2022 ANNUAL REPORT

PSPB
PUBLIC SERVICE PENSIONS BOARD
Securing Tomorrow, Together

30 years
ANNIVERSARY
CELEBRATION

Vision

Deliver excellence in member services – securing tomorrow, together

Mission

Be recognised as best in class for investments and member services

Values

- Professionalism
- Kindness
- Integrity
- Respect
- Innovation
- Partnership
- Performance

A look inside the Annual Report

Celebrating 1992-2022

30 years ANNIVERSARY CELEBRATION

"The PSPB is to be commended as they have been strong advocates and a shining example of how the competent implementation and management of pension policies can benefit the public, the employer, the employee and society"

His Excellency the Governor Mr. Martyn Roper

"Since PSPB started in 1992, I am proud of what we have accomplished and that we never stood still while always having a focus on growth, continuous improvement and putting our member services first"

Mrs. Jewel Evans-Lindsey, Chief Executive Officer, PSPB

Message from the Chair and CEO

On behalf of the Public Service Pensions Board (PSPB), we are pleased to present the Annual Report for the year ended 31 December 2022.

As the world started to move out from under the cloud of COVID-19 and the major impacts it had, including those on pension plans and their investments, 2022 brought a lot of optimism. The unfortunate reality was that moving forward in 2022 meant dealing with new challenges and the Authority felt the impacts of global inflation and high interest rate spikes throughout the year. In spite of all the unforeseen challenges, the Board and leadership of the PSPB proved its worth in how the Authority weathered the circumstances and is now well positioned in moving forward in 2023 and beyond. As the pension leader in the Cayman Islands, the Public Service Pensions Fund continues to be the standard and as of 31 December 2022, the market value of the Fund was USD1.1 Billion.

In 2022, the overall return in the Public Service Pensions Fund was a negative 18.3% in line with the broader market performance. It's never ideal for a pension plan to have a negative investment return in a year, but the investment strategy of the Fund proved to be sound as the 4th quarter of 2022 produced a positive 8.0% return. The investment strategy is one that will ensure that the long-term forecast for the Fund remains healthy and positive.

Although 2022 challenged investment growth, the quarterly returns on member accounts throughout the year were positive. This was achieved through the PSPB's approach of smoothing any market volatility by using our credited rate of return (as defined on page 23) in applying interest to our plan members pension accounts.

After investing financial and operational resources to implement a new customizable pension administration system in 2021, the focus in 2022 was to work through the kinks and realize the benefits of this new system. Early outputs have demonstrated better controls and audits on processes and the reporting and oversight have proven to be more thorough and streamlined. The outlook for growth and opportunities of the new system illustrates that the Authority is positioned to deliver higher levels of service and standards. In 2023 and beyond, this system will implement employer and member self-service functionality and offer the opportunity to grow the Plan to meet member expectations.

In 2022, the PSPB team celebrated reaching 30 years of existence and this was a critical milestone, especially during a year that had significant obstacles. Much like the experiences of years in dealing with COVID, a year like 2022 shows challenging times build character and demonstrates the ability of any organization in how they respond to adversity. Through living and demonstrating our core values at all levels of the Authority, the Public Service Pensions Board had a successful year while navigating a difficult 2022.

As we move into 2023, we are more confident than ever that the Authority will respond to our operations, risk management and investment growth as the world-class pension administration leader that the PSPB has become over our 30 year journey of excellence. We look forward to continuing to build and deliver retirement income for our members who have served the Cayman Islands.

Sincerely,

Mrs. Sheree Ebanks Cert. Hon.
Chair of the Board

Mrs. Jewel Evans Lindsey Cert. Hon.
Chief Executive Officer

Governance Information and Highlights

Board of Directors

The Public Service Pensions Board (PSPB), which was originally established in 1992, is responsible for the administration of the Fund and the payment of all pensions and other benefits in accordance with the Act. The Board is the corporate body charged with governance and its fiduciary responsibilities focus on strategy and ensuring accountability of the Chief Executive Officer (CEO) and executive management. The Board is also responsible for oversight over the administration of the Public Sector Pension Plans of the PSPB and management of the Fund. Pension corporate governance dictates that the Board be comprised of industry experts and other professionals skilled and qualified to act prudently on behalf of and in the best interests of all members.

The work of the Board is reflective of the broad spectrum of long-term risks and opportunities in the global economy and the financial markets, taking into account the actuarial assumptions and funding requirements of the Plans and maintaining adequate liquidity to meet the required benefit payments to plan members and expenses of the Plans. At 31 December 2022, the Board was comprised of the members noted below.

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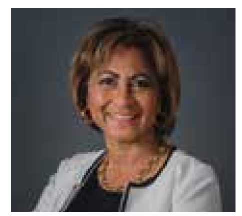
Mrs. Sheree Ebanks Cert. Hon.
Chair of the Board

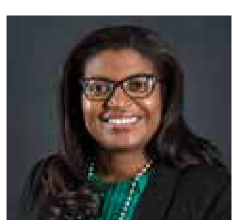


Mrs. Jewel Evans Lindsey Cert. Hon.
Chief Executive Officer
Administrator
All Board Committees

Mr. Robin Ellison
Governance Committee Chair

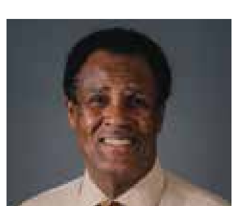
Mr. Simon Cawdery, CFA
Investment Committee Chair

Mr. Bryan Bothwell, MBE
Audit and Risk Committee Chair

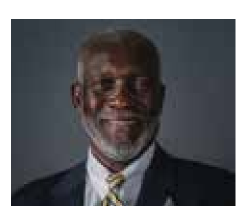


Mrs. Gloria McField-Nixon, JP
Governance Committee

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 - 2022

PSPB Investment Committee

2021	18 January (Consultant Search)	19 January (Consultant Search)	19 January (Consultant Search)	20 January (Consultant Search)	20 January (Consultant Search)	20 January (Consultant Search)	7 February	10 March	8 June	8 September	1 December
Mr. Simon Cawdery	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Mrs. Sheree Ebanks	✔	✖	✖	✔	✔	✔	✔	✖	✔	✔	✔
Mrs. Jewel Evans Lindsey	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Mr. James Watler	✔	✔	✔	✔	✔	✔	✔	✔	✔	✖	✔
Mr. Kenneth Jefferson	✖	✖	✖	✖	✖	✖	✖	✔	✖	✖	✖
Mrs. Camilla Anderson	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Mr. Robin Ellison (Invitee)	✖	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Mr. Bryan Bothwell (Invitee)										✔	

PSPB Audit and Risk Committee

	08 February	11 March	01 September
Mr. Bryan Bothwell	✔	✔	✔
Mr. Kenneth Jefferson	✔	✔	✔
Mrs. Jewel Evans Lindsey	✖	✔	✔
Mr. Orrett Connor	✔	✔	✔

PSPB Governance Committee

	09 March	07 June	08 September	01 December
Mr. Robin Ellison	✔	✔	✔	✔
Mrs. Jewel Evans Lindsey	✔	✔	✔	✔
Mrs. Gloria McField-Nixon	✔	✔	✔	✔

PSPB Board Meeting

	14 March	30 March	06 June	12 September	02 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 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 establish:

- 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 2023 covers a set of strategic activities and the first year of the 7-year strategic plan. When you examine Destination 2030, the PSPB continues to forge our strategic objectives around alignment with our vision, mission, and values.

