paved the way to start work in developing a new pension administration system that will allow the PSPB to enhance member services for our plan members and our participating employers.

Upon finalising the contract, PSPB and Sagitec worked together to develop and define all of the requirements of the new system and on 31 July 2020, the project was officially launched to deliver the new system. Since that time, leads from the PSPB and Sagitec have worked closely to build out the new system and all of its features. Much of the work to start the project focused on building the base administration system and the close of 2020 started to focus on building modules within the system such as the calculations and the Electronic Content Management (ECM) system.

The PSPB Project Steering Committee, Core Senior Executive and Project Management Teams continue to oversee the delivery of this major project and the CEO has continued to maintain updates to the Board at a governance level on this project. Further, the PSPB Project Team has worked collaboratively with the Sagitec team to identify key delivery items, identify risk and address mitigation and to correct any potential project delays, while keeping the project within budget.

As at 31 December 2020, the project timeline remains on track for a September 2021 launch of phase one of this new system. Further, deliverables such at the ECM components were already delivered ahead of schedule in 2020 so this component can be tested and put into production.

The PSPB is pleased to be working with Sagitec Solutions to develop and deliver this new system.

The 2021 Outlook section of this report outlines the next steps as the Authority works towards delivery of the new system, called Neospin™, with a launch of phase two and three to our employers and plan members in 2022.

Ex-Gratia Pension Uplift

Again in 2020, 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 2020, 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 $850 per month for pensioners. The PSPB team completed all of the uplifts on behalf of the eligible 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 $950 in 2021.

In 2020, the PSPB processed a total of 128 new retirements

and these pensioners are now receiving a lifetime monthly benefit.

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, senior citizen celebrations and other events designed to engage PSPB pensioners. The PSPB was one of the main sponsors of the Cayman Islands Older Persons Month held in 2020. In addition, the PSPB also sponsored and supported the George Town Walkabout and the Cayman Brac Annual Senior Citizens Christmas Party. For all of the above events, PSPB team members attended these events in both Grand Cayman and Cayman Brac and the organisation provided key support through sponsorship of prizes and meals.

In addition, and as per ongoing practice, 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 2020 holiday season, the PSPB staff charity decided to use its funds to provide a $1,000 donation to five pensioners in need and the selection of these pensioners is planned for Q1 2021.

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. In 2020, this included supporting events such as the Cayman Islands Chamber of Commerce 2020 Economic Forum, 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 and Member Services (PAMS) Department of the PSPB processed 2,375 member files. This amount of processing is an increase of over 18% in service delivery provided by the PSPB to plan members.

Of the 2,375 files, this included the following key highlights:

2020 Key Administration Files Processed	
Interim Benefit Statements	586
Cash Outs and Transfers	243
Benefit Projections	111
Retirements	128

One on One Member Meetings

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

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

2020 One-on-One Member Meetings	
Grand Cayman Meetings	2,076
Cayman Brac Meetings	358
Total One-on-One Meetings	2,434

Of note, the above figures only cover the period where the PSPB offices were open to the public in 2020. As noted in this report, just over 1,000 members were also served in person through proper social distancing methods during the Cayman Islands "Shelter in Place" period.

The PSPB Response to COVID-19

On 25 March 2020, the PSPB closed both the Grand Cayman and Cayman Brac offices to the public to support the "Shelter in Place" provisions that were enacted by the Cayman Islands Government. During the "Shelter in Place" period, the PSPB enacted its business continuity plan in order to ensure that operations continued for plan members and participating employers. As such, the vast majority of staff members were designated to work remotely and a few staff were deemed as critical staff members and were able to work from the office to maintain service delivery functions.

The PAMS remote working team was able to continue to maintain the contribution receipt and reporting and the Finance team continued to operate remotely to ensure that ongoing finance and accounting operations continued. The onsite staff in Grand Cayman and Cayman Brac concentrated on the payment of benefits, processing new retirements and other disbursements and responded to urgent member queries.

Following the April 2020 announcement by the Cayman Islands Government to allow the emergency withdrawal of funds from private pension plans, the PSPB had 158 unique requests to transfer funds out of the Plan to a private plan so these plan members could access said funds. In spite of the tight timelines for this provision, the PSPB was able to process all of the eligible requests and ensured these plan members could access their account in an emergency provision through their private plan.

Throughout COVID-19, the volume of work requested of the PAMS team increased significantly as there continued to be plan members wanting to retire, proceed with a cash-out or transfer of their benefit or understand about their financial future as it related to their pension plan.

During the period of "Shelter in Place" provisions, the PSPB responded by moving up monthly pensioners payroll dates for pensioners so they could access their monthly benefit earlier to ensure they could respond to any challenges they were experiencing during the pandemic. Further, the PSPB also completed 53 new retirements during the "Shelter in Place" provisions which ensured these newly retired plan members could receive their pension benefit without delay or interruption. During the "Shelter in Place" provisions, PSPB staff connected with 1,057 members to deliver ongoing and critical functions in both Grand Cayman and Cayman Brac. Some of these member meetings were virtual and some took place face-to-face with COVID-19 safeguards in place.

On 16 June 2020 the PSPB Grand Cayman office re-opened on a limited basis and staff started to work in a rotation manner. In addition, the Cayman Brac office re-opened on 14 September 2020. Upon both offices re-opening, the PSPB took measures to ensure that proper safeguards of plexi-glass shields were installed and that established social distancing and safety precautions implemented during the "Shelter in Place" provisions continued.

Throughout the pandemic, the PSPB Core Senior Executive and management teams continued to have ongoing planning meetings, routinely exercised business continuity efforts and regularly communicated updates to plan members and participating employers with updates on the PSPB website and Facebook page and through email bulletins, circulars and signage. Further, the PSPB staff adapted changes to forms and processes to ensure virtual and online processing could occur with new updates to ensure proper vetting and authentication of requests continued. It was during this period of time that showed the Authority's ability to be nimble, flexible and live its core value of Innovation as the team adapted to change and continued to meet key pressing needs.

Pensioner Calling Campaign

Pensioners have always been the cornerstone of the PSPB and supporting this important "at-risk" group was a critical matter during the pandemic. During the "Shelter in Place" provisions, the PSPB CEO enacted a campaign to undertake calling each pensioner on multiple occasions to ensure pensioners were handling the impacts of COVID-19 and to offer supports where possible. As a result of this campaign, over 1,650 pensioners were called by PSPB staff during the "Shelter in Place" provisions. From that, some of the most vulnerable and impacted members were supported by the PSPB staff through grocery delivery, prescription filling and PSPB staff charity paid for and offered grocery store gift cards to over two dozen pensioners in need.

The calls were done to support our pensioners and ensure they could respond to any needs during the pandemic. Further, the PSPB was able to establish further communications channels with these pensioners to ensure that updates related to pensioners payroll and key messages from the Cayman Islands Government and medical experts with the Health Services Authority were shared with this group in a timely manner during one of the most challenging times.

Operations at 31 December 2020

With the leaders of the Cayman Islands Government working to make Cayman "COVID-19 Free" as of the end of September 2020, the PSPB was able to fully resume operations. Safeguards of being able to respond to any future challenges remain in place and the staff and management of the PSPB continue to practice ongoing measures to reduce any potential impacts of COVID-19.

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 verifying their personal data to be correct 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 2020, a total of 2,540 PCCCs were distributed to pensioners on 15 December 2020. The deadline to return the 2020 PCCCs is 28 February 2021.

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 Act, the augmentation for 2020 was calculated at 5.56%. As a result, pensions in payment as at 31st December 2019 were adjusted for inflation as of the first day of 2020 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 plan member's account opening balance;
- 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 2020, a total of 5,631 statements were distributed to our active membership.

Employer and Member Presentations

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

During the reporting period, the PSPB continued with employer and plan member presentations 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, during periods when in office operations were available.

