# 2021 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

# 2021 INVESTMENT MILESTONES

0.835%
Investment Management Expense Ratio

13.1%
PSPB Fund Return

$1.36
USD Billion in Assets

$157
USD Million Growth in the PSPB Fund

0.45%
Operations Expense Ratio

# 2021 ADMINISTRATION MILESTONES

3,381
Plan Member Files Processed

4,144
One-on-One Meetings with Members

166
New Retirements Processed

20
Presentations to 414 Members

# 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 2021.

For the second straight year, COVID-19 continued to have a major impact around the globe and the Public Service Pensions Board again responded with successful investment growth and continued high levels of service standards in our operations. The PSPB continues to be the leading pension plan in the Cayman Islands and the Public Service Pensions Fund made exceptional gains over the year. As a result, as of 31 December 2021, the market value of the Fund was $1.36 Billion USD.

A major focus is always on investment returns and 2021 was another successful year as the PSPB ended the year with an overall return of 13.1% in the Public Service Pensions Fund (the Fund). As a result of strong gains, the quarterly credited rates of return applied to member accounts in 2021 were all positive and this resulted in excellent increases to individual plan member account balances. Of note, this was achieved not only through strong returns, but through the PSPB's investment approach of smoothing any market volatility by using our credited rate of return in applying interest to our plan members pension accounts.

The major priority in 2021 was to work with Sagitec Solutions LLC to deliver a new customisable pension administration system and having gone live on 1 October 2021 with Neospin™, it is important to celebrate the success of this milestone and recognise the new opportunities this system presents. Further, as with any project, notwithstanding a number of roadblocks, this project was achieved with good outcomes as all three of the Neospin™ modules were implemented within the timeline set for the delivery of the pension administration module alone. There were also considerable savings realised based on management embracing an innovative approach to the delivery of the system and the PSPB has forged a stable and mutually respectful partnership with our system vendor, Sagitec Solutions LLC.

In 2021, the PSPB continued to work to manage the presence of COVID-19 in the Cayman Islands and ensured that critical operations remained for our plan members. In spite of several variant strains and a significant wave affecting many businesses in the Cayman Islands, the PSPB continued to adapt and manage remote and in-person operations that ensured that our stakeholders and plan members experienced the same expected level of service from the Authority.

The last two years brought forward tremendous challenges as a result of COVID-19. However, it proved that stakeholder confidence in the PSPB was well founded as our management team and staff demonstrated its agility and ability to innovate and always deliver on our mission of "Excellence in Member Services". Over past two years, the Authority responded in a successful manner in operations, risk management and investment growth. As we move into 2022 and our Board works to achieve our vision of Destination 2030, the Authority is positioned to deliver on the key Strategic Goals and Objectives that will have immediate benefits and will also deliver long-term positive impacts for plan members.

Despite continued challenges in 2021 from the ongoing presence of COVID-19 and knowing that this will roll into 2022, the Board, CEO and staff have demonstrated the ability to exceed expectations on investment returns, governance oversight and service delivery. Following another successful year, we embrace the opportunity to again be the leading pension provider in the Cayman Islands.

Sincerely,

JCLindsey

Mrs. Sheree Ebanks
Chair of the Board

Mrs. Jewel Evans Lindsey
Chief Executive Officer

# GOVERNANCE INFORMATION AND HIGHLIGHTS


Pedro St James

# Board of Directors

The Public Service Pensions Board, which was originally established in 1992, is responsible for the administration of the Fund and the payment of all pensions and other benefits in accordance with the 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 2021, 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

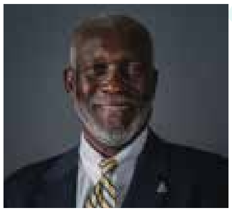
Mr. Simon Cawdery, CFA
Investment Committee Chair

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

# Attendance Register - 2021

**PSPB Investment Committee**

| 2021 | 04 March | 02 June | 23 June (Curcio Webb) | 25 June Curcio Webb) | 27 July | 02 September | 01 October | 07 October | 13 October | 21 October | 02 December | 17 December |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mr. Simon Cawdery | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✖ | ✔ | ✔ | ✔ |
| Mrs. Sheree Ebanks | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✖ | ✔ | ✔ | ✔ |
| Mrs. Jewel Evans Lindsey | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| Mr. James Watler | ✔ | ✔ | ✖ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| Mr. Kenneth Jefferson | ✔ | ✔ | ✖ | ✔ | ✔ | ✔ | ✔ | ✔ | ✖ | ✖ | ✖ | ✖ |
| Mrs. Camilla Anderson | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| Mr. Robin Ellison (Invitee) | ✔ | ✔ | ✔ | ✔ | ✖ | ✖ | ✔ | ✔ | ✔ (left @10am) | ✔ | ✔ | ✔ |
| **Board Members** | | | | | | | | | | | | |
| Mrs. Gloria McField-Nixon (Invitee) | | | ✔ | ✖ | | | | | ✖ | | | |
| Mr. Orrett Connor (Invitee) | | | ✔ | ✔ | | | | | ✔ (from 10.30am) | | | |
| Mr. Bryan Bothwell (Invitee) | | | ✔ | ✔ | | | | | ✔ | | | |

**PSPB Audit and Risk Committee**

| | 25 February | 09 June | 10 September | 30 November |
|---|---|---|---|---|
| Mr. Bryan Bothwell | ✔ | ✔ | ✔ | ✔ |
| Mr. Kenneth Jefferson | ✔ | ✔ | ✔ | ✔ |
| Mrs. Jewel Evans Lindsey | ✔ | ✔ | ✔ | ✔ |
| Mr. Orrett Connor | ✔ | ✔ | ✔ | ✔ |

**PSPB Governance Committee**

| | 03 March | 10 June | 01 December |
|---|---|---|---|
| Mr. Robin Ellison | ✔ | ✔ | ✔ |
| Mrs. Jewel Evans Lindsey | ✔ | ✔ | ✔ |
| Mrs. Gloria McField-Nixon | ✔ | ✔ | ✔ |

**PSPB Board Meeting**

| | 05 March | 18 June | 15 September | 17 September | 03 December |
|---|---|---|---|---|---|
| Mrs. Sheree Ebanks | ✔ | ✔ | ✔ | ✔ | ✔ |
| Mrs. Jewel Evans Lindsey | ✔ | ✔ | ✔ | ✔ | ✔ |
| Mr. Kenneth Jefferson | ✔ | ✖ | ✖ | ✔ | ✖ |
| Mr. James Watler | ✔ | ✖ | ✔ | ✔ | ✔ |
| Mrs. Gloria McField-Nixon | ✔ | ✔ | ✔ | ✔ | ✔ |
| Mr. Orrett Connor | ✔ | ✔ | ✔ | ✔ | ✔ |
| Mr. Robin Ellison | ✔ | ✔ | ✔ | ✔ | ✔ |
| Mr. Simon Cawdery | ✔ | ✔ | ✔ | ✔ | ✔ |
| Mr. Bryan Bothwell | ✔ | ✔ | ✔ | ✔ | ✔ |

✔ = Attendance ✖ = Apologies

# 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 approach since that time allowed PSPB business plans and operational objectives to work towards the successful delivery on the long-term outlook for the PSPB. This five-year strategy was in essence a catch-up period which could only be achieved under a new governance structure and leadership approach. It was establishing this foundation that would set the framework for the next phase of the Authority's development. To achieve the PSPB 2022 Strategy, three main strategic objectives were established on behalf of the membership, and these are:

1. Improve the long-term pension benefit/plan sustainability;
2. 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,
3. Engage in Government policy development to enhance the long-term sustainability and effectiveness of our pension schemes.

## PSPB Long-Term Strategic Plan: Destination 2030

A longer-term strategic plan culminating in 2030 is critical for a number of reasons. One key reason is the transition of leadership bringing to a close a three-decade period of consistent leadership and development and the ushering in of a new generation of leaders. The composition of our membership and their needs have changed over these past decades and this next seven years creates a unique opportunity to re-evaluate the Authority – its purpose, vision, mission, values and culture – through the lens of its membership, and the Government, its principal sponsor and stakeholder. A fresh bold vision should emerge as we strengthen:

- A "member-first" service-oriented platform delivering exceptional value and service
- A governance model that is effective and collaborative
- A world-class investment platform, highly focused on the right strategic markets and partners
- A disciplined, prudent and risk-conscious steward that meets the changing needs of stakeholders
- An Authority that is an industry-leading employer with an exceptional workplace environment

This PSPB Business Plan for 2022 and 2023 covers the last year or fifth year of the above five years set out to achieving the above set of strategic activities and the first year of the ensuing 7-year strategic plan, the objectives of which are set out below. When you examine Strategy 2022 and Destination 2030, there are many commonalities as our strategic focus has not changed. We continue to forge our strategic objectives around alignment with PSPB's vision, mission, and values, so therefore the transition from one strategic plan to the other should be relatively seamless.

# Board Governance Outlook for 2022 and 2023

In 2022 and 2023, the work for the Board of Directors will continue to be important as there are many deliverables planned for the next two years. While there is a need to fill the final vacancy on the Board, work will immediately start continuing to transition to a new investment advisor and part of this includes establishing a new investment governance framework. The PSPB will also continue with a comprehensive review of our legislations so the Board can work to implement positive changes for our plan members and ensure that legislation also mitigates risks to the Authority. One of the deliverables specific to changes is a need to develop the framework and draft legislation to support changes in plan design to allow additional voluntary contributions. Upon this expected legislation change being implemented in 2023, the PSPB must then complete the work to launch this new opportunity to plan members and employers to have a seamless roll out of this plan improvement.

One of the critical focal points is the PSPB's ongoing work on risk management in order to continue to provide guidance to the Board in the exercise of its duty of care and fiduciary responsibilities. To that end, the Authority will launch an Integrated Risk Management Framework within PSPB in a meaningful way and build out a risk management team for the organisation. Risk management remains a top governance priority and efforts to expand due diligence and monitoring programmes will continue to be explored and implemented to ensure the PSPB remains risk-oriented while still maximising our efficiencies.

