



Newsletter

The Official Newsletter of the Cayman Islands Public Service Pensions Board



Winter 2010

news

Message from the Managing Director

Dear Plan Members,

On behalf of the entire Public Service Pensions Board, it is my privilege once again to report to you as Managing Director of the Board as we enter 2010. We hope that our newsletter is helpful to you and we welcome suggestions for improvement.

I would like to take this opportunity to reassure you that despite the cloudy and uncertain economic skies that we have faced, the Board continues to guide your financial future ever faithfully towards the sunshine and security of a comfortable retirement. We understand that planning for your future is stressful even without the global financial events of the past 18 months being taken into consideration. We empathize with the obstacles you face because the employees of the Board are members of the plan as well, and any trials that you have to persevere through we all persevere through together.

Bringing security to the futures of those who have made serving these islands their career is what makes my job so fulfilling. We have worked diligently and planned strategically regarding the development of the investment strategy of the fund, and the conservative structure of our investment plan has paid off in a big way. While so many other pension funds have suffered large losses since the economic downturn, our fund has done remarkably well by only recording small losses. We are pleased to report that these losses do not endanger our long-term goals.

As a result I am very proud of our investment consulting advisor and investment committee, as well as our Board of Directors. We have always worked closely to serve you, and I will continue to rely on them for support and advice regarding the management of our ever-expanding fund.

At this time I am pleased to inform you that the recent status of our investments is very positive. Based on figures reported to the

Board within the last four months, our total plan performance is in the top quartile across short and longer-term periods, while the outlook for the foreseeable future is very encouraging.

With stable and sound investment planning in mind, the Public Service Pensions Board continues to further develop our investment strategy and to find managers who match up well with our profile and our fund objectives. These steps are being taken in order to best retain capital and maximize returns with the least possible risk.

Knowing that the state of your financial future is in good hands should be something that we all enjoy. After long and productive careers, you should be afforded the privilege of retiring on your own terms and at a time when you are most comfortable. It has always been our goal to give you that peace of mind. Although there will be changes made industry-wide as a result of the global economic crisis experienced over the past 18 months, you can rest assured that we will continue to make the stability of your future our most important priority.

Faithfully,
Jewel Evans Lindsey
Managing Director



2010 Pay Dates for Public Service Pensions Board Pensioners and Beneficiaries

21 January (Thursday)	25 May (Tuesday)	27 September (Monday)
22 February (Monday)	24 June (Thursday)	25 October (Monday)
24 March (Wednesday)	26 July (Monday)	24 November (Wednesday)
26 April (Monday)	25 August (Wednesday)	16 December (Thursday)



Rates of Return Update

By Mary Linton
Managing Partner,
Advisory Capital Group

After navigating the turbulent waters of stock markets at the beginning of calendar year 2009, the Public Service Pensions Board's portfolio of invested assets (the "Fund") has coasted into calmer waters. The Fund's 2009 year-to-date results reveal a growth in invested assets approaching \$50 million. Given these results, overall Fund assets have hit \$322 million (2.6 percent of which is related to local investments), which exceeds the level reached before this economic crisis.

Given its defensive strategy, the Investment Committee, which oversees and is responsible for the Public Service Pensions Board's investment program, didn't have to make too many adjustments in order to deal with the severity of the downturn. This strategy focused on preserving the value of invested assets within the Fund. The conservative strategy of the Fund was assisted by a sizable improvement in capital market conditions which evolved as the global economy emerged from the recession. However, while market conditions were beyond the control of the Investment Committee, asset allocations were not. Through new money contributions, the asset mix was shifted to a higher percentage of bonds and cash. Traditionally, the Fund has had

an asset mix of 65 percent equities, 27 percent bonds and eight percent real-estate securities and short-term guaranteed investments. Over the nine-month period, growth in bonds and cash reached peak levels of allocation at 50 percent of the Fund. These higher bond and cash adjustments lowered the Fund's total risk level and strengthened its liquidity cushion. When compared to other funds with similar structures, risk taken by the Fund has been low to moderate.