In addition, bespoke plan member and employer presentations were also held for the Cabinet on the Parliamentary Pensions Plan and for the Health Services Authority, the Ministry of Education, the Cayman Islands Civil Service Association, the Portfolio of the Civil Service, the Ministry of Commerce and Planning and the Public Works Department on the Public Service Pensions Plan.

Throughout 2020, the PSPB conducted a total of 16 formal presentations, which were delivered to a total of 409 plan members.

Staff Training

The Authority 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 organisation productivity. In 2020, the following training courses/learning forums were attended by one or more members of staff:

- Royal Fidelity CEO Cayman Economic Outlook 2020
- Cayman Islands Digital Economy Conference
- Cayman Islands Chamber of Commerce 2020 Economic Forum
- Chamber of Commerce COVID Response: Supporting Businesses in a Time of Crisis
- Weekly CIBC Mellon Client Updates
- Chamber of Commerce Training on Termination and Immigration
- Chamber of Commerce Training on the COVID Response: Supporting Businesses in a Time of Crisis – Resilience Cayman
- Writing SQL Queries with Learning Tree International
- Mercer WebEx on Managing the Risk of Returning to Work
- ICCI Finance Capstone Research Project
- Back to Office: Preparing and Managing COVID-19 Policies, Monitoring, and Compliance
- Cayman Islands Procurement Office Training on Procurement Principles & Ethics
- Orientation of the OnBoard System by Passageways
- Carnegie Mellon Evidence Based Management Course
- Harvard Online Course on Entrepreneurship in Emerging Economies
- Stanford University Webinar Lecture on Cryptocurrency
- Mercer WebEx on Coronavirus Outbreak: Investment Implications Update
- Mercer WebEx on COVID-19: Dealing with the Impact

2021 Outlook

New Pension Administration System

The major priority for 2021 is the continued work towards launching a new pension administration system. Working with a world class partner such as Sagitec Solutions has continued to keep the project on track for a 2021 launch timeline and ensure that Neospin™, the PSPB's new pension administration system will achieve new heights in member services.

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 Management (ECM), workflow tracking and approvals, and secure member and employer web portal functionality.

In 2021, the PSPB will work with employers to be ready to improve the online reporting through the system's secure employer portal, which will vastly improve the effectiveness and efficiencies between the PSPB and our participating employers. Further, the PSPB will work towards launching the member self-service portal by undertaking a campaign to educate members on the new features that can be accessed on their own at their convenience.

Further to these key updates, the PSPB will also be positioned with this new system to adapt to any legislative or plan enhancements due to the agile design of Neospin™. Once launched, the PSPB will undertake a campaign to further explore offerings that can enhance the Plan.

Defined Contribution Adequacy Assessment

The PSPB initiated this project in 2020 and will continue 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 conducted research to determine the level of retirement income that Caymanians would require to maintain their pre-retirement standard of living.

Mercer and the Board of Directors for the PSPB will continue to review and work to validate whether the established 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 continuing to be consulted with as well for consideration and further input to develop the best possible outcome.

Risk Management

During 2020, the PSPB had a major focus on imminent risk management in order to respond to challenges presented by COVID-19. With operations fully resumed, the 2021 calendar year will allow the management to continue work on developing an enterprise risk management system in order to continue to provide guidance to the Board in the exercise of its duty of 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. With the assistance of the Authority's actuary, Mercer, management will develop the appropriate infrastructure and team to support the Chief Risk Officer in the exercise of her duties of this important function.

Specifically, in 2021, the PSPB will resume efforts to specifically support the implementation of a PSPB Enterprise Risk Management Programme. In 2021, the PSPB Board of Directors 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.

Focus on Member Services

Focus on Member Services is always a key outlook for the PSPB as our plan members are at the heart of what we do. Naturally, a new pension administration system will deliver substantial growth and enhancement of offerings to our plan members, but the Authority will also undertake efforts to explore new and innovative ways to exceed the expectations of our stakeholders (such as the introduction of an additional voluntary contributions programme).

Focal points for Member Services centre on continuing to assess data against standards and improving our programmes to bring data up to those standards. Further, the PSPB Team will explore forward thinking solutions that will allow the PSPB to review and refine our target operating model, establish key performance indicators and better understand and manage our costs. In addition, the PSPB is also going to undertake a review of overseeing legislation and explore improvements to streamline and improve certain areas of presiding Acts and Regulations.

In 2020, 420 new plan members joined the Public Service Pensions Plan.

INVESTMENT REPORT

Danya Rankine,
Finance Officer, Finance Department

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 Act 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 recognised 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 capitalise 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. 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

Even though the calendar year began with a very weak and volatile 1st quarter, major equity and bond indices closed 2020 with strength and momentum, generating attractive overall rates of return. Over the 4th quarter, in particular, despite prevailing uncertainty and a fragile recovery, global industry outlooks started to brighten, with projected financial corporate outlooks shifting to moderately positive in terms of fundamental business conditions for various industries over the next 12 to 18 months.

Specific to the PSPB, the Fund experienced significant growth in 2020 with a return of 15.5%. To achieve this, the Fund holds a diversified portfolio of bonds and equity securities that, over the long term, provides above-average returns with minimised variability. This portfolio helps achieve outstanding returns and it also protects from significant downside risk in years with more investment challenges.

Although there remains a high degree of uncertainty about the effects of the pandemic, the world economies appear to be in an early post-recession recovery phase of the business cycle. Given the medium-term outlook for economies and corporate earnings, which appear positive, the low-interest rate environment continues to favour equities over bonds. In summation, the outlook for equity markets has several strong tailwinds, including sizable cash on the sidelines, pent-up demand and a vaccine, soon to be widely available; all of which position equity markets for continued gains.

Fund Performance

2020 Return and Overall Performance

Over the one-year period ending 31 December 2020, the PSPB Fund delivered a return of 15.5%. This result was due to equity markets worldwide generating healthy positive returns despite obstacles throughout the year. On another positive note, specific to the fourth quarter of 2020, the PSPB Fund was positive by 8.2% for the quarter, ending the year in a great position and well situated for a good start 2021.

Performance over the 2020 calendar year was ahead of the policy benchmark with 1.2% of value-added investment. Longer term, over the five-year period, annualised performance improved in this metric with a strong 12.1%, with value added of 1.3%.

On a relative basis, the PSPB Fund's overall performance ranked at the 16th percentile rank over the one-year period. Longer term, being the five-year period, the PSPB Fund's relative ranking is at the third percentile. The Fund's long-term risk/return trade-off is low but above the norm when measured against a peer universe sample of about 370 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. At the end of each quarter, the PSPB determines the rate at which interest is credited on every plan member's account. This is done by calculating the average of the rates of return received on investments for the previous 12 quarters (three years), net of expenses. Once the quarterly rate was calculated, the applicable interest was added to account balances.

The PSPB Funds experiencing a 15.5% increase brought about positive quarterly increases to the CRR. Of note, the actual return in Q1 was a negative 14.05% to the Plan. However, a positive return was applied to member accounts as the CRR approach shows the ongoing value that smoothing returns over a three-year period ends up being beneficial to plan members.

2020 Quarterly Credited Rates of Return and Investment Returns (%)				
	Q4	Q3	Q2	Q1
Quarterly Investment Returns (net rate)	7.76	6.22	15.46	-14.05
Quarterly CRR Applied to Member Accounts	2.50	2.19	2.01	1.12

New Funds for Investment and Deployment

As the Cayman Islands Government, Statutory Authorities and Government Owned Companies support the strategic funding plan agreed with the PSPB Board of Directors, the Authority is able to annually deploy new funds for investment. These amounts are generated based on agreed to funding amounts that the government pays to the PSPB and also through savings achieved by the Authority in managing operational costs. As a result, in 2020, a total of $19 million USD was able to redeployed over the course of the year from general cash flow to various investment managers.

Market Summary - Global Equities

Global equities experienced a strong year, and this was largely amplified during periods such as November 2020, which saw its best performance in 50 years, producing a monthly gain of over 11% (it was the single best November gain for the S&P 500 since 1957). The 4th quarter performance was helped by disclosures on potential vaccine efficacy and the resolution to U.S. electoral uncertainty.