# PLAN INFORMATION AND ADMINISTRATION REPORT

'Tradition' statue in Heroes Square, George Town

# 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 Appleby Tower at 71 Fort Street. 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 (20 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 $300KYD per month. Those with 10 or more years of service receive a minimum Ex-Gratia pension of $450KYD 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 approved 37 new Ex-Gratia and Ex-Gratia Uplift applications in 2021.

As a result, these pensioners are now receiving lifetime monthly benefits.

# 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, 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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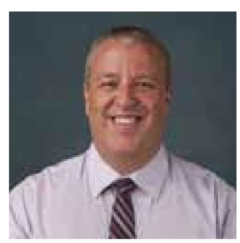
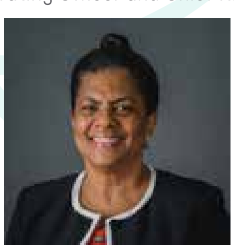
Mrs. Jewel Evans Lindsey
Chief Executive Officer and Administrator

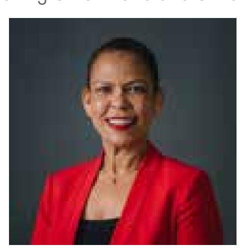
Ms. Ledra Lawrence
Chief Operating Officer and Chief Risk Officer



Mr. Trevor Davis
Acting Chief Pensions Officer



Ms. Angella Bent-Thomas
Chief Human Resources Officer



Ms. Faith Wright
Chief Financial Officer

# 2021 YEAR IN REVIEW AND HIGHLIGHTS

Statue of Cayman's first National Hero,
James (Jim) Manoah Bodden,
in Heroes Square, George Town

# 2021 Highlights

### New Pension Administration System

On 30 April 2020, the PSPB signed a contract with Sagitec Solutions LLC to partner with this vendor to deliver a new customisable pension administration system. This new partnership paved the way to develop a new pension administration system that would 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.

As a lot of hard work was required in 2021 to implement all the modules of the new pension administration system, the CEO assigned resources to work on this important initiative as the outcome of this solution is going to greatly change the way the PSPB does pension administration. The new system has not only corrected limitations in place with the previous system, but it is introducing new features that will improve the accuracy, timeliness, accessibility and communication for plan members. The main updates are that the new administration system features integrated Electronic Content Records Management (ECM), workflow tracking and approval, and secure member and employer web portal functionality.

Throughout the endeavour, the PSPB Project Steering Committee continued to oversee the delivery of this major project and the CEO continued to maintain updates to the Board at a governance level on this project. The PSPB Project Team tested the components and outputs and had third party verification on calculations to ensure the launch of the base system would be a success. Following significant staff training to learn the new system and a data conversion from the legacy system, Neospin™ was officially live on 1 October 2021.

The PSPB is honoured to have worked with Sagitec Solutions LLC to develop and deliver this new system ahead of the target timeline and with considerable savings achieved by the Authority. The PSPB looks forward to many successful years with Sagitec Solutions LLC as we maintain and build an ever-improving system for the PSPB staff and our valued employers and plan members. The 2022 Outlook section of this report outlines the next steps as the PSPB works towards public launching of the employer and member portals of the new system.

### Ex-Gratia Pension Uplift

Again in 2021, 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 2021, 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 $950KYD per month for pensioners. The PSPB team completed all of the uplifts on behalf of the plan members, and this also included adding new recipients who were not previously eligible for a pension uplift.

In 2021, the PSPB processed a total of 166 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.

For all events, PSPB team members attend 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 2021 holiday season, the PSPB staff decided to use these funds to provide a $50KYD Foster Family Food Fair grocery gift card to assist 75 lower income pensioners who would be in need of support over the Christmas holidays.

### 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 2021, this included supporting events and/or organisations such as the Cayman Islands Earth Day, the Cayman Islands Chamber of Commerce, Cayman Brac Seniors Citizens' Quarterly Birthday Parties, the Health Services Authority Staff Financial Fair, and so many others throughout the year.

### Membership and Activity

Over the course of the reporting period, the pension administration division of the PSPB processed 3,381 member files. This amount of processing is an increase of over 30% in service delivery provided by the PSPB to plan members.

Of the 3,381 files, this included the following key highlights:

| 2021 Key Administration Files Processed | |
|---|---|
| Interim Benefit Statements | 772 |
| Cash Outs and Transfers | 89 |
| Benefit Projections | 163 |
| Retirements | 166 |

### One on One Member Meetings

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

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

| 2021 One-on-One Member Meetings | |
|---|---|
| Grand Cayman Meetings | 3,360 |
| Cayman Brac Meetings | 784 |
| Total One-on-One Meetings | 4,144 |

# Annual Events

### Pension Continuation Confirmation Certificates

As required by statute, annually the PSPB distributes by mail pension continuation confirmation certificates (PCCCs) to all of our pensioners in receipt of a monthly benefit. The PCCCs ensure that pension benefits are paid to the right recipients and also ensures proof of life for each pensioner. The PCCCs are to be signed by the pensioner and witnessed by a Justice of the Peace, a Notary Public, a minister of religion, an attorney licensed to practice law in the Cayman Islands, a Member of Parliament 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 2021, a total of 2,288 PCCCs were distributed to pensioners on 19 October 2021. The deadline to return the 2021 PCCCs is 31 January 2022.

### Pension Augmentation

Each year, the PSPB considers the annual movement of the Consumer Price Index (CPI) (as determined by the Economic and Statistics Office (ESO)) in conjunction with its inflation protection legislation to determine the level of pension augmentation for its pensioners. In accordance with the Public Service Pensions Law, the augmentation for 2021 was calculated at 1.0% based on an award of 100% of the CPI of 1.0% for 2020. As a result, pensions in payment as at 31st December 2020 were adjusted for inflation as of the first day of 2021 for all retired plan members.

### Annual Benefit Statements

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

- The personal details on file for the member;
- The contributions paid-in during the statement period for the member;
- The interest credited during the statement period;
- The member's account balance as at the end of the statement period;
- Outstanding contributions (to be remitted by the employer) for the statement period; and
- The Credited Rate of Return applied to the member's account during the statement period.

If members disagree with any of the information on their statement, they should advise PSPB as soon as possible. For 2021, a total of 4,880 statements were mailed 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.

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

In addition, bespoke staff and employer presentations were also held for the Parliament Commission of the Cayman Islands, the Royal Cayman Islands Police Service, the Portfolio of the Civil Service, the Tourism Attraction Board, Health Services Authority, the Mosquito Control and Research Unit, Cayman Islands Airports Authority, Ministry of Education, Cayman Islands Monetary Authority and District Administration in Cayman Brac.

Throughout 2021, the PSPB conducted a total of 20 formal presentations, which were delivered to a total of 414 plan members.

### Staff Training

The PSPB has demonstrated that training and development play a vital role in its effectiveness. It is one of the most effective techniques for improving employees' performance and enhancing organisation productivity. In 2021, the following training courses/learning forums were attended by one or more members of staff:

- Royal Fidelity Cayman Economic Outlook 2021
- Cayman Islands Institute of Professional Accountants Global Ethics Day 2021
- International Foundation of Employee Benefit Plans – 67th Annual Employee Benefits Conference
- Performance Management Training for Supervisors and Leaders
- Neospin™ End User Training hosted by Sagitec Solutions LLC
- Cybersecurity Awareness Training hosted by Pillsbury Winthrop Shaw Pittman LLP
- Essentials of Supervision: Developing Your Leadership Style through Cayman Islands Chamber of Commerce

# 2022 Outlook

### Launching Employer and Member Self-Service Functions

With Neospin™ now launched, in 2022 and 2023, the starting focus is launching an educational campaign that will coincide with the roll out of the employer and member portals of the new pension administration system. With the Authority moving towards technology driven services and supports, these portals will maximise pension benefits to members and thoroughly improve our internal functions and ensure our staff are better positioned to build stronger relationships with our employers and members.

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, pensioner/member appreciation events will start in 2022, which will align with our 30th anniversary celebrations. These celebrations will also be a unique opportunity to launch our member portal and allow the PSPB to educate members on the new features that can access on their own at their convenience.

### 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.

### Electronic Content Management (ECM) Project

In 2022, the Authority will also commence a 2-year PSPB organization wide ECM project. This work will start with the focus on Member Services as we aim to scan and upload all physical member files into Neospin™. Completing this initiative in 2022 will ensure that records are stored in our pension administration system and improve better auditing of records and allow for easier remote working arrangements, should there continue to be a need for such arrangements as we navigate a COVID impacting workplace. Once member records are completed, the goal is to have the entire organisation working paperless, which will again further support a better remote working environment and allow all records to be catalogued and accessed with ease.

### Focus on Member Services

This is always a key outlook focus for the PSPB as at the heart of what we do is our plan members. Focal points in 2022 for Member Services centre on continuing to assess data against standards (Data Protection Law became effective 30 September 2019) and developing a programme to bring data up to those standards in order to meet plan member expectations. The PSPB has already initiated work to examine our data standards and further work will be completed during this coming year to bring forward to the Board a recommended plan on data standards that will form a foundation on data for the Authority.

As an Authority, we will re-develop our internal staff structure that is not simply numbers driven but that establishes small competent functional teams focused on the delivering service timely and cost effectively. Further to that, we will develop and introduce new key performance indicators (KPI) and workflow reporting as part of performance agreements at all levels. It is critical that we have strong KPI's to have agreed to metrics on key deliverables on service delivery outputs that can be tracked, assessed, and ensure that our staff achieve these standards, which then continues to build the Authority's brand as a leading pension administrator.

