PUBLIC SERVICE PENSIONS BOARD

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE, 2014

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BOARD OF DIRECTORS
AS AT 30 JUNE 2014

BOARD OF DIRECTORS

Hon. Kenneth Jefferson JP
Financial Secretary
Chairman

Mrs. Jewel Evans Lindsey
Managing Director& Administrator

Mr. Eric Bush JP
Chief Officer, Portfolio of Internal & External Affairs

Mr. James Watler
President, Civil Service Association

Mr. Wayde Bardswell
Crown Counsel, Legal Department

Mr. Nick Freeland
Private Sector Representative

Mr. Leonard N. Ebanks JP
Private Sector Representative

Mr. Kirkland Nixon MBE, QFSM, JP
Pensioner's Representative

Ms. Bethany Powery
Executive Secretary to the Board

BOARD ADVISORS AS AT 30 JUNE 2014

Professional Services

Actuary

Mercer
Toronto, Ontario
Canada

Auditor

Office of the Auditor General
Grand Cayman, Cayman Islands

Investment Managers

Independent Franchise Partners
London, England
U.K.

PIMCO
Newport Beach, California
U.S.A

Wellington Management Company
Boston, Massachusetts
U.S.A

GMO
Boston, Massachusetts
U.S.A

Magellan Financial Group
Sydney, Australia

Attorneys

Pillsbury Winthrop Shaw Pittman, LLP
New York, NY
U.S.A.

Attorney General's Chambers
C I Government
Grand Cayman
Cayman Islands

Custodian

CIBC Mellon
Toronto, Ontario
Canada

Investment Advisors

Advisory Capital Group
Toronto, Ontario
Canada

Chairman's & Managing Director's Message

The Public Service Pensions Fund (the Fund), managed by the Public Service Pensions Board (the Board), experienced another year of double digit returns as the overall performance of the Fund for the fiscal year ended 30 June, 2014 was 16.8%. Although the return lagged the policy benchmark by 1.0%, it is worth noting that as at 30 June, 2014 the net assets available for benefits increased by 16.4% or CI$68.2 million when compared to the closing balance for the previous year as at 30 June 2013.

During the quarter ended 30 June 2014 the overall return of the Fund was a positive 4.8%, which was ahead of its policy benchmark by 50 basis points. Given the quarterly performance, the return over the 1-year period was a positive 16.8% which lagged the policy benchmark by 1.0%. Longer term, annualized returns and value added remained strongly positive with the 5-year return being 15.1%, delivering a 3.1% in value added performance.

On a relative basis, the Fund's performance ranked at the 24th percentile for the last quarter and the 39th percentile rank over the 1-year period. Longer term, being the 4-year period, the Fund's relative ranking is high at the 8th percentile and above average. The Fund's long term risk return trade-off is low and above the norm when measured against a peer universe sample of approximately 175 diversified funds.

The Board is also happy to announce that two new investment managers have been contracted: Magellan Financial Group; and Wellington Management Company. These managers have been hired to add quality, strength and diversity to the portfolio while maintaining the Board's conservative investment strategy.

As mentioned in last year's report, the Board initiated two very timely reviews of critical services being provided to the organization. An open tender process used to receive bids from qualified firms to provide actuarial and benefit consulting services, has been completed and an agreement was signed in February 2014 between the Board and Mercer.

The second review that was conducted was a review of the current IT infrastructure. As the Board did not have the expertise to conduct a fully comprehensive review of IT infrastructure itself, another tender was issued. The tender was successfully completed and the Board entered into an agreement with IT Outsource in February 2014.

To date the consultants have conducted a review of the Board's IT infrastructure and will be installing upgrades to improve the security and efficiency of the hardware and software being used by the organization. In the coming months, ITO will be working with the Managing Director and her management team to map-out existing procedures and make improvements, where possible, in order to create and/or improve efficiencies in this area of operations.

Managing Director **Chairman**

OVERVIEW OF THE PUBLIC SERVICE PENSIONS BOARD

Background Information

The head office of the Board is located at 133 Elgin Avenue in George Town and responsibilities of the Board include but are not limited to, administering the Plans, investing the Public Service Pensions Fund (the Fund), communicating with the Plan employers and participants, recommending contribution rates in accordance with the latest actuarial valuation, and recommending amendments to the public sector pension plans and quantifying their financial impact as needed. The main functions of the Fund are to receive prescribed contributions, invest and pay out pension benefits as they become due under the Law. The Fund is vested in the Board.

The Public Service Pensions Board (the Board) was re-established as a Statutory Authority on 14 April 1999, by virtue of the Public Service Pensions Law, 1999, which repealed the Pensions Law (1999 Revision) and was since revised in 2000, 2004, 2011 and 2013 culminating in the Public Service Pensions Law (2013 Revision) (the Law). The Law with its amendments governs the Public Service Pensions Plan (the Plan).

The Fund has a defined benefit and a defined contribution component. All employees who joined the Plan prior to 14 April 1999 were enrolled in the Defined Benefit Part of the Plan. 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 Plan to 1 January 2000.

Contribution Rates

Employees who participate in the Plan 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 Actuarial Valuation. This additional defined benefit cost largely reflects the eventual liability of benefits related to the past service at the valuation date. The full liability for additional defined benefit costs is borne by each respective employer.

Payment of Benefits

The Law provides for payment of retirement benefits to eligible participants. The normal retirement age is 60. However, participants with more than 10 years of qualifying service may retire at age 55 with unreduced benefits. The maximum amount of pension payable shall not exceed two-thirds of highest pensionable earnings drawn by a participant at any time during the course of his/her service. The formula used to calculate retirement benefits varies depending on whether the participant joined the service before or after 10 July 1980, with a higher rate of benefit accrual to those who commenced service before that date.

OTHER PLANS UNDER ADMINISTRATION

Ex-Gratia Pensions

The Board administers the payment of *Ex-Gratia* Pensions on behalf of the Cayman Islands Government under Section 6(1)(i) of the Public Service Pensions Law (2013 Revision), the Public Service Pensions Law (2011 Revision) Public Service Pensions (*Ex-Gratia* Pensions*)* Regulations (2012 Revision) and the Public Service Pensions (*Ex-Gratia* Pensions) *(*Amendment*)* Regulations 2011, which cover these transitional provisions. 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 an *ex-gratia* pension of $200 per month. Those with 10 or more years of service received an *ex-gratia* pension of $300 per month. It should be noted that these payments have been changed to $300 and a minimum of $450 respectively for *ex-gratia* pensioners approved after the change in legislation in 2011, however *ex-gratia* payments are not subject to increase for cost of living nor augmented annually across the board.

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

The Board does not charge a fee for the administration of the *Ex-Gratia* Pensions.

Parliamentary Pensions Plan

The Board began to administer the Parliamentary Pensions Plan (the PPP) with effect from 1 September 1999.

Benefits under the PPP were paid directly from the Government's General Revenue on a monthly basis for the first eight months of 1999. For the remainder of 1999, the Government made quarterly pre-payments to the Fund to cover the payment of PPP pensions. This "pay as you go" arrangement continued until the passage of the amendment to the Parliamentary Pensions Law in August 2004, which mandated that the payment of parliamentary pensions be made from the Fund. Under this new arrangement monthly pension contributions are made to the Fund in accordance with the latest Actuarial Valuation.

The Elected Members of the Legislative Assembly participate in PPP as governed by the Parliamentary Pensions Law, 2004. These members contribute at a rate of 6% of pensionable earnings and the Government contributes a matching 6%. Contribution rates to cover additional defined benefit costs are prescribed by the latest Actuarial Valuation and are borne by the Government. These contributions have been pooled for investment purposes with those of the Public Service Pensions Fund.

Judicial Pension Plan

Judges of the Grand Court of the Cayman Islands participate in the Judicial Pensions Plan (JPP). Judges' pensions fall under the remit of Her Excellency the Governor as set out in The Judges' Emoluments and Allowances Law (2006 Revision). Members of the JPP contribute at a rate of 10% of pensionable earnings; the Government contributes a matching 10% and an additional 21% of pensionable earnings in accordance with the 1 January 2005 actuarial valuation for the Judges in the defined benefit part of the JPP. 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 Plan. The Judges Emoluments and Allowances Order was effected by His Excellency the Governor in 2005.

FINANCIAL OVERVIEW

Growth of the Fund

The Public Service Pensions Fund (the "Fund") continues to be in relatively good financial health. The Fund holds a diversified portfolio of bonds and equity securities that, over the long term, provides above average returns with minimized variability.