Over the year, it was growth stocks, supercharged by low interest rates, digitisation, work from home and other pandemic related trends, that were continuously bid up, pushing equity markets higher. It wasn't until November, with the positive vaccine news and election relief, that value stocks, particularly cyclical stocks with ties to economic growth and low valuations, took over leadership, pushing the MSCI World Index to advance impressively by 14.0%, over the quarter, to finish the year up 15.9%.

Over the 4th quarter, global equity markets were cheered by the prospect of an end to the global pandemic and its weighty economic impact. During the recent quarter, it was the cyclical value stocks - those most beaten down in the COVID crisis that staged a late-year surge over growth stocks. Even though value equities were positioned for gains, those growth companies with dominant and emerging business models were not to be counted out, as they appeared to meet, or even exceed, lofty shareholder expectations for financial performance. History demonstrates that, as economies come out of a downturn, equity markets tend to become concentrated. In 2020, the top five S&P 500 constituents generated 127% of the index's return during the first nine months of the year. However, the concentration tends to wane as the global economies emerge from their downturn (a rising tide lifts all boats). Over the 4th quarter, the dominant driver of performance was largely one of stepping beyond the "obvious winners" and deploying cash into beaten-down sectors and stocks that could benefit as economies move into recovery.

Noteworthy though, many investors continued to retreat into cash as the recent quarter, along with the year, was a period of extraordinary uncertainty. However, given the strong performance of the equity market, it is highly likely that cash on the sidelines will make its way into global equities over 2021, amid a market-friendly election outcome and a light at the end of the COVID tunnel.

In addition, another potential driver for global equities is dividend investing activity. A resumption of dividend investing (dividend investing fell short in 2020 but is expected to resume in 2021 as company managements release excess cash in the form of dividends and buybacks) and stock buybacks also should push equities higher over 2021.

2020 Performance by Equity Manager

+56.6%
Morgan Stanley

+23.5%
Wellington Management Company

+14.5%
Independent Franchise Partners

+11.0%
Magellan Financial Group

Market Summary - Global Investment Grade Credits

Overall, global credit bonds over the one-year period, delivered 6.4% positive return. This was further confirmed through the 4th quarter as financial markets appeared to be discounting a robust economic recovery occurring, given the high likelihood of sufficient numbers of people being vaccinated.

Over the calendar year, corporate bond markets experienced a roller coaster ride. Global bonds gained over the 4th quarter as a number of vaccine breakthroughs fostered hopes of a return to economic normality. However, bond performance was mixed, with U.S. government bond yields rising, though corporate bonds gained ground on tightening spreads by 32 basis points over the 4th quarter.

Investment grade markets continued to recover, with cyclical sectors rebounding as positive developments on the vaccine front outweighed negative headlines of rising infection rates and increased lockdown measures. While supply started to slow down during the quarter, demand for corporate bonds remained positive. Cyclical sectors and those directly impacted by COVID-19 outperformed defensive sectors and those benefitting from stay-at home policies.

In addition, energy-related sectors outperformed alongside increasing oil prices during the 4th quarter. Notably, all regional credit markets continued to recover in performance, benefitting from supportive monetary and fiscal policies. U.S. credit markets outperformed on an excess return basis, as investors welcomed the outcome of the U.S. election in anticipation of further fiscal stimulus.

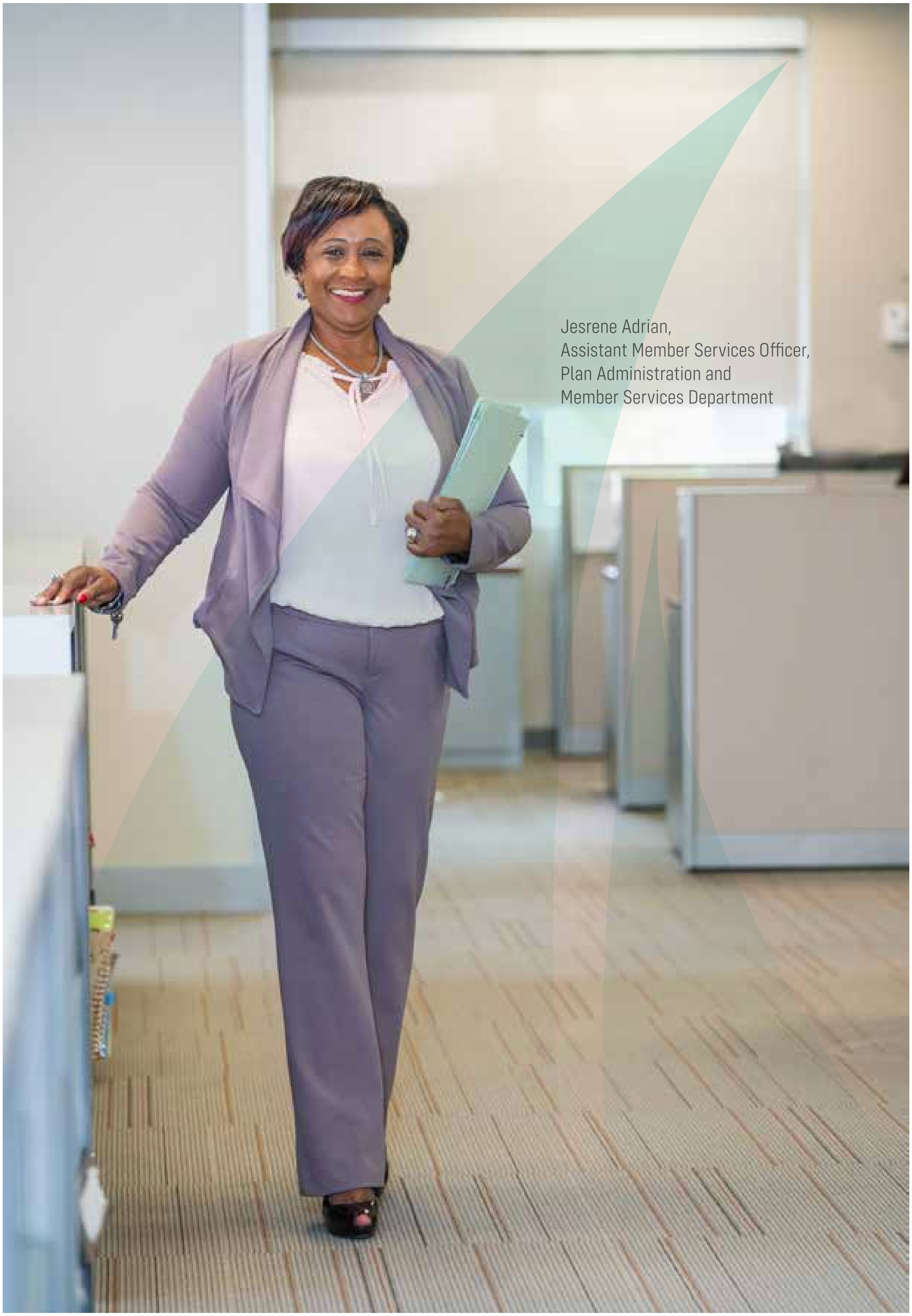
Alongside a rebound in cyclical sectors and a slowdown in the pace of downgrades, it was BBB rated bonds that continued to outperform as ratings momentum started to turn positive. Additionally, for the 4th quarter, macro strategies relating to shortening the duration as well as the exposure to sectors in banking and REITS also contributed to performance.

Notably, the exposure to the banking sector contributed to performance because bank debt posted strong returns attributable to spread tightening and valuations of bank debt continuing to recover amid resilient and improving bank fundamentals and the risk-on sentiment driven by positive news on vaccine developments.

2020 Performance by Fixed Income Manager

+6.4%
PIMCO Global Investment Grade Credit

+2.7%
PIMCO US Short Term Fund



Jesrene Adrian,
Assistant Member Services Officer,
Plan Administration and
Member Services Department

FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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Statement of responsibility for the financial statements

These financial statements have been prepared by the Public Service Pension Board in accordance with the provisions of the *Public Management and Finance Act (2020 Revision), (the "Act")*

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Act*.