Board Governance Outlook for 2023

In 2023, the work for the Board of Directors will continue to be important as there are many deliverables planned. In late 2022, the PSPB transitioned to a new investment advisor and part of this included establishing a new investment governance framework. Moving forward, 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 is to develop the framework and draft legislation necessary to support changes in plan design to allow additional voluntary contributions. Upon this expected legislation change being implemented, 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 to 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 organization. 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 continues to achieve risk efficiency

Two PSPB Leaders Receive Certificates and Badges of Honour

In January, of this year, Mrs. Sheree Ebanks and Mrs. Jewel Evans Lindsey were named recipients of Her Majesty's New Year Honours in recognition for their work. At the PSPB 30th Anniversary Celebration held on 3 December 2022 at the Kimpton Seafire, His Excellency, Governor Martyn Roper presented Mrs. Ebanks and Mrs. Evans Lindsey with their awards. These awards are an honour for these leaders and recognizes their commitment to improve the quality of life for citizens of the Cayman Islands.

Plan Information and Administration Report

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 30 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 organizational 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 (15 Ministries and Portfolios)

Statutory Authorities and Government Owned Companies
- Cayman Islands Airports Authority
- Cayman Islands Development Bank
- Cayman Islands Monetary Authority
- Cayman Turtle Centre
- CAYS Foundation
- Civil Aviation Authority
- Health Services Authority
- Maritime Authority of the Cayman Islands
- Cayman Islands National Insurance Company
- 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

In 2022, the PSPB processed a total of 140 new retirements

and these pensioners are now receiving a lifetime monthly benefit.

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 with those of the other Plans for investment purposes.

Judicial Pensions Plan

Judges of the Grand Court of the Cayman Islands and Magistrates participate in the Judicial Pension Plan (JPP). Judges' pensions fall under the remit of Her / His Excellency the Governor as set out in The Judges' Emoluments and Allowances Law (2006 Revision). There are no active members in the Defined Benefit part of the JPP. Judges in the Defined Contribution part of the JPP contribute at a rate of 10% of pensionable earnings while the Government pays at a rate of 20%. The assets duly belonging to the Judges of the Grand Court are under the administration of the Board and pooled with the assets of the other Plans for investment purposes.

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

Ex-Gratia Pensions

The Board administers the payment of Ex-Gratia Pensions on behalf of the Cayman Islands Government under Section 6(1)(i) of the Public Service Pensions Act (2021 Revision). Provisions contained in the Public Service Pensions (Ex-Gratia Pensions) Regulations (2019 Revision) are also applicable to the administration of Ex-Gratia Pensions. The Ex-Gratia recipients are former Caymanian Civil Servants over the age of 60, who were not in receipt of any pension, allowance, gratuity or other retirement or termination benefit. Those with an aggregate of four or more years but less than 10 years of service receive a minimum Ex-Gratia pension of $300 per month. Those with 10 or more years of service receive a minimum Ex-Gratia pension of $450 per month. Ex-Gratia payments are not subject to increase for cost of living nor augmented annually across the board.

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

The PSPB approved 20 new Ex-Gratia and Ex-Gratia Uplift applications in 2022.

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 120 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 are 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.

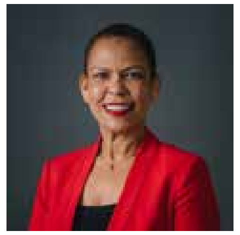
As such, the administration team handles significant financials and this includes collection of prescribed contributions annually across all categories, investing and paying out pension benefits and providing quality and timely service to plan members and stakeholders while working to achieve organisational 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.

Mrs. Jewel Evans Lindsey
Chief Executive Officer and Administrator

Ms. Ledra Lawrence
Chief Operating Officer and Chief Risk Officer

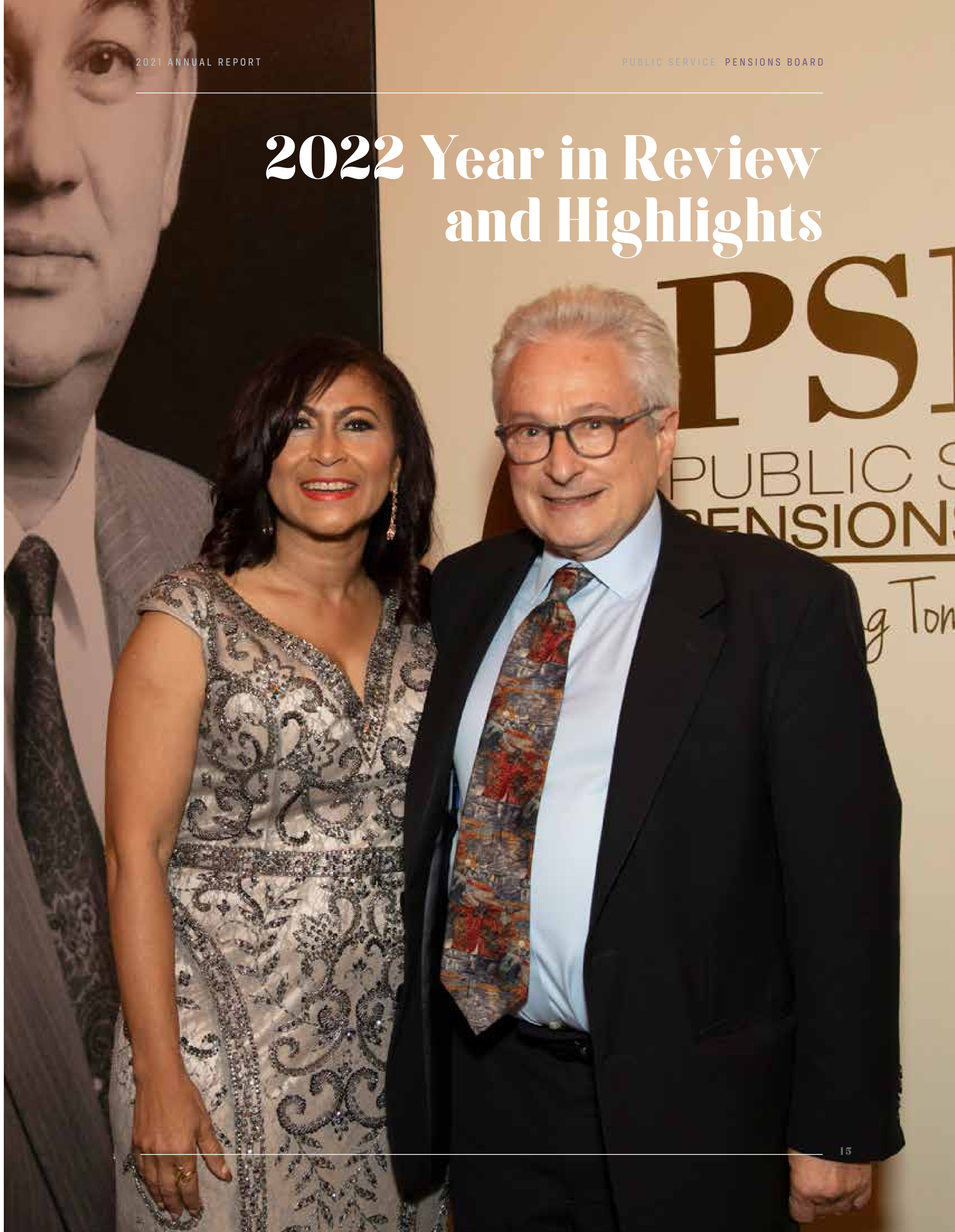
Ms. Jewel Bodden
Acting Chief Pensions Officer