### Moving to a New Location

In 2021, the Authority started work to relocate our office to Appleby Tower and it is expected that the PSPB will be operating from this new office in 2022. This is not a trivial matter as all efforts the Authority undertakes must work towards a member-first service-oriented platform delivering exceptional value and service. With that, the front facing part of this office will greatly improve the accessibility for our plan members and build a stronger brand for the PSPB as the leading member services pension provider in the Cayman Islands.

In 2021, 891 new plan members joined or re-enrolled in the Public Service Pensions Plan.

# INVESTMENT REPORT


The Mission House, Bodden Town

# 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 capitalize on market opportunities.

The Funds are biased to equities over the long term in order to achieve optimum returns. Equities, when compared to other classes of investments over the long term, have historically proven to generally outperform other forms of investments.

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

### Growth and Outlook of the Fund

Mostly, as the pandemic raged on over 2021, U.S. pension plans enjoyed a banner year, with the median solvency ratio of DB plans standing at the highest level recorded since before the 2008/09 financial crisis and a marked improvement from the median reported at the end of March 2020 (the month the global pandemic was declared). In addition, around 60% of U.S. DB plans were fully funded. The improved overall positioning of defined benefit plans is attributable to the strong equity market rally in the latter months of calendar 2020, followed by a sharp rise in early 2021 for long-term bond yields, which are used to peg discount rates for determining plans' future liabilities, up by more than 75 basis points.

Specific to the PSPB, the Fund experienced significant growth in 2021 with a return of 13.1%. To achieve this, the Fund holds a diversified portfolio of bonds and equity securities that, over the long term, provides above-average returns with minimized variability. This portfolio helps achieve outstanding returns and it also protects from significant downside risk in years with more investment challenges. Looking forward to 2022, there are continued challenges to be expected as plans globally deal with inflation pressures, increases in interest rates and noted trends in market decreases.

Decreases have been demonstrated during the opening of 2022, noting both bonds and stocks turning decidedly negative as investors' longer-term expectations for mainstream capital markets have become gloomier. Surveys of expectations have estimated that a classic balanced portfolio of 60% stocks/40% bonds would return just 2.0% annually after inflation over the next 5 to 10 years. That is under half the roughly 5.0% average return enjoyed over the past century. It is these forecasts that will make oversight and risk mitigation a priority for the Authority as the Fund is managed during this change in the investment market.

# Fund Performance

### 2021 Return and Overall Performance

Over the one-year period ending 31 December 2021, the PSPB Fund delivered a return of 13.1%. This is a third consecutive year of double-digit gains for the Fund and this is in spite of worries about the recovery economically from the Omicron variant of COVID, which caused obstacles toward the end of the year that did push yields lower. On another positive note, specific to the fourth quarter of 2021, the PSPB Fund was positive by 5.1% for the quarter, which has positioned the Fund for a strong start in 2022.

Performance over the 2021 calendar year was slightly behind the policy benchmark of value-added investment, however, the longer-term view shows the value add of the investments. Specifically, over the five-year period, annualised performance is 13.5%, with a value added of 0.7%.

On a relative basis, the PSPB Fund's overall performance ranked at the 28th percentile rank over the one-year period. Longer term, being the five-year period, the PSPB Fund's relative ranking is at the fourth 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 400 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 13.1% increase brought about positive quarterly increases to the CRR throughout the year as noted in the table below.

**2021 Quarterly Credited Rates of Return and Investment Returns (%)**

| | Q4 | Q3 | Q2 | Q1 |
|---|---|---|---|---|
| Quarterly Investment Returns (net rate) | 4.67 | -1.65 | 5.68 | 2.45 |
| Quarterly CRR Applied to Member Accounts | 3.90 | 2.68 | 3.09 | 2.85 |

# Market Summary - Global Equities

2021 was a volatile year for global stock markets, in many respects, but despite sharp sell-offs in equities, the global equity market turned in a solid performance.

Over the course of 2021, the U.S. equity index hit 66 new highs and outperformed international stocks in each quarterly period. With the 2021 equity growth, the U.S. equity market recorded 3 consecutive years of double-digit gains (the best 3-year annualised returns in 24 years) attributable to a strong economic rebound and the willingness of capital markets to look past the continuing uncertainty brought by the coronavirus heading into the new year.

News of the Omicron variant of COVID-19 appeared in late November 2021 causing global stocks to sell off sharply as many worried that economies would roll back into lockdowns. Moreover, the U.S. Federal Reserve reiterated that inflation was a problem that needs to be dealt with but, as quickly as the bad news set in, the momentum in stocks that kicked in late March 2020, ended the downturn almost as quickly as it started, limiting market losses. Equity markets then rallied, pushing stocks up to record highs, culminating in a solid final quarter for calendar 2021 as the focus turned to economic resilience and corporate earnings.

The markets' positivity was confounding in a year of acute economic challenges but 2021 also saw impressive corporate profits, bolstered by exuberant consumer spending, even in the face of higher prices and supply chain delays. The enthusiasm emanates from the fact that corporations, as defined by record earnings are, for the most part, doing really well (S&P 500 earnings are up by 45% in 2021, an unusually high rate of growth resulting from strong corporate earnings and an easier comparison to weaker earnings in 2020, when the initial shock of the pandemic hobbled businesses).

Despite recent stock market variability, the underlying consensus remains positive, with the expectation that another year of strong revenue, earnings growth and excess cash flow will be generated by corporations in 2022. However, keeping up the record-breaking streaks in corporate profits and rosy sentiments likely will be more challenging in 2022, as the pandemic drags on and monetary policy becomes less supportive as well as global events which may affect market returns.

## 2021 Performance by Equity Manager

**+26.2%**
Morgan Stanley

**+21.0%**
Wellington Management Company

**+19.5%**
Independent Franchise Partners

**+12.4%**
Magellan Financial Group

# Market Summary - Global Bonds

Over the 4th quarter, concerns about the impact of the COVID-19 Omicron variant continued to generate a flight-to-quality bid in the bond market. However, the U.S. Federal Reserve seemed to look past Omicron in suggesting that global economies were progressing such that tighter monetary policy would be required in early 2022. That pushed bond yields higher and prices lower as the quarterly period came to a close. The global fixed Income market, as measured by the Bloomberg Global Aggregate Credit Index delivered a nonexistent return, over the recent quarter, while the 1-year period return remained negative by 90 basis points.

Calendar 2021 began with fixed income markets roughly in balance in terms of the U.S. Federal Reserve demand being offset by generous U.S. Treasury supply. But while the fixed income markets were in balance, the outlook for bonds was poor. With much uncertainty about the economic recovery, the U.S, Federal Reserve continued to project at least several years of a zero-interest rate policy (i.e., 0.00%–0.25% target federal funds rate) and was comfortable allowing inflation to temporarily exceed its 2.0% target. With fiscal policies and vaccines supporting the demand side of economic activity, labor shortages and product disruptions caused supply chain bottlenecks, which pressured prices on both labor and goods.

The U.S. Federal Reserve was originally comfortable with this scenario as they felt the labor market would again reach equilibrium and inflationary prices would recalibrate and prove to be "transitory." Over the balance of the calendar year, however, this position evolved as economic conditions strengthened, and by September 2021, the U.S. Federal Reserve announced the moderation of the pace of asset purchases, while noting that the test for a rate lift-off was much higher than asset tapering.

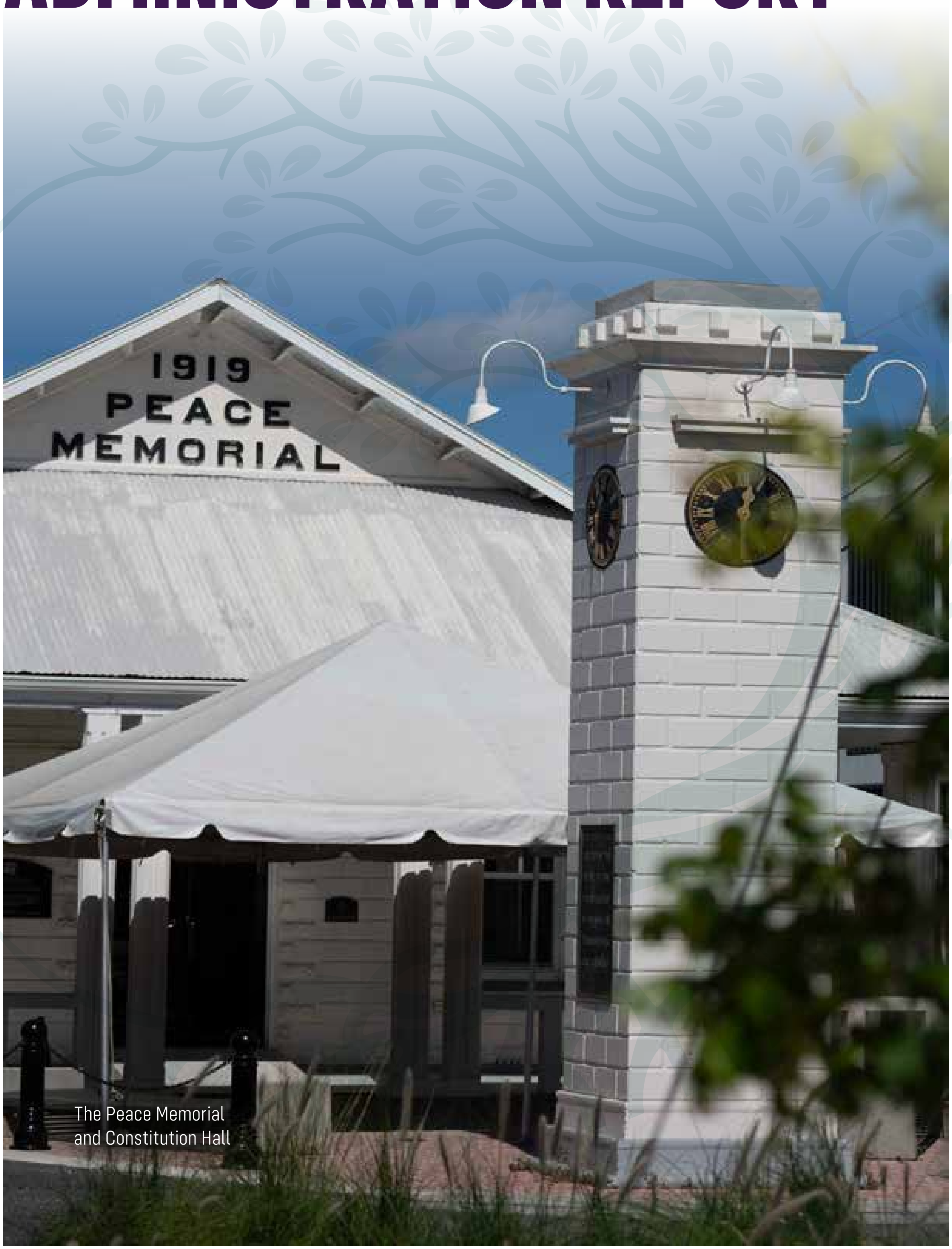
As economic activity remained robust into the 4th quarter 2021, and supply chain and labor disruptions kept prices elevated, inflation was persistently enough for the U.S. Federal Reserve to remove "transitory" from its vocabulary and during the 4th quarter, the credit markets had priced in a 92% chance of a rate hike to occur by June 2022.

