Introductory Comments

Taking a solid step forward in the right direction is always a good feeling. For the public service, one such step occurred on 14th April, when the Public Service Pensions Law, 1999 came into effect, repealing and replacing the law that had governed the Public Service Pensions Plan since 1964.

Provisions in the former law were no longer in keeping with contemporary needs and practices. Accordingly the new legislation introduced a defined contribution plan for new participants, those who join the plan as of 1st January 2000, thereby adding to the defined benefit plan which continues for all existing participants.

There are also key features and clearly defined improvements under the current Pensions Law. Pensions are now portable; the plan offers immediate vesting; children's benefits are enhanced, and participants are now fully informed about benefits.

Above all, options are clear-cut and with the Public Service Pensions Board being clearly established as the governing authority for public sector pension plans, the administrative process runs with greater smoothness and efficiency.

Much gratitude is extended to the Pensions Law Review Committee for producing a piece of legislation of which as public servants, we may all be proud. Provisions are more equitable, are in keeping with modem practice, and bring a deserved level of security to those who labour for their country.

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Important Terms

Accrual Rate: This is part of the formula to determine the Accrued Benefit for participants of the Defined Benefit Part of the Plan. It is 1/600 if you joined the Plan on or before 10 July 1980 or 1/720 if you joined the Plan after that date.

Accrued Benefit: Your Accrued Benefit is a measure of how much pension you have earned from the Plan at any given point in time. This is measured differently in the Defined Benefit Part and the Defined Contribution Part of the Plan. In the Defined Benefit Part, it means a monthly pension based upon your time in the Plan and your Final Average Pensionable Earnings at the time of calculation. In the Defined Contribution Part, it means the sum of the balances in your Participant and Employer Contribution Accounts.

Defined Benefit Part: You are a participant in the Defined Benefit Part if you were a member of the Plan before 1 January 2000 and have not elected to transfer to the Defined Contribution Part of the Plan.

Defined Contribution Part: You are a participant in the Defined Contribution Part if you were not a member of the Plan before 1 January 2000 or if you elected to transfer to the Defined Contribution Part from the Defined Benefit Part of the Plan.

Early Retirement Age: The early retirement age under the Plan is any age between ages 50 and 55 inclusive, provided that you have completed at least ten years of qualifying service.

Employer Contribution Account: For participants in the Defined Contribution Part, this is the notional account that contains the contributions paid into the Plan for you by your employer and the Credited Interest on those contributions.

Final Average Pensionable Earnings: Your final month's basic salary or wage, plus the average of your last thirty-six months' acting or duty allowances, plus, if you are employed as a police officer, your final month's housing allowance.

Normal Retirement Age: The Normal Retirement Age under the Plan is age 60. When you reach 60 you are deemed to be retired from the Plan and will start to receive a pension.

Participant: You are a participant if you are an employee of Government or a Statutory Authority that has opted and been given approval by the Board to join the Plan, an employee on an approved leave of absence or an employee who has retired or resigned from Service on pensionable terms.

Participant Contribution Account: This is the notional account that contains the contributions deducted from your salary or wages and the Credited Interest on those contributions.

Pensionable Earnings: The sum of your monthly basic salary or wage, plus any monthly acting or duty allowances you may receive.

Pensionable Service: The amount of time you have participated in the Plan adjusted for periods of part-time service and excluding periods of secondment to an employer not participating in the Plan. This is used to determine the Accrued Benefit under the Defined Part of the Plan.

Plan: The Cayman Islands Public Service Pensions Plan as set up by the Public Service Pensions Law and the regulations.

Plan Actuarial Tables: In some situations benefits are payable from the Plan that depend on the value of an alternative benefit. The Plan actuarial tables have been designed to provide fair and equitable benefits in such circumstances.

Qualifying Service: The amount of time you have participated in the Plan including periods of secondment to an employer not participating in the Plan. This is used to determine your eligibility for early retirement benefits.