The Fund is subject to an actuarial valuation every three years which assesses the financial viability of the Fund, and the adequacy of the contribution rates for funding of the Plan. The Board also uses the results of funding valuations as the basis for recommendations regarding contribution rates. An actuarial valuation was carried out in 2011 based on assets and liabilities as at 1 January 2011.

The results of the actuarial valuation as at 1 January 2011 determined the past service liability to be approximately $495 million. The calculation is made based on pensionable earnings as of the valuation date and reflect the liability in respect of benefits actually earned up to 31 December 2010. Although the Fund remains underfunded, the actuaries determined that the liability for inactive members (existing pensioners and beneficiaries, and those with deferred pensions) is sufficiently covered by available assets. It should be noted that the full liability for additional defined benefit costs is borne by each respective employer.

As at 30 June 2014 the net assets available for benefits stood at just over $484.8 million, which represents a $68.2 million or a 16.4% increase in net assets from 30 June 2013. The market value of the Fund (inclusive of local & foreign investment) at the same date was approximately $476.8 million, representing an increase of just under $80 million from 30 June 2013.

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 Fund is 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.

Market Summary

Global Equities

Global stocks gained steadily over the quarter ended 30 June 2014, bolstered by economic data, affirming that the global economic expansion remains on track despite 3rd quarter weather-related weakness. Global equity markets, as measured by the MSCI World Index were up 4.9%.

Equities under management with IFP delivered a positive return over the final quarter, of 5.7%, outperforming the benchmark by 80 basis points, while equity assets under management with Magellan recorded a weaker return of 2.0%, underperforming the same benchmark by 2.9%. Over the 1-year period, IFP recorded a return of 21.2%, which lagged the benchmark index sizably generating a negative 2.8% of value added. It is not unusual for IFP to trail the broader benchmark given emphasis on a conservative, high quality investment approach. Longer term, being the 4 and 5-year periods, IFP has meaningfully added value to the broader index.

Global Investment Grade Credit

Over the quarter ended 30 June 2014, it appeared that bond investors have been focused on factors other than economic fundamentals. Unrest in Ukraine and Iraq, liability driven investing by pension funds, concerns about equity valuations and central bankers musing about inflation being too low, have helped drive bond prices higher and yields lower.

Against these fundamentals, actively managed corporate credit strategies under the PIMCO Global Investment Grade strategy were positive over the quarter by 3.1% and positive over the year-to-date period by 5.8%, recording a value added of 60 and 80 basis points, respectively. Regarding the Wellington Global Credit Plus strategy, returns delivered were 2.6% for the quarter and 5.4% over the year-to-date period. Value added was positive by 10 and 40 basis points, respectively.

Fund Performance

Over the period under review, global equity markets met new highs amid disbelief, a sign that investors have yet to embrace optimism, leaving plenty of room for sentiment improvement ahead. Improving sentiment against a better economic and political backdrop than most appreciate should continue pushing stocks higher in first half of the year beginning 1 July 2014.

The consensus forecast remains for global stocks to finish 2014 with a strong push coming in the back half of the calendar year and extending into 2015. 2014 is a US midterm election year, which historically results in less political risk which is always a big positive for markets (legislation interfering with property rights or distribution of wealth and income).

This can be a powerful force for equity markets and typically extends over the following several quarters. While there is always a chance some unseen risk could materialize knocking the bull off course, at the present time, the consensus view remains that there likely isn't anything material enough to derail the many positives supporting stocks. Investors' lingering scepticism combined with the underappreciated midterm effect and positive economic fundamentals re-confirms the likelihood that this is not the time to brace for a pullback.

Credited Rate of Return

The Credited Rate of Return (CRR) on contributions, calculated annually, is based on a three-year geometric average of actual returns, net of expenses, which amounted to a positive 11.66% for calendar 2013. As a result all participant contribution accounts would have been credited at the beginning of calendar year 2014 with an interest base of 11.66%. Table 1 indicates the CRR earned for the period 2006 to 2013 expressed in percentages.

Table 1

Year	2006	2007	2008	2009	2010	2011	2012	2013
Return	12.78%	4.40%	-15.56%	11.77%	9.85%	7.30%	11.36%	15.99%
CRR	8.29%	8.29%	-0.41%	-0.49%	1.21%	9.79%	9.65%	11.66%

APPENDIX 1

Copy of Public Service Pensions Board Certified Financial Statements and Notes for the year ended 30 June 2014

FINANCIAL STATEMENTS

PUBLIC SERVICE PENSIONS BOARD

30 June 2014

PUBLIC SERVICE PENSIONS BOARD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2014

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Public Service Pensions Board
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30 June 2014

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the Public Service Pensions Board in accordance with the provisions of the *Public Management and Finance Law (2013 Revision).*

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2013 Revision).*

As Chairman and Managing Director, we are responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Public Service Pensions Board.

As Chairman and Managing Director we are responsible for the preparation of the Public Service Pensions Board financial statements and for the judgements made in them.

The financial statements fairly present the statement of net assets available for benefits, statement of changes in net assets available for benefits and statement of cash flows for the financial year ended 30 June 2014.

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

(a) are completely and reliably reflect the financial transactions of Public Service Pensions Board for the year ended 30 June 2014;
(b) fairly reflect the financial position as at 30 June 2014 and performance for the year ended 30 June 2014;
(c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.

Mr. Kenneth Jefferson, JP	Jewel Evans Lindsey
Chairman	Managing Director
Public Service Pensions Board	Public Service Pensions Board
Date- 31 Oct 2014	Date- 31 Oct 2014

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CAYMAN ISLANDS

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Auditor General's Report

To the Board of Directors of the Public Service Pensions Board

I have audited the accompanying financial statements of the Public Service Pensions Board (the "Board") which comprise the Statement of Net Assets Available for Benefits as at 30 June 2014, Statement of Changes in Net Assets Available for Benefits and the Statement of Cash Flows for the year then ended, a Statement of Accumulated Plan Benefits as at 30 June 2014 and a summary of significant accounting policies and other explanatory information as set out on pages 4 to 39 in accordance with the provisions of Section 11(3) of the *Public Service Pensions Law (2011 Revision)* and Section 60(1)(a) of the *Public Management and Finance Law (2013 Revision)*.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Public Service Pensions Board as at 30 June 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matters

1. I draw attention to Notes 14 and 15 to the financial statements which describe that the 2011 and 2008 Actuarial Valuation Reports which were completed on April 2012 and March 2009 and submitted to the Financial Secretary on April 2012 and April 2009 respectively, have been accepted and approved by the Legislative Assembly on December 2013. As these reports have not been gazetted, both contributions received and contributions receivable in these financial statements are reflective of the rates in the 2005 actuarial valuation report, being the last approved rates.

2. As discussed in Note 15 to the financial statements, the actuary has determined that the continuation of the current scenario of the total plan contributions (Including both Defined Benefit and Defined Contribution contributions) for the Public Service Pensions Plan will be insufficient to meet benefit payments and expenses. The actuary further states that the Parliamentary Pensions Plan ("PPP") continues to be severely underfunded. Assets allocated to the PPP covers only 22% of the the past service obligations and insufficient to cover the benefits currently in payment.

My opinion is not qualified with respect to these matters.

Alastair Swarbrick, MA (Hon) CPFA
Auditor General

31 October, 2014
Cayman Islands

Public Service Pensions Board
Statement of Net Assets Available for Benefits
As at 30 June 2014
(Expressed in Cayman Islands Dollars)

	2014 $000	2014 $000	2013 $000 As restated (Note23)	2013 $000 As restated (Note23)
Assets				
Current assets				
Cash and cash equivalents				
Cash on hand and in bank	2,395		12,780	
Term deposits (Note 3)	5,068	7,463	5,060	17,840
Investments, at fair market value (Note 4)		476,764		396,891
Receivables				
Contributions receivable				
Employees' contributions	1,323		1,559	
Employers' contributions	1,323		1,556	
Employers' - Additional defined benefit costs	67		470	
Other receivables	195	2,908	132	3,717
Prepaid expenses		3		3
Total current assets		487,138		418,451
Non-current assets				
Fixed assets (Note 5)		78		30
Intangibles				
Pension administration system (Note 6)		371		485
Total non-current assets		449		515
Total assets		487,587		418,966
Liabilities				
Current liabilities				
PSPB deferred benefit liability (Notes 21 and 23)		620		466
Benefits due (Note 13)		512		512
Investment management fees		534		450
Accounts payable		441		303
Overpaid contributions (Note 7)		287		287
Overpaid grants (Note 7)		244		244
Other liabilities		125		106
Total current liabilities		2,763		2,368
Total liabilities		2,763		2,368
Net assets		**484,824**		**416,598**
Represented by:				
Net assets available for benefits:				
Accumulated fund (Note 22)		**484,824**		**416,598**

Kenneth Jefferson, JP
Chairman

Jewel Evans Lindsey
Managing Director

The accounting policies and notes on pages 10 to 39 form part of these financial statements.