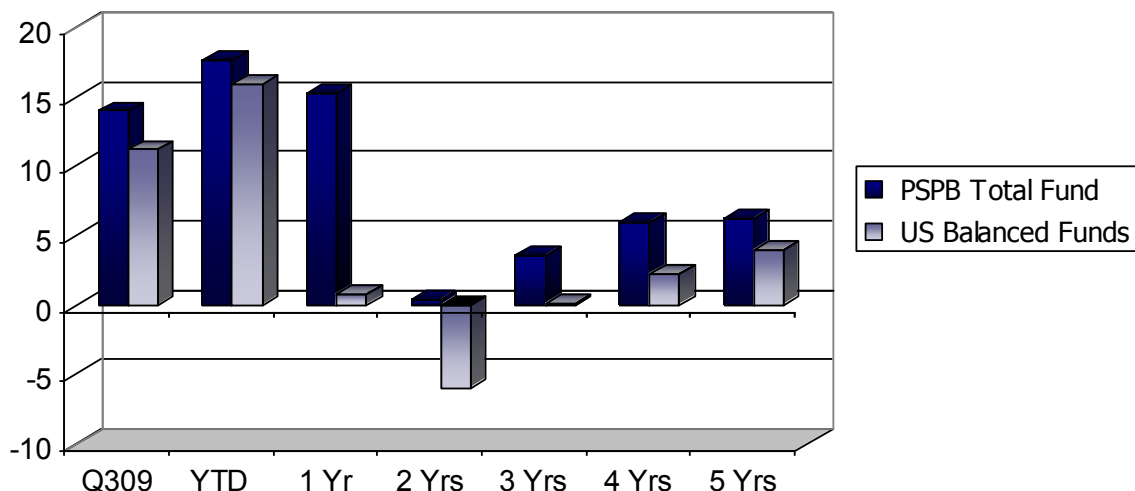
Since March, 2009, global stock markets rebounded considerably as investors begin to feel more confident that the world economy is poised to emerge from recession. Over the 2009 year-to-date period ending 30 September, the growth in assets was largely due to the global equity markets, while bonds have also done well. During this period, the global equities' benchmark has had a significant advance of about 25 percent and U.S. pension plans earned an average return of about 16 percent on investments. Even with this strong performance over the one-year period ending September 30, 2009, an average U.S. pension plan earned a negligible return of only 80 basis points with the two-year annualized return remaining negative at 6.0 percent. Longer-term U.S. pension plans (those encompassed by the five-year period ending September 30, 2009) earned an average annualized return of 4.0 percent. By comparison, the Fund

recorded a return of 17.7 percent over the year-to-date period positively impacting the one-year return to generate 15.3 percent and the two-year annualized return to register a positive 50 basis points. The trailing five-year annualized return for the Fund is now 6.2 percent (see chart below).

As the chart depicts, performance for the Fund has been assessed to be well above average, exceeding many standards of evaluation and ranking within the top 20th percentile of a comparative sample universe of more than 104 U.S. pension plans across five-year time periods.

As market conditions continue to improve and the spreads on higher-yielding bonds narrow, the emphasis will lean towards increased weightings in global equities. Since global equities represent the strongest-performing asset class over the longer term, now is the perfect time to make this move. While financial markets have strengthened significantly from earlier this year, investment conditions are expected to remain challenging as the global economy continues to show signs of weakness over the near term. Notwithstanding, the scale of the Fund, its solid track record (as depicted in the chart), and the Investment Committee's commitment to investment prudence should continue to drive asset growth and above-average returns over the longer term. ✱

Annualized Comparative Returns as of September 30, 2009
PSPB Fund v. US Balanced Funds



Going for It: Recouping Securities Fraud Losses

By Beth Cheng

Securities fraud litigation definitely hasn't been the same since 2001, when the double dealing of Enron came to light in the United States. However, despite being pegged as the "most shocking corporate financial fraud in history," the Enron scandal is only one of many cases of corporate fraud which collectively have taken their toll on global financial confidence and stock market volatility.

Thankfully, efforts to recoup losses have been largely successful through securities class-action lawsuits. Although class actions in the U.K. and Europe are rare, and in some circles are even viewed as repugnant, the current global financial climate seems to have demanded a shift. This shift seems to have come as a result of international institutional funds, including pension funds, outside of the U.S. increasingly investing in major American companies. Submission of active participant recovery claims by non-U.S. institutional funds has increased in recent years and international institutional investors have even stepped forward to serve as lead plaintiffs in cases.

The 2007 RiskMetrics Group white paper *Accountability Goes Global: International Investors and U.S. Securities Class Actions* found that from 1996 through 2007, there were "234 different instances of an international [non-U.S.] institutional investor seeking to serve as a lead plaintiff in a U.S. securities class action" in 134 different

cases. And that "[i]n every year since 2002, international institutional investors have filed lead plaintiff motions in more than five percent of all new federal securities class actions." The U.K.-based National Board of Pension Funds sees two major potential benefits of joining or leading a securities class-action lawsuit: "to gain compensation for real financial losses incurred; and to encourage reform of corporate governance practices at a company, thus protecting or enhancing shareholder value in the longer term."