Overall Plan Summary

The Plan covers all eligible employees of the Government and the 14 Statutory Authorities that have opted to join the Plan. The Statutory Authorities that currently participate in the Plan are:

Cayman Islands Airports Authority	Health Services Authority
Cayman Islands Development Bank	Information, Communication and Technology Authority
Cayman Islands Monetary Authority	Maritime Authority of the Cayman Islands
Cayman Turtle Farm	National Housing Trust
CAYS Foundation	National Roads Authority
Civil Aviation Authority	Public Service Pensions Board
Electricity Regulatory Authority	Water Authority Cayman

The Plan consists of two parts: the *Defined Benefit Part* and the *Defined Contribution Part.*

Defined Benefit Part

All existing participants of the Plan automatically became participants of the Defined Benefit Part on 14 April 1999 when the Legislative Assembly passed the Public Service Pensions Law, 1999. However, all participants of the Defined Benefit Part have the option to transfer to the Defined Contribution Part at any time, but once you elect to join the Defined Contribution Part you may not elect to return to the Defined Benefit Part.

The benefits available to participants in the Defined Benefit Part are explained in Sections A and C of this handbook. However, if you are considering transferring to the Defined Contribution Part you should also read Section B carefully. Remember that if you transfer to the Defined Contribution Part you cannot transfer back to the Defined Benefit Part.

Defined Contribution Part

If you were employed on or after 1 January 2000 or if you were not a participant of the Plan prior to 1 January 2000 then you will automatically join the Defined Contribution Part and may not elect to transfer to the Defined Benefit Part. If you are employed on or after 1 January 2000 then as long as you are over the age of 18 you become an active participant in the Plan on the first day you are employed by one of the participating employers. If you are not yet 18 when you are first employed you will join the Plan on the first day of the month next following your 18th birthday.

The benefits available to participants in the Defined Contribution Part are explained in Sections B and C of this handbook.

Note:

Full details of the pension plan are set out in the Public Service Pensions Law (2004 Revision) and the regulations thereunder. In the event of any discrepancies between this handbook and the Law, the Law shall prevail. For further information, or to see a copy of the current law and regulations, please contact the Managing Director, Public Service Pensions at the Public Service Pensions Board's office, George Town, Grand Cayman. Please also note that the sample calculations of benefits shown in this handbook are solely for the purpose of illustration. Estimates of the benefits payable in your specific circumstances can also be obtained by contacting the Managing Director, Public Service Pensions.

Section A: The Defined Benefit Part

This section of the handbook explains the benefits payable from the Defined Benefit Part of the Plan that are different from those of the Defined Contribution Part and applies *only* to participants of the Defined Benefit Part. It should be read in conjunction with Section C, which describes the features common to both the Defined Benefit Part and the Defined Contribution Part.

Contributions

Whilst an active participant of the Plan, contributions of six percent of your Pensionable Earnings will be deducted from your salary or wages and will be credited to your Participant Contribution Account. The balance in this account will also increase with the addition of Credited Interest each year. Note that Pensionable Earnings is defined as the sum of your monthly basic salary or wage, plus any monthly acting or duty allowances you may receive. The entire remainder of the cost of the Plan will be met by contributions from your employer. At no time will the level of contributions paid into the Plan on your behalf by your employer be less than the contributions you pay yourself.

Accrued Benefit

Your Accrued Benefit is a monthly pension based upon your time in the Plan (Pensionable Service) and your Final Average Pensionable Earnings at the time of the calculation. The formula for calculating your Accrued Benefit is:

Final Average Pensionable Earnings x number of months of Pensionable Service x Accrual Rate

Your Final Average Pensionable Earnings is calculated as your final month's basic salary or wage, plus the average of your last thirty-six months' acting or duty allowances, plus, if you are employed as a police officer, your final month's housing allowance. Your Accrual Rate is 1/600 if you joined the Plan on or before 10 July 1980 or 1/720 if you joined the Plan after that date.

The above formula is restricted to provide a maximum pension of two-thirds of the highest Pensionable Earnings earned by you during any month, but as long as you have at least ten years of qualifying service you will always receive a minimum pension of not less than $400 per month upon retirement.

Example:

If your Final Average Pensionable Earnings were $2,000 per month, you had thirty years' Pensionable Service in the Plan and you joined the Plan on or before 10 July 1980, then your Accrued Benefit would be calculated as:

$2,000 multiplied by 360 multiplied by 1/600 = $1,200 per month.

Benefits on your Retirement

You can retire from the Plan and start to receive your pension in any of the following situations:

- When you reach your Normal Retirement Age, age 60. This is called Normal Retirement;
- When you reach age 50, as long as you have at least ten years of Qualifying Service. This is called Early Retirement;
- If you become permanently disabled, as certified by the Chief Medical officer, regardless of your age. This is called Disability Retirement; or
- If your office is abolished or if your department is reorganised and you are removed from office, regardless of your age. This is called Special Retirement.