Ms. Angella Bent-Thomas
Chief Human Resources Officer



Ms. Faith Wright
Chief Financial Officer

2022 Year in Review and Highlights



2022 Highlights

New Pension Administration System

After signing a partnership in 2020 with Sagitec Solutions LLC to deliver a new customizable pension administration system, the system went live on 1 October 2021. Throughout 2022, the PSPB team worked to implement the efficiencies that the new system offers and to improve reporting and outputs. The new deliverables within the system have vastly upgraded areas around reconciliation and audit to ensure accuracy is achieved along with timely delivery of transactions.

The 2023 Outlook section of this report outlines the ongoing steps as the PSPB works towards public launching of the employer and member portals of the new system.

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.

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 2022, 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, and so many others throughout the year.

Membership and Activity

Over the course of the reporting period, the pension administration division of the PSPB processed 2,174 member files. Of the files, this included the following key highlights:

2021 Key Administration Files Processed	
Interim Benefit Statements	725
Cash Outs and Transfers	89
Benefit Projections	148
Retirements	140

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:

2022 One-on-One Member Meetings	
Grand Cayman Meetings	1,642
Cayman Brac Meetings	611
Total One-on-One Meetings	148
Retirements	2,253

In 2022, 426 new plan members joined or re-enrolled

in the Public Service Pensions Plan.

Annual Events

Pension Continuation Confirmation Certificates

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

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

For 2022, a total of 1,906 PCCCs were distributed to pensioners on 21 October 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 2022 was calculated at 3.3% based on an award of 100% of the CPI of 3.3% for 2020. As a result, pensions in payment as at 31st December 2021 were adjusted for inflation as of the first day of 2022 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 2022, a total of 5,091 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.

Staff Training

The PSPB has demonstrated that training and development play a vital role in its effectiveness. It is one of the most effective techniques for improving employees' performance and enhancing organization productivity. In 2022, the following training courses/learning forums were attended by one or more members of staff:

- Royal Fidelity Cayman Economic Outlook 2022
- Cayman Islands Institute of Professional Accountants Global Ethics Day 2022
- ACAMS Anti-Financial Crime/CFT Symposium-Grand Cayman
- 2022 Public Funds Forum
- 2022 MS Best IDEAS Conference
- IPSAS & IFIRS for Public Sector
- Neospin™ End User Training hosted by Sagitec Solutions LLC
- ICD - Board Cybersecurity Governance during Geopolitical Conflict
- Customer Service Training through Cayman Islands Chamber of Commerce
- Communications Skills Training through Cayman Islands Chamber of Commerce
- Essentials of Supervision: Developing Your Leadership Style through Cayman Islands Chamber of Commerce

2023 Outlook

Launching Employer and Member Self-Service Functions

In 2023, the PSPB will focus on 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 maximize 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, member appreciation events in 2023 will be a unique opportunity to launch our member portal and allow the PSPB to educate members on the new features that they can access on their own at their convenience.

Defined Contribution Adequacy Assessment

The PSPB initiated this project 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 2023, the Authority will also continue with the PSPB organization wide ECM project. This will finish the work on Member Services as we will complete the scanning and uploading of all physical member files into Neospin™. Completing this initiative will ensure that records are stored in our pension administration system and improve better auditing of records and allow for easier remote working arrangements. Once member records are completed, the goal is to have the entire organization 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

Focal points in 2023 will be to 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 and assessed. This approach ensures that our staff achieve these standards, which then continue to build the Authority's brand as a leading pension administrator.

Investment Report

Investment Overview

Investment Policy

The stated investment objective of the Board is "To preserve capital while adding value above its policy benchmark." The Board is committed to the investment objective, and has actively managed investment portfolios which are diversified, within the constraints of the Law as well as the Board's investment policy, to ensure that risk is not unduly concentrated in any one type of investment or area of currency.

The Board adheres to internationally recognized benchmarks, and has established an asset mix policy, in collaboration with its investment advisors, for the purpose of achieving long-term returns of 3-4% above inflation. The asset mix policy establishes the percentage holdings by asset class and permissible ranges within the broad classes of investments. Within this framework, each investment manager is not limited by sector or country restrictions and is able to make discretionary decisions to capitalize on market opportunities.

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

The PSPB invests in a manner to best serve members and this means working to invest in a value added manner. 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

It's no secret that investing in 2022 was difficult. Outside of commodities, all other public market asset classes declined in 2022. It was the first time since the 1960s that both stocks and bonds declined together in a calendar year. Inflation had significant impacts in 2022 and the ongoing impacts of record high inflation will remain key, with market volatility likely to stay high. After one of the most challenging market years in history, it is expected that growth will continue to slow globally next year, with many economies likely falling into recessions.

Specific to the PSPB, the Fund decreased by 18.3% in 2022. As noted in this report, the Fund started to bounce back in Q4 2022 with an 8% return and many of our investment managers performing well. In order to continue to build on a strong closing quarter for the year, the Fund will continue to hold a diversified portfolio of bonds and equity securities. It is this approach that, over the long term, provides above-average returns with minimized variability. Further, this portfolio helps achieve outstanding returns and much as it did in 2022, it protects from significant downside risk in years with more investment challenges.

In terms of an overall market outlook, most asset classes posted gains in the fourth quarter on signs that policy tightening would slow given cooling inflation. Looking to 2023, the path of inflation and monetary policy, slowing growth globally, China reopening its economy, and the war in Ukraine will all be key to investment gains and growth. It will be critical for the PSPB to find a balance that navigates what looks like another challenging investment year and continue to work to grow the Fund.

Fund Performance

2022 Return and Overall Performance

Over the one-year period ending 31 December 2022, the PSPB Fund delivered a negative return of 18.3%. Unfortunately, this is a common occurrence in 2022 for all pension plans throughout the globe as the past year provided some of the biggest investment challenges in years coupled with rising interest rates and inflation. Despite that, the overall outlook health of the Fund remains positive. This is demonstrated through examining the fourth quarter of 2022 where the PSPB Fund returned a positive 8.0% for the quarter.

Performance over the 2022 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 ten-year period, annualized performance is 7.3%, with a value added of 0.1%. In addition, since the inception of the Fund, value added investment has been 1.0%

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.

2022 Market Summary

Given persistently high inflation and the corresponding rapid rise in interest rates, along with the economic impacts of the war in Ukraine and strict COVID-19 policies in China, 2022 was a decidedly tough year in financial markets. Traditional forms of diversification provided little benefit with safer and riskier assets selling off in near unison.