Public Service Pensions Board
Public Service Pension Plan
Statement of Changes in Net Assets Available for Benefits
For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

	2014	2013 As restated
	$000	$000
Pensions		
Contributions		
Employees	12,999	13,069
Employers	12,935	12,395
Employers - Additional defined benefit cost	10,064	15,665
Total	35,998	41,129
Pre-Funded Ex-gratia pensions (Note 8)	1,200	1,098
Total Contributions	**37,198**	**42,227**
Benefits paid to participants (Note 11)		
Public service pensions	(28,924)	(24,703)
Ex-Gratia pensions (Note 8)	(999)	(813)
Total benefits paid to participants	**(29,923)**	**(25,516)**
Net pensions	**7,275**	**16,711**
Investing		
Investment income		
Relized gain on sale of investments – net	43,389	17,662
Unrealized gain on foreign exchange	9,394	-
Dividends earned on investments	7,634	6,980
Unrealized gain on investments – net	6,092	20,057
Realized gain/(loss) on foreign exchange	275	(77)
Investment income – other	127	16
Interest earned on investments	112	159
Interest earned on term deposits and call accounts	8	5
Total investment income	**67,031**	**44,802**
Investment expenses		
Investment management and custodial fees (Note 16)	(3,532)	(3,171)
Interest attributable to Parliamentary contributions (Note 9)	(467)	(419)
Interest attributable to Judiciary contributions (Note 10)	(322)	(341)
Other investment expenses	(14)	(12)
Total investment expenses	**(4,335)**	**(3,943)**
Net investment income	**62,696**	**40,859**
Operating		
Operating income		
Other income	149	135
Total operating income	**149**	**135**
Operating expenses		
Administrative expenses (Note 12)	(3,479)	(3,223)
Depreciation and amortization (Notes 5 and 6)	(139)	(96)
Write-off of accounts receivable and stale-dated items	(6)	(242)
Total operating expenses	**(3,624)**	**(3,561)**
Net operating loss	**(3,475)**	**(3,426)**
Net increase in net assets available for benefits	**66,496**	**54,144**
Net assets available for benefits at start of year (Note 22)	**407,778**	**353,634**
Net assets available for benefits at end of year (Note 22)	**474,274**	**407,778**

The accounting policies and notes on pages 10 to 39 form part of these financial statements.

Public Service Pensions Board
Judicial Pension Plan: Supplemental Information
Statement of Changes in Net Assets Available for Benefits
For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

	2014 $000		2013 $000 As restated (Note 23)	
Assets				
Net assets available for benefits at start of year (Note 22)				
Pension		3,620		3,021
Contributions				
Employees	103		104	
Employers	87		105	
Employers - Additional defined benefit cost	118		93	
Total contributions		308		302
Benefits paid to participants		(44)		(44)
Net pensions		264		258
Net investment income		322		341
Net increase in net assets available for benefits		586		599
Net assets available for benefits at end of year (Notes 22)		**4,206**		**3,620**

The accounting policies and notes on pages 10 to 39 form part of these financial statements.

Public Service Pensions Board
Parliamentary Pension Plan: Supplemental Information
Statement of Changes in Net Assets Available for Benefits
For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

	2014 $000		2013 $000 As restated (Note 23)	
Net assets available for benefits at start of year (Note 22)		5,200		4,123
Pensions				
Contributions				
Employees	201		136	
Employers	202		136	
Employers - Additional defined benefit cost	1,900		1,725	
Total contributions		2,303		1,997
Benefits paid to participants		(1,626)		(1,339)
Net pensions		677		658
Net investment income		467		419
Net increase in net assets available for benefits		1,144		1,077
Net assets available for benefits at end of Year (Notes 22)		6,344		5,200

The accounting policies and notes on pages 10 to 39 form part of these financial statements.

Public Service Pensions Board
Statement of Cash Flows
For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

	2014 $000	2013 $000
Cash flows from operating activities		
Receipts		
Contributions received from employees	13,437	13,170
Contributions received from employers	13,369	12,435
Other income received	65	220
Net investment income received	85	73
Total	**26,956**	**25,898**
Payments		
Benefits paid to participants - Public Service	(28,924)	(26,309)
Administrative expenses paid	(3,186)	(2,958)
Investment management fees and other expenses paid	(2,493)	(1,771)
Benefits paid to participants - Parliamentarian	(1,626)	(1,339)
Benefits paid to participants - Ex-Gratia	(999)	(814)
Total	**(37,228)**	**(33,191)**
Net cash used in operating activities	**(10,272)**	**(7,293)**
Cash flows from investing activities		
Proceeds from sale of investments	11,706	4,357
Purchase of investments	(25,667)	-
Purchase of fixed assets and intangibles	(74)	(33)
Net cash (applied to)/provided by investing activities	**(14,035)**	**4,324**
Cash flows from financing activities		
Contributions received from employers - Additional defined benefit	12,341	17,518
Ex-gratia grant and prepaid Ex-gratia grant	1,200	1,098
Net cash received from financing activities	**13,541**	**18,616**
Cash flows from judiciary contributions		
Contributions received from employer	103	198
Contributions received from employees	86	104
Contributions received from employer - defined benefit	118	
Benefits paid to participants	(44)	(44)
Net cash received from judiciary contributions	**264**	**258**
Net (decrease) increase in cash and cash equivalents during the year	(10,502)	15,905
Cash and cash equivalents at beginning of year	17,840	1,935
Cash and cash equivalents at end of year (Note 3)	7,338	17,840

The accounting policies and notes on pages 10 to 39 form part of these financial statements.

Public Service Pensions Board
Supplemental Statement of Accumulated Plan Benefits
For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

	2014 $000	2013 $000
Actuarial present value of accumulated plan benefits (Note 15)		
Inactive and Active Participants	(494,849)	(494,849)
Total actuarial present value of accumulated plan benefits	(494,849)	(494,849)
Fund's net assets available for benefits at year-end (Note 23)	484,824	413,338
Fund deficit	**(10,025)**	**(81,511)**

The accounting policies and notes on pages 10 to 39 form part of these financial statements.

1. Introduction and background information

a. Introduction

The Public Service Pensions Board (the "Board") was re-established as a Statutory Authority of the Cayman Islands Government on 14 April 1999. Principal place of business is the Government Administration Building, 133 Elgin Avenue, Grand Cayman, Cayman Islands. The Board's responsibilities include, but are not limited to, administering the Government-sponsored pension plans which consist of the Public Service Pensions, Parliamentary Pensions, Judicial Pension and Ex-gratia Pension Plans, administering the combined pension funds (the "Fund"), investing all contributions received from participants of the aforementioned Plans into the Fund, providing pension benefits as required under the Law, communicating with the Plans' stakeholders, recommending contribution rates to the Government in accordance with the latest actuarial valuation and determining the financial implications of any amendments to the Plans. The Fund is governed by the *Public Service Pensions Law (2013 Revision)* (the "Law").

b. General background information

The Public Service Pensions, the Parliamentary Pensions and the Judicial Pensions plans each consist of two parts: a Defined Benefit part and a Defined Contribution part. For the main Public Service Pensions Plan (the "PSPP"), all employees who joined prior to 14 April 1999 were enrolled in the Defined Benefit part of the PSPP. Those employees joining after 14 April 1999 were enrolled in either one of the two parts depending on their circumstances. The Public Service Pensions (Amendment and Validation) Law, 2000 which was passed on 20 June 2000 amended the date after which all new employees were to be enrolled in the Defined Contribution part of the Plan to 1 January 2000. Employees who received Contracted Officers Supplement (COS) were exempted from participation in the PSPP through the Public Service Pensions (Amendment and Validation) Law, 2000. However, when existing contracts were renewed, employees no longer provided with COS became eligible to join the Defined Contribution part of the PSPP.