Normal Retirement

Your Normal Retirement benefit is a pension equal to your Accrued Benefit based on all of your Pensionable Service in the Plan and your Final Average Pensionable Earnings at your Normal Retirement Date.

Early Retirement

Your Early Retirement benefit is calculated in a similar way to your Normal Retirement benefit. However, it is based on your Pensionable Service and Final Average Pensionable Earnings up through your actual date of Early Retirement and it will be further reduced if you choose to retire before you reach age 55. This reduction will be calculated in line with the table set out below:

Age	Reduction	Age	Reduction
50	30%	53	12%
51	24%	54	6%
52	18%	55	No reduction

Example:

If your Accrued Benefit at age 52 is *$1,000 per month and, having at least ten years of Qualifying Service in the Plan you then choose to retire early, your Early Retirement benefit would be calculated as:*

$1,000 multiplied by (100% - 18%) = *$820 per month.*

Disability Retirement

Your Disability Retirement benefit is calculated in a similar way to your Normal Retirement benefit. However, it is based on your Pensionable Service and Final Average Pensionable Earnings up through the actual date of your Disability Retirement although it will never be further reduced, regardless of how young you are when you retire. An additional pension is payable in the event of a Duty-Related Disability - see Section C.

Special Retirement

Your Special Retirement benefit is calculated in a similar way to your Normal Retirement benefit. However, certain adjustments may apply depending on the exact circumstances of your Special Retirement although the benefit will never be less than will the Early Retirement Benefit available to you at that age, if any.

Other Features

At retirement you will have the option to commute up to 25% of your pension for a lump sum. In addition, your remaining pension will increase each year depending on the level of inflation over the previous year. See Section C for more information on these features.

Benefits if you Die

Death in Service

Should you die whilst an active participant in the Plan, then a monthly pension equal to one-half of your Accrued Benefit will be paid to your surviving spouse. This pension will continue for the remainder of your spouse's life. If your spouse is younger than age 60 at the time of your death and is more than ten years younger than you, then your spouse's pension will be reduced. This reduction is equal to 0.5% for each complete year that your spouse is

more than ten years younger that you are.
In addition to the pension payable to your surviving spouse, pensions equal to one-half of your Accrued Benefit will be equally divided among all your dependent children. (A dependent child is any child under the age of 18, or under age 23 if still in full-time education, or a child that is mentally or physically incapable of employment as certified by the Chief Medical Officer.) If you die leaving dependent children but no surviving spouse, then your dependent children will receive, in addition, the pension that would have been payable to your spouse, shared equally among them.

If the total lump sum value, calculated in accordance with Plan actuarial tables, of the pensions payable to your surviving spouse and dependent children is less than a minimum amount, then the balance will be paid as a lump sum to your designated beneficiary. This minimum amount is the larger of twelve times your Final Average Pensionable Earnings and the balance of your Participant Contribution Account at your death.

An additional pension is payable in the event of a Duty-Related Death - see Section C.

Death after Retirement

If you die after you have retired and are receiving a pension, a monthly pension equal to one-half of the actual pension being paid to you at the time of your death will continue to be paid to your surviving spouse. This pension will continue for the remainder of your spouse's life. If your spouse is younger than age 60 at the time of your death and is more than ten years younger than you, then your spouse's pension will be reduced as described above.

In addition to the pension payable to your surviving spouse, a pension equal to one-half of the pension you were receiving at the time of your death will be equally divided among your dependent children. If you die leaving dependent children but no surviving spouse, then your dependent children will receive, in addition, the pension that would have been payable to your spouse, shared equally among them.

Benefits if you Leave Early

If you leave the Plan early for any other reason (for example if you leave to go to another job) then you will be entitled to a deferred pension, payable when you reach Normal Retirement Age. Your deferred pension will be calculated as your Accrued Benefit based on your Pensionable Service and Final Average Pensionable Earnings at the date you leave employment.

In this event, you will have the following three options:

1. You may wait until you reach your Normal Retirement Age of 60 to receive your full deferred pension with no reduction;
2. If you have more than ten years of qualifying service, you may choose to receive your deferred pension at any time after reaching age 50. However, your pension would then be reduced to allow for the longer period of time over which you are expected to receive it. Note that this reduction will be calculated in accordance with Plan actuarial tables and these reductions may differ from the reductions shown for participants retiring early directly from service; or
3. You may transfer your benefits to the Defined Contribution Part of the Plan or to any other approved plan.