In the US, 2022 was the worst year for stocks since 2008 and the worst year for bonds in multiple decades with the asset classes posting simultaneous annual declines for the first time since the 1960s. In public markets, only cash and commodities provided some shelter for investors. Due to inflation levels not seen since the 1980s and rising interest rates, bonds had one of their worst years on record with the broad US bond market (Bloomberg Aggregate) posting a negative 13% return. This marked only the fifth calendar year decline in its 47-year history and the only loss greater than 3%.

Coming into the year, expectations were for the Federal Reserve to increase interest rates only a few times, finishing the year below 1%. It turns out they raised rates seven times, including four consecutive 75 basis point increases followed by a 50 basis point increase in December. The federal funds rate finished the year at 4.5% with further hikes expected into 2023. Investments outside the US did not fare any better last year with inflation, a strong US dollar, restrictive COVID-19 policies in China, and a heavy reliance on energy from Russia all contributing.

Fortunately, the rising interest rates have resulted to higher yields, generating meaningful returns for shorter-duration, cash-like investments, and increasing longer-term return projections for the broad fixed income market going forward.

Looking ahead, the market could remain volatile due to persistent concerns over inflation, uncertainty related to the path of monetary policy, the potential for a recession, and geopolitical issues. Beyond these issues though, more attractive equity valuations, following the declines, coupled with higher fixed income yields, should increase expected returns going forward.

Financial Statements

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Statement of responsibility for the financial statements

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

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

As Chair and Chief Executive Officer, we are responsible for establishing, and have established and maintained, a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by the Act, and priorly record the financial transactions of the Public Service Pensions Board.

As Chair and Chief Executive Officer we are responsible for the preparation of the Public Service Pensions Board financial statements and for the judgements made in them.

The financial statements fairly present the statement of net assets available for benefits, statement of changes in net assets available for benefits, judicial pension plan: supplemental information, parliamentary pension plan: supplemental information, supplemental statement of accumulated plan benefits and statement of cash flows for the financial year ended 31 December 2022.

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 2022;

(b) fairly reflect the financial position as at 31 December 2022 and performance for the 12 months financial year ended 31 December 2022;

(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- 16 August 2023

Jewel Evans Lindsey, Cert. Hon.
Chief Executive Officer
Public Service Pensions Board
Date- 16 August 2023

Office of the Auditor General
CAYMAN ISLANDS

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AUDITOR GENERAL'S REPORT

To the Board of Directors of the Public Service Pensions Board

Opinion

I have audited the financial statements of the Public Service Pensions Board (the "Authority"), which comprise the statement of net assets available for benefits as at 31 December 2022 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 2022, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 11 to 47.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Public Service Pensions Board as at 31 December 2022 and its financial performance and its cash flows for the year ended 31 December 2022 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.

Winston Sobers, FCCA, CFE
Acting Auditor General

16 August 2023
Cayman Islands

Statement of Net Assets Available for Benefits

as at 31 December 2022 (Expressed in Cayman Islands Dollars)

	31 December 2022 $000		31 December 2021 $000	
Assets				
Current assets				
Cash and cash equivalents				
Cash on hand and in bank (Note 3)	8,896	8,896	8,231	8,231
Investments, at fair market value (Note 4)		943,032		1,136,722
Receivables				
Contributions receivable				
Employees' contributions	1,571		1,546	
Employers' contributions	1,572		1,547	
Employers' - Additional defined benefit costs	436		377	
Additional Normal Cost (ANC)	1,895		1,005	
Past Service Liability (PSL)	1,516		-	
Ex-gratia receivables	282		-	
Other receivables	42	7,314	239	4,714
Prepaid expenses				
Prepaid expenses	30	30	59	59
Total current assets		**959,272**		**1,149,726**
Non-current assets				
Fixed assets (Note 5)		339		332
Intangibles				
Pension Administration System-In Progress (Note 6)		2,234		2,830
Right-of-use asset (Note 18)		117		487
Other non-current assets		38		38
Total non-current assets		2,728		3,687
Total assets		**962,000**		**1,153,413**
Liabilities				
Current liabilities				
Benefits due (Note 13)		8,046		2,746
Post-retirement healthcare obligation (Note 22)		1,221		1,263
PSPB deferred benefit liability/(asset) (Note 21)		(166)		(27)
Investment management fees		729		1,003
Accounts payable		597		266
Other liabilities		616		522
Lease Liability (Note 18)		129		290
Total current liabilities		11,172		6,063
Non-current liabilities				
Lease liability (Note 18)		-		127
Total Non-current liabilities		-		127
Total liabilities		**11,172**		**6,190**
Net assets		**950,828**		**1,147,223**
Represented by:				
Net assets available for benefits:				
Accumulated fund (Note 23)		**950,828**		**1,147,223**

Faith Wright, CPA
Chief Financial Officer

Jewel Evans Lindsey
Chief Executive Officer

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The accounting policies and notes on page 35 to 73 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 2022 (Expressed in Cayman Islands Dollars)

	31 December 2022 $000	31 December 2021 $000
Pensions		
Contributions		
Employer	21,379	20,286
Employee	21,422	20,353
Additional normal costs	4,824	6,166
Employers - Additional defined benefit costs (Note 14)	17,884	17,547
Total	**65,509**	**64,352**
Transfers In	593	665
Pre-funded Ex-gratia pensions (Notes 7 & 8)	3,463	3,070
Total contributions	**69,565**	**68,087**
Benefits paid to participants (Note 11)		
Public service pensions	(46,018)	(37,545)
Ex-gratia pensions (Notes 7 & 8)	(3,521)	(3,557)
Total benefits paid to participants	**(49,539)**	**(41,102)**
Net pensions	**20,026**	**26,985**
Investing		
Investment income		
Realized gain on sale of investments – net	15,471	27,990
Dividends earned on investments	11,511	8,770
Unrealized gain/(loss) on investments – net	(228,133)	93,788
(Loss)/gain on foreign exchange	(1,041)	362
Interest earned on investments	34	33
Interest earned on term deposits and call accounts	3	29
Total investment income	**(202,155)**	**130,972**
Investment expenses		
Investment management and custodial fees (Note 16)	(7,255)	(8,482)
Other investment expenses	(59)	(45)
Total investment expenses	**(7,314)**	**(8,527)**
Net investment income	**(209,469)**	**122,445**
Operating		
Operating income		
Other income	63	308
Total operating income	**63**	**308**
Operating expenses		
Administrative expenses (Note 12)	(5,373)	(4,287)
Depreciation (Notes 5 & 6)	(1,523)	(167)
Write-off of accounts receivable and stale-dated items	13	51
Total operating expenses	**(6,883)**	**(4,403)**
Net operating loss	**(6,820)**	**(4,095)**
Other comprehensive (loss)/ income	**243**	**761**
Net increase/(decrease) in net assets available for benefits	**(196,020)**	**146,096**
Allocation of net increase in assets		
Attributable to PPP (Note 9)	**(9)**	**(280)**
Attributable to JPP (Note 10)	**(26)**	**(445)**
Attributable to PSPP	**(196,055)**	**145,371**
Net assets available for benefits at start of year (Note 23)	**1,136,004**	**990,633**
Net assets available for benefits at end of year (Note 23)	**939,949**	**1,136,004**

The accounting policies and notes on page 35 to 73 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 2022 (Expressed in Cayman Islands Dollars)