c. Contributions

Employees who participate in the PSPP contribute at the rate of six percent of pensionable earnings and employers contribute a matching six percent. Contribution rates to cover additional defined benefit costs are recommended by the Board based on the latest actuarial results and were as follows:

	2005		2002	
	Defined Benefit*	Defined Contribution	Defined Benefit*	Defined Contribution
Cayman Islands Government	28.53%	1.00%	10.00%	1.00%
Cayman Islands Monetary Authority	1.00%	1.00%	1.00%	1.00%
Cayman Turtle Farm (1983) Ltd.	9.44%	1.00%	10.00%	1.00%
Civil Aviation Authority of the Cayman Islands	26.10%	1.00%	10.00%	1.00%
University College of the Cayman Islands	3.99%	1.00%	3.99%	1.00%
Public Service Pensions Board	1.00%	1.00%	10.00%	1.00%

1. Introduction and background information (continued)

c. Contributions (continued)

	2005		2002	
	Defined Benefit*	Defined Contribution	Defined Benefit*	Defined Contribution
Water Authority of the Cayman Islands	9.57%	1.00%	0.26%	1.00%
Cayman Islands Airport Authority	13.14%	1.00%	N/A	1.00%
Cayman Islands Health Services Authority	1.00%	1.00%	N/A	1.00%
National Roads Authority	2.24%	1.00%	N/A	1.00%
Cayman Islands Development Bank	17.11%	1.00%	N/A	1.00%
CAYS Foundation	12.31%	1.00%	N/A	1.00%
National Housing Development Trust	N/A	1.00%	N/A	1.00%
Information and Communications Technology Authority	N/A	1.00%	N/A	N/A

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

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

i. with respect to the defined contribution participants, the cost of certain benefits provided that are of a defined benefit nature;
ii. with respect to the defined benefit participants, the excess of 12% of pensionable earnings of the normal benefit accrual cost plus the annual cost of meeting the unfunded past service liabilities.

An interim rate of 1% was applied to all authorities in 2004 and updated by the 2005 actuarial valuation. New rates will be prescribed based on the 2011 actuarial valuation, unless the Governor in Cabinet fails to accept the Board's actuarial valuation and causes its own valuation to be carried out.

d. Investment policy

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

2. Significant accounting policies

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

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

Reporting and functional currency
The financial statements are presented in Cayman Islands dollars.

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 30 June 2014.

Judgments and estimates
The preparation of financial statements in conformity with International Financial Reporting Standards requires judgments, estimates and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Contributions
Contributions are accounted for on the accrual basis. Both contributions received and contributions receivable in these financial statements are reflective of the contribution rates recommended in the 1 January 2005 actuarial valuation, which are the last approved rates. Actuarial valuations as of 1 January 2014 for each of the three Government sponsored pension plans are in the process of being finalised by the Board and its actuaries and is expected to be available for submission to the Cabinet early in October 2014.

2. Significant accounting policies (continued)

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

Investment income
Investment income is accounted for on the accrual basis.

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

Furniture and fixtures	10%
Computer equipment and software	20%
Office equipment	20%
Vehicle	25%

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

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

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

Changes in International Financial Reporting Standards

Below are several new standards and amendments that have been issued but are not yet effective. They do not impact the annual financial statements of the Board. The nature and impact of each new standard/amendment is described below:

2. Significant accounting policies (continued)

Changes in International Financial Reporting Standards (continued)

(i) IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32 (Effective for annual periods beginning on or after 1 January 2014)

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems), which apply gross settlement mechanisms that are not simultaneous. The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself.

The amendments also clarify that rights of set-off must not be contingent on a future event. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amendments clarify that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion.

(ii) IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendments) (Effective for annual periods beginning on or after 1 January 2014)

The investment entities amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. The key amendments include: • 'Investment entity' is defined • An investment entity must meet three elements of the definition and consider four typical characteristics, in order to qualify as an investment entity • An entity must consider all facts and circumstances, including its purpose and design, in making its assessment • An investment entity accounts for its investments in subsidiaries, associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as applicable), except for investments in subsidiaries, associates and joint ventures that provide services that relate only to the investment entity, which must be consolidated (investments in subsidiaries) or accounted for using the equity method (investments in associates or joint ventures) • An investment entity must measure its investment in another controlled investment entity at fair value • A non-investment entity parent of an investment entity is not permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees • For venture capital organisations, mutual funds, unit trusts and others that do not qualify as investment entities, the existing option in IAS 28, to measure investments in associates and joint ventures at fair value through profit or loss, is retained.

2. Significant accounting policies (continued)

Changes in International Financial Reporting Standards (continued)

(iii) IAS 39 Novation of Derivatives and Continuation of Hedge Accounting — Amendments to IAS 39 (Effective for annual periods beginning on or after 1 January 2014)

The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. The amendments cover novations: • That arise as a consequence of laws or regulations, or the introduction of laws or regulations • Where the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties • That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. All of the above criteria must be met to continue hedge accounting under this exception. The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries.

For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting.

(iv) IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 (Effective for annual periods beginning on or after 1 January 2014)

The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the issuance of IFRS 13 was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendments to IAS 36.

In addition, the IASB added two disclosure requirements: • Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal. • Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendments harmonise disclosure requirements between value in use and fair value less costs of disposal.

2. Significant accounting policies (continued)

Changes in International Financial Reporting Standards (continued)

(v) IFRIC 21 Levies(Effective for annual periods beginning on or after 1 January 2014)

IFRIC 21 is applicable to all levies other than outflows that are within the scope of other standards (e.g., IAS 12) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation. The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognised before the specified minimum threshold is reached. The interpretation does not address the accounting for the debit side of the transaction that arises from recognising a liability to pay a levy. Entities look to other standards to decide whether the recognition of a liability to pay a levy would give rise to an asset or an expense under the relevant standards.

(vi) IAS 19 Defined Benefit Plans: Employee Contributions — Amendments to IAS 19 (Effective for annual periods beginning on or after 1 July 2014)

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. Examples of such contributions include those that are a fixed percentage of the employee's salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee's age.

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.

	30 Jun 2014 $ 000	30 Jun 2013 $ 000
Cash	2,395	12,780
Term deposits	5,068	5,060
Total	**7,463**	**17,840**

3. Cash and cash equivalents (continued)

The detail of the term deposits at Cayman National Bank at 30 June 2014 and 2013 is shown below:

At 30 June 2014

Account number	Principal $000	Value date	Maturity date	Interest Rate
TD-013-07285	5,012	10 June 2014	9 July 2014	0.12500%
TD-013-06149	56	09 June 2014	8 December 2014	0.1900%
Total	5,068			

At 30 June 2013

Account number	Principal $000	Value date	Maturity date	Interest Rate
TD-013-07285	5,005	28 June 2013	29 July 2013	0.220%
TD-013-06149	55	7 June 2013	09 December 2013	0.290%
Total	5,060			

4. Investments

The appointed Investment Managers manage the Fund's investments under discretionary investment agreements which conform to the list of Approved Investments detailed in the Schedule 2 of the *Public Service Pensions Law (2013 Revision)*.

a) Investment and Market conditions[1]

The Fund (In General)
During the 2nd quarter, 2014, the overall return of the PSPB Fund was a positive 4.8%. The PSPB Fund delivered a rate of return ahead of its policy benchmark by 50 basis points. Given the quarterly performance, the quarterly return culminated to produce a over the 1-year period was a positive 16.8% over the 1-year period. With a strong showing, the 1-year performance which lagged the policy benchmark by 1.0%. Longer term, annualized returns and value added remained strongly positive with the 5-year return being a double digit annualized rate of return of at 15.1%, resulting in the delivery of an annualized in value added performance of 3.1%.

On a relative basis, compared to a peer sample universe, the PSPB Fund's performance ranked at the 24th percentile for the 2nd quarter and the 39th percentile rank over the 1-year period. Longer term, being the 5-year period, the PSPB Fund's relative ranking is above average and high, at the 10th percentile..

The Fund's long term risk return trade-off is low and above the norm when measured against a peer universe sample of about 175 diversified funds.

[1] Cayman Islands Public Service Pensions Board, 'Performance Review for Periods Ending June 30, 2014', Advisory Capital Group Canada Inc., August 5, 2014.

4. Investments (continued)

a) Investment and Market conditions[1] (continued)

Global equities

Global stocks gained steadily over the 2nd quarter, bolstered by economic data re-affirming that the global economic expansion remains on track despite 1st quarter weather-related weakness. Global equity markets, as measured by the MSCI World Index, were up 4.9% over the period.