## 2021 Performance by Fixed Income Manager

**-0.9%**
PIMCO Global Investment Grade Credit

**+0.4%**
PIMCO US Short Term Fund

# PLAN INFORMATION AND ADMINISTRATION REPORT



The Peace Memorial and Constitution Hall

# FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

# TABLE OF CONTENTS

# 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 2021.

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 2021;

(b) fairly reflect the financial position as at 31 December 2021 and performance for the 12 months financial year ended 31 December 2021;

(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.

Sheree Ebanks, Cert. Hon.
Chair
Public Service Pensions Board
Date- 27 July 2022

JCLindsey

Jewel Evans Lindsey, Cert. Hon.
Chief Executive Officer
Public Service Pensions Board
Date- 27 July 2022

Office of the Auditor General
CAYMAN ISLANDS

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Grand Cayman, KY1-1103, Cayman Islands

## 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 "Authority"), which comprise the statement of net assets available for benefits as at 31 December 2021 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 2021, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 12 to 50.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2021 and its financial performance and its cash flows for the year ended 31 December 2021 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 Authority 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.

**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 Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

## AUDITOR GENERAL'S REPORT (continued)

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 Authority'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 Authority'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 Authority 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

27 July 2022
Cayman Islands

# Statement of Net Assets Available for Benefits

**as at 31 December 2021 (Expressed in Cayman Islands Dollars)**

| | 31 December 2021 $000 | | 31 December 2020 $000 | |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| **Cash and cash equivalents** | | | | |
| Cash on hand and in bank (Note 3) | 8,231 | 8,231 | 5,518 | 5,518 |
| **Investments, at fair market value** (Note 4) | | 1,136,722 | | 994,122 |
| **Receivables** | | | | |
| Contributions receivable | | | | |
| Employees' contributions | 1,546 | | 1,283 | |
| Employers' contributions | 1,547 | | 1,312 | |
| Employers' - Additional defined benefit costs | 377 | | 201 | |
| Additional Normal Cost (ANC) | 1,005 | | 726 | |
| Past Service Liability (PSL) | - | | 3,104 | |
| Other receivables | 239 | 4,714 | 215 | 6,841 |
| **Prepaid expenses** | | | | |
| Prepaid expenses | 59 | 59 | 24 | 24 |
| **Total current assets** | | **1,149,726** | | **1,006,505** |
| **Non-current assets** | | | | |
| **Fixed assets** (Note 5) | | 332 | | 53 |
| **Intangibles** | | | | |
| Pension Administration System-In Progress (Note 6) | | 2,830 | | 1,402 |
| **Right-of-use asset** (Note 18) | | 487 | | - |
| **Other non-current assets** | | **38** | | **-** |
| **Total non-current assets** | | 3,687 | | 1,455 |
| **Total assets** | | **1,153,413** | | **1,007,960** |
| | | | | |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Benefits due ( Note 13) | | 2,746 | | 1,680 |
| Post-retirement healthcare obligation (Note 22) | | 1,263 | | 1,364 |
| PSPB deferred benefit liability/(asset) (Note 21) | | (27) | | 566 |
| Investment management fees | | 1,003 | | 871 |
| Accounts payable | | 266 | | 355 |
| Overpaid Contributions | | - | | 1 |
| Other liabilities | | 522 | | 522 |
| Lease Liability (Note 18) | | 290 | | **-** |
| **Total current liabilities** | | 6,063 | | 5,359 |
| **Non-current liabilities** | | | | |
| Lease liability (Note 18) | | 127 | | - |
| **Total Non-current liabilities** | | 127 | | - |
| **Total liabilities** | | 6,190 | | 5,359 |
| **Net assets** | | **1,147,223** | | **1,002,601** |
| **Represented by:** | | | | |
| Net assets available for benefits: | | | | |
| Accumulated fund (Note 23) | | **1,147,223** | | **1,002,601** |

Faith Wright, CPA
Chief Financial Officer

Jewel Evans Lindsey
Chief Executive Officer

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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 2021 (Expressed in Cayman Islands Dollars)**

| | 31 December 2021 $000 | 31 December 2020 $000 |
|---|---|---|
| **Pensions** | | |
| **Contributions** | | |
| Employer | 20,286 | 19,201 |
| Employee | 20,353 | 19,057 |
| Additional normal costs | 6,166 | 3,482 |
| Employers - Additional defined benefit costs (Note 14) | 17,547 | 18,219 |
| Total | **64,352** | **59,959** |
| Transfers In | 665 | 1,139 |
| Pre-funded Ex-gratia pensions (Notes 7 & 8) | 3,070 | 3,070 |
| **Total contributions** | **68,087** | **64,168** |
| **Benefits paid to participants** (Note 11) | | |
| Public service pensions | (37,545) | (40,780) |
| Ex-gratia pensions (Notes 7 & 8) | (3,557) | (2,844) |
| **Total benefits paid to participants** | **(41,102)** | **(43,624)** |
| **Net pensions** | **26,985** | **20,544** |
| **Investing** | | |
| **Investment income** | | |
| Realized gain on sale of investments – net | 27,990 | 21,507 |
| Dividends earned on investments | 8,770 | 8,275 |
| Unrealized gain/(loss) on investments – net | 93,788 | 104,107 |
| (Loss)/gain on foreign exchange | 362 | (27) |
| Interest earned on investments | 33 | 45 |
| Interest earned on term deposits and call accounts | 29 | 30 |
| **Total investment income** | **130,972** | **133,937** |
| **Investment expenses** | | |
| Investment management and custodial fees (Note 16) | (8,482) | (7,350) |
| Other investment expenses | (45) | (14) |
| **Total investment expenses** | **(8,527)** | **(7,364)** |
| **Net investment income** | **122,445** | **126,573** |
| **Operating** | | |
| **Operating income** | | |
| Other income | 308 | 259 |
| **Total operating income** | **308** | **259** |
| **Operating expenses** | | |
| Administrative expenses (Note 12) | (4,287) | (4,559) |
| Depreciation (Notes 5 & 6) | (167) | (22) |
| Write-off of accounts receivable and stale-dated items | 51 | 378 |
| **Total operating expenses** | **(4,403)** | **(4,203)** |
| **Net operating loss** | **(4,095)** | **(3,944)** |
| **Other comprehensive (loss)/ income** | **761** | **(250)** |
| **Net increase/(decrease) in net assets available for benefits** | **146,096** | **142,923** |
| **Allocation of net increase in assets** | | |
| **Attributable to PPP (Note 9)** | **(280)** | **(332)** |
| **Attributable to JPP (Note 10)** | **(445)** | **(293)** |
| **Attributable to PSPP** | **145,371** | **142,298** |
| **Net assets available for benefits at start of year (Note 23)** | **990,633** | **848,335** |
| **Net assets available for benefits at end of year (Note 23)** | **1,136,004** | **990,633** |

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 2021 (Expressed in Cayman Islands Dollars)**

| | 31 December 2021 $000 | 31 December 2020 $000 |
|---|---|---|
| **Assets** | | |
| **Net assets available for benefits at beginning of year (Notes 10 & 23)** | | |
| **Pension** | 5,857 | 5,260 |
| **Contributions** | | |
| Employers | 344 | 401 |
| Employees | 169 | 246 |
| **Total contributions** | 513 | 647 |
| **Benefits paid to participants** | (797) | (343) |
| **Net pensions** | (284) | 304 |
| **Net investment income** | 446 | 293 |
| **Net increase/(decrease) in net assets available for benefits** | 162 | 597 |
| **Net assets available for benefits at end of year (Notes 10 and 23)** | 6,019 | 5,857 |

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 2021 (Expressed in Cayman Islands Dollars)**

| | 31 December 2021 $000 | 31 December 2020Restated $000 |
|---|---|---|
| **Net assets available for benefits at beginning of year** | | |
| (Notes 9 and 23) | 6,111 | 6,621 |
| **Pensions** | | |
| **Contributions** | | |
| Employees | 193 | 178 |
| Employers | 193 | 178 |
| Past Service Liability (PSL) | 1,064 | 861 |
| **Total contributions** | 1,450 1 | ,217 |
| Prior Year ANC Receivables | 67 | 118 |
| **Liabilities** | | |
| Additional Normal Costs | (20) | (67) |
| **Benefits paid to participants** | (2,688) | (2,110) |
| **Net pensions** | (1,191) | (841) |
| **Net investment income** | 280 | 332 |
| **Net increase in net assets available for benefits** | (911) | (510) |
| **Net assets available for benefits at end of Year** | | |
| (Notes 9 and 23) | 5,200 | 6,111 |