	31 December 2022 $000	31 December 2021 $000
Assets		
Net assets available for benefits at beginning of year (Notes 10 & 23)		
Pension	6,019	5,857
Contributions (Note 1c)		
Employers	402	344
Employees	189	169
Total contributions	591	513
Benefits paid to participants (Note 11)	(311)	(797)
Net pensions	280	(284)
Net investment income	26	446
Net increase/(decrease) in net assets available for benefits	306	162
Net assets available for benefits at end of year (Notes 10 and 23)	6,325	6,019

The accounting policies and notes on page 35 to 73 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 2022 (Expressed in Cayman Islands Dollars)

	31 December 2022 $000	31 December 2021 $000
Net assets available for benefits at beginning of year		
(Notes 9 and 23)	5,200	6,111
Pensions		
Contributions		
Employees	183	193
Employers	183	193
Past Service Liability (PSL)	961	1,064
Total contributions	1,327	1,450
Prior Year ANC Receivables	20	67
Liabilities		
Additional Normal Costs (ANC)	(79)	(20)
Benefits paid to participants (Note 11)	(1,923)	(2,688)
Net pensions	(655)	(1,191)
Net investment income	9	280
Net increase in net assets available for benefits	(646)	(911)
Net assets available for benefits at end of Year (Notes 9 and 23)	4,554	5,200

The accounting policies and notes on page 35 to 73 form part of these financial statements

Statement of Cash Flows

for the year ended 31 December 2022 (Expressed in Cayman Islands Dollars)

	31 December 2022 $000	31 December 2021 $000
Cash flows from operating activities		
Receipts		
Contributions received from employees	21,967	20,783
Contributions received from employers	21,374	20,118
Contribution received for special pensioners stipend payments	1,035	-
Other income received	309	278
Net investment income received	51	29
Total	**44,736**	**41,208**
Payments		
Benefits paid to participants - Public Service	(40,674)	(36,479)
Administrative expenses paid	(5,410)	(4,568)
Investment management fees and other expenses paid	(3,983)	(4,149)
Benefits paid to participants - Ex-Gratia	(3,521)	(3,557)
Special pensioners stipend payments	(945)	-
Total	**(54,533)**	**(48,753)**
Net cash used in operating activities	**(9,797)**	**(7,545)**
Cash flows from investing activities		
Purchase of investments	(12,083)	(15,833)
Purchase of fixed assets and intangibles	(558)	(1,870)
Net cash applied to investing activities	**(12,641)**	**(17,703)**
Cash flows from financing activities		
Contributions received from employers - Additional defined benefit	20,198	26,205
Ex-gratia grant and prepaid Ex-gratia grant	3,180	3,070
Net cash received from financing activities	**23,378**	**29,275**
Cash flows from judiciary contributions		
Contributions received from employer	190	169
Contributions received from employees	402	344
Benefits paid to participants	(311)	(798)
Net cash received from/(paid to) judiciary contributions	**281**	**(285)**
Cash flows from parliamentary contributions		
Contributions received from employer	183	193
Contributions received from employees	183	193
Contributions received from employer - defined benefit	1,001	1,273
Benefits paid to participants	(1,923)	(2,689)
Net cash paid to parliamentary contributions	**(556)**	**(1,030)**
Net (decrease) increase in cash and cash equivalents during the year	665	2,713
Cash and cash equivalents at beginning of year	8,231	5,518
Cash and cash equivalents at end of year (Note 3)	**8,896**	**8,231**

The accounting policies and notes on page 35 to 73 form part of these financial statements

Supplemental Statement of Accumulated Plan Benefits

for the year ended 31 December 2022 (Expressed in Cayman Islands Dollars)

	31 December 2022 $000	31 December 2021 $000
Actuarial present value of accumulated plan benefits (Note 14)		
Inactive and Active Participants	(1,065,152)	(1,065,152)
Total actuarial present value of accumulated plan benefits	(1,065,152)	(1,065,152)
Fund's net assets available for benefits at year-end (Note 23)	**950,828**	**1,147,222**
Fund income/(deficit)	**(114,324)**	**82,070**

Notes to the Financial Statements

for the year ended 31 December 2022 (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 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 (PSPP), Parliamentary Pensions (PPP), Judicial Pensions (JPP) and Ex-gratia Pension Plans, administering the combined pension funds (the "Fund"), investing all funds available 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 (DB) part and a Defined Contribution (DC) part. For the main Public Service Pensions Plan, 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%	n/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%	1,049,000
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*

Key
*Incl. in PSL for Central Government of 17.138 million per annum
**Statutory Authority or Government company

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 over and above the 12% of pensionable earnings which is the additional normal cost and the annual amortization of 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 Act to ensure that risk is not unduly concentrated in any one type of investment or geographical location and, when appropriate, currencies 'are hedged into U.S. dollars. The Board has established an asset mix policy aligned with the underlying pension plans' liabilities to achieve a long-term rate of return of three to four percent above inflation. The asset mix policy dictates the policy benchmark mix and permissible ranges of participation in the broad classes of stock and bond investments. In the longer term, the investment portfolio will have a bias towards equities because these investments have demonstrated a better potential for return enhancement along with protection from inflation when compared to other classes of investments.

2. Significant Accounting Policies

Basis of preparation

These financial statements are prepared on a going concern basis under the historical cost convention and in accordance with International Financial Reporting Standards (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 2022.

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.

Benefits Paid

i. Benefits are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for in the period in which the member notifies the Authority of his or her decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving.

ii. Individual transfers in or out are accounted for when paid or received which is normally when member liability is accepted/discharged.

Investments

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

Investment income

Investment income is accounted for on the accrual basis.

2. Significant Accounting Policies (continued)

Fixed assets

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

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

Intangibles

Intangible assets are comprised of externally acquired software for internal use. They are 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..

Leases

The objective of IFRS 16 is to report information that (i) faithfully represents lease transactions and (ii) provides a basis for users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. To meet the objective, the Authority has recognized assets and liabilities arising from its lease agreements.

Amendments to IFRS 16 – Leases which add to requirements to specify a seller-lessee would apply the subsequent measurement requirements in IFRS 16 to the lease liability that arises in a sale and leaseback transaction. (Effective for annual periods beginning on or after 1 January 2024) The amendment applies to paragraphs 36–38 of IFRS 16 to a sale and leaseback transaction with variable lease payments, a seller-lessee be required:

- to determine the lease payments made (as described in paragraph 36(b)) as the payments included in the measurement of the lease liability. The payments included in that measurement are those that, when discounted using the discount rate described in paragraph 37, result in an amount equal to the carrying amount of the lease liability.
- not to remeasure the lease liability to reflect any reassessment of future variable lease payments.
- to apply paragraph 38 in accounting for any difference between the payments made for the lease and those included in the measurement of the lease liability.
- in applying paragraphs 40 and 45 of IFRS 16 to lease modifications and changes in the lease term related to a sale and leaseback transaction, a seller-lessee be required to determine the revised lease payments as the revised expected payments for the lease.

It is anticipated that the amendments to IFRS 16 will not have an impact on the Authority's financial statements. Amendments to IFRS 17 - Insurance Contracts (Effective for annual periods beginning on or after 1 January 2023)

2. Significant Accounting Policies (continued)

The main changes resulting from Amendments to IFRS 17 and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) are:

- Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023, and change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination.
- Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level. Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.
- Amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held.
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach. Several small amendments regarding minor application issues.

