

Hernando Pérez Montas & Asociados, SRL

Consultores Actuariales

RNC-101-14072-2

Anguilla

Actuarial Review of the Public Service Pension Fund,
The Police Pension Scheme and Pension financed by the
Consolidated Fund
(as at 31 December 2019)

14 December 2020

Cesar Nicolás penson No. 116, Edificio" TPA "Apartado Postal No.20021 Santo Domingo, D.N.

- Tel: 809-688-3787 ,fax:809-682-0237, e-mail:c.actuariales@claro.net.do

Anguilla

Actuarial Review of the Public Service Pension Fund,
The Police Pension Scheme and Pension financed by the
Consolidated Fund
(as at 31 December 2019)

14 December 2020

14 December 2020

Public Service Pension Board
The Valley, Anguilla

Attached the statutory actuarial valuation of the Public Service Pension Fund (PSPF) as at 31 December 2019, including the disclosures of the funded status of the Fund at the valuation date, in accordance with international accounting standards IAS-19R. The two additional reports show also the actuarial situation of the Police Pension Scheme and the former Pension Scheme for Public Officers.

The financing bases of the PSPF should be updated medium-term, in accordance with the partial capitalization model applied to the scheme, by adjusting the contribution rate on a gradual basis, to avoid a steady erosion of reserves. As to the Police Scheme, it has become a “closed fund” as from January 2020, as new police officers will be affiliated to the general scheme.

The benefit provisions of the police scheme are more generous than in the general scheme, with a significant increase of future actuarial costs to be borne almost entirely by the government. The implementation of legal amendments under consideration would contain the cost progression and rationalize the generous benefit provision of the scheme.

The government is also financing pensions awarded before the introduction of the contributory scheme, with a steadily decreasing future costs due to the mortality of the closed group of pensioners, partly offsetting the rising cost of the PSPF and police pensions.

Yours sincerely,

Hernando Perez Montas

ANGUILLA

I

**ACTUARIAL VALUATION OF THE PUBLIC SERVICE
PENSION FUND**

(As at 31 December 2019)

14 December 2020

14 December 2020

Public Service Pension Board
The Valley, Anguilla.

1. Financial Trends

Pursuant to the provisions of Section 29 of the Pensions Act, Chapter 20, an actuarial review of the Fund was performed as at 31 December 2019. The review shows that the Fund has been negatively impacted by the frozen interest payable on deposits at the two former domestic banks, but fresh funds to be invested on loans to participants at a higher rate of interest will contribute to restore gradually a rate of return on investments in accordance with the actuarial expectations.

2. Summary of the Valuation

The Fund, which substituted the former non-contributory and unfunded pension plan for public officers, became effective on 1 January 2004. A joint rate of contributions of 6% of salaries was stipulated at the date, designed for a 20-year period of equilibrium, under the actuarial model of partial capitalization. The analysis shows the sustainability of the Fund for a shorter period than originally envisaged, including the impact of the addition of statutory bodies with higher actuarial costs affiliated to the scheme, and declining rates of return on investments due to the financial impact of the closure of the two local banks and the issue of Funds in Protection Trust by the Government at lower rates of interest. Declining levels of reserves are envisaged for the next three years due to the actuarial maturity of the scheme with new pensions and gratuities increasing at a high rate than contributions.

The analysis also shows that no adjustment to pensions in payment are actuarially desirable, an assumption supported by a low inflationary environment in Anguilla and stagnant salary levels for active participants.

3. Actuarial Disclosures

Funded Status (IAS-19/26) at 31 December 2019)

Present value of:	2019	2016
Pensions in payment (retired)	62,490,691	35,511,859
Deferred and Supplemental benefits	21,307,090	1,534,371
Active participants	189,113,054	229,359,697
Projected benefit obligations	272,910,835	266,405,927
Fair value of assets (net)	(40,200,974) ^{a/}	(42,258,339)
Unfunded obligations	232,709,861	224,147,588

^{a/}Unaudited

Movement of the liability

	2019	2016
Liability at 1 January (estimate)	264,961,976	216,016,591
Service cost	9,670,836	9,872,109
Interest cost	7,948,859	6,469,651
Benefits paid	(7,291,030)	(6,166,930)
Actuarial loss (gain)	(2,379,806)	40,214,506
Liability at 31 December	272,910,835	266,405,927
Assets at 1 January	41,693,909	42,076,110
Expected return on assets	1,250,817 ^{a/}	1,251,436
Contributions	5,525,782	5,443,789
Benefits paid expenses	(8,215,392)	(6,166,930)
Actuarial gain (loss)	(54,142)	(346,066)
Assets at 31 December (fair value)	40,200,974	42,258,339 ^{b/}
Unfunded Obligations	232,709,861	224,147,588