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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 2021 (Expressed in Cayman Islands Dollars)**

| | 31 December 2021 $000 | 31 December 2020 $000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| **Receipts** | | |
| Contributions received from employees | 20,783 | 20,422 |
| Contributions received from employers | 20,118 1 | 9,434 |
| Other income received | 278 | 387 |
| Net investment income received | 29 | 34 |
| Total | 41,208 | 40,277 |
| **Payments** | | |
| Benefits paid to participants - Public Service | (36,479) | (39,697) |
| Administrative expenses paid | (4,568) | (5,749) |
| Investment management fees and other expenses paid | (4,149) | (4,066) |
| Benefits paid to participants - Ex-Gratia | (3,557) | (2,844) |
| **Total** | **(48,753)** | **(52,356)** |
| **Net cash used in operating activities** | **(7,545)** | **(12,079)** |
| | | |
| **Cash flows from investing activities** | | |
| Proceeds from sale of investments | - | 200 |
| Purchase of investments | (15,833) | (15,833) |
| Purchase of fixed assets and intangibles | (1,870) | (3) |
| **Net cash applied to investing activities** | **(17,703)** | **(15,636)** |
| | | |
| **Cash flows from financing activities** | | |
| Contributions received from employers - Additional defined benefit | 26,205 | 19,697 |
| Ex-gratia grant and prepaid Ex-gratia grant | 3,070 | 3,070 |
| **Net cash received from financing activities** | **29,275** | **22,767** |
| | | |
| **Cash flows from judiciary contributions** | | |
| Contributions received from employer | 169 | 401 |
| Contributions received from employees | 344 | 246 |
| Contributions received from employer - defined benefit | - | - |
| Benefits paid to participants | (798) | (343) |
| **Net cash (paid to) received from judiciary contributions** | **(285)** | **304** |
| | | |
| **Cash flows from parliamentary contributions** | | |
| Contributions received from employer | 193 | 178 |
| Contributions received from employees | 193 | 178 |
| Contributions received from employer - defined benefit | 1,273 | 1,115 |
| Benefits paid to participants | (2,689) | (2,797) |
| **Net cash paid to parliamentary contributions** | **(1,030)** | **(1,326)** |
| | | |
| **Net (decrease) increase in cash and cash equivalents during the year** | 2,713 | (5,970) |
| **Cash and cash equivalents at beginning of year** | 5,518 | 11,488 |
| **Cash and cash equivalents at end of year (Note 3)** | **8,231** | **5,518** |

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 2021 (Expressed in Cayman Islands Dollars)**

| | 31 December 2021 $000 | 31 December 2020 Restated $000 |
|---|---|---|
| **Actuarial present value of accumulated plan benefits (Note 14)** | | |
| Inactive and Active Participants | (1,065,152) | (765,111) |
| **Total actuarial present value of accumulated plan benefits** | (1,065,152) | (765,111) |
| **Fund's net assets available for benefits at year-end (Note 23)** | **1,147,222** | **1,002,601** |
| **Fund income/(deficit)** | **82,070** | **(237,490)** |

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 2021 (Expressed in Cayman Islands Dollars)**

## 1. Introduction and Background Information

### a. Introduction

The Public Service Pensions Board (the "Authority") was re-established as a Statutory Authority of the Cayman Islands Government (the "Government") on 14 April 1999. Principal place of business is Appleby Tower, 71 Fort Street, George Town, Grand Cayman, Cayman Islands. The Authority'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

The JPP DB part is fully funded and therefore no contributions are required by Plan members or the Government. However, Plan members participating in the JPP DC part contribute at the rate of ten percent of pensionable earnings and the Government contributes twenty percent. Plan members of the PPP and 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 of Directors (the "Board") based on the last approved actuarial results and were as follows:

## 1. Introduction and Background Information (continued)

| Code | Employer | DB Additional Normal Cost Contribution | DB PSL Contributions |
|---|---|---|---|
| AA | Cayman Islands Airports Authority* | 5.50% | 345,000 |
| AO | Audit Office | 9.30% | n/a* |
| CA | Civil Aviation Authority* | 0.40% | 0% |
| CC | Community College* | 0% | 103,000 |
| CF | CAYS Foundation * | 0% | n/a* |
| CG | Central Government | 9.30% | n/a* |
| CI | CINICO | 5.50% | 0% |
| CO | Cabinet Office | 9.30% | n/a* |
| CS | Portfolio of the Civil Service | 9.30% | n/a* |
| DA | Ministry of District Administration & Lands | 9.30% | n/a* |
| DB | Cayman Islands Development Bank* | 0% | n/a* |
| OR | Utility Regulation and Competition Office* | 1.10% | n/a* |
| FD | Ministry of Finance & Economic Development | 9.30% | n/a* |
| FO | Foreign Office | 9.30% | n/a* |
| MI | Ministry of Investment, Innovation & Social Development | 9.30% | /a* |
| HS | Health Services Authority* | 5.80% | 106,000 |
| MB | Ministry of Border Control & Labour | 9.30% | n/a* |
| JD | Judicial Administration | 9.30% | n/a* |
| JP | JPP Employees | n/a* | n/a* |
| LA | Portfolio of Legal Affairs | 9.30% | n/a* |
| MA | Cayman Islands Monetary Authority* | 5.50% | 0% |
| MC | Ministry of Home Affairs | 9.30% | n/a* |
| ME | Ministry of Education | 9.30% | n/a* |
| MH | Ministry of Health & Wellness | 9.30% | n/a* |
| MP | Ministry of Planning, Agriculture, Housing & Infrastructure | 9.30% | n/a* |
| MT | Ministry of Tourism & Transport | 9.30% | n/a* |
| PB | Public Service Pensions Board* | 8.10% | 0% |
| PP | Parliamentary Plan | 49.70% | n/a** |
| RA | National Roads Authority* | 4.80% | 0% |
| SR | Maritime Authority * | 6.10% | 0% |
| TF | Cayman Turtle Centre* | 7.20% | 4,000 |
| WA | Water Authority Cayman* | 6.10% | 101,000 |
| DP | Director of Public Prosecutions | 9.30% | n/a* |
| FS | Ministry of Financial Services | 9.30% | n/a* |
| GO | Governor's Office | 9.30% | n/a* |
| SE | Cayman Islands Stock Exchange | n/a* | n/a* |
| BP | Botanic Park | n/a* | n/a* |
| PC | Pedro Castle | n/a* | n/a* |
| TB | Tourism Attraction Board | n/a* | n/a* |
| CP | Office of the Commissioner of Police | 9.30% | n/a* |
| OO | Office of the Ombudsman | 9.30% | n/a* |
| SC | Ministry of Sustainability & Climate Resiliency | 9.30% | n/a* |
| MY | Ministry Youth, Sports, Culture & Heritage | 9.30% | 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 appropriate, currencies deemed 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 (IFRS) 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 2021.

### Judgments and estimates

The preparation of financial statements in conformity with IFRS 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 2020 actuarial valuation.

### Investments

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

### Investment income

Investment income is accounted for on the accrual basis.

### Fixed assets

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

| | |
|---|---|
| Furniture and fixtures | 10% |
| Computer equipment and software | 20% |
| Office equipment | 20% |
| Vehicle | 20% |

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

**Intangibles**

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

**Disposals**

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

**Foreign currency transactions**

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

**Changes in International Financial Reporting Standards:**

**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 Authority 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 Authority.

**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 Authority.

**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.

### 2. Significant Accounting Policies (continued)

**Leases**

At inception of a contract, the Authority will assess whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, and therefore is, or contains, a lease. The right-of-use asset and a corresponding lease liability is recognised with respect to all lease arrangements in which the Authority is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as any monthly lease payment $5,000 or less). For these leases, the lease payments are recognised as an operating expense on a straight-line basis over the term of the lease.

The Authority allocates the consideration in the contract to each lease component, however for the lease of property the Authority has elected not to separate non-lease components and accounts for the lease and non-lease components as a single component. A right-of-use asset and lease liability is recognised at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability less any incentives received and is subsequently amortized on a straight-line basis from commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the Authority's incremental borrowing rate. Further details on the right of use asset and corresponding lease liability recognised by the Authority can be found in note 19. The Authority has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short-term leases. The Authority recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## 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 2021 $000 | 31 December 2020 $000 |
|---|---|---|
| Cash | 8,231 | 5,518 |
| Term deposits | - | - |
| **Total** | **8,231** | **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

Mostly, as the pandemic raged on over 2021, U.S. pension plans enjoyed a banner year, with the median solvency ratio of DB plans standing at the highest level recorded since before the 2008/09 financial crisis and a marked improvement from the median reported at the end of March 2020 (the month the global pandemic was declared).

Specific to the PSPB, the Fund experienced significant growth in 2021 with a return of 13.1%. This was the third consecutive year of double-digit gains for the Fund and this is in spite of worries about the recovery economically from the Omicron variant of COVID. On a relative basis, the PSPB Fund's overall performance ranked at the 28th percentile rank over the one-year period. Longer term, being the five-year period, the PSPB Fund's relative ranking is at the fourth percentile.

#### Global Equities

2021 was a volatile year for global stock markets, in many respects, but despite sharp sell-offs in equities, the global equity market turned in a solid performance. Over the course of 2021, the U.S. equity index hit 66 new highs and outperformed international stocks in each quarterly period.

The broader market, as measured by the MSCI World Index, recorded a return of 7.8% over the 4th quarter, to close out the calendar year with a double digit return of 21.8%. Despite recent stock market variability, the underlying consensus remains positive, with the expectation that another year of strong revenue, earnings growth and excess cash flow will be generated by corporations in 2022.

#### Global Bonds

The global fixed Income market, as measured by the Bloomberg Global Aggregate Credit Index delivered a non-existent return, over the 4th quarter, while the 1-year period return remained negative by 90 basis points.

Calendar 2021 began with fixed income markets roughly in balance in terms of the U.S. Federal Reserve demand being offset by generous U.S. Treasury supply. But while the fixed income markets were in balance, the outlook for bonds was poor.