It is anticipated that the amendments to IFRS 17 will not have an impact on the Authority's financial statements..

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 on the Authority.

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 2022 $000	31 December 2021 $000
Scotiabank Cash Accounts	6,655	3,954
CIBC Mellon Cash Reserve	2,241	4,277
Total	**8,896**	**8,231**

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 Act, (2021 Revision).*

a) Investment and Market conditions[1]

The Fund

Investing in 2022 was difficult. Outside of commodities, all other public market asset classes declined in 2022. It was the first time since the 1960s that both stocks and bonds declined together in a calendar year.

Over the one-year period ended 31 December 2022, the PSPB Fund delivered a negative return of 18.3%. Unfortunately, this was a common occurrence in 2022 for all pension plans throughout the globe as the past year provided some of the biggest investment challenges in years coupled with rising interest rates and inflation. Despite that, the overall outlook health of the Fund remains positive. This is demonstrated through examining the fourth quarter of 2022 where the PSPB Fund returned a positive 8.0% for the quarter.

Global Equities

In Q4 2022, the Fund's Global Equities portfolio returned 9.3%, outperformed by its benchmark, MSCI World with a return of 9.8%. Performance over the 2022 calendar year was slightly behind the policy benchmark of value-added investment, however, the longer-term view shows the value added of the investments. Specifically, over the ten-year period, annualized performance is 7.3%, with a value added of 0.1%. In addition, since the inception of the Fund, value added investment has been 1.0%.

Global Bonds

2022 was the worst year for bonds in multiple decades. The broad US Bond Market represented by the Bloomberg Aggregate, posted a negative 13% return for the year, with the other fixed income sectors not far behind. These losses were attributed to inflation levels not seen since the 1980s, coupled with rising interest rates. In 2022 the Federal Open Market Committee (FOMC) raised interest rates seven times in an attempt to combat inflation, with hikes ranging between 25 to 75 basis points. During 2022, the range increased effectively from 0% to 4.25-4.5%, with further rate hikes anticipated in 2023. The global fixed income market, as measured by Bloomberg Global Aggregate (Hedged) returned a negative 11.2% for the year and the credit component of the index fell a negative 14.2% for the same period. Fortunately the rising interest rates have resulted in higher yields, generating meaningful returns for shorter-duration, cash-like investments and increasing longer term return projections for the broad fixed income market going forward.

The Fund's Fixed Income investments returned 2.8% in Q4 2022 but declined a negative 14% for the 2022 year. In comparison, the benchmark Bloomberg Global Aggregate Hedged returned 1.0% for the quarter and a negative 11.2% for the 2022 year.

1 Public Service Pensions Board, Fourth Quarter 2022 Investment Report Meketa.

4. Investments (continued)

b. Investment returns

Total Returns to 31 December 2022

Annualized for periods exceeding 1 Year

Last 3 Months	1 Year	3 Years	5 Years	10 Years	From Inception
8.0%	-18.1%	1.7%	4.8%	7.3%	6.2%

c. Investment portfolios

The investment portfolios are summarized below:

	31 December 2022		31 December 2021	
Description	**$ 000**	**%**	**$ 000**	**%**
Global Equities	767,353	81.37	945,779	83.20
Fixed Income	175,679	18.63	190,943	16.80
Total	**943,032**	**100.00**	**1,136,722**	**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 2022	273	73	26	274	42	16	704
Additions	477	-	38	70	14	-	599
Adjustments	(4)	(37)	-	-	-	-	(41)
As at 31 December 2022	**746**	**36**	**64**	**344**	**56**	**16**	**1,262**
Accumulated Depreciation							
As at 01 January 2022	16	17	21	260	42	16	372
Depreciation	516	3	9	21	2	-	551
As at 31 December 2022	**532**	**20**	**30**	**281**	**44**	**16**	**923**
Carrying value at 31 December 2022	**214**	**16**	**34**	**63**	**12**	**-**	**339**
Carrying value at 31 December 2021	**257**	**56**	**5**	**14**	**-**	**-**	**332**

6. Intangibles

Intangibles consist of following components:

	Lynchval Capitalization $000	Sagitec Capitalization $000
Cost		
As at 01 January 2022	571	2,979
Additions	-	-
As at 31 December 2022	571	2,979
Accumulated Amortization		
As at 01 January 2022	571	149
Amortization	-	596
As at 31 December 2022	571	745
Carrying value at 31 December 2022	-	2,234
Carrying value at 31 December 2021	-	2,830

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 (2021 Revision) and by provisions contained in the Public Service Pensions (Ex-Gratia Pensions) Regulations (2019 Revision).

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

"(1) Any Caymanian (as defined in the *Immigration Act (2015 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 2022 and 2021 reporting periods only. Accumulated Ex-Gratia bank balances are included in the cash balances reported on the Statement of Net Assets Available for Benefits 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 2022 $000	31 December 2021 $000
Pre-Funded Ex-Gratia Pensions	1,145	1,290
Ex-Gratia Pensions Payments	(1,227)	(1,231)
(Underfunded)/Overfunded	(82)	59

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 2022 $000	31 December 2021 $000
Pre-Funded Ex-Gratia Uplift Payments	2,318	1,780
Ex-Gratia Uplift Pension Payments	(2,294)	(2,325)
(Underfunded)/Overfunded	24	(545)

The activity reported above represents funding received and benefit payments made during the 2022 and 2021 reporting periods only. Accumulated Ex-Gratia bank balances are included in the cash balances reported on the Statement of Net Assets Available for Benefits 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 33, 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 $4,554 million (2021: $5,200 million). 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 respect of the DC Plan, participants contribute at a rate of 10% of pensionable earnings and the Government contributes 20%. In accordance with the 2020 funding valuation 0% is contributed for those in the Defined Benefit part of the Plan as the 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 32, showing beginning and ending balances, as well as contribution, benefits paid and investment returns recognized for the JPP during the year.

Net assets available for benefits for JPP at end of year amounted to $6,325 million (2021: $6,019 million). 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 2022 $000	31 December 2021 $000
Salaries, benefits & other staff related expenses	2,876	2,729
Other professional fees	854	321
Actuarial fees	744	447
Office accommodation & related expenses	255	273
IT Support	216	177
Board of Directors related expenses	182	179
General administrative 71	146	71
Audit fees	100	90
Total	**5,373**	**4,287**

13. Benefits Due

Benefits Due represents the liability to pay participants who have attained the Normal Retirement Age prior to 31 December 2022 but whose pension payments have not commenced as at the fiscal year end. Benefits due also relate to cashouts and transfers that were approved during the financial year and paid after 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 tri-annual 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. Meketa Investment Group, Inc. (Meketa) (Investment Advisor) 1 July 2022 - present
j. Curcio Webb (Provider Search Consultant)

The Board incurred Investment management and consultancy expenses as follows:

	31 December 2022 $000	31 December 2021 $000
Investment managers		
IFP	2,881	3,123
Magellan	1,127	1,272
Wellington	1,133	1,322
PIMCO	854	896
Morgan Stanley	436	680
Custodian		
CIBC Mellon	115	125
Investment advisor/consultant		
Advisory Capital	441	861
Meketa	97	-
Curcio Webb	15	43
Legal fees		
Pillsbury, Winthrop, Shaw, Pittman LLP	156	160
Total	**7,255**	**8,482**

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 impact 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 (Meketa), 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.