Transfer Value

If you elect to transfer your benefits out of the Defined Benefit Part of the Plan, a Transfer Value will be paid into the Defined Contribution Part or to another approved plan, whichever you choose. This Transfer Value is the lump sum value, calculated in accordance with Plan actuarial tables, of the deferred benefits which would otherwise be paid to you from the Plan, subject to being at least as much as the balance in your Participant Contribution Account. However, some restrictions apply if you want to transfer the value of your benefits out of the Plan altogether. If the Transfer Value is more than twice the balance in your Participant Contribution Account then the amount transferred to your new approved plan will be restricted to twice this balance. The remainder of the Transfer Value will be credited to an Employer Contribution Account in your name, under the Defined Contribution Part of the Plan. See Section C of this handbook for details of the benefits payable from the Defined Contribution Part.

Example:

If your Accrued Benefit at age 40 *was $750 and your Participant Contribution Account was $10,000 then when you reach your Normal Retirement Age of* 60 *you will receive a pension of$750 per month. Your Transfer Value payable at age* 40 *might be calculated as:*

$750 multiplied by 30 = *$22,500.*

This example assumes that the actuarial factor used to *calculate the Transfer Value for a deferred participant aged* 40 is 30 *in accordance with Plan actuarial tables. You could choose to transfer the entire Transfer Value of $22,500 into the Defined Contribution Part. However, since the Transfer Value* is *more than twice the amount of your Participant Contribution Account then you could transfer only $20,000 (which equals twice your Participant Contribution Account of$10,000) into another approved plan, with the balance of$2,500 (which equals $22,500 minus $20,000) transferred into the Defined Contribution Part.*

Option to Transfer to the Defined Contribution Part

At any time, a participant of the Defined Benefit Part may elect to transfer to the Defined Contribution Part. If this election is made, then a Transfer Value will be calculated as described above and the full amount of this Transfer Value will be paid into an account in the Defined Contribution Part. However, it is not possible to transfer back to the Defined Benefit Part from the Defined Contribution Part.

Section B: The Defined Contribution Part

This section of the handbook explains the benefits payable from the Defined Contribution Part of the Plan that are different from those of the Defined Benefit Part and apply only to those participants who are participants of the Defined Contribution Part. If you are a participant in the Defined Benefit Part and are considering transferring to the Defined Contribution Part, then you should read this section carefully to enable you to make your decision. This section should be read in conjunction with Section C, which summarizes the features common to both the Defined Benefit Part and the Defined Contribution Part.

Contributions

Whilst an active participant of the Plan, contributions of six percent of your Pensionable Earnings will be deducted from your salary or wages and will be credited to your Participant Contribution Account. A further six percent of your Pensionable Earnings will be credited to your Employer Contribution Account on your behalf by your employer. The balances in both these accounts will increase each year with interest.

Example:

Assuming that you join the Plan with an initial salary of $2,000 per month, you will be required to *contribute $120* to *your Participant Contribution Account each month.* A *further $120 will be credited* to *your Employer Contribution Account each month by your employer.*

Accrued Benefit

Your Accrued Benefit under the Defined Contribution Part is the sum of the balances in both your Participant Contribution Account and your Employer Contribution Account at the time of your retirement or death. These balances will reflect the contributions paid into these accounts by both you and your employer with interest.

Example:

Table 1 below shows the total balances that might accumulate in your accounts by your Normal Retirement Age, if you join and leave the Plan at the ages shown.

Table 1

Leave	35	45	50	55	60
	$	$	$	$	$
Join					
25	*362,409*	635,845	*746,250*	*842,150*	*925,450*
35		167,866	235,645	294,519	345,658
45			41,611	77,754	*109,149*

From the table, you can see that if you joined the Plan at age 35 *with an initial salary of$2,000 per month and you retire at age 60, then the total balance in your Participant Contribution Account and your Employer Contribution Account at your Normal Retirement Age might be some* $363,627. *This projection assumes that interest is credited at the rate of* 8% *per annum and assumes that your salary (and therefore your contributions paid) increases each year at the rate of 5.0 %. In practice, the rate at which interest is credited will vary each year and is not guaranteed.*

Table 2 below shows the effect on the total account balances if interest was credited at the rates of 7%, 8 % and 9 % each year and you retired at your Normal Retirement Age of 60.