Equities under management with Independent Franchise Partners (IFP) delivered a positive return, over the 2nd quarter, of 5.7%, outperforming the benchmark by 80 basis points, while equity assets, under management with MFG Global Fund (Magellan), recorded a weaker return of 2.0%, underperforming the same benchmark by 2.9%.

Over the 1-year period, IFP recorded a return of 21.2%, which lagged the benchmark index by a sizably percentage and generating a negative 2.8% of value added. It is not unusual for IFP to trail the broader benchmark given its strategy emphasis on conservative, high quality and a defensive investment approach. Longer term, being the 4 and 5-year periods, IFP has meaningfully added value to the broader index.

On a relative basis, IFP global equities ranked at the 12th percentile over the recent quarter and at the 68th percentile rank over the 1-year period. Longer term, over the trailing 4 and 5-year periods relative ranking remains high and at the 2nd percentile of the comparative peer sample universe of managers.

Fixed income

Over the recent quarter, it appeared that bond investors had focused on factors other than economic fundamentals. Unrest in Ukraine and Iraq, liability driven investing by pension funds, concerns about equity valuations and central bankers musing about inflation being too low, had helped to drive bond prices higher and yields lower.

Against these fundamentals, actively managed corporate credit strategies under the PIMCO Global Investment Grade strategy (PIMCO) were positive over the quarter by 3.1% and positive over the year-to-date period by 5.8%, contributing a value added of 60 and 80 basis points, respectively. Regarding the Wellington Global Credit Plus strategy (Wellington), returns delivered were 2.6% for the quarter and 5.4% over the year-to-date period. Value added was positive by 10 and 40 basis points, respectively.

Regarding relative ranking, PIMCO ranked at the 29th percentile over the quarter and the 44th percentile over the year-to date period. In comparison, Wellington ranked at the 66th percentile over the quarter and at the 64th percentile rank over the year-to-date period.

[1] Cayman Islands Public Service Pensions Board, 'Performance Review for Periods Ending June 30, 2014', Advisory Capital Group Canada Inc., August 5, 2014.

4. Investments (continued)

b) Investment returns

Total Returns to 30 June 2014
Annualized for periods exceeding 1 year

Last 3 Months	Year-to-Date	1 Year	2 Years	3 Years	4 Years	5 years	7 years	From Inception
4.8%	6.3%	16.8%	14.7%	11.8%	14.9%	15.1%	9.7%	6.4%

Total Returns to 30 June 2013
Annualized for periods exceeding 1 year

Last 3 Months	Year-to-Date	1 Year	2 Years	3 Years	4 Years	5 years	7 years	From Inception
(0.8)%	5.0%	12.6%	9.4%	14.3%	14.7%	10.3%	8.8%	5.7%

c) Investment portfolios

The investment portfolios are summarized below:

Description	30 June 2014 $ 000	%	30 June 2013 $ 000	%
Global Equities	381,163	79.95	272,074	68.55
Fixed Income	95,601	20.15	112,387	28.32
Real Estate equities	-	-	12,430	3.13
Total	**476,764**	**100.00**	**396,891**	**100.00**

5. Fixed assets

Fixed assets consist of the following components:

	Furniture & Fixtures $000	Office Equipment $000	Computer Equipment $000	Computer Software $000	Vehicles $000	Total $000
Cost						
As at 01 July 2013	4	18	144	33	20	219
Additions	-	-	74	-	-	74
As at 30 June 2014	4	18	218	33	20	293
Accumulated Depreciation						
As at 01 July 2013	1	4	134	30	20	189
Depreciation	-	4	20	2	-	26
As at 30 June 2014	1	8	154	32	20	215
Carrying value at 30 June 2014	**3**	**10**	**64**	**1**	**-**	**78**

5. Fixed Assets (continued)

	Furniture & Fixtures $000	Office Equipment $000	Computer Equipment $000	Computer Software $000	Vehicles $000	Total $000
Cost						
As at 01 July 2012	4	2	143	32	20	201
Additions	-	16	1	1	-	18
As at 30 June 2013	4	18	144	33	20	219
Accumulated Depreciation						
As at 01 July 2012	-	1	129	29	20	179
Depreciation	1	3	5	1	-	10
As at 30 June 2013	1	4	134	30	20	189
Carrying value at 30 June 2013	**3**	**14**	**10**	**3**	**-**	**30**

6. Intangibles

Intangibles consist of Plan Administration System as follows:

	$000
Cost	
As at 01 July 2013	571
Additions	-
As at 30 June 2014	571
Accumulated Amortization	
As at 01 July 2013	86
Amortization	114
As at 30 June 2014	200
Carrying value at 30 June 2014	**371**
Carrying value at 30 June 2013	**485**

7. Overpaid Contributions/Grants

Overpaid contributions are contributions, both employee and employer, since 1 January 2000, which are paid over the amount of pension due or on behalf of employees not eligible to participate in the Plan. A comprehensive review and reconciliation of these overpayments are currently being carried out that will ultimately determine the correct balance for each Employer at the employee level, after which a decision will be made whether or not to net any Employer balances against future pension contributions or to refund to the respective Employer.

7. Overpaid contributions/Grants (continued)

Contributions	**30 June 2014 $000**	**30 June 2013 $000**
Overpaid contributions – Employee	158	158
Overpaid contributions – Employer	129	129
Total	**287**	**287**

Pension grants	**30 June 2014 $000**	**30 June 2013 $000**
Ex-Gratia – Employer	244	244
Total	**244**	**244**

8. Ex-gratia Pensions

The Board administers the Ex-gratia Pensions Plan ("Ex-Gratia") on behalf of the Cayman Islands Government as set out in the *Public Service Pensions (Ex-Gratia Pensions) (Amendment) Regulations, 2011.*

Eligibility for Ex-gratia Pension as set out by said law:

"(1) Any Caymanian (as defined in the *Immigration Law (2011 Revision)* who-

- (a) is sixty years of age or older;
- (aa) resides in the Islands;
- (b) is not sixty years of age but who has been certified by the Chief Medical Officer of the Government as being permanently disabled;
- (c) held an office in the Public Service or the Other Public Service for any period of at least four or more years in the aggregate; and
- (d) during at least four years (in the aggregate) of his said service, was not entitled to a pension or did not receive a contracted officer's supplement or similar compensation."

An estimate of the payments to be administered during the year are appropriated to and received by PSPB, and reported as Annual Grants. Payments administered during each year are reported as annual payments. Excess or deficient funds result at year-end and reported either as receivables or payables respectively.

8. Ex-gratia pensions (continued)

Ex-gratia pension payment activity: 2009 - 2014

Description	2009-10 $000	2010-11 $000	2011-12 $000	2012-13 $000	2013-14 $000
Accumulated Surplus /(Deficit)- Beginning of year	(207)	(190)	(345)	(44)	154
Annual Grant	349	349	1,111	998	1,200
Annual Payments	(331)	(504)	(810)	(800)	(999)
Surplus / (Deficit)	18	(155)	301	198	201
Accumulated Surplus / (Deficit) – End of year	**(190)**	**(345)**	**(44)**	**154**	**355**

9. Parliamentary Pensions Plan (PPP):

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

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

Amount 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. The Board does not charge any additional fees for acting as administrators of the Parliamentary Pensions Plan. The assets duly belong to the Members of the Legislative Assembly are under the administration of the Board.

The "Net Assets Available to Parliamentary Pension Plan" as shown on the Statement of Changes in Net Assets (Parliamentary Pensions Plan Supplemental Information) reflects contributions received to date, 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.

10. Judicial Pensions Plan (JPP)

The Judges of the Grand Court (the "Judges") participate in the Judicial Pension Plan (JPP) as governed by the Judges' Emoluments and Allowance Law, 1997 (Law 21 of 1997) and the Judges' Emoluments and Allowances Order, 2005 (the "Judicial Pensions Law"). The Judges contribute at a rate of 10% of pensionable earnings and the Government contributes an additional 31% for Judges in the Defined Benefit part of the Plan and 20% for those in the Defined Contribution part of the JPP. Actuarial valuations as at 1st January 2011 and 2008 concluded that existing contribution rates to the plan are sufficient.

Normal retirement age under the Judicial Pensions Law is 65. The maximum amount of pension payable to the Judges cannot exceed an annual 80% of the participant's final average pensionable earnings.