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, 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 21 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. Lease of Premises

Short Term and Immaterial Leases

The Authority has elected not to recognize the right-of-use assets and lease liabilities for short-term leases with 12 months or less and leases immaterial to the Authority. The Authority recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Authority has the following:

- A warehouse storage facility with Mini Warehouse Two Ltd. effective 10 May 2022, at an annual cost of CI$2,592.00 per annum ($216 monthly). Unit No. 14-00022 consisting of 56 square feet is located at Block 20B Parcel 354 George Town.
- 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). The option to renew was exercised and a new lease was signed effective 1 April 2022 (with the option to renew for an additional two years) at an annual cost of CI$13,771.80 ($1,147.65 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	2022	2021
Balance as 1 January	487,1152	-
Adjustments / Additions	5,714	487,152
Amortization charge for the year	(375,517)	-
Balance at 31 December	117,349	487,152

Lease Liability	2022	2021
Balance as 1 January	417,310	-
Additions	5,714	487,152
Interest Expense	19,430	7,033
Lease Payments	(313,569)	(76,875)
Balance at 31 December	**128,885**	**417,310**

18. Lease of Premises (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	133,074	(4,189)	128,885

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

	2021	2021
Amortization of Right-of-Use Asset	375,517	-
Interest on Lease Liabilities	19,430	7,033

The total cash outflows for leases for 2022 was $313,569 (2021: $76,875).

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19. Related Party Transactions

Key management personnel

There are eight (2021: six) 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 and Manager Finance. The total remuneration includes regular salary, pension contributions, and health insurance contributions, acting allowances, duty allowances, and motor car upkeep/allowance. Also, included in total remuneration for 2022 is a one-off bonus payment of $70 thousand. Total remuneration for Key management personnel in FY 2022 was $1.150 million, (FY 2021: $1.001 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 2022 was $163.5 thousand (FY 2021: $168 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 x2	CI $2,000
Governance Committee Chair	CI $1,000
Investment Committee Chair	CI $2,000
Audit Committee Chair	CI $2,000
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 $100 thousand respectively (2021: $3 Thousand, $90 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 the 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. IAS 19R Post-Retirement Pension Liabilities for PSPB Staff

The Authority's Actuary, Mercer, has calculated Public Service Pensions Board ("PSPB") actuarial estimates of liabilities as at 31 December 2022 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 2022 reflects the following:

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

	31 December 2022 $000	31 December 2021 $000
Defined benefit obligation	(1,863)	(2,392)
Fair value of plan assets	2,029	2,419
Funded status	(166)	(27)
Net Liability	**(166)**	**(27)**

The change in defined benefit obligation is as follows:

	31 December 2022 $000	31 December 2021 $000
Defined benefit obligation at end of prior year	2,392	2,661
Current service cost	55	59
Interest expense	63	59
Cashflows - participant contribution	12	12
Effect of changes in demographic assumptions	-	3
Effect of changes in financial assumptions	(634)	(141)
Effect of experience adjustments	(25)	(261)
Defined benefit obligation at end of year	**1,863**	**2,392**

21. IAS 19R Post-Retirement Pension Liabilities for PSPB Staff

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

	31 December 2022 $000	31 December 2021 $000
Fair value of plan assets at end of prior year	2,419	2,095
Interest income	65	47
Cash flows		
Employer and participant contributions	39	49
Remeasurements		
return on plan assets (excluding interest income)	(494)	228
Fair value of plan assets at end of year	**2,029**	**2,419**

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

	31 December 2022 $000	31 December 2021 $000
Net defined benefit liability (asset) as of beginning of year	(27)	566
Defined benefit cost included in P&L	53	71
Total remeasurements included in OCI	(165)	(627)
Cash flows – employer contributions	(27)	(37)
Net defined benefit liability (asset) as of end of year	**(166)**	**(27)**

21. IAS 19R Post-Retirement Pension Liabilities for PSPB Staff

The components of defined benefit cost is as follows:

	31 December 2022 $000	31 December 2021 $000
Current service Cost	55	59
Net interest cost		
Interest expense on DBO	63	59
Interest (income) on plan assets	(65)	(47)
Total net interest cost	(2)	12
Defined benefit cost included in statement of changes in net assets available for benefits	53	71
Remeasurements (recognized in other comprehensive income)		
Effect of changes in demographic assumptions	-	3
Effect of changes in financial assumptions	(634)	(141)
Effect of experience adjustments	(25)	(261)
(Return) on plan assets (excluding interest income)	494	(228)
Total remeasurements included in other comprehensive income	(165)	(627)
Total defined benefit cost recognized in statement of changes in net assets available for benefits and other comprehensive income	**(112)**	**(556)**

21. IAS 19R Post-Retirement Pension Liabilities for PSPB Staff

The sensitivity analysis on defined benefit obligation is shown below:

	31 December 2022	31 December 2021
1. Discount rate		
a. Discount rate - 25 basis points	1,936	2,509
b. Discount rate + 25 basis points	1,795	2,283
2. Inflation rate		
a. Inflation rate - 25 basis points	1,794	2,289
b. Inflation rate + 25 basis points	1,937	2,501
3. Mortality		
a. Mortality - 10% of current rates	1,897	2,454
b. Mortality +10% of current rates	1,833	2,336

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

	31 December 2022 $000	31 December 2021 $000
Expected employer contributions	33	27

The significant actuarial assumptions are presented below:

Weighted-average assumptions to determine benefit obligations

	31 December 2022	31 December 2021
1. Discount rate	5.40%	2.90%
2. Rate of salary increase	5.0% in 2023, $5.0% in 2024 and 3.7% thereafter	2.50%
3. Rate of price inflation	4.0% in 2023, $2.4% in 2024 and 2.0% thereafter	2.00%
4. Rate of pension increases	4.0% in 2023, $2.4% in 2024 and 2.0% thereafter	2.00%
5. Post-retirement mortality table	100% RP-2014 generationally projected using Scale MP-2021	100% RP-2014 generationally projected using Scale MP-2021
6. Cost Method	Projected Unit Credit	Projected Unit Credit
7. Asset valuation method	Market Value	Market Value

21. IAS 19R Post-Retirement Pension Liabilities for PSPB Staff (continued)

Weighted-average assumptions to determine defined benefit cost

	31 December 2022	31 December 2021
1. Discount rate	2.95%	2.70%
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	100% RP-2014 generationally projected using Scale MP-2021	100% RP-2014 generationally projected using Scale MP-2021

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 2022 to 31 December 2022 was (17.60%) 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 2022 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 2022 and 31 December 2021, the Fund was invested as follows:

	31 December 2022		31 December 2021	
Plan Assets by Asset Category	**($000)**	**Percentage**	**($000)**	**Percentage**
Equities	767,353	81%	945,780	82%
Debt securities	175,678	18%	190,942	17%
Cash and Receivables	7,991	1%	7,275	1%
Total Invested Assets	951,022	100%	1,143,997	100%

The Defined Contribution portion of the Fund (excluding in transit amounts) totalled $572,783,600 as at 31 December 2022 and $529,783,300 as at December 31, 2021, 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 $2,029,300 as at 31 December 2022 and $2,419,400 as at December 31, 2021.