As Chair 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 the Act, and priorly 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, judicial pension plan: supplemental information, parliamentary pension plan: supplemental information, supplemental statement of accumulated plan benefits and statement of cash flows for the financial year ended 31 December 2020.

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 2020;

(b) fairly reflect the financial position as at 31 December 2020 and performance for the 12 months financial year ended 31 December 2020;

(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
Chair of the Board
Public Service Pensions Board
Date- 29 April 2021

JCLindsey

Mrs. Jewel Evans Lindsey
Chief Executive Officer
Public Service Pensions Board
Date- 29 April 2021

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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 2020 and the statement of changes in net assets available for benefits, judicial pension plan: supplemental information, parliamentary pension plan: supplemental information, supplemental statement of accumulated plan benefits and statement of cash flows for the year ended 31 December 2020, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 40 to 80.

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 2020 and its financial performance and its cash flows for the year ended 31 December 2020 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

I draw attention to Note 14 to the financial statements which describe that the January 1, 2020 tri-annual Actuarial Valuation Reports were accepted and approved by the Cabinet but not yet passed into regulations and gazetted to bring them into effect. As a result, contributions received and contributions receivable are based on the recommended contribution rates contained in the 2017 Funding Actuarial Valuations which are the contribution rates currently in effect.

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 and fair presentation 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 GENERAL'S REPORT (continued)

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 Act (2020 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
Auditor General

29 April 2021
Cayman Islands

Statement of Net Assets Available for Benefits

as at 31 December 2020 (Expressed in Cayman Islands Dollars)

	31 December 2020 $000		31 December 2019 $000	
Assets				
Current assets				
Cash and cash equivalents				
Cash on hand and in bank (Note 3)	5,518		11,431	
Term deposits (Note 3)	-	5,518	57	11,488
Investments, at fair market value (Note 4)		994,122		847,980
Receivables				
Contributions receivable				
Employees' contributions	1,283		1,636	
Employers' contributions	1,312		1,622	
Employers' - Additional defined benefit costs	201		14	
Additional Normal Cost (ANC)	726		1,976	
Past Service Liability (PSL)	3,104		-	
Other receivables	215	6,841	326	5,574
Prepaid expenses				
Prepaid expenses	24	24	15	15
Total current assets		**1,006,505**		**865,057**
Non-current assets				
Fixed assets (Note 5)		53		71
Intangibles				
Pension Administration System-In Progress (Note 6)		1,402		-
Total non-current assets		1,455		71
Total assets		**1,007,960**		**865,128**
Liabilities				
Current liabilities				
Benefits due (Note 13)		1,680		1,466
Post-retirement healthcare obligation (Note 23)		1,364		1,341
PSPB deferred benefit liability/(asset) (Note 22)		566		(330)
Investment management fees		871		924
Accounts payable		355		185
Overpaid Contributions		1		211
Other liabilities		522		479
Total current liabilities		5,359		4,276
Total liabilities		5,359		4,276
Net assets		**1,002,601**		**860,852**
Represented by:				
Net assets available for benefits:				
Accumulated fund (Note 24)		**1,002,601**		**860,852**

Mrs. Sheree Ebanks
Chair of the Board

Mrs. Jewel Evans Lindsey
Chief Executive Officer

The accounting policies and notes on page 40 to 80 form part of these financial statements

Public Service Pension Plan - Statement of Changes in Net Assets Available for Benefits

for the year ended 31 December 2020 (Expressed in Cayman Islands Dollars)

	31 December 2020 $000	31 December 2019 $000
Pensions		
Contributions		
Employer	19,201	17,285
Employee	19,057	17,041
Additional Normal Costs	3,482	3,656
Employers - Additional defined benefit costs (Note 15)	18,219	20,739
Total	**59,959**	**58,721**
Transfers In	1,139	1,398
Pre-Funded Ex-Gratia pensions (Notes 7 & 8)	3,070	2,638
Total contributions	**64,168**	**62,757**
Benefits paid to participants (Note 11)		
Public service pensions	(40,780)	(33,944)
Ex-Gratia pensions (Notes 7 & 8)	(2,844)	(2,406)
Total benefits paid to participants	**(43,624)**	**(36,350)**
Net pensions	**20,544**	**26,407**
Investing		
Investment income		
Realized gain on sale of investments – net	21,507	56,275
Dividends earned on investments	8,275	9,227
Unrealized gain/(loss) on investments – net	104,107	117,510
(Loss)/gain on foreign exchange	(27)	(4,145)
Interest earned on investments	45	47
Interest earned on term deposits and call accounts	30	53
Total investment income	**133,937**	**178,967**
Investment expenses		
Investment management and custodial fees (Note 17)	(7,350)	(6,353)
Other investment expenses	(14)	(19)
Total investment expenses	**(7,364)**	**(6,372)**
Net investment income	**126,573**	**172,595**
Operating		
Operating income		
Other income	259	184
Total operating income	259	184
Operating expenses		
Administrative expenses (Note 12)	(4,559)	(3,949)
Depreciation (Notes 5 & 6)	(22)	(22)
Write-off of accounts receivable and stale-dated items	378	274
Total operating expenses	**(4,203)**	**(3,697)**
Net operating loss	**(3,944)**	**(3,513)**
Other comprehensive (loss)/ income	**(250)**	**(63)**
Net increase/(decrease) in net assets available for benefits	**142,923**	**195,426**
Allocation of Net Increase in Assets		
Attributable to PPP (Note 9)	**(240)**	**(332)**
Attributable to JPP (Note 10)	**(214)**	**(254)**
Attributable to PSPP	**142,469**	**194,840**
Net assets available for benefits at start of year (Note 24)	**848,462**	**654,258**
Net assets available for benefits at end of year (Note 24)	**990,931**	**849,098**

The accounting policies and notes on page 40 to 80 form part of these financial statements

Judicial Pension Plan: Supplemental Information - Statement of Changes in Net Assets Available for Benefits

for the year ended 31 December 2020 (Expressed in Cayman Islands Dollars)

	31 December 2020 $000	31 December 2019 $000
Assets		
Net assets available for benefits at beginning of year (Notes 10 & 24)		
Pension	5,205	5,073
Contributions		
Employees	401	320
Employers	246	219
Total contributions	647	539
Benefits paid to participants	(343)	(661)
Net pensions	304	(122)
Net investment income	214	254
Net increase/(decrease) in net assets available for benefits	518	132
Net assets available for benefits at end of year (Notes 10 and 24)	5,723	5,205

The accounting policies and notes on page 40 to 80 form part of these financial statements

Parliamentary Pension Plan: Supplemental Information - Statement of Changes in Net Assets Available for Benefits

for the year ended 31 December 2020 (Expressed in Cayman Islands Dollars)

	31 December 2020 $000	31 December 2019 $000
Net assets available for benefits at beginning of year		
(Notes 9 and 24)	6,549	6,338
Pensions		
Contributions		
Employees	178	170
Employers	178	170
Past Service Liability (PSL)	861	1,140
Total contributions	1,217	1,480
Prior Year ANC Receivables	118	295
Liabilities		
Additional Normal Costs	(67)	(118)
Benefits paid to participants	(2,110)	(1,778)
Net pensions	(842)	(121)
Net investment income	240	332
Net increase in net assets available for benefits	(602)	211
Net assets available for benefits at end of Year		
(Notes 9 and 24)	**5,947**	**6,549**

The accounting policies and notes on page 40 to 80 form part of these financial statements

Statement of Cash Flows

for the year ended 31 December 2020 (Expressed in Cayman Islands Dollars)