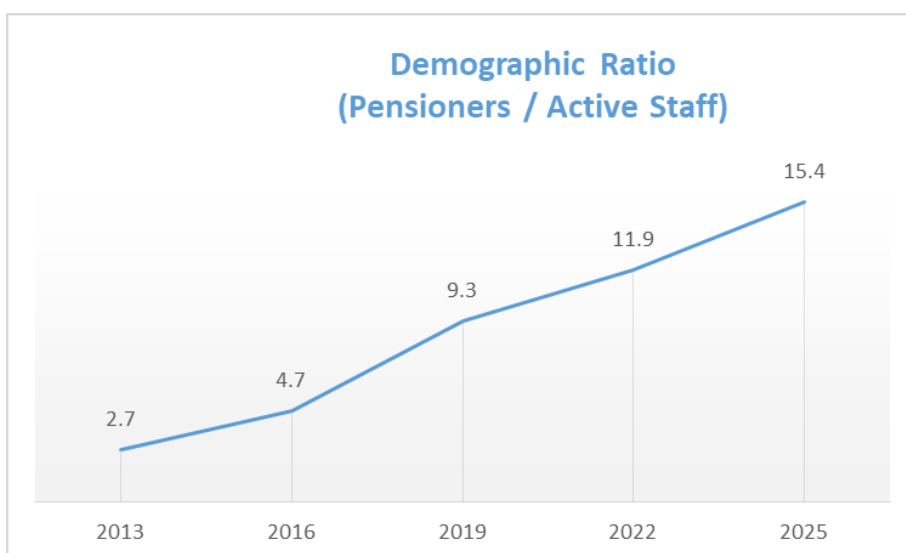
^{a/}Actual return: 1,157,450

^{b/}Unaudited

4. Demographic Projections

Year	Active Participants	Pensioners	Demographic Ratio (%)
2013	1,082	29	2.7
2016	1,192	56	4.7
2019	1,284	120 ^{a/}	9.3
2022	1,340	160	11.9
2025	1,400	215	15.4

^{a/}Higher than anticipated



5. Actuarial Projections

Financial and Reserve Projections (amounts in thousands of EC\$)

Year	Contributions	Benefits Administration	Current surplus	Investment income	Reserves (year-end)	Annual Surplus Deficit	Fund Ratio ^{a/}
017	5,360	6,089	(729)	1,359	41,812	629	6.87
2018	5,488	7,414	(1,926)	1,901	41,693	(25)	5.62
2019	5,526	8,215	(2,689)	1,157	40,200	(1,532)	4.89
2020	5,581	9,118	(3,537)	1,206	37,869	(2,331)	4.15
2021	5,637	10,121	(4,484)	1,136	34,521	(3,348)	3.41
2022	5,693	11,235	(5,542)	1,035	30,015	(4,507)	2.67

^{a/}Reserve / Total expenses

6. Adjustments to the Financing Bases

The analysis shows that reserves will continue to decline steadily as from 2020 with Fund Ratios (Reserves ÷ benefit expenditure), declining to 2.67 at year-end 2022. Therefore, an increase in the contribution rate from 6% to 8% is advisable as from 1 January 2022, to contain the reduction of the reserves below accepted benchmarks, in accordance with the scale-premium actuarial bases of the scheme.

* * * * *

Attestation

The valuation of the Public Service Pension Fund and the two related Police Scheme and the former Pension Scheme for public officers carried out according to applicable actuarial accounting standards (IAS-19R) and our interpretation of the provisions in force. Further, the valuation was carried out utilizing actuarial and financial bases and assumptions which, in our opinion, are reasonable and offer an adequate estimate of the anticipated plan experience.

Yours sincerely,

For Consultores Actuariales, SRL

Hernando Pérez Montás
Actuary

**ACTUARIAL VALUATION OF THE PUBLIC SERVICE
PENSION FUND (PSPF)
(As at 31 December 2019)**

1. Description and Scope of the Analysis

The Government sponsors a defined benefit pension scheme on behalf of public officers. The scheme was non-contributory and operated on an unfunded basis. The new funded pension scheme became effective on 1 January 2004, with a joint contribution of 6% of salaries, designed to ensure the financial sustainability of the Fund medium-term. The triennial analysis shows the actuarial situation of the scheme on 31 December 2019, and the disclosures required by generally accepted accounting standards (IAS-19).

2. Financial Trends

Table 1 shows the financial trends in the period under review. A significant reduction in investment income was experienced as from 2016, due to the impact of the Banking Resolutions, which froze the interest rate payable on deposits at the two former local banks and set up a Deposit Protection Trust (DPT) guaranteed by the Government. A surplus was experienced up to 2017, and material deficit as from 2019, due to the advancing maturity of the scheme and a declining rate of investment income.

**Table 1
Income and Expenditure (at 31 December)
(Excluding Police Fund)**

	2019	2018	2017
	(amounts in thousands of EC\$)		
Contributions	5,526	5,488	5,360
Expenditure ^{a/}	8,215	7,414	6,089
Current surplus	(2,689)	(1,926)	(729)
Investment income	1,157	1,901	1,358
Net surplus (deficit)	(1,532)	(25)	629

^{a/}Pensions, gratuities, refunds, and administrative expenditure

Table 2 shows the statement of financial position at the close of the 2016 and 2018 fiscal years.