21. IAS 19R Post-Retirement Pension Liabilities for PSPB Staff (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 2022 and 31 December 2021 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 2022	31 December 2021
Discount rate		
- BOY disclosure and current year expense	2.90% per year	2.60% per year
- EOY disclosure and following year expense	5.40% per year	2.90% per year
- Following year current service cost	5.35% per year	2.95% per year
- Rate used to determine interest on defined benefit obligation and plan assets for following year expense	5.35% per year	2.65% per year
- Rate used to determine interest on current service cost for following year expense	5.40% per year	2.85% per year
- Increases in pensionable earnings	5.00% in 2023, 4.0% in 2024 and 3.7% per year thereafter	2.50% per year
- Rate of pension increases	4.00% in 2023, 2.4% in 2024 and 2.0% per year thereafter	2.00% per year
Mortality		
- BOY disclosure and current year expense	100% of the rates of the RP-Mortality Table, Scale MP-2014, generationally projections using Scale MP-2021	100% of the rates of the RP-Mortality Table, Scale MP-2014, generationally projections using Scale MP-2020
- EOY disclosure and following year expense	100% of the rates of the RP-Mortality Table, Scale MP-2014, generationally projections using Scale MP-2021	100% of the rates of the RP-Mortality Table, Scale MP-2014, generationally projections using Scale MP-2021
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) 28.69 Retiring in 25 years (at age 57): 30.84	Retiring today (member age 57) 28.61 Retiring in 25 years (at age 57): 30.75
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. IAS 19R Post-Retirement Pension Liabilities for PSPB Staff (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 2022 and actuarial estimates of the defined benefit cost for the year ended 31 December 2022, for the Post-Retirement Healthcare Program ("the Health Plan"). For purpose of PSPB reporting, IAS 19R for year ended 31 December 2022 reflects the following:

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

	31 December 2021 $'000	31 December 2021 $'000
Defined benefit obligation	1,221	1,263
Net defined benefit liability (asset)	**1,221**	**1,263**

The change in defined benefit obligation are as follows:

	31 December 2022 $'000	31 December 2021 $'000
Defined benefit obligation at beginning of year	1,263	1,364
Interest expense	36	33
Effect of changes in demographic assumptions	399	3
Effect of changes in financial assumptions	(474)	(134)
Effect of experience adjustments	(3)	(3)
Defined benefit obligation at end of year	**1,221**	**1,263**

The net defined benefit liability reconciliation are as follows:

	31 December 2022 $'000	31 December 2021 $'000
Net defined benefit liability (asset) at beginning of year	1,263	1,364
Defined benefit cost included in P & L	36	33
Total remeasurement included in OCI	(78)	(134)
Net defined benefit liability (asset) as of end of year	**1,221**	**1,263**

22. PSPB Post-Retirement Healthcare Obligation (continued)

The components of defined benefit cost are as follows:

	31 December 2022 $'000	31 December 2021 $'000
Interest expense on DBO	36	33
Defined benefit cost included in P & L	36	33
Remeasurements (recognized in other comprehensive income)		
Effect of changes in demographic assumptions	399	3
Effect of changes in financial assumptions	(474)	(134)
Effect of experience adjustments	(3)	(3)
Total Remeasurement included in OCI	(78)	(134)
Total defined benefit cost recognized in P&L and OCI	(42)	(101)

The sensitivity analysis on defined benefit obligation is shown below:

	31 December 2022 $'000	31 December 2021 $'000
1. Discount rate		
a. Discount rate – 25 basis points	51	57
b. Discount rate + 25 basis points	(49)	(54)
2. Health care cost trend rates		
a. Health care cost trend rates – 100 basis points	(178)	(214)
b. Health care cost trend rates + 100 basis points	218	267
3. Mortality		
a. Post-retirement mortality assumption + 10%	(52)	(56)

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

	Amount ($000)
Interest expense on DBO	65

22. PSPB Post-Retirement Healthcare Obligation (continued)

The significant actuarial assumptions are presented below:

Weighted-average assumptions to determine benefit obligations

	31 December 2022	31 December 2021
Discount rate	5.35%	2.95%
Health care cost trend rates		
Immediate trend rate	5.28%	5.33%
Ultimate trend rate	4.00%	4.00%
Year rate reaches ultimate trend rate	2045	2045
Post-retirement mortality assumption	RP-2014 projected w/ MP-2021	RP-2014 projected w/ MP-2021

Weighted-average assumptions to determine defined benefit cost

	31 December 2022	31 December 2021
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

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 2022 and 31 December 2021 are shown in the following table below.

Economic Assumptions	Post-Retirement Healthcare	Basis of Development – Accounting Specific Assumptions
Discount rate (p.a.) • 31 December 2021 • 31 December 2022	 2.95% 5.35%	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.)	5.33%	Based on Mercer U.S. November 2021 Retiree Medical Trend Model.
Current mortality rates	RP-2014 Mortality Table scaled back to 2006 using MP-2014	Recent mortality studies in the U.S. and Canada show that people are living longer. New mortality tables have been issued by U.S. and Canada. The mortality table has been updated to better reflect actual mortality improvement rates experienced in the US over the last 20 years.
Mortality improvements • 31 December 2021 • 31 December 2022	 Scale MP-2021 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: Health - $12,440 per participant Dental - $200 per participant	Based on actual Cayman Island Government pensioner experience from 1 January 2018 to 31 December 2019, in 2021 dollars, adjusted to age 65 using healthcare utilization differences due to age.
Healthcare coverage - future pensioners	Male - 27% single, 73% family Female - 50% single, 50% family	Based on Cayman Islands Government experience.
Healthcare utilization changes due to age	Mercer standard healthcare aging assumptions for medical and dental	Based on analysis of healthcare utilization for Mercer clients in Canada and US and by reference to Society of Actuaries studies.

22. PSPB Post-Retirement Healthcare Obligation (continued)

Actuarial Methods

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

A description of the calculation follows:

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

	31 December 2022	30 September 2019
Active Members		
Number	2	2
Average years of service	40 years	36 years
Average years of service after age 40	21 years	18 years
Average age	61	57.9
Pensioners		
Number	0	0
Average Age	0	0

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 2022 $000	31 December 2021 $000
Public Service Pension Plan	939,949	1,136,004
Judiciary Pension Plan	6,325	6,019
Parliamentary Pension Plan	4,554	5,200
Total	**950,828**	**1,147,223**

Having completed a full cycle with the IAS 19 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 IAS 19 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. Subsequent Events

Following the Investment Committee meeting held on 9 September 2022, a recommendation was made to the Board to terminate Magellan as one of the Fund's investment managers and commence the search for an interim investment manager. To this end, a letter of termination was issued to Magellan in February 2023. The on-boarding of Blackrock was completed on 1 March 2023 and on 7 March 2023, the liquidation of PSPB's investment in MFG Global Fund and the transition into the Blackrock Developed World Index Fund was completed. 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 as at 31 December 2022.

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