Table 2

	Rate of interest		
	7%	8%	9%
	$	$	$
Join			
25	769,131	*925,450*	*1,120,922*
35	*304,202*	345,658	*394,011*
45	*101,363*	*109,149*	117,642

Benefits on your Retirement

When you can retire

You can retire from the Plan and start to receive your pension in any of the following situations:

- When you reach your Normal Retirement Age, age 60. This is called Normal Retirement;
- When you reach age 50, as long as you have at least ten years of Qualifying Service. This is called Early Retirement;
- If you become permanently disabled, as certified by the Chief Medical officer, regardless of your age. This is called Disability Retirement; or
- If your office is abolished or if your department is reorganized and you are removed from office, regardless of your age. This is called Special Retirement.

How your benefit is calculated

When you retire from the Defined Contribution Part, your Accrued Benefit (the sum of your two account balances) will be converted into a pension although you may elect to receive up to 25% of your Accrued Benefit as a lump sum payable immediately. The remaining balance will be payable in one of three different forms of payment, as explained below. The amount of pension payable to you will therefore depend on four items: the total of your account balances, the amount you have elected to take as a lump sum payment, your age (and the age of your spouse in some circumstances), and the form of payment which you elect.
An additional pension is payable in the event of retirement due to a Duty-Related Disability - see Section C.

Forms of Payment

The three forms of payment are Single Life Only, Single Life with Ten Year Guarantee and 50% Joint & Survivor.

- If you elect a *Single Life Only* pension, then you will receive a monthly pension payable to you for the rest of your life. When you die, there will be no further payments made. This will be the Normal Form of Payment for you if you are not married when you retire. If you are married, then you may still elect to receive a pension in this form, but you will need to provide the written consent of your spouse for this election.
- If you elect the *Single Life with Ten Year Guarantee* pension, then you will receive a slightly smaller monthly pension for the rest of your life, but an additional benefit may be paid on your death.
- If, at the time of your death, fewer than 120 monthly pension payments have been made, then your designated beneficiary will receive a lump sum equal to the number of installments of your current monthly pension by which the total number of payments made was less than 120. You may elect to receive your pension in this form whether or not you are married, but if you are married you will need to provide the written consent of your spouse for this election.
- If you are married when you retire then your Normal Form of Payment will be a *50% Joint & Survivor* pension. Under this form of payment, a pension is payable to you for the rest of your life, followed by a pension payable to your spouse after death, equal to one-half of the pension you were receiving. The spouse's pension is payable only to your spouse at the date you retired and the factor for converting the

account balances into a pension will depend on your spouse's age relative to your age.

Example:

Taking the account balances in the previous example assuming that interest is credited at the rate of 8% each year and that you leave the Plan at your Normal Retirement Age of 60, then the resulting account balances might be converted into a monthly pension as shown in table 3 below (note for the 50% Joint & Survivor calculations we assume the spouse to be age 60 as well).

Table 3

Estimate of monthly Pension

	Single Life Only		*Ten Year Guarantee*		*50% Joint & Survivor*	
	$	%	$	%	$	%
Join						
25	*6,170*	(56%)	5,937	(54%)	5,654	(51%)
35	*2,304*	(36%)	2,218	(34%)	2,112	(33%)
45	728	(18%)	*700*	(18%)	667	(17%)

From the table above, you can see that the total account balance of $345, 658 for a participant who joined the Plan aged 35 and left at age 60, was converted into a Single Life Only pension of $2,304 per month. If you instead elected a Ten Year Guarantee pension then the pension would be slightly lower at $2,218 per month. The 50% Joint & Survivor pension would be slightly lower again at $2,112 per month.

When looking at these projected pensions you should bear in mind the effects that inflation will have on the value of the pensions shown over a long period of time. To illustrate this, the table above also shows in parentheses, the same pensions as a percentage of final salary at your Normal Retirement Age. From this table you can see that the Single Life Only pension of $2,304 per month would be equivalent to a pension of approximately 36 % of final salary, assuming that salary increased each year at 5%.

Benefits if you Die
Death in Service

If you die whilst an active participant of the Plan, leaving no dependent children, then your surviving spouse will be entitled to receive a pension payable for the remainder of his or her life, based on your Accrued Benefit (the sum of your account balances) at your death. In the event that you die leaving dependent children as well as a surviving spouse, then your spouse will receive a pension based on one-half of your Accrued Benefit at your death and your children will receive the remaining half of your Accrued Benefit split equally between them in a single lump sum payment.