Amount 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. The Board does not charge any additional fees for acting as administrators of the Judicial Pensions Plan. The assets duly belong to the Judges of the Grand Court are under the administration of the Board.

The "Net Assets Available to Judicial Pension Plan" as shown on the Statement of Changes in Net Assets (Judicial Pensions Plan Supplemental Information) reflects contributions received to date, benefits paid to participants and an element of net investment income and operating expenses allocated (on the basis of the net of the contributions received and benefits paid) based on the Fund's annual rate of return.

11. Benefits paid to participants

Beginning in April 1999, payments were paid directly out of the Fund for pensioners of the Public Service Pensions Plan. The Government is required to pre-fund payments made to recipients of the Ex-gratia pensions.

Pension payments in respect of the Parliamentary Pensions Plan were pre-funded by payments from the Government up until the passage of the *Parliamentary Pensions Law (2004)* on 23 August 2004 which required benefit payments be paid directly from the Parliamentary Pensions Fund.

12. Administrative expenses

Description	30 June 2014	30 June 2013 (As restated)
	$000	$000
Salaries and benefits	2,440	2,571
Actuarial fees	404	33
Office accommodation	373	381
Other professional fees	91	72
General administrative	89	85
Audit fees	67	67
Trustee-related expenses	15	14
Total	**3,479**	**3,223**

13. Benefits due

Benefits Due represents the liability to pay participants who had attained the age of 60 and whose pension payments had not commenced prior to the fiscal year ends of 30 June 2014 and 30 June 2013. Under Section 23 of the *Public Service Pensions Law (2013 Revision)*, participants of the Plan were required to initiate their pension benefit payments upon attaining the age of 60 and as such were no longer eligible to accrue further pension benefits and therefore contributions from the employer should cease.

14. 2014 and 2011 Actuarial Valuation Reports

In accordance with the respective legislation , the tri-annual funding Actuarial Valuation as at 1 January 2014 is currently being carried out by the Board's Actuaries, Mercer, for each of the three Government sponsored pension plans. It is anticipated that the Reports will be finalized and submitted to the Board before the end September 2014 and available for submission to the Cabinet shortly thereafter. The Board will then review, and if in agreement, make recommendations to Cabinet for the requisite changes to contribution rates. Once gazetted, the new contribution rates will provide the basis of reporting until the 2017 actuarial valuation is carried out.

The 1 January 2011 Actuarial Valuation Report, completed on 12 April 2011, tabled and accepted in the Legislative Assembly on 11 December 2013, will provide basis of the 2014 and 2013 Statement of accumulated plan benefits. However, as the recommended rates of contributions contained in the 2011 Report, have not been gazetted, both contributions received and contributions receivable in these financial statements are reflective of the 2005 recommended contribution rates, which are the latest approved rates.

15. Pension contributions (Re: Actuarial valuations – effective 1 January 2005)

The principal assumptions for the 2011 Actuarial valuations (excluding the estimated retirement age which varied with each Plan) used in the computation of the actuarial estimate of the pension liability for each of the three named Pensions plans are as follows:

i. annual salary increases of 3.5%;
ii. long term inflation rate of 2.5% per annum;
iii. valuation interest rate to discount future benefit payments of 8%;
iv. expected long-term rate of return on the Fund's invested assets of 8%;
v. anticipated future pensions payments increases of 2.5% per annum; and
vi. estimated retirement age of 55 for the Parliamentary Pensions Plan, 57 for the Public Service Pensions Plan, and 65 for the Judicial Pension Plan.

Where actuarial results calculate that a Plan's share of Fund assets exceed the calculated past service liability, the Plan is said to have a Fund surplus. Conversely, should past service liabilities exceed a particular Plan's share of Fund assets, the result is called a Fund deficiency. Fund deficiencies arise mainly as a result of participants having accrued considerable Defined Benefit entitlements prior to establishment of the Fund. Results of the actuarial valuations are summarized under separate caption below for each of the Plans.

Actuarial valuations with an effective date of 1 January 2011 were conducted for three separate Plans: the Public Service Pensions Plan, the Parliamentary Pensions Plan and the Judicial Pensions Plan. These Actuarial Valuation reports were completed on 12 April 2012, submitted to the Financial Secretary on 19 April 2012 and tabled in the Legislative Assembly on 11 December 2013. As the recommended rates of contribution contained therein were not gazetted, contributions received and contributions receivable are based on the 2005 actuarial valuation.

a. Public Service Pensions Plan actuarial valuation – 1 January 2011

The Actuarial valuation calculated a Fund deficiency as at 1 January 2011 of approximately $165,860,000 consisting of the following components:

Public Service Pensions Plan (actuarial estimate)	**Amount $000**
Value of pension fund allocated assets	309,868
Past service liability	(475,728)
Fund deficiency	**(165,860)**

The actuarial valuation calculated a normal cost of 12.40% which is the required amount to fund the cost of Defined Contribution benefits earned during the current year, with allowance for future pay projections. The normal cost to fund the cost of Defined Benefit contributions was determined to be 15.65% during the current year.

15. Pension contributions (Re: Actuarial valuations – effective 1 January 2005) (continued)

a. Public Service Pensions Plan actuarial valuation – 1 January 2011 (continued)

Amortization of the Fund deficiency, attributable to the Defined Benefit component of the Plan, over a 20-year period would require an additional contribution rate of 28.58%. Therefore, the total annual cost of the Defined Benefit component of the Plan as at 1 January 2011 would require 44.23% of total pensionable emoluments.

The Actuary has determined that a continuation of the current level of contributions to the Defined Benefit plan (close to 12% of salaries) is projected to result in the depletion of the Defined Benefit allocated fund by the year 2026. It is also determined that by the year 2013, under the current scenario, that total plan contributions (Including both Defined Benefit and Defined Contributions) will be insufficient to meet benefit payments and expenses on an annual basis. The actuary recommends that the basic 12.00% employee/employer contribution rates be increased by 32.23% (to 44.23%) for the Defined Benefit, and 0.40% (to 12.40%) for the Defined Contribution components of the Plan.

b. Parliamentary Pensions Plan actuarial valuation – 1 January 2011

The actuarial valuation calculated a Fund deficiency as at 1 January 2011 of approximately $12,913,000 consisting of the following components:

Parliamentary Pensions Plan (actuarial estimate)	Amount $000
Value of pension fund allocated assets	3,809
Past service liability	(16,722)
Fund deficiency	**(12,913)**

The actuarial valuation calculated a normal cost of 12.40% which is the required amount to fund the cost of Defined Contribution benefits earned during the current year, with allowance for future pay projections. The normal cost to fund the cost of Defined Benefit contributions was determined to be 36.47% during the current year. Amortization of the Fund deficiency, attributable to the Defined Benefit component of the Plan, over a 20-year period would require an additional contribution rate of 82.68%. Therefore, the total annual cost of the Defined Benefit component of the Plan as at 1 January 2011 would require 119.15% of total pensionable emoluments.

The Actuary has determined that the Fund continues to be severely underfunded. Assets allocated to the Parliamentary Pensions Plan cover only 23% of the past service obligations. The Plan's assets are also insufficient to cover the benefits currently in payment. Without any future contributions, the assets are sufficient to cover only three years of benefit payments.

15. Pension contributions (Re: Actuarial valuations – effective 1 January 2005) (continued)

c. Judicial Pensions Plan actuarial valuation – 1 January 2011

The Actuarial valuation calculated a Fund surplus as at 1 January 2011 of approximately $447,000 consisting of the following components:

Judicial Pensions Plan (actuarial estimate)	Amount $000
Value of pensions fund allocated assets	$ 2,846
Past service liability	(2,399)
Fund surplus	$ 447

The actuarial valuation calculated an annual cost of 16.77% which is the required amount to fund the cost of benefits earned during the current year for both Defined Benefit and Defined Contributions components, with allowance for future pay projections. The actuary recommends a contribution rate of 10.76% for the defined benefit portion of the plan and the continuation of contribution rates of 30% for the Defined Dontribution portion of the plan (10% from the employee and 20% from the employer).

An overfunded (surplus) situation has arisen as a result of the actuarial gains from the termination of one active participant and contribution income in excess of expectations.