	31 December 2020 $000	31 December 2019 $000
Cash flows from operating activities		
Receipts		
Contributions received from employees	20,422	18,584
Contributions received from employers	19,434	17,192
Other income received	387	240
Net investment income received	34	60
Total	**40,277**	**36,076**
Payments		
Benefits paid to participants - Public Service	(39,697)	(33,642)
Administrative expenses paid	(5,749)	(4,268)
Investment management fees and other expenses paid	(4,066)	(3,469)
Benefits paid to participants - Ex-Gratia	(2,844)	(2,406)
Total	**(52,356)**	**(43,785)**
Net cash used in operating activities	**(12,079)**	**(7,709)**
Cash flows from investing activities		
Proceeds from sale of investments	200	5,922
Purchase of investments	(15,833)	(19,166)
Purchase of fixed assets and intangibles	(3)	(17)
Net cash applied to investing activities	**(15,636)**	**(13,261)**
Cash flows from financing activities		
Contributions received from employers - Additional defined benefit	19,697	24,066
Ex-Gratia grant and prepaid Ex-Gratia grant	3,070	2,638
Net cash received from financing activities	**22,767**	**26,704**
Cash flows from judiciary contributions		
Contributions received from employer	401	512
Contributions received from employees	246	177
Contributions received from employer - defined benefit	-	-
Benefits paid to participants	(343)	(661)
Net cash received from judiciary contributions	**304**	**28**
Cash flows from parliamentary contributions		
Contributions received from employer	178	170
Contributions received from employees	178	170
Contributions received from employer - defined benefit	1,115	1,140
Benefits paid to participants	(2,797)	(1,777)
Net cash received from parliamentary contributions	**(1,326)**	**(297)**
Net (decrease) increase in cash and cash equivalents during the year	(5,970)	5,465
Cash and cash equivalents at beginning of year	11,488	6,023
Cash and cash equivalents at end of year (Note 3)	**5,518**	**11,488**

The accounting policies and notes on page 40 to 80 form part of these financial statements

Supplemental Statement of Accumulated Plan Benefits

for the year ended 31 December 2020 (Expressed in Cayman Islands Dollars)

	31 December 2020 $000	31 December 2019 $000
Actuarial present value of accumulated plan benefits (Note 15)		
Inactive and Active Participants	(765,111)	(765,111)
Total actuarial present value of accumulated plan benefits	(765,111)	(765,111)
Fund's net assets available for benefits at year-end (Note 24)	**1,002,601**	**860,852**
Fund income/(deficit)	**237,490**	**95,741**

The accounting policies and notes on page 40 to 80 form part of these financial statements

Notes to the Financial Statements

for the year ended 31 December 2020 (Expressed in Cayman Islands Dollars)

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 Act, 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 Act (2021 Revision) (the "Act").

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) Act, 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) Act, 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)

Code	Employer	DB Employee Distribution Rates	DB Employer Contribution Rates	DB Additional Normal Cost Contribution Rate	DB PSL Contribution Rates	DC Employee Contribution Rates	DC Employer Contribution Rates	DC Additional Normal Cost Contribution Rate	DC PSL Contribution 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	Ministry of Finance & Economic 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*
MI	Ministry of International Trade, Investment, Aviation & Marine Affairs	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%
BC	Ministry of Employment & Border Control	6%	6%	5%	n/a*	6%	6%	0.40%	n/a*
JD	Judicial Administration	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*
LAs	Portfolio of Legal Affairs	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 Community Affairs	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 Financial Services & Home Affairs	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*
SE	Cayman Islands Stock Exchange	6%	6%	n/a*	n/a*	6%	6%	0.40%	n/a*
BP	Botanic Park	6%	6%	n/a*	n/a*	6%	6%	0.40%	n/a*
PC	Pedro Castle	6%	6%	n/a*	n/a*	6%	6%	0.40%	n/a*
TB	Tourism Attraction Board	6%	6%	n/a*	n/a*	6%	6%	0.40%	n/a*
CP	Office of the Commissioner of Police	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*

1. Introduction and Background Information (continued)

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

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

i. with respect to the defined contribution participants, the cost of certain benefits provided that are of a defined benefit nature;

ii. with respect to the defined benefit participants, the excess of 12% of pensionable earnings of the normal benefit accrual cost plus the annual cost of meeting the unfunded past service liabilities.

d. Investment Policy

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

2. Significant Accounting Policies

Basis of preparation

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

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

Reporting and functional currency

The financial statements are presented in Cayman Islands dollars, rounded to the nearest thousand.

Changes in accounting policies

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

Reporting period

The reporting period is the year ended 31 December 2020.

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.

2. Significant Accounting Policies (continued)

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%

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:

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Board as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Board.

2. Significant Accounting Policies (continued)

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Board.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Board.

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

Short-term Leases

IFRS 16 Leases became effective 1st January 2019. 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.

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 relates 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 December 2020 $000	31 December 2019 $000
Cash	5,518	11,431
Term deposits	-	57
Total	**5,518**	**11,488**

4. Investments

The appointed Investment Managers manage the Fund's investments under discretionary investment agreements that conform to the list of Approved Investments detailed in the Schedule 2 of the Public Service Pensions (Amendment) Act, (2019 Revision).

a) Investment and Market conditions[1]

The Fund (In General)

Even though the calendar year began with a very weak and volatile 1st quarter, major equity and bond indices closed 2020 with strength and momentum, generating attractive overall rates of return. Over the 4th quarter, in particular, despite prevailing uncertainty and a fragile recovery, global industry outlooks started to brighten, with projected financial corporate outlooks shifting to moderately positive in terms of fundamental business conditions for various industries over the next 12 to 18 months.

Over the one-year period ending 31 December 2020, the PSPB Fund achieved a return of 15.5%. This result was due to equity markets worldwide generating healthy positive returns despite obstacles throughout the year. On a relative basis, the PSPB's Fund overall performance ranked at the 16th percentile over the one-year period. Longer term, being the five-year period, the PSPB's Fund relative ranking is at the third percentile.

Global Equities

Global equities experienced a strong year, and this was largely amplified during periods such as November 2020, which saw its best performance in 50 years, producing a monthly gain of over 11% (it was the single best November gain for the S&P 500 since 1957). The 4th quarter performance was helped by disclosures on potential vaccine efficacy and the resolution to U.S. electoral uncertainty.

Over the year, it was growth stocks, supercharged by low interest rates, digitization, work from home and other pandemic-related trends, that were continuously bid up, pushing equity markets higher. It wasn't until November, with the positive vaccine news and election relief, that value stocks, particularly cyclical stocks with ties to economic growth and low valuations, took over leadership, pushing the MSCI World Index to advance impressively by 14.0%, over the quarter, to finish the year up 15.9%.

Global Investment Grade Credit

Over the 4th quarter, financial markets appeared to be discounting a robust economic recovery occurring, given the high likelihood of sufficient numbers of people being vaccinated.

Over the calendar year, corporate bond markets experienced a roller coaster ride. Global bonds gained over the 4th quarter as a number of vaccine breakthroughs fostered hopes of a return to economic normality. However, bond performance was mixed, with U.S. government bond yields rising, though corporate bonds gained ground on tightening spreads by 32 basis points over the 4th quarter.

Specific to PSPB, over the one-year period, despite underperforming its benchmark, overall, global credit bonds delivered a 6.4% positive return.

1 Cayman Islands Public Service Pensions Board, 'Performance Review for Periods Ending December 31, 2020', Advisory Capital, 12 February 2021.