If you die leaving dependent children but no surviving spouse, then your Accrued Benefit will be split equally between your dependent children and paid as a single lump sum. Should you die leaving neither surviving spouse nor dependent children, then the total of your Accrued Benefit will be paid as a lump sum to your designated beneficiary, or to your Estate.

If the total lump sum value, calculated in accordance with Plan actuarial tables, of the pensions payable to your surviving spouse and dependent children is less than twelve times your Final Average Pensionable Earnings at your death, then the balance will be paid as a lump sum to your designated beneficiary.

An additional pension is payable in the event of a Duty-Related Death - see Section C.

Death after Retirement

Whether a benefit is payable upon your death after retirement depends on which form of payment you choose at retirement. For example, if you choose the Single Life Only form of payment, no further benefit will be paid on your death except for a refund of the remaining balance in your Participant Contribution Account, if any. If you choose the Single Life with Ten Year Guarantee form of payment, a lump sum will be paid as long as you die within ten years after your date of retirement as described above. If you choose the 50% Joint and Survivor form of payment, your spouse will receive a pension equal to 50% of the pension you were receiving at your death.

Benefits if you Leave Early

If you leave the Plan early for any other reason (for example if you leave to go to another job) then you will be entitled to a deferred pension, payable when you reach your Normal Retirement Age. Your deferred pension will be calculated as your Accrued Benefit, based on your account balances at your Normal Retirement Date, according to the form of payment you then elect.

In such an event, you have the following three options from which to choose:

1. You may wait until you reach your Normal Retirement Age of age 60 to receive your deferred pension;
2. You may choose to receive your deferred pension at any time after reaching age 50, if you have more than ten years of qualifying service under the Plan. In such case, the amount of pension you receive will be based on your Accrued Benefit at your early retirement date and the form of pension you then elect; or
3. You may transfer your benefits to any other approved plan (which is registered with the Superintendent of Pensions Office), in which case a Transfer Value will be paid from the Plan to the approved plan of your choice. If you are leaving residency in the Cayman Islands altogether and do not have Caymanian Status, then you may receive the full cash amount of your Transfer Value as a lump sum. The Transfer Value will be equal to the sum of the balances in your Participant Contribution Account and your Employer Contribution Account at the time of the transfer.

Section C: Common Features

This section of the handbook explains the benefits of the Plan that are common to both the Defined Benefit Part and the Defined Contribution Part. This section should be read in conjunction with either Section A or Section B, depending on which Part of the Plan you are in.

Credited Interest

Under both parts of the Plan you will have a Participant Contribution Account based on all the contributions you have paid into the Plan along with Credited Interest which is added each year. Under the Defined Contribution Part, you will also have an Employer Contribution Account, which is based on the contributions that your employer has credited to the Plan on your behalf, along with Credited Interest. The calculation of Credited Interest is the same in both cases.

At the end of each year, the Administrator will determine the rate at which interest is credited as the average of the rates of return received on the Plan's investments for the previous three years, net of expenses. A full year's interest will be added to your account balance as at the beginning of the year and interest will be added to each contribution added to your account over the course of the year, pro-rated to take into account the amount of time between the date the contribution was added and the end of the year. If you leave or retire from the Plan part-way through a year, then a similar calculation will be performed and interest will be added to your account balances up to the date you leave.

Example:

Suppose that the Plan obtained rates of return (net of expenses) on its investments of 6%, 7% *and* 11 % *over the last three years.* Then *the rate of interest for the current year would be* 8% *which is the average of* 6%, 7% *and* 11 %. *If your account balance at the beginning of the year was $1,000 then the Credited Interest on your account balance would be $80 (which equals* 8% *of $l,000).*

If a contribution of $100 was added to your account halfway through the year, then this would be added to the account balance along with interest on this additional contribution. The *interest on this contribution for a half-year would be calculated as:*

$100 multiplied by one-half of 8% = $4.

If these were the only adjustments to your account balance, then the account balance at the end of the year would be calculated as:

$1,000 + $80 + $100 + $4 = $1,184.

Return of Contributions

The total of all the benefits paid to you and to your beneficiaries after your death will never be less than the balance in your Participant Contribution Account when you retired (or when you died if you had not yet retired). If there is a balance remaining in your account after the last monthly pension payment has been made to you or your last surviving beneficiary, then a lump sum equal to the difference will be paid to your designated beneficiary.