Bond market yields, particularly on short maturities, really started to move during the 4th quarter and, at calendar 2021 year-end, the poor outlook for bonds came to pass, as rising interest rates were suddenly on the horizon, with credit markets pricing in an expectation for three rate increases into the forecast for 2022.

1 Cayman Islands Public Service Pensions Board, 'Performance Review for Periods Ending December 31, 2021', Advisory Capital, 17 February 2022.

## 4. Investments (continued)

### b. Investment returns

**Total Returns to 31 December 2021**

**Annualized for periods exceeding 1 Year**

| Last 3 Months | 1 Year | 2 Years | 3 Years | 4 Years | 5 Years | 10 Years | From Inception |
|---|---|---|---|---|---|---|---|
| 5.1% | 13.1% | 14.3% | 18.3% | 12.3% | 13.5% | 11.7% | 7.9% |

### c. Investment portfolios

The investment portfolios are summarized below:

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| **Description** | **$ 000** | **%** | **$ 000** | **%** |
| Global Equities | 945,779 | 83.20 | 816,513 | 82.13 |
| Fixed Income | 190,943 | 16.80 | 177,609 | 17.87 |
| **Total** | **1,136,722** | **100.00** | **994,122** | **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 2021** | **19** | **36** | **22** | **272** | **42** | **16** | **407** |
| Additions | 254 | 37 | 4 | 2 | - | - | 297 |
| Adjustments | - | - | - | - | - | - | - |
| Disposal in the period | - | - | - | - | - | - | - |
| As at 31 December 2021 | **273** | **73** | **26** | **274** | **42** | **16** | **704** |
| **Accumulated Depreciation** | | | | | | | |
| **As at 01 January 2021** | **10** | **14** | **20** | **252** | **42** | **16** | **354** |
| Depreciation | 6 | 3 | 1 | 8 | - | - | 18 |
| Disposals in the period | - | - | - | - | - | - | - |
| Adjustments | - | - | - | - | - | - | - |
| As at 31 December 2021 | **16** | **17** | **21** | **260** | **42** | **16** | **372** |
| **Carrying value at 31 December 2021** | **257** | **56** | **5** | **14** | **-** | **-** | **332** |
| **Carrying value at 31 December 2020** | **9** | **22** | **2** | **20** | **-** | **-** | **53** |

# 6. Intangibles

Intangibles consist of following components:

| | Lynchval Capitalization $000 | Sagitec Capitalization (in progress) $000 |
|---|---|---|
| **Cost** | | |
| As at 01 January 2021 | **571** | **1,402** |
| Additions | **-** | **1,577** |
| As at 31 December 2021 | **571** | **2,979** |
| **Accumulated Amortization** | | |
| As at 01 January 2021 571 - | **571** | **-** |
| Amortization - 149 | **-** | **-** |
| As at 31 December 2021 | **571** | **-** |
| **Carrying value at 31 December 2021** | **-** | **2,830** |
| **Carrying value at 31 December 2020** | **-** | **-** |

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 was fully Implemented and went live on 1 October 2021.

# 7. Ex-Gratia Pensions

The Authority 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 (2017 Revision) and by provisions contained in the Public Service Pensions (Ex-Gratia Pensions) Regulations (2019 Revision).

Eligibility for Ex-Gratia Pension as set out by said 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 Authority, and reported as Pre-Funded Ex-Gratia Pensions. The activity reported below represents funding received and benefit payments made during the 2020 and 2021 reporting periods only. Accumulated Ex-Gratia bank balances are included in the cash balances reported on the Balance Sheet and used to offset any shortfalls in funding during the year. Payments administered during each year are reported as Ex-Gratia Pensions.

Ex-Gratia pension activity:

| Description | 31 December 2021 $000 | 31 December 2020 $000 |
|---|---|---|
| Pre-Funded Ex-Gratia Pensions | 1,290 | 1,290 |
| Ex-Gratia Pensions Payments | (1,231) | (1,246) |
| Overpayment / (Underpayment) | 59 | 44 |

# 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 Authority 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 2021 $000 | 31 December 2020 $000 |
|---|---|---|
| Pre-Funded Ex-Gratia Uplift Payments | 1,780 | 1,780 |
| Ex-Gratia Uplift Payments | (2,325) | (1,598) |
| Overpayment / (Underpayment) | (545) | 182 |

The activity reported above represents funding received and benefit payments made during the 2020 and 2021 reporting periods only. Accumulated Ex-Gratia bank balances are included in the cash balances reported on the Balance Sheet and used to offset any shortfalls in funding during the year.

# 9. Parliamentary Pensions Plan (PPP)

The Members of the Parliament 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 Authority 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 $5,200 million (2020: $6,111 million restated). The Authority 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 Authority.

# 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). In accordance with the 2020 funding valuation, Plan participants in the Defined Benefit part of the Plan contribute at a rate of 0% and 10% of pensionable earnings for those in the Defined Contribution part of the Plan; 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 1 January 2020 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 8, showing beginning and ending balances, as well as contribution, benefits paid and investment returns recognized for the PPP during the year.

Net assets available for benefits for JPP at end of year amounted to $6,019 million (2020: $5,857 million restated). The Authority 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 Authority.

## 11. Benefits paid to participants

Beginning in April 1999, payments were paid directly out of the Fund for pensioners of the PSPP. The Government is required to pre-fund payments made to recipients of the Ex-gratia pensions. Pension payments in respect of the PPP 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 2021 $000 | 31 December 2020 $000 |
|---|---|---|
| Salaries, benefits & other staff related expenses | 2,729 | 2,951 |
| Actuarial fees | 447 | 491 |
| Other professional fees | 321 | 278 |
| Office accommodation & related expenses | 273 | 352 |
| Board of Directors related expenses | 179 | 155 |
| IT Support | 177 | 216 |
| Audit fees | 90 | 70 |
| General administrative 71 | 46 | 110 |
| **Total** | **4,287** | **4,559** |

## 13. Benefits Due

Benefits Due represents the liability to pay participants who have attained the Normal Retirement Age prior to 31 December 2021 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 Reports – 1 January 2020

In accordance with the respective legislation, the Authority'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 principal assumptions for the 2020 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 2.5% for first 2 years; 3% thereafter

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 7.25% in 2020, 6.75% in 2021 and ultimate rate of 6.25% thereafter.

iv. expected long-term rate of return on the Fund's invested assets is 6.25% (phased in from 7.25%).

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 to 64 | 0.00% | 0.00% | 15.00% |
| 65 | 0.00% | 0.00% | 100.00% |

The retirement rates for ages 60-64 have been revised since the prior valuation. In the previous valuation, the rate of retirement at age 60 was 60% and retirement rates at ages 61-64 were 8%.

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## 14. Funding Actuarial Valuation Reports – 1 January 2020 (continued)

### a. Public Service Pensions Plan actuarial valuation – 1 January 2020

The funding actuarial valuation calculated a Fund deficiency as at 1 January 2020 as follows:

| Public Service Pensions Plan (actuarial estimate) | Amount $000 |
|---|---|
| Value of pension fund allocated assets | 836,688 |
| Past service liability | (1,032,960) |
| **Fund deficiency** | **(196,272)** |

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 | 19.3% |

The Plan is in a deficit position as of January 1, 2020. Based on an ultimate discount rate of 6.25%, the Plan has a deficit of $196 million at January 1, 2020 and the funded ratio of the DB Part of the Plan is 69% and when combined with the DC part of the Plan is 81%.

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 6.25%.

### 14. Funding Actuarial Valuation Reports – 1 January 2020 (continued)

#### b. Parliamentary Pensions Plan actuarial valuation – 1 January 2020

The funding actuarial valuation calculated a Fund deficiency as at 1 January 2020 as follows:

| Parliamentary Pensions Plan (actuarial estimate) | Amount $000 |
|---|---|
| Value of pension fund allocated assets | 13,721 |
| Deferred investment gain not reflected in DC account | (153) |
| Past service liability | (25,598) |
| **Fund deficiency** | **(12,030)** |

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 | 55.7% |

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 6.25%.

The Plan is in a deficit position as of January 1, 2020. Based on an ultimate discount rate of 6.25%, the Plan has a deficit of $12 million at January 1, 2020 and the funded ratio of the DB Part of the Plan is 49% and when combined with the DC part of the Plan is 53%.

**14. Funding Actuarial Valuation Reports – 1 January 2020 (continued)**

**c. Judicial Pensions Plan actuarial valuation – 1 January 2020**

The actuarial valuation calculated a Fund surplus as at 1 January 2020 as follows:

| Judicial Pensions Plan (actuarial estimate) | Amount $ 000 |
|---|---|
| Value of pension fund allocated assets | 8,077 |
| Past service liability | (6,594) |
| **Fund surplus** | **1,483** |

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 6.25%.

The DB Part of the Plan has a surplus as at January 1, 2020, 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 137% and when combined with the DC part of the Plan is 122%.

## 15. Pension Contributions

**(Re: Funding Actuarial valuations – effective 1 January 2017)**

The recommended rates of contribution contained in the 2020 funding actuarial valuations became effective by Regulations on 8 September 2021 retroactive to 1 January 2020.

## 16. Investment Management and Consultancy Fees

The Authority 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)
i. Curcio Webb (Investment Consultant)

The Board incurred Investment management and consultancy expenses as follows:

| | 31 December 2021 $000 | 31 December 2020 $000 |
|---|---|---|
| **Investment managers** | | |
| IFP | 3,123 | 2,700 |
| Magellan | 1,272 | 1,116 |
| PIMCO | 896 | 833 |
| Wellington | 1,322 | 956 |
| Morgan Stanley | 680 | 472 |
| **Custodian** | | |
| CIBC Mellon | 125 | 107 |
| **Investment advisor/consultant** | | |
| Advisory Capital | 861 | 708 |
| Curcio Webb | 43 | - |
| **Legal fees** | | |
| Pillsbury, Winthrop, Shaw, Pittman LLP | 160 | 458 |
| **Total** | **8,482** | **7,350** |

# 17. 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 and 2021.

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.