4. Investments (continued)

b. Investment returns

Total Returns to 31 December 2020

Annualized for periods exceeding 1 Year

Last 3 Months	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	From Inception
8.2%	15.5%	21.0%	12.0%	13.6%	12.1%	11.1%	7.6%

c. Investment portfolios

The investment portfolios are summarized below:

	31 December 2020		31 December 2019	
Description	**$ 000**	**%**	**$ 000**	**%**
Global Equities	816,513	82.12	680,288	80.20
Fixed Income	177,609	17.88	167,692	19.80
Total	**994,122**	**100.00**	**847,980**	**100.00**

5. Fixed Assets

Fixed assets consist of the following components:

	Leasehold Improvements	Furniture & Fixtures	Office Equipment	Computer Equipment	Computer Software	Vehicles	Total
	$000	$000	$000	$000	$000	$000	$000
Cost							
As at 01 January 2020	**19**	**36**	**22**	**268**	**42**	**16**	**403**
Additions	-	-	-	4	-	-	4
Adjustments	-	-	-	-	-	-	-
Disposal in the period	-	-	-	-	-	-	-
As at 31 December 2020	**19**	**36**	**22**	**272**	**42**	**16**	**407**
Accumulated Depreciation							
As at 01 January 2020	**3**	**11**	**19**	**243**	**41**	**15**	**332**
Depreciation	**7**	**3**	**1**	**9**	**1**	**1**	**22**
Disposals in the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Adjustments	-	-	-	-	-	-	-
As at 31 December 2020	**10**	**14**	**20**	**252**	**42**	**16**	**354**
Carrying value at 31 December 2020	**9**	**22**	**2**	**20**	**-**	**-**	**53**
Carrying value at 31 December 2019	**16**	**25**	**3**	**25**	**1**	**1**	**71**

6. Intangibles

Intangibles consist of following components:

	Lynchval Capitalization $000	Sagitec Capitalization (in progress) $000
Cost		
As at 01 January 2020	571	-
Additions	-	1,402
As at 31 December 2020	571	1,402
Accumulated Amortization		
As at 01 January 2020	571	-
Amortization	-	-
As at 31 December 2020	571	-
Carrying value at 31 December 2020	-	1,402
Carrying value at 31 December 2019	-	-

The Organization has entered into a Software as a Service (SaaS) contract with Sagitec Solutions LLC for the provision of a Core customized cloud-based solution pension administration system. The system is in the Implementation Phase and amortization will commence when the system goes live.

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 Act (2021 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 Acts:

"(1) Any Caymanian (as defined in the *Immigration Act (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.

Ex-Gratia pension activity:

Description	31 December 2020 $000	31 December 2019 $000
Pre-Funded Ex-Gratia Pensions	1,290	1,432
Ex-Gratia Pensions Payments	(1,246)	(1,276)
Overpayment / (Underpayment)	44	156

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 December 2020 $000	31 December 2019 $000
Pre-Funded Ex-Gratia Uplift Payments	1,780	1,206
Ex-Gratia Uplift Payments	(1,598)	(1,130)
Overpayment / (Underpayment)	182	76

9. Parliamentary Pensions Plan (PPP)

The Members of the Legislative Assembly participate in the Parliamentary Pensions Plan (PPP) as governed by the Parliamentary Pensions Act (2016 Revision) (the "Parliamentary Pensions Act"). Members contribute at a rate of 6% of pensionable earnings and employers contribute a matching 6%.

An additional contribution as prescribed by the latest Actuarial Valuation is made by the employer to cover the additional defined benefit cost associated with the PPP. In practice the Board administers the PPP and the related fund balances.

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

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 of 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 recognized for the PPP during the year.

Net assets available for benefits for PPP at end of year amounted to $5,947 million (2019: $6,549 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 Parliament 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 Act, (2018 Revision) and the Judges' Emoluments and Allowances Order, (2019 Revision). 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 Act is 65. The maximum amount of pension payable to a participant cannot exceed an annual 80% of the participant's final average pensionable earnings.

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 36, 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 $5,723 million (2019: $5,205 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 Act (2004) on 23 August 2004, which required benefit payments be paid directly from the Parliamentary Pensions Fund.

12. Administrative expenses

Description	31 December 2020 $000	31 December 2019 $000
Salaries, benefits & other staff related expenses	2,951	2,748
Office accommodation & related expenses	352	345
General administrative	46	123
IT Support	216	166
Other professional fees	278	75
Audit fees	70	70
Actuarial fees	491	312
Board of Directors related expenses	155	110
Total	**4,559**	**3,949**

13. Benefits Due

Benefits Due represents the liability to pay participants who have attained the Normal Retirement Age prior to 31 December 2020 but whose pension payments have not commenced as at the fiscal year end. Benefits due also relate to cashouts and transfers which were approved during the financial year and paid subsequent to the financial year end.

14. Funding Actuarial Valuation – 1 January 2020

In accordance with the respective legislation, the Board's Actuaries, Mercer, carried out the triannual funding Actuarial Valuation as at 1 January 2020 for each of the three Government sponsored pension plans. The reports have been accepted and approved by Cabinet and the PSPB is in the process of developing drafting instructions to put the new contribution rates in place via regulations. However, the rates will be retroactive to 1 January 2020.

As a result of the foregoing, both Contributions Received and Contributions Receivable in these Financial Statements are reflective of the 2017 Valuation Reports, which are the last approved rates. 2020 Statement of Accumulated Plan Benefits is also based on the 2017 Valuation Reports.

15. Funding Actuarial Valuation Reports – 1 January 2017

In accordance with the respective legislation, the triannual 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%).

15. 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%.

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

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%

c. Parliamentary Pensions Plan actuarial valuation – 1 January 2017

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%.

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

d. 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%.

16. 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.

17. 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 Opportunity Fund ("Morgan Stanley" Investment Manager)
d. PIMCO Global Investment Grade Credit ("PIMCO", Investment Manager)
e. PIMCO US Short-Term Fund ("PIMCO", Investment Manager)
f. Wellington Global Quality Growth ("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 2020 $000	31 December 2019 $000
Investment managers		
IFP	2,700	2,945
Magellan	1,116	1,017
PIMCO	833	697
Wellington	956	485
Morgan Stanley	472	223
Custodian		
CIBC Mellon	107	112
Investment advisor		
Advisory Capital	708	635
Legal fees		
Pillsbury, Winthrop, Shaw, Pittman LLP	458	239
Total	**7,350**	**6,353**

18. Financial and Actuarial Risk Management

In order to meet the investment objective for the Fund, namely to earn returns that will, in conjunction with the financing plan, result in the Plans becoming fully funded or self-sustaining (see note (1d)), the investments will be subject to a variety of inherent risks. An overarching strategy for management of these risks is asset diversification, to manage concentration using various investment criteria and, within the Board's risk appetite, to minimize the likelihood of portfolio losses and optimize the opportunity for long-term gains.

In addition, the Board employs rigorous investment manager selection, monitoring and due diligence processes. Asset classes are managed by separate internationally-recognized investment managers, who are recommended by the Investment Committee of the Board, with the guidance of the independent Investment Advisor (Advisory Capital), and approved by the Board. Performance of each investment manager is monitored and measured against international benchmarks by the Investment Committee and the Investment Advisor. Members of the Investment Committee, along with the Investment Advisor, also perform annual due diligence visits to each of the investment managers. However, due to the COVID-19 pandemic these were carried out virtually in 2020.

Major risk exposures include market risk, interest rate risk, credit risk, liquidity risk and currency risk, and these are discussed further in the following sections.

Market risk

Market risk is the risk that the value of a financial instrument such as an equity security will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the markets. Market risk is managed mainly by diversification across issuers, industries, geographies and investment strategies.

Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Interest rate changes may affect the values of the fixed income and credit investments and also, indirectly through impacts on the liability discount rates, the funding liabilities. Interest rate risk is managed mainly by the allocation to bonds under the Fund's target asset mix, as well as the duration of the fixed income investments.

Credit risk

Credit risk is the risk that one party to a financial instrument, such as a bond, will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk, with respect to the fixed income investments, is managed by placing deposits with high-credit quality institutions, minimum requirements for counterparties' credit ratings, diversification of counterparties and monitoring of counterparties and exposures.

Liquidity risk

Liquidity risk is the risk of encountering difficulty in meeting payment obligations when due or supporting investment opportunities, through cash flows or asset sales, without incurring financial loss. Liquidity risk is managed by monitoring net cash flows, including required pension contributions, and maintaining a generally liquid investment portfolio, with the ability to divest on relatively short notice.