16. Investment management and consultancy fees

The Board utilizes the services of various Investment Managers and Advisory Capital, as its Investment Advisor in the course of its business. During the year, the Board employed the services of the following:

a. Independent Franchise Partners ("IFP", as Investment Manager)
b. MFG Global Fund ("Magellan" as Investment Manager)
c. PIMCO Global Investment Grade Credit ("PIMCO", as Investment Manager)
d. Wellington Global Credit Plus ("Wellington" as Investmen Manager)
e. GMO Global Equity Fund ("GMO", as Investment Manager) - ceased on 19 June 2014
f. ING Clarion Real Estate Securities, L.P. ("ING", as Investment Manager) - ceased on 28 March 2014
g. CIBC Mellon Global Securities Company ("CIBC Mellon" as Custodian)
h. Advisory Capital (Investment Advisor)

16. Investment management consultancy fees (continued)

The Board incurred Investment management and consultancy expenses as follows:

	30 June 2014 $000	30 Jun 2013 $000
Investment managers		
IFP	1,821	1,547
PIMCO	455	585
GMO	190	228
ING	177	163
Magellan	92	-
Wellington	54	-
Custodian		
CIBC Mellon	92	85
Investment advisor		
Advisory Capital	446	333
Legal fees (custodial transition)		
Pillsbury, Winthrop, Shaw, Pittman LLP	205	230
Total	**3,532**	**3,171**

17. Financial instruments risks

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

a. Capital risk
b. Credit risk
c. Inflation risk
d. Interest rate risk
e. Balance sheet/Liquidity risk
f. Market/equity risk

The portfolio is currently comprised of one segregated fund with the remaining investments in pooled funds in both the equities and fixed income sectors. It is a very risk-averse strategy through which inherent risks are mitigated primarily by adherence to asset allocation and diversification policies prescribed by statute. Each class of assets is managed by separate internationally-recognized money managers, who are recommended by the Investment Committee and approved by the Board of Trustees, thereby further diversifying the portfolio among unrelated managers and investments. Performance of each investment manager is monitored and measured against international benchmarks by independent investment advisors (Advisory Capital). Senior management and the Board also perform annual due diligence visits to each of the investment managers.

17. Financial instruments risks (continued)

Some inherent risks are further mitigated by specific circumstances:

Credit risk
Financial assets that potentially subject the Board to credit risk consist principally of current, call and fixed deposits, long-and short-term investments, accounts and interest receivable and other receivables. The Board's current, call and fixed deposits are placed with high- credit quality institutions. Credit risk with respect to long-and short-term investments, accounts and interest receivable, and other receivables and prepayments is limited because the Board only transacts business with counterparts it believes to be reputable and capable of performing their contractual obligations. The greatest risk that the Board faces, other than market related risks in terms of its investments, is the possibility that there could be some form of pension contribution holiday. Should this happen it would seriously impede the Boards operations, as it would then become necessary to liquidate the investments in order to meet its statutory financial obligations.

Interest rate risk
The Board's interest-bearing investments and deposits are at fixed interest rates.

Inflation risk
Inflation risks are mitigated by regular review and adjustment of Plan funding, in accordance with the mandated Actuarial valuations due every three years.

Longevity risk
Longevity risk applies primarily to the Defined benefit (DB) part of the Plans. Longevity risk is also mitigated by regular review and adjustment of the Plans funding in accordance with the mandated Actuarial valuations due every three years.

Fair values
The carrying amount of current, call, and fixed deposits, accounts and interest receivable, other receivables, 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.

Main actuarial risks to the funding of the plans

There are several actuarial risks that can adversely impact the funding of the plan. The key ones are as follows:

a. Contribution risks
b. Financial assumption risks
c. Demographic assumption risks
d. Plan structure risks

17. Financial instruments risks (continued)

Contribution risks

This arises when contributions are not being paid in accordance with actuarial valuation requirements. As contribution patterns diverge from recommendations, there is a gwoing risk that funding returns and liquidity are impacted. In addition, delays in tabling the actuarial valuation reports and delays in enabling regulations to prescribe the recommended rates exacerbate this.

Financial assumption risks

The most important one here is when the assumed rate of return on investments is not being met. Note 18 on financial instruments details some of the risks associated with this. Other financial risks include inflation, which impacts the rate at which pension payments are increased, and pay increases above those assumed in the valuation.

Demographic assumption risks

These include retirements occurring before the expected retirement ages, and longevity risks.

Plan structure risks

Currently there is considerable subsidy provided to Defined contribution participants in the form of very generous actuarial factors being used in the conversion of account balances to pensions at retirement. This subsidy reduces the value of the assets that can be allocated to the Defined benefit part. In addition, there are other inherent features of the plans, such as the retirement pensions being based on final month's pay that can lead to adverse plan experiences.

18. Leases and commitments

On March 31, 2011, PSPB moved into the new Government Administration Building. The Board is leasing 3,798 square feet under a year-to-year term. Occupational charges are as follows:

Occupational charges	Space	Running cost	Total
Unit cost	$ 12 / sq ft	$ 52.35 / sq ft	$ 64.35 / sq ft
Monthly cost	$3,798	$16,569	$20,367
Annual	$45,576	$198,825	$244,401

19. Related party transactions

Key management personnel

There are six full-time equivalent personnel considered as Key management personnel. The total remuneration includes: regular salary, pension contributions, health insurance contributions, acting allowances, duty allowances, motor car upkeep/allowance, and one-off 2.5% gratuity. Total remuneration for key management personnel in FY 2013-14 was $828 thousand (FY2012-13: $941 thousand).

19. Related party transactions (continued)

Key management personnel (continued)

In addition, seven of the members of the Board of Directors and all members of senior management are participants of one of the three plans managed by the Board. Remuneration on the members of the Board of Directors amounted to $9 thousand in the year-end 30 June 2014 (2012-13: $9 thousand).

Intra-government agencies

The Board engaged the services of the Computer Services Department and the Office of the Auditor General during the year. The transactions amounted to $57 thousand and $67 thousands, respectively (2012-13: $55 thousand and $67 thousand, respectively). The services are deemed to have been engaged at arm's length.

20. Plan participants

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

a. Audit Office
b. Cabinet Office
c. Judicial Administration
d. Portfolio of Legal Affairs
e. Ministry of Finance, Tourism and Development
f. Office of the Complaints Commissioner
g. Information Commissioner's Office
h. Portfolio of the Civil Service
i. Ministry of Home and Community Affairs – Community Affairs
j. Ministry of Home and Community Affairs – Home Affairs
k. Ministry of District Administration, Tourism and Transport
l. Ministry of Planning, Lands, Agriculture, Housing and Infrastructure
m. Ministry of Education, Employment and Gendern Affairs
n. Ministry of Health Environment, Sports, Youth and Culture
o. Ministry of Financial Services, Commerce and Environment
p. Ministry of Finance and Economic Development

See note 1 (c) for statutory authorities and government companies that participate in the PSPP.

21. PSPB Pension Liabilities

The Board's Actuary, Mercer, has calculated Public Service Pensions Board ("PSPB") actuarial estimates of liabilities as at 30 June 2014, related to the PSPB's 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 became effective for fiscal year ending 30 June 2014, and reflects the following:

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

	30 June 2014 $000	30 June 2013 (As restated) $000
Defined benefit obligation	(1,996)	(1,589)
Fair value of plan assets	1,376	1,123
Funded status	(620)	(466)
Effect of asset ceiling/onerous liability	-	-
Net Liability	(620)	(466)

The change in defined benefit obligation is as follows:

	30 June 2014 $000	30 June 2013 (As restated) $000
Defined benefit obligation at end of prior year	1,589	1,286
Current service cost	124	92
Interest expense	83	67
Cashflows - participant contribution	22	22
Benefit payments from plan	-	(1)
Effect of changes in demographic assumptions	-	104
Effect of changes in financial assumptions	285	18
Effect of changes in foreign exchange rates	(107)	1
Defined benefit obligation at end of year	**1,996**	**1,589**

21. PSPB Pension Liabilities (continued)

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

	30 June 2014 $000	30 June 2013 (As restated) $000
Fair value of plan assets at end of prior year	1,123	956
Interest income	60	52
Cash flows		
Employer and participant contributions	47	48
Benefit payments from plan	-	(1)
Administrative expenses paid from plan assets	-	(2)
Remeasurements – return on plan assets (excluding interest income)	146	70
Fair value of plan assets at end of year	**1,376**	**1,123**

The net defined benefit liability reconciliation is as follows:

	30 June 2014 $000	30 June 2013 (As restated) $000
Net defined benefit liability as of beginning of year	466	330
Defined benefit cost included in P&L	147	109
Total remeasurements included in OCI	32	53
Cash flows – employer contributions	(25)	(26)
Net defined benefit liability as of end of year	**620**	**466**

21. PSPB Pension Liabilities (continued)

The components of defined benefit cost is as follows:

	30 June 2014	30 June 2013 (As restated)
	$000	$000
Current service Cost	124	92
Net interest cost		
Interest expense on DBO	83	67
Interest (income) on plan assets	(60)	(52)
Total net interest cost	23	15
Administrative expenses and taxes	-	2
Defined benefit cost included in statement of changes in net assets available for benefits	147	109
Remeasurements (recognized in other comprehensive income)		
Effect of changes in demographic assumptions	-	104
Effect of changes in financial assumptions	285	18
Effect of experience adjustments	(107)	1
(Return) on plan assets (excluding interest income)	(146)	(70)
Total remeasurements included in other comprehensive Income	32	53
Total defined benefit cost recognized in statement of changes in net assets available for benefits and other comprehensive Income	**179**	**162**

The sensitivity analysis on defined benefit obligation is shown below:

	30 June 2014	30 June 2013
1. Discount rate		
a. Discount rate - 25 basis points	2,111	–
b. Discount rate + 25 basis points	1,891	–
2. Inflation rate		
a. Inflation rate - 25 basis points	1,893	–
b. Inflation rate + 25 basis points	2,108	–
3. Mortality		
a. Mortality - 10% of current rates	2,029	–
b. Mortality +10% of current rates	1,966	–

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

	Amount ($000)
Expected employer contributions	26

21. PSPB Pension Liabilities (continued)

The significant actuarial assumptions are presented below:

Weighted-average assumptions to determine benefit obligations

	30 June 2014	30 June 2013
1. Discount rate	4.50%	5.20%
2. Rate of salary increase	3.50%	3.50%
3. Rate of price inflation	2.50%	2.50%
4. Rate of pension increases	2.50%	2.50%
5. Post-retirement mortality table	UP-94 projected on a generational basis using Scale BB	UP-94 projected on a generational basis using Scale BB
6. Cost Method	Projected Unit Credit	Projected Unit Credit
7. Asset valuation method	Market Value	Market Value

Weighted-average assumptions to determine defined benefit cost

	30 June 2014	30 June 2013
1. Discount rate	5.20%	5.20%
2. Rate of salary increase	3.50%	3.50%
3. Rate of price inflation	2.50%	2.50%
4. Rate of pension increases	2.50%	2.50%
5. Post-retirement mortality table	UP-94 projected on a generational basis using Scale BB	UP-94 projected to 2011 using using Scale AA

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 and expenses in proportion to the opening value of assets allocated. Similar internal accounting is used for developing each participating entity's share of the asset portfolio of the Fund.

The valuations are based on the draft financial statements as at June 30, 2013 as well as asset value as at June 30, 2014 provided by PSPB, along with cash flow and other supplemental asset information. The assets are held in trust by CIBC Mellon.

21. PSPB Pension Liabilities (continued)

The Fund currently has investment policy with a target asset mix of 80% equities and 20% bonds. As at June 30, 2014, the Fund was invested as follows:

	30 June 2014		30 June 2013	
Plan Assets by Asset Category	**($000)**	**Percentage**	**($000)**	**Percentage**
Global equities securities	381,162	79%	272,074	66%
Debt securities	95,602	20%	112,387	27%
Real estate / Infrastructure	-	-	12,430	3%
Cash	6,871	1%	17,840	4%
Total	483,635	100%	414,731	100%

The share of the Fund that been notionally allocated to the Board with regards to its participation in the Defined Benefit Part of the Plan is $1.4 million as at June 30, 2014 (2013 - $1.1 million).

The Actuarial Assumptions
The actuarial assumptions have been approved by the Financial Secretary, the main sponsor of the Plan. The principal financial and demographic assumptions used at June 30, 2014 and June 30, 2013 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 pension expense for the following year.

Measurement Date	**30 June 2014**	**30 June 2013**
Discount rate		
- BOY disclosure and current year expense	5.20% per year	5.25% per year
- EOY disclosure and following year expense	4.50% per year	5.20% per year
Increases in pensionable earnings	3.50% per year	3.50% per year
Rate of Pension Increases	2.50% per year	2.50% per year
Rate of Indexation	2.50% per year	2.50% per year

21. PSPB Pension Liabilities (continued)

The Actuarial Assumptions (continued)

Measurement Date	30 June 2014	30 June 2013
Expected long-term rate of return on assets (net of expenses) for purposes of IFRIC only	7.00% per year	7.00% per year
Mortality		
- BOY disclosure and current year expense	UP-94 generationally projected using Scale BB	UP-94 projected to 2011 using Scale AA
- EOY disclosure and following year expense	UP-94 generationally projected using Scale BB	UP-94 generationally projected using Scale BB
Disability	None	None
Turnover Rates	Same as 2013	Age and gender based rates. See table below.
Retirement	Same as 2013	Age 57 & 10 years of service
Assumed life expectations on retirement	Retiring today (member age 57) 29.93 Retiring in 25 years (at age 32): 32.43	Retiring today (member age 57) 29.82 Retiring in 25 years (at age 32): 32.43
Liability Cost Method	Projected unit credit method	Projected unit credit method
Asset Value Method	Market Value of Assets	Market Value of Assets
Commutation of pension	All members commute 25% at retirement	All members commute 25% at retirement

Turnover Rates at sample ages:

Age	Males	Females
20	7.5%	12.5%
25	5.0%	12.5%
30	3.5%	7.5%
35	2.5%	4.5%
40	1.5%	2.5%
45	0.5%	5.0%
50	0.0%	0.0%

21. PSPB Pension Liabilities (continued)

There have been no changes in actuarial assumptions since the prior valuation other than the changes to the principal assumptions shown in the table above. The mortality assumption was updated to make allowance for future mortality improvements. In the addition, the mortality improvement scale has been updated from Scale AA to Scale BB. These are the same assumptions as approved by the PSPB for use in the January 1, 2014 funding valuation of the Plan.

The discount rate as at June 30, 2014 and June 30, 2013 were determined in accordance with IAS 19. In accordance with IAS 19R paragraph 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. The Mercer US Above Mean Yield Curve (referencing US corporate bond yields) was used to determine discount rates due to strong economic and currency links between the US and the Cayman Islands.

22. Net Assets Available for Benefits Accumulated Fund

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

	30 June 2014 $000	30 June 2013 $000
Public Service Pension Plan	474,274	407,778
Judiciary Pension Plan	4,206	3,620
Parliamentary Pension Plan	6,344	5,200
Total	**484,824**	**416,598**

23. Prior Period Adjustment

a) The Public Service Pensions Law (2013 Revision), the Parliamentary Pensions Law (2010 Revision) and the Judges' Emoluments and Allowances Order, 2005 requires separate financial statements to be prepared for each of the Plans. However, the assets of each Plan are pooled into one Fund for investment purposes and up until 30 June 2013 have been reported in a single set of financial statements. Prior to this years' financial statement, the assets allocated to the Judicial Plan were shown as a long-term liability on the face of the consolidated Statement of Net Assets as "Due to JPP".

In order to comply with what we believe to be the spirit of the Law, the reporting structure has been expanded for the 2014 financial statements to include a separate "Statement of Changes in Net Assets Available for Benefits" for each of the Plans. However, to facilitate the split, a prior period adjustment of $3,620,411.87 is required to remove the effects of the long-term liability of "Due to JPP" from the 2013 closing "Net Assets Available for Benefits".

23. Prior Period Adjustment (continued)

b) IAS 19 was revised in June 2011 ("IAS 19R") and became effective for reporting periods commencing on or after January 1, 2013. For purpose of PSPB reporting, IAS 19R became effective for fiscal year ending June 30, 2014. Due to the requirement to provide comparative information under the revised IAS19R standard, a prior period adjustment of $361,000 is required to remove the effect of the transitional impact of moving from IAS19 to IAS19R for the fiscal year ending June 30, 2013. The change is summarized below.

	30 June 2013 (IAS 19R) $000	30 June 2013 (Old IAS 19) $000	Change $000
Net liability/asset at the end of the year	466	171	295
Balance of PSPB fund surplus/obligation as at 30 June 2013		105	
Adjustment to bring PSPB fund surplus/obligation		66	66
Total Charge to Prior Period Adjustment			**361**