**17. 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.

The Defined Contribution (DC) part of the plans operates on a self-insured basis whereby DC account balances are generally converted into guaranteed indexed annuities payable from plan assets upon retirement. This approach imposes cost and risk for plan funding which requires monitoring over time. The actuarial basis used for these conversions is a key consideration from a cost, risk and benefit adequacy perspective and reflects a discount rate somewhat less than the expected returns on the underlying assets.

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.

# 18. Leases and Commitments

### Short Term and Year to Year Leases

The Authority has the following:

- Office accommodation consisting of 3,798 square feet at the Government Administration Building from 31 March 2011 until 30 June 2021 under a year-to-year term at a total costs per annum of $244,401. To help mitigate the cost of relocating and outfitting new office accommodations, rental costs from 1 July to 31 December 2021 were forgiven.
- A warehouse storage facility with Artemis Property Services effective 1 July 2015, 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 square feet situated at Sparky Drive, George Town.
- Office accommodation with CAYBRAC Ltd. located on Dennis Foster Road in Cayman Brac, effective 1 March 2019 for 3 years (with the option to renew for an additional two years) at an annual cost of CI$13,116.00 ($1,093.00 monthly).

### Right-of-Use Asset

On 1 September 2021, the Authority entered into a non-cancellable accommodation Sublease with Appleby Cayman Ltd. with a completion date of 31 May 2023. The leased accommodation is situated on the 4th floor of The Appleby Tower in George Town.

The Right-of-Use Asset and the Lease Liability are reflected in the financial statements as follows:

| **Right-of-Use Asset** | **2021** | **2020** |
|---|---|---|
| alance as 1 January | - | - |
| Additions | 487,152 | - |
| Amortization charge for the year | - | - |
| Balance at 31 December | 487,152 | - |

| **Lease Liability** | **2021** | **2020** |
|---|---|---|
| Balance as 1 January | - | - |
| Additions | 487,152 | - |
| Interest Expense | 7,033 | - |
| Lease Payments | | (76,875) |
| **Balance at 31 December** | **417,310** | **-** |

## 18. Leases and Commitments (continued)

**Lease liabilities at 31 December 2021 are payable as follows:**

| | Future minimum lease payments (Undiscounted) | Interest | Present value of minimum lease Payments |
|---|---|---|---|
| Less than one year | **309,720** | (19,191) | 290,529 |
| Between one and two years | **130,901** | (4,120) | 126,781 |
| | **440,621** | (23,311) | 417,310 |

**Amounts recognized in Statement of Changes in Net Assets Available for Benefits:**

| | 2021 | 2020 |
|---|---|---|
| Amortization of Right-of-Use Asset | - | - |
| Interest on Lease Liabilities | 7,033 | (76,875) |
| | **7,033** | **-** |

The total cash outflows for leases for 2021 was $76,875.

No amortization was recognized as at 31 December because of the ongoing leasehold improvements to the accommodations. Depreciation will commence in 2022 and the asset will be amortized over the remaining life of the Sublease plus any subsequent lease renewals.

# 19. Related Party Transactions

### Key management personnel

There are six (2020: 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 Financial Officer, Chief Human Resources Officer, Chief Information Officer (vacant at year-end), 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 2021 was $1.001 million, (FY 2020: $1.139 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 2021 was $168 thousand (FY 2020: $131 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 Authority 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 (2020: $3 Thousand, $87 Thousand respectively). The services are deemed to have been engaged at arm's length.

## 20. Plan Participants

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

a. Office of the Auditor General
b. Cabinet Office
c. Judicial Administration
d. Ministry of Health & Wellness
e. Ministry of District Administration & Lands
f. Ministry of Finance & Economic Development
g. Ministry of Education
h. Ministry of Financial Services
i. Ministry of Sustainability & Climate Resiliency
j. Ministry of Home 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 Investment, Innovation & Social Development
p. Office of the Commissioner of Police
q. Ministry of Border Control & Labour
r. Ministry of Youth, Sports, Culture and Heritage
s. Ministry of Planning, Agriculture, Housing & Infrastructure
t. Ministry of Tourism & Transport
u. Governor's Office

**20. 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. 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.

# 21. PSPB's IAS19R Pension Liabilities

The Authority's Actuary, Mercer, has calculated Public Service Pensions Board ("PSPB") actuarial estimates of liabilities as at 31 December 2021 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 year ended 31 December 2021 reflects the following:

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

| | 31 December 2021 $000 | 31 December 2020 $000 |
|---|---|---|
| Defined benefit obligation | (2,392) | (2,661) |
| Fair value of plan assets | 2,419 | 2,095 |
| Funded status | (27) | 566 |
| Effect of asset ceiling/onerous liability | - | - |
| **Net Liability** | **(27)** | **566** |

The change in defined benefit obligation is as follows:

| | 31 December 2021 $000 | 31 December 2020 $000 |
|---|---|---|
| Defined benefit obligation at end of prior year | 2,661 | 2,053 |
| Current service cost | 59 | 55 |
| Interest expense | 59 | 65 |
| Cashflows - participant contribution | 12 | 12 |
| Benefit payments from plan | - | - |
| Effect of changes in demographic assumptions | 3 | (59) |
| Effect of changes in financial assumptions | (141) | 450 |
| Effect of experience adjustments | (261) | 85 |
| Effect of changes in foreign exchange rates | - | - |
| **Defined benefit obligation at end of year** | **2,392** | **2,661** |

### 21. PSPB's IAS19R Pension Liabilities

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

| | 31 December 2021 $000 | 31 December 2020 $000 |
|---|---|---|
| Fair value of plan assets at end of prior year | 2,095 | 2,383 |
| Interest income | 47 | 76 |
| Cash flows | | |
| Employer and participant contributions | 49 | 44 |
| 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) | 228 | 204 |
| **Fair value of plan assets at end of year** | **2,419** | **2,095** |

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

| | 31 December 2021 $000 | 31 December 2020 $000 |
|---|---|---|
| Net defined benefit liability (asset) as of beginning of year | 566 | (330) |
| Defined benefit cost included in P&L | 71 | 44 |
| Total remeasurements included in OCI | (627) | 272 |
| Other significant events – Net transfer in/(out) (including the effect of any business combinations/divestures) | - | 612 |
| Cash flows – employer contributions | (37) | (32) |
| **Net defined benefit liability (asset) as of end of year** | **(27)** | **566** |

**21. PSPB's IAS19R Pension Liabilities**

The components of defined benefit cost is as follows:

| | 31 December 2021 $000 | 31 December 2020 $000 |
|---|---|---|
| Current service Cost | 59 | 55 |
| Net interest cost | | |
| Interest expense on DBO | 59 | 65 |
| Interest (income) on plan assets | (47) | (76) |
| Total net interest cost | 12 | (11) |
| Administrative expenses and taxes | - | - |
| Defined benefit cost included in statement of changes in net assets available for benefits | 71 | 44 |
| Remeasurements (recognized in other comprehensive | | |
| income) | (59) | (8) |
| Effect of changes in demographic assumptions | 3 | (59) |
| Effect of changes in financial assumptions | (141) | 450 |
| Effect of experience adjustments | (261) | 85 |
| (Return) on plan assets (excluding interest income) | (228) | (204) |
| Total remeasurements included in other comprehensive income | (627) | 272 |
| **Total defined benefit cost recognized in statement of changes in net assets available for benefits and other comprehensive income** | **(556)** | **316** |

## 21. PSPB's IAS19R Pension Liabilities

The sensitivity analysis on defined benefit obligation is shown below:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| 1. Discount rate | | |
| a. Discount rate - 25 basis points | 2,509 | 2,809 |
| b. Discount rate + 25 basis points | 2,283 | 2,524 |
| 2. Inflation rate | | |
| a. Inflation rate - 25 basis points | 2,289 | 2,543 |
| b. Inflation rate + 25 basis points | 2,501 | 2,787 |
| 3. Mortality | | |
| a. Mortality - 10% of current rates | 2,454 | 2,738 |
| b. Mortality +10% of current rates | 2,336 | 2,592 |

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

| | 31 December 2021 $000 | 31 December 2020 $000 |
|---|---|---|
| Expected employer contributions | 27 | 17 |

The significant actuarial assumptions are presented below:

*Weighted-average assumptions to determine benefit obligations*

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| 1. Discount rate | 2.90% | 2.60% |
| 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-2021 | RP-2014 scale back to 2006 using Scale MP- 2014 then generationally projected using Scale MP-2020 |
| 6. Cost Method | Projected Unit Credit | Projected Unit Credit |
| 7. Asset valuation method | Market Value | Market Value |

**21. PSPB's IAS19R Pension Liabilities (continued)**

*Weighted-average assumptions to determine defined benefit cost*

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| 1. Discount rate | 2.70% | 3.60% |
| 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-2020 | RP-2014 scaled back to 2006 using Scale MP- 2014, then generationally projected using Scale MP-2019 |

*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 2021 to 31 December 2021 was 13.02% 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 asset value at 31 December 2021 provided to Mercer 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 2021 and 31 December 2020, the Fund was invested as follows:

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| **Plan Assets by Asset Category** | **($000)** | **Percentage** | **($000)** | **Percentage** |
| Equities | 945,780 | 82% | 816,513 | 82% |
| Debt securities | 190,942 | 17% | 177,719 | 18% |
| Cash and Receivables | 7,275 | 1% | 3,398 | 0% |
| Total Invested Assets | 1,143,997 | 100% | 997,630 | 100% |

The Defined Contribution portion of the Fund (excluding in transit amounts) totalled $529,783,300 as at 31 December 2021 and $423,060,600 as at December 31, 2020, 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 $2,419,400 as at 31 December 2021 and $2,094,800 as at December 31, 2020.