Currency risk

Currency risk arises from investment in global assets denominated in foreign currencies, whereas the pension payments and liabilities are based in Cayman Islands dollars. Currency risk is mitigated by strong economic and currency links between the United States of America and the Cayman Islands and, when appropriate, other foreign currencies deemed are hedged into U.S. dollars.

18. Financial and Actuarial Risk Management (continued)

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.

Actuarial risk management

Actuarial risks relate to changes in plan liabilities or costs which detract from the goal of the Plans becoming fully funded or self-sustaining. The actuarial risk management framework includes mandated triennial actuarial valuations performed by an internationally reputable actuarial firm (Mercer) and the implementation of the recommended contribution rates. In addition, the Board has commissioned annual interim updates from the Actuary in years between the triennial reports.

Notwithstanding the actuarial risk management framework, plan funding is ultimately at the discretion of the government. In practice, plan funding can be affected by delays in tabling the actuarial valuation reports and in enabling regulations to prescribe the recommended rates, as well as any other inefficiencies in governmental processes.

Regular actuarial reporting will reveal impacts of any aspects of evolving plan experience which differ from the underlying assumptions. Furthermore, changes in the actuarial assumptions used, to better reflect plan experience and future expectations, can have a significant effect on plan liabilities and costs. Key actuarial assumptions with significant liability and cost impacts include:

a. Discount rate – This is one of the most important assumptions, and the Plans face significant risk of the long-term returns on plan investments not meeting the discount rate, as well as changes in discount rates based on evolving market conditions and outlooks or changes in target asset mix.

b. Pensionable earnings increases and post-retirement pension increases (inflation rate) – Risks relate to potential increases higher than levels assumed, and changes in the assumptions adopted.

c. Mortality – Longevity risk is the potential that retirees and spouses live longer than assumed based on the mortality assumptions. Changes in mortality assumptions are also a source of plan risk.

Other demographic experience and assumptions such as retirement rates also contribute to actuarial risk.

Currently there is a 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 imposes cost and risk for plan funding which requires monitoring over time.

Quantitative sensitivity disclosures in relation to key assumption changes may be included in periodic actuarial valuation reports. Note 22 includes certain quantitative disclosures related to the PSPB's staff participation in the Defined Benefit Part of the Public Service Pensions Plan, under an accounting ("IAS19 R") basis.

19. 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).

20. 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, Chief Pensions Officer, Chief Finance Officer, Chief Human Resources 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 2020 was $1.139 million, (FY 2019: $1.091 million).

Each Director, with the exception of ex-officio members, is paid a Monthly Director Remuneration. Total remunerations paid to Board Directors of the PSPB for the fiscal year 2020 was $131 thousand (FY 2019: $78 thousand). The Monthly Director Remunerations are based on the following rates:

Position	Monthly Director Remuneration
Board Chair	CI $4,000
Independent Professional Trustee	CI $2,000
Board Director	CI $1,000
Governance Committee Chair	CI $1,000
Investment Committee Chair	CI $1,000
Audit Committee Chair	CI $1,000
Non-Board Director Appointees to Committees for specialist expertise	An amount not to exceed CI $750

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 $70 thousand respectively (2019: $3 Thousand, $87 Thousand respectively). The services are deemed to have been engaged at arm's length.

21. 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. Office of the Auditor General
b. Cabinet Office
c. Judicial Administration
d. Ministry of Health, Environment, Culture & Housing
e. Ministry of District Administration, Tourism & Transport
f. Ministry of Finance & Economic Development
g. Ministry of Education, Youth, Sports, Agriculture and Lands
h. Ministry Commerce, Planning & Infrastructure
i. Ministry of Financial Services & Home Affairs
j. Ministry of Community Affairs
k. Office of the Director of Public Prosecutions
l. Portfolio of Civil Service
m. Portfolio of Legal Affairs
n. Office of the Ombudsman
o. Ministry of International Trade, Investment, Aviation & Maritime Affairs
p. Office of the Commissioner of Police
q. Ministry of Employment and Border Control
r. Governor's Office

21. Plan Participants (continued)

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 Centre & Island Wildlife Encounter
f. CAYS Foundation
g. CINICO
h. Civil Aviation Authority
i. Utility Regulation and Competition Office
j. Maritime Authority of the Cayman Islands
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. Pirates Week
r. Tourism Attraction Board
   - Queen Elizabeth II Botanic Park
   - Pedro St. James Castle

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

22. 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 2020 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 2020 reflects the following:

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

	31 December 2020 $000	31 December 2019 $000
Defined benefit obligation	(2,661)	(2,053)
Fair value of plan assets	2,095	2,383
Funded status	566	(330)
Effect of asset ceiling/onerous liability	-	-
Net Liability	**566**	**(330)**

The change in defined benefit obligation is as follows:

	31 December 2020 $000	31 December 2019 $000
Defined benefit obligation at end of prior year	2,053	1,568
Current service cost	55	45
Interest expense	65	66
Cashflows - participant contribution	12	12
Benefit payments from plan	-	-
Effect of changes in demographic assumptions	(59)	(8)
Effect of changes in financial assumptions	450	371
Effect of experience adjustments	85	(1)
Effect of changes in foreign exchange rates	-	-
Defined benefit obligation at end of year	**2,661**	**2,053**

22. PSPB's IAS19R Pension Liabilities

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

	31 December 2020 $000	31 December 2019 $000
Fair value of plan assets at end of prior year	2,383	1,859
Interest income	76	79
Cash flows		
Employer and participant contributions	44	24
Benefit payments from plan	-	-
Administrative expenses paid from plan assets		
Other significant events		
Increase/decrease due to effect of any business combinations/divestitures/transfers	(612)	-
Remeasurements		
return on plan assets (excluding interest income)	204	421
Fair value of plan assets at end of year	**2,095**	**2,383**

The net defined benefit liability (asset) reconciliation is as follows:

	31 December 2020 $000	31 December 2019 $000
Net defined benefit liability (asset) as of beginning of year	(330)	(291)
Defined benefit cost included in P&L	44	32
Total remeasurements included in OCI	272	(59)
Other significant events – Net transfer in/(out) (including the effect of any business combinations/divestures)	612	
Cash flows – employer contributions	(32)	(12)
Net defined benefit liability (asset) as of end of year	**566**	**(330)**

22. PSPB's IAS19R Pension Liabilities

The components of defined benefit cost is as follows:

	31 December 2020 $000	31 December 2019 $000
Current service Cost	55	45
Net interest cost		
Interest expense on DBO	65	66
Interest (income) on plan assets	(76)	(79)
Total net interest cost	(11)	(13)
Administrative expenses and taxes	-	-
Defined benefit cost included in statement of changes in net assets available for benefits	44	32
Remeasurements (recognized in other comprehensive income)		
Effect of changes in demographic assumptions	(59)	(8)
Effect of changes in financial assumptions	450	371
Effect of experience adjustments	85	(1)
(Return) on plan assets (excluding interest income)	(204)	(421)
Total remeasurements included in other comprehensive		
Income	272	(59)
Total defined benefit cost recognized in statement of changes in net assets available for benefits and other comprehensive Income	**316**	**(27)**

22. PSPB's IAS19R Pension Liabilities

The sensitivity analysis on defined benefit obligation is shown below:

	31 December 2020	31 December 2019
1. Discount rate		
a. Discount rate - 25 basis points	2,809	2,163
b. Discount rate + 25 basis points	2,524	1,951
2. Inflation rate		
a. Inflation rate - 25 basis points	2,543	1,969
b. Inflation rate + 25 basis points	2,787	2,142
3. Mortality		
a. Mortality - 10% of current rates	2,738	2,104
b. Mortality +10% of current rates	2,592	2,006

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

	31 December 2020 $000	31 December 2019 $000
Expected employer contributions	17	17

The significant actuarial assumptions are presented below:

Weighted-average assumptions to determine benefit obligations

	31 December 2020	31 December 2019
1. Discount rate	2.60%	3.50%
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 using Scale MP-2020	Rp-2014 scale back to 2006 using Scale MP- 2014 then generationally projected using Scale MP-2019
6. Cost Method	Projected Unit Credit	Projected Unit Credit
7. Asset valuation method	Market Value	Market Value

22. PSPB's IAS19R Pension Liabilities (continued)

Weighted-average assumptions to determine defined benefit cost

	31 December 2020	31 December 2019
1. Discount rate	3.60%	4.55%
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 using Scale MP-2019	RP-2014 scaled back to 2006 using Scale MP- 2014, then generationally projected 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.