For institutional fund managers to avoid leaving money on the table, early warning of a class-action suit is of the essence. This is where securities fraud portfolio monitoring comes in. U.S. securities-litigation law firms are retained in such cases on a contingency basis and many offer extensive portfolio-monitoring services. According to Scott+Scott, LLP, portfolio and securities-litigation services keep institutional investors informed about how the current worldwide financial crisis affects their holdings, as well as which specific market losses stem from corporate misconduct and are recoverable. These services help institutional investors: (1) verify which of their investments were adversely affected by corporate fraud; (2) determine the amount of investment value lost due to securities fraud; and (3) decide whether to participate in investor-led securities class actions to recoup their losses. For best practices (and to head off any conflict of interest), the custodial bank is probably



in the best position to objectively advise and direct, with holdings and transaction records at hand, regardless of the size of investment portfolio. ✨

References

Scott, David R. "Securities Portfolio Monitoring Services Enable Investors to Recoup Losses Incurred Due to Corporate Fraud." (Original article written for the Cayman Islands Public Service Pensions Board.)

Stein, Laura, and Sandra Stein. "Money Left on the Table: Global Pension Funds Ignore Rights in U.S. Securities Class Actions." (Original article written for the Cayman Islands Public Service Pensions Board.)

Recent Amendments to Regulations

As far as amendments to regulations are concerned, the major amendment which you should be aware of pertains to the Board's right to cash out small benefits. Regulations now state that if a participant's accrued benefit

is less than \$10,000 on the date he or she is entitled to receive benefits or on the date he or she happens to pass away while still on active duty, the Board may distribute the benefit to the participant or beneficiary in a single lump sum cash payment

on the benefit commencement date.

We are committed to keeping you informed and would like to remind you that we are always available to answer questions or locate and distribute relevant information upon request. ✨



Pensioner Profile

Ms. Kerry Nixon
*Retired/Former Deputy Chief
Immigration Officer,
Department of Immigration*

By Beth Cheng

A lot has changed in Cayman since 1969, when Ms. Kerry Nixon began her civil service career, however her commitment to community and country hasn't flagged in the least. Her recent retirement, officially effective as of 30 September 2009, bookends an odyssey of 40 years, over which it's evident she's led a life of true public service. In fact, she was still on contract as an advisor to the Department of Immigration until January 2010. Talk about dedication!

As a native Caymanian who had always aspired to be a public servant, Ms. Nixon vividly recalls applying and interviewing for her very first civil service position.

"When I got the letter telling me to come in for an interview, I was elated because that was the one thing I had been hoping would happen. My first interview was a success, and in those days you literally applied for a position in the civil service, it wasn't specific, because you can imagine the service being a lot smaller than it is now."

She remembers receiving another letter asking her to return for a second interview, during which "the late Mr. Harry McCoy, who was responsible for hiring at the time, told me that there was an opening for an immigration officer and asked if this was a position I would be willing to take, and my response was, 'Yes, sir! Yes, sir!'"

From that day forward, Ms. Nixon gladly served as an immigration officer at Owen Roberts International Airport until she applied for an opportunity at the Department of Immigration's main headquarters downtown in George Town. This marked the uniform to civilian shift in her career with Immigration; subsequent administrative positions, including a secretarial position with border protection, would prove to be invaluable in her career progression. In 1996, Ms. Kerry Nixon became Deputy Chief Immigration Officer in charge of administration, a post she held until recently.

When asked what she is most passionate about, Ms. Nixon without hesitation replies, Cayman's young people. "I have a deep love for our young people and it breaks my heart to see them not taking opportunities [that are beneficial] and instead turning to crime and criminal activities." This is why Ms. Nixon has made Lionism a big part of her life. In fact, she and Reginald, her husband of 37



years, are strongly involved in youth programming and related health campaigns spearheaded by the Lions Club of Grand Cayman. This combination of public service and volunteerism of course hasn't been lost on their two grown sons. Michael is a Senior Assistant Financial Secretary with the Ministry of Finance, Tourism and Development, while Craig is a Project Manager with the Public Works Department.

Retirement obviously won't mean slowing down for Ms. Kerry Nixon, but it certainly will involve kicking back and spending quality time with her husband Reginald. "He's been waiting for a long time," she said, "since he's been retired for 10 years already, so I'm really looking forward to having more time for doing things together." She and Reginald have plans to travel to Europe together for the first time, as well as to take a cruise to Panama and Alaska in the near future. Wherever Ms. Nixon decides to go and spend time with her husband, we hope she enjoys herself as it is a retirement well earned and deserved after her long and distinguished service to the Cayman Islands. ✨



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