Late Retirement

If you continue to work beyond age 60, you will be treated as if you have been re-employed. You will be deemed to have retired on your 60th birthday, and then been re-employed the following day. In other words, if you continue to work past age 60 you will receive your full pension, you will no longer have to pay contributions to the Plan and you will continue to be paid your normal salary or wage.

Re-employment

If after you had already retired and were receiving a pension from the Plan, you were to be re-employed in a post which would normally be pensionable under the Plan, then you would continue to receive your existing pension but would be ineligible to make further contributions to the Plan or to accrue further benefits under the Plan.

Commutation Option

Any pension payable to a participant or to a surviving spouse of a deceased participant may be partially commuted. This option is entirely at the discretion of the pensioner, allowing him/her to receive some of the pension as an immediate cash lump sum, in return for reduced monthly pension payments. The maximum amount of pension that can be commuted for a cash lump sum is 25%, leaving a minimum residual pension equal to 75 % of the full pension amount. The amount of lump sum payable in return for the pension commuted will be calculated in accordance with Plan actuarial tables, depending on the age of pensioner. The table below shows the commutation rates for participants between the ages of 50 and 60 (note that separate rates apply to spouses of deceased participants):

Participant's Age	Commutation Rate
50	193.77
51	191.33
52	188.81
53	186.22
54	183.56
55 – 60	180.82

Example:

Suppose that a pension is payable to you of $1,000 per month.

1. *You may choose to receive the full monthly pension of $1,000, in which case no commutation lump sum would be payable.*

2. *You may elect to receive the maximum commutation possible, in which case $250 (which equals 25% of $1,000) per month of your pension will be commuted for a cash lump sum, leaving a residual pension of $750 (which equals $1,000 minus $250) per month. The cash lump sum payable will depend on your age at your benefit commencement date, but assuming you were a participant aged 55 it would be calculated as:*
   $250 multiplied by 180.82 = $45,205

3. *You may alternatively elect to commute any percentage of your pension between 0% and 25%. Suppose that you choose to commute 10 % of your pension. Your pension will then be reduced by $100 (which equals 10% of$l,000) per month, leaving a residual pension payable to you of$900 (which equals $1,000 minus $100) per month. The lump sum payable to you would be calculated as:*
   $100 multiplied by 180.82 = $18,082.

Duty-Related Disability

In addition to the disability retirement pensions payable under each part of the Plan, more generous benefits are payable if the disability is duty-related. For this benefit to be payable, you must be taking a disability retirement and the reason for the disability retirement must have been incurred whilst in the actual discharge of your duty and without your own default. The additional benefit payable in these circumstances is a pension equal to one-third of your Final Average Pensionable Earnings whether you are retiring from the Defined Benefit Part or the Defined Contribution Part.

Duty-Related Death

The in-service death benefits payable under each part of the Plan may be enhanced if the death is duty-related. For this to apply, death must occur whilst in the actual discharge of duty and without your own default. In this event, your spouse's pension will be at least equal to one-quarter of your Final Average Pensionable Earnings whether you were in the Defined Benefit Part or the Defined Contribution Part.

Also, if you die leaving up to six dependent children, then the pension payable to each child will be at least one-sixth of the spouse's pension, as specified in the previous paragraph. If you die leaving more than six dependent children, then a pension equal to the spouse's pension will be split equally amongst them. In the event that you die leaving dependent children but no surviving spouse, then the children's pensions specified above shall be doubled.

Pension Increases

All pensions payable under the Plan are subject to annual pension increases once they are in payment. This applies to pensions payable on Normal Retirement, Early Retirement, Disability Retirement, Special Retirement and on payment of deferred pensions as well as to all surviving spouses' and dependent children's pensions payable under both the Defined Benefit Part and the Defined Contribution Part of the Plan.

These increases are guaranteed based on the increase in the Consumer Price Index (CPI) of the Cayman Islands over the previous year. If the increase in the CPI is less than 5% over the previous year, then your pension is guaranteed to increase by the full rise in the CPI. If the increase in the CPI is greater than 5%, then your pension will increase by more than 5% but less than the full increase in the CPI. The table below summarizes the pension increase that you would receive for various values of the CPI.