### 21. 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 2021 and 31 December 2020 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 2021 | 31 December 2020 |
|---|---|---|
| **Discount rate** | | |
| - BOY disclosure and current year expense | 2.60% per year | 3.50% per year |
| - EOY disclosure and following year expense | 2.90% per year | 2.60% per year |
| - Following year current service cost | 2.95% per year | 2.70% per year |
| - Rate used to determine interest on defined benefit obligation and plan assets for following year expense | 2.65% per year | 2.20% per year |
| - Rate used to determine interest on current service cost for following year expense | 2.85% per year | 2.50% 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-2020 | RP-2014 scale back to 2006 using Scale MP-2014, then generationally projected from 2006 using Scale MP-2019 |
| - EOY disclosure and following year expense | RP-2014 scaled back to 2006 using Scale MP- 2014, then generationally projected using Scale MP-2021 | RP-2014 scaled back to 2006 using Scale MP-2014, then generationally projected using Scale MP- 2020 |
| 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) 28.61 Retiring in 25 years (at age 57): 30.75 | Retiring today (member age 57) 28.45 Retiring in 25 years (at age 57): 30.61 |
| 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 |

**21. 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.

## 22. PSPB Post-Retirement Healthcare Obligation

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

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

| | 31 December 2021 $'000 | 31 December 2020 $'000 |
|---|---|---|
| Defined benefit obligation | 1,263 | 1,364 |
| Funded status | - | - |
| **Net defined benefit liability (asset)** | **1,263** | **1,364** |

The change in defined benefit obligation are as follows:

| | 31 December 2021 $'000 | 31 December 2020 $'000 |
|---|---|---|
| Defined benefit obligation at beginning of year | 1,364 | 1,341 |
| Current service cost | - | - |
| Interest expense | 33 | 45 |
| Benefit payments from Employer | - | - |
| Effect of changes in demographic assumptions | 3 | (246) |
| Effect of changes in financial assumptions | (134) | 225 |
| Effect of experience adjustments | (3) | (1) |
| **Defined benefit obligation at end of year** | **1,263** | **1,364** |

The net defined benefit liability reconciliation are as follows:

| | 31 December 2021 $'000 | 31 December 2020 $'000 |
|---|---|---|
| Net defined benefit liability (asset) at beginning of year | 1,364 | 1,341 |
| Defined benefit cost included in P & L | 33 | 45 |
| Total remeasurement included in OCI | (134) | (22) |
| Employer direct benefit payments | - | - |
| **Net defined benefit liability (asset) as of end of year** | **1,263** | **1,364** |

**22. PSPB Post-Retirement Healthcare Obligation (continued)**

The components of defined benefit cost are as follows:

| | 31 December 2021 $'000 | 31 December 2020 $'000 |
|---|---|---|
| Current service cost | - | - |
| Interest expense on DBO | 33 | 45 |
| Defined benefit cost included in P & L | 33 | 45 |
| Remeasurements (recognized in other comprehensive income) | | |
| Effect of changes in demographic assumptions | 3 | (246) |
| Effect of changes in financial assumptions | (134) | 225 |
| Effect of experience adjustments | (3) | (1) |
| Total Remeasurement included in OCI | (134) | (22) |
| Total defined benefit cost recognized in P&L and OCI | (101) | 23 |

The sensitivity analysis on defined benefit obligation is shown below:

| | 31 December 2021 $'000 | 31 December 2020 $'000 |
|---|---|---|
| **1. Discount rate** | | |
| a. Discount rate – 25 basis points | 57 | 69 |
| b. Discount rate + 25 basis points | (54) | (64) |
| **2. Health care cost trend rates** | | |
| a. Health care cost trend rates – 100 basis points | (214) | (240) |
| b. Health care cost trend rates + 100 basis points | 267 | 304 |
| **3. Mortality** | | |
| a. Post-retirement mortality assumption + 10% | (56) | (67) |

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

| | Amount ($000) |
|---|---|
| Interest expense on DBO | 36 |

**22. PSPB Post-Retirement Healthcare Obligation (continued)**

The significant actuarial assumptions are presented below:

*Weighted-average assumptions to determine benefit obligations*

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Discount rate | 2.95% | 2.70% |
| Health care cost trend rates | | |
| Immediate trend rate | 5.33% | 5.00% |
| Ultimate trend rate | 4.00% | 5.00% |
| Year rate reaches ultimate trend rate | 2045 | N/A |
| Post-retirement mortality assumption | RP-2014 projected w/ MP-2021 | RP-2014 projected w/MP-2020 |

Weighted-average assumptions to determine defined benefit cost

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| 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 |

**22. 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 2021 and 31 December 2020 are shown in the following table below.

| Economic Assumptions | Post-Retirement Healthcare | Basis of Development – Accounting Specific Assumptions |
|---|---|---|
| Discount rate (p.a.)<br>• 31 December 2020<br>• 31 December 2021 | <br>2.70%<br>2.95% | 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 claim cost assumptions | - |
| 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<br>• 31 December 2020<br>• 31 December 2021 | <br>Scale MP-2020<br>Scale MP-2021 | 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-2021. The prior valuation used scale MP-2020. |
| 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 2021 premium rates:<br>Health - $12,440 per participant<br>Dental - $200 per participant | - |
| Healthcare coverage - future pensioners | Male - 27% single, 73% family<br>Female - 50% single, 50% family | Based on Cayman Islands Government experience. |
| Healthcare utilization changes due to age | Mercer standard healthcare aging assumptions for medical and dental | Based on analysis of healthcare utilization for Mercer clients in Canada and US and by reference to Society of Actuaries studies. |

### 22. PSPB Post-Retirement Healthcare Obligation (continued)

#### Actuarial Methods

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

A description of the calculation follows:

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

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

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

| | 31 December 2021 $000 | 31 December 2020 $000 |
|---|---|---|
| Public Service Pension Plan | 1,136,004 | 990,633 |
| Judiciary Pension Plan | 6,019 | 5,857 |
| Parliamentary Pension Plan | 5,200 | 6,111 |
| **Total** | **1,147,223** | **1,002,601** |

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

## 24. 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 and 2021 as the PSPB was able to operate without any noted issues.

## 25. 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 Authority will continue as going concern for the foreseeable future.

## 26. Sub 26. Leasehold Commitments

During the course of 2021 multiple Leasehold commitments were entered into with regards to the fit out of and move to Appleby Tower, scheduled for early to mid-2022. As at 31 December 2021 total commitments amounted to $385,822.85 which were paid subsequent to yearend.

## 27. Subsequent Events

Effective 1 June 2022, the Authority entered into an Agreement with Meketa Investment Group, Inc. ("Meketa") for the provision of Investment Advisory and Consulting services. Meketa replaces Advisory Capital Group, whose contracted terminated 30 June 2022, as Investment Advisor to the Authority. Other than the foregoing, Management is not aware of any other events after the reporting date that would have an impact on the financial statements at 31 December 2021.

## 28. Prior Period Adjustment

In 2019 there was an amendment to the Public Service Pensions Act to allow quarterly calculations and applications of the Credited Rate of Return (CRR). Notwithstanding the intention for similar amendments to be made to the Parliamentary Pensions Act and the Judges' Emoluments and Allowances Order so that the three Public Sector Plans aligned in this regard, an annual CRR continues to be used for PPP and the JPP participants. In calculating the "Due to JPP and PPP" for the years ended 2019 and 2020, the quarterly CRR was erroneously used instead of the annual rate resulting in an understatement of interest applied in the amount of $133,865.02 and $164,267.28 to JPP and PPP respectively, for the two years in question. As a result, the beginning balance of Net Assets Available for Benefits in the Public Service Pensions Plan was overstated by a total of $298,132 as outlined in the below schedule requiring a prior period adjustment to correct the misstatement.

| | Original | Amended | Difference |
|---|---|---|---|
| **JPP** | | | |
| 2019 | 254,396.86 | 309,602.81 | 55,205.95 |
| 2020 | 214,264.99 | 292,924.06 | 78,659.07 |
| | | | **133,865.02** |
| **PPP** | | | |
| 2019 | 331,875.21 | 404,118.54 | 72,243.33 |
| 2020 | 239,830. | 14 331,854.09 | 92,023.95 |
| | | | **164,267.28** |

It should be noted that this error in the application of the accurate period CRR had no impact on the individual participant accounts or benefit payments for the periods in question as the automation of the process of application of the CRR to the JPP and PPP through the pension administration system would have disallowed it.

## 28. Prior Period Adjustment (continued)

| | As of and for the year ended 31 December 2020 | | |
|---|---|---|---|
| | **As previously reported** | **Adjustment required** | **As Restated** |
| | **$000** | **$000** | **$000** |
| **Statement of changes in net assets available for benefits:** | | | |
| Allocation of net increase in assets: | 254,396.86 | 309,602.81 | 55,205.95 |
| Attributable to PPP | 240 | 92 | 332 |
| Attributable to JPP | 214 | 79 | 293 |
| Attributable to PSPP | 142,469 | (171) | 142,298 |
| Net assets available for benefit at start of year | 848,462 | (127) | 848,335 |
| Net assets available for benefit at end of year | 990,931 | (298) | 990,633 |
| **Judicial Pension Plan: Statement of changes in net assets available for benefits:** | | | |
| Net assets available for benefit at beginning of year | 5,205 | 55 | 5,260 |
| Net investment income | 214 | 79 | 293 |
| Net increase in net assets available for benefits | 518 | 79 | 597 |
| Net assets available for benefit at end of year | 5,723 | 134 | 5,857 |
| **Parliamentary Pension Plan: Statement of changes in net assets available for benefits:** | | | |
| Net assets available for benefit at beginning of year | 6,549 | 72 | 6,621 |
| Net investment income | 240 | 92 332 | |
| Net increase in net assets available for benefits | (602) | 92 | (510) |
| Net assets available for benefit at end of year | 5,947 | 164 | 6,111 |


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