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 2020 to 31 December 2020 was 15.61% 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 2020 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 2020 and 31 December 2019, the Fund was invested as follows:

	31 December 2020		31 December 2019	
Plan Assets by Asset Category	**($000)**	**Percentage**	**($000)**	**Percentage**
Equities	816,513	82%	680,288	79%
Debt securities	177,719	18%	167,692	20%
Cash	3,398	0%	10,444	1%
Total Invested A	997,630	100%	858,424	100%

The Defined Contribution portion of the Fund (excluding in transit amounts) totalled $423,060,600 as at 31 December 2020 and $400,941,600 as at December 31, 2019, 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 $2,095,000 as at December 31, 2020 and $2,383,000 as at December 31, 2019.

22. PSPB's IAS19R Pension Liabilities (continued)

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 2020 and 31 December 2019 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 2020	31 December 2019
Discount rate		
- BOY disclosure and current year expense	3.50% per year	4.50% per year
- EOY disclosure and following year expense	2.60% per year	3.50% per year
- Following year current service cost	2.70% per year	3.60% per year
- Rate used to determine interest on defined benefit obligation and plan assets for following year expense	2.20% per year	3.15% per year
- Rate used to determine interest on current service cost for following year expense	2.50% per year	3.40% 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
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-2019	RP-2014 scale back to 2006 using Scale MP-2014, then generationally projected from 2006 using Scale MP-2018
- EOY disclosure and following year expense	RP-2014 scaled back to 2006 using Scale MP- 2014, then generationally projected using Scale MP-2020	RP-2014 scaled back to 2006 using Scale MP-2014, then generationally projected using Scale MP- 2019
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) 28.45 Retiring in 25 years (at age 57): 30.61	Retiring today (member age 57) 28.66 Retiring in 25 years (at age 57): 30.93
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

22. PSPB's IAS19R Pension Liabilities (continued)

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%
60-64	15%
65	100%

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.

23. PSPB Post Retirement Healthcare Obligation

The Board's Actuary, Mercer, has calculated actuarial estimates of liabilities as at 31 December 2020 and actuarial estimates of the defined benefit cost for the fiscal years ending 31 December 2021, for the Post-Retirement Healthcare Program ("the Health Plan"). For purpose of PSPB reporting, IAS 19R for fiscal year ending 31 December 2020 reflects the following:

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

	31 December 2020 $'000	31 December 2019 $'000
Defined benefit obligation	1,364	1,341
Funded status	-	-
Net defined benefit liability (asset)	**1,364**	**1,341**

The change in defined benefit obligation are as follows:

	31 December 2020 $'000	31 December 2019 $'000
Defined benefit obligation at beginning of year	1,341	1,169
Current service cost	-	-
Interest expense	45	50
Benefit payments from Employer	-	-
Effect of changes in demographic assumptions	(246)	112
Effect of changes in financial assumptions	225	221
Effect of experience adjustments	(1)	(211)
Defined benefit obligation at end of year	**1,364**	**1,341**

The net defined benefit liability reconciliation are as follows:

	31 December 2020 $'000	31 December 2019 $'000
Net defined benefit liability (asset) at beginning of year	1,341	1,169
Defined benefit cost included in P & L	45	50
Total remeasurement included in OCI	(22)	122
Employer direct benefit payments	-	-
Net defined benefit liability (asset) as of end of year	**1,364**	**1,341**

23. PSPB Post Retirement Healthcare Obligation (continued)

The components of defined benefit cost are as follows:

	31 December 2020 $'000	31 December 2019 $'000
Current service cost	-	-
Interest expense on DBO	45	50
Defined benefit cost included in P & L	45	50
Remeasurements (recognized in other comprehensive income)		
Effect of changes in demographic assumptions	(246)	112
Effect of changes in financial assumptions	225	221
Effect of experience adjustments	(1)	(211)
Total Remeasurement included in OCI	(22)	122
Total defined benefit cost recognized in P & L and OCI	23	172

The sensitivity analysis on defined benefit obligation is shown below:

	31 December 2020 $'000	31 December 2019 $'000
1. Discount rate		
a. Discount rate – 25 basis points	69	68
b. Discount rate + 25 basis points	(64)	(63)
2. Health care cost trend rates		
a. Health care cost trend rates – 100 basis points	(240)	(228)
b. Health care cost trend rates + 100 basis points	304	287
3. Mortality		
a. Post-retirement mortality assumption + 10%	(67)	(61)

The estimated defined benefit cost for the following year (FY 2021) is as follows:

	Amount ($000)
Interest expense on DBO	33

23. PSPB Post Retirement Healthcare Obligation (continued)

The significant actuarial assumptions are presented below:

Weighted-average assumptions to determine benefit obligations

	31 December 2020	31 December 2019
Discount rate	2.70%	3.60%
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-2020	RP-2014 projected w/ MP-2019

Weighted-average assumptions to determine defined benefit cost

	31 December 2020	31 December 2019
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

23. PSPB Post Retirement Healthcare Obligation (continued)

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 2020 and 31 December 2019 are shown in the following table below.

Economic Assumptions	Post-Retirement Healthcare	Basis of Development – Accounting Specific Assumptions
Discount rate (p.a.) • 31 December 2019 • 31 December 2020	 3.6% 2.7%	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 2019 • 31 December 2020	 Scale MP-2019 Scale MP-2020	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-2020. The prior valuation used scale MP-2019.
Disability rates	None	-
Retirement Age	Age 50 & 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.

23. 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 retirement dates.
- An individual's estimated benefit obligation 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 June 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

24. 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 2020 $000	31 December 2019 $000
Public Service Pension Plan	990,931	849,098
Judiciary Pension Plan	5,723	5,205
Parliamentary Pension Plan	5,947	6,549
Total	**1,002,601**	**860,852**

Having completed a full cycle with the IAS19 and Funding valuations at the same year end, (31 December), our Actuary, Mercer performed some additional checks of the cash flow and membership movements reflected in the IAS19 reports in comparison with those captured in the funding valuation.

The true-up reallocations from CIG to the SAGs are driven largely by the difference in IAS19 and funding valuations in respect of:

1) Benefit payouts attributed to SAG captured as CIG benefit payments
2) Asset transfer from SAG to CIG in respect of some retiring members not captured in the IAS19 asset allocation

To effect the true-up of the notional asset reallocation attributed to the PSPB, an adjustment of (612K) was made to the opening asset value.

25. Contingent Liability

Section 47 of The Public Authorities Act, (2020 Revision, (the "PAA") :

The PSPB is currently in the transition phase of the implementation of Section 47 of the Public Authorities Act. Thus, we are in discussions with PoCS to complete the job evaluation exercise and are addressing the areas of the law which will allow the PSPB to be compliant.

26. COVID-19 Impact

Despite the challenges experienced world-wide as a result of COVID-19, there were no significant negative impact to the PSPB to report. The Public Service Pensions Board (Board) responded in a successful manner in both operations and through investment growth. All of the previous work that was done to plan and prepare for a business continuity incident paid off in 2020 as the PSPB was able to operate without any noted issues.

Most noteworthy was the critical response that the entire staff undertook to not only maintain operations, but to actually deliver ongoing critical operations during the “Shelter in Place” provisions that were implemented in the Cayman Islands. The PSPB had a blend of staff working and maintaining base functions in the office while others operated in a working from home arrangement to ensure that plan members continued to be served and supported during such a critical time in our Country.

27. Going Concern Disclosure Note

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 Board 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.

28. Subsequent Events

Management is not aware of any other events after the reporting date that would have an impact on the financial statements at 31 December 2020.

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