Increase in CPI	Pension Increase
1%	1%
2%	2%
3%	3%
4%	4%
5%	5%
6%	5.8%
7%	6.6%
8%	7.4%
9%	8%
10%	8.6%
11%	9.2%
12%	9.8%
Greater than 12%	At least 9.8%, but can be more at the Board's discretion

Example:

Consider a participant or a beneficiary of a participant who is *receiving a pension of $1,000 per month. If the increase in the CPI over the previous year* is 3%, *then a pension increase of 3% will be granted and after the pension increase the pension in payment will have increased to $1,030 per month. If the increase in the CPI* is *7% over the previous year, then the pension increase will be* 6.6% *and the pension in payment after the increase will be $1,066 per month.*

Minimum Cash Out

In order to avoid the Plan having to administer and pay many small monthly pension amounts, a lump sum payment may be made at death or retirement. In particular, if the lump sum value of the pension payable to you or your beneficiaries is determined to be less than $5,000 then the Administrator may pay the benefit as a single lump sum amount equal to this lump sum value. Such a payment will constitute a full discharge of the Plan's liability and no further payments will be due from the Plan.

Designated Beneficiary

There are a number of cash benefits from the Plan which may be payable to your Designated Beneficiary in certain circumstances. Your Designated Beneficiary can be any person or persons designated by you during your lifetime and you can alter your designation at any time to allow for changing family circumstances.

Should you die without having designated a beneficiary, or if all of your Designated Beneficiaries die before you, then any payment which would have been paid to your Designated Beneficiary will instead be paid to your Estate.

Participant Rights

You will never lose the right to a pension under the current Law, even if convicted or declared bankrupt. Any pension granted is also exempt from execution, seizure, attachment or any other process in respect of any debt or claim of a creditor. The pension is also not transferable or assignable except if a debt is due to the Government, or a Court Order directs the pension payments to a dependant.

Ex-Gratia Pension

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 contracted officer’s supplement. Those with an aggregate of four or more years but less than ten years of service receive an ex-gratia pension of two hundred dollars per month. Those with ten or more years of service received an ex-gratia pension of three hundred dollars per month. It should be noted that these payments are not subject to increase for cost of living nor augmented annually.

Appendix: The Board of Trustees

The Public Service Pensions Board *("the Board")*, which was originally established in 1992, is responsible for the administration of the Fund and the payment of all pensions and other benefits in accordance with the Law. The Board is made up of up to ten people, as follows:

- the Financial Secretary (Ex Officio Chairman);
- the Deputy Financial Secretary (Ex Officio Deputy Chairman);
- the Chairman of the Public Service Commission;
- the Deputy Chief Secretary;
- the President of the Cayman Islands Civil Service Association or his substitute;
- the President of the Public Managers Association or his substitute;
- a Crown Counsel appointed by the Attorney-General as legal adviser to the Board; and
- not more than 3 members appointed by the Governor, one of whom must have substantial professional investment experience and one of whom must be a retired participant under the Plan.

The current Board members, as of 1 July 2007, are listed below:

Mr. Kenneth Jefferson, JP (Chairman)
Mrs. Sonia McLaughlin (Deputy Chairman)
Mr. Donovan Ebanks, MBE
Mr. Kirkland Nixon, MBE, QFSM, JP
Mr. Leonard Ebanks, JP
Mr. James Watler
Mr. Wayde Bardswell
Mrs. Jewel Evans Lindsey (Managing Director)

Legislative Changes

The principle Law governing the Public Service Pensions Plan is the Public Service Pensions Law, 1999; however, the following Amendment Laws have since been enacted in the Legislative Assembly:

- The Public Service Pensions (Ex-Gratia Pensions) (Amendment) Regulations, 2009
- Public Service Pensions (Ex-Gratia Pensions) Regulations, 2004
- The Public Service Pensions (Amendment) Law, 2004
- Public Service Pensions Law (2004 Revision)
- Public Service Pensions (Amendment) Regulations, 2008
- Public Service Pensions Regulations (2004 Revision)

The principle Law and subsequent Amendment Laws have been consolidated and revised under the authority of the Law Revision Law (1999 Revision) and forms the Public Service Pensions Law (2004 Revision) and the Public Service Pensions Regulations (2004 Revision).

In accordance with Section 10 of the Public Service Pensions Law (2004 Revision), we will endeavour to keep you abreast of any and all changes to this legislation.

Please note that you may obtain copies of any of the above referenced Laws from the Legislative Assembly.

Addendum to the Public Service Pensions Plan Participant Handbook

This should be read in conjunction with the Public Service Pensions Plan Participant Handbook to reflect that Mr. Franz Manderson replaced Mr. Donovan Ebanks, MBE as Board member on 1st July 2009 by virtue of becoming the new Deputy Chief Secretary.

Managing Director, Public Service Pensions Board