Table 2
Statement of Financial Position (31 December)
(Amounts in thousands EC\$)

	2020	2019	2017
Cash & equivalents	6,335	4,739	5,142
Contributions receivable	2,967	3,228	2,983
Investments (long-term)	16,400	14,662	18,690
Investments (current)	12,098	12,540	11,627
Other assets	4,595	5,641	4,029
Total assets	42,395	40,810	42,471
Liabilities	(702)	(701)	(659)
Net asset	41,693	40,109	41,812

3. Implication of the Banking Resolution on the Investments

The dissolution of the two local banks, where the Fund had its investments, had a material effect on the rate of return of the investment portfolio, as shown below, as the “Funds on Protection Trust” bear a 2% rate.

4. Personal Loans

In January 2017 the pension plan provisions were amended to allow the plan to diversify the investment portfolio with personal loans to participants, on a schedule based on the period of service and the salary of the public officer. The loan program commenced in February 2017 and on 31 December 2017 more than five million have been awarded. The loan program provides a higher rate of return on the portfolio, offsetting the 2% rate payable on Funds in the Protection Trust.

5. Rate of Return on the Portfolio

Table 3 shows the weighted average return of the investment portfolio, based on the structure of the plan's assets, while table 4 shows the return of the assets during the past three years.

Table 3
Percent Distribution of the Assets and Average Investment Return

	Percent	Interest rate
Cash & equivalents	12%	0
Contributions receivable	8	0
Investments (long-term) ^{a/}	36	2%
Investment (current)	31	4.25%
Loans & other	13	6%
Total	100%	2.82%

^{a/}Fund in Protection Trust (GOA)

Table 4
Rates of Return of the Investments (PSPF)

Year	Rate of Return ^{a/}	Amount
2019	2.19%	1,157,450
2018	4.58%	1,900,694
2017	3.22%	1,357,679

Based on the formula:

In view of the above, a short term perspective of frozen salaries in the public sector due to the impact of COVID-19, a weighted average 3% discount rate has been applied to assess the actuarial liabilities.

6. Contributions Receivable

The amount of contributions receivable has remained practically stable during the past three years, with a total of \$2.967 million on 31 December 2019 below the 5% threshold. Efforts should be made to avoid further increases in the number of contributions receivable that have a negative incidence on the investments return.

7. Active Participants

At the valuation date 1,284 active participants were recorded, as compared to 1,192 on 31 December 2016, yielding an annual 2.25% rate of increase. The institutional distribution is shown in Table 5.

Table 5
Active Participants at 31 December 2019

Fund Contributor	Number of Participants	Salary
Government of Anguilla (excluding Police)	859	5,116,577
Health Authority of Anguilla	196	2,518,352
Anguilla Development Board	9	114,586
Water Corporation of Anguilla	19	244,217
Anguilla Tourist Board	9	116,132
Public Utilities Commission	2	25,864
Financial Services Commission	10	129,029
Public Service Pension Fund Office	5	64,802
Anguilla Air & Seaports Authority	163	154,116
Anguilla Community College	12	2,106,902
Total	1,284	10,590,577

8. Statistics of Terminations

Table 6 shows the statistics provided for termination and refunds, with an average termination rate of 2.66%. In the period under review, 32 refunds were disbursed and 17 terminations were recorded, including 8 deaths.

Table 6
Number of Retirees (2017/19)

	2019	2018	2017
Monthly pensioner	20	14	14
Gratuities	16	18	13
Other	1	0	3
Total	37	32	30

9. Pensions in Payment

At the valuation date 118 pensions in payments were recorded, (56 in 2016), plus 8 survivors' pensions, with a monthly payroll of \$341,836 at 31 December 2019.

Table 7
Summary of Pensions in Payment (at 31 December)

	2019		2016	
	Number	Amount	Number	Amount
Retired staff	118	334,271	56	172,905
Survivors	8	7,565	6	7,576
Total	126	341,836	62	180,481

Of the survivors' pensions, 4 were temporary (minors) and 4 were payable until death.

10. Deferred Pensions

A total of 17 deferred pensions on 31 December 2019 were recorded by the Fund. Except for one individual who can opt to retire in 2020, the remaining former officers are rather young, with a deferred period of 20 to 30 years. Therefore, the discount factor reduces the present value by almost one-half.

Table 8
Deferred Pensions at 31 December 2019

Number	Annual Pension	Deferral (years)
1	64,840	0.75
16	108,765	25.00 (average)
17	173,605	-

ACTUARIAL VALUATION AND DISCLOSURES

1. Key Actuarial Assumptions

The following table shows the key parameters of the service table (at 31 December).

Table 9
Key Actuarial Assumptions

	2019
Mortality table	GAM-83
Discount rate	3%
Expected return on assets	3%

For complimentary benefits a 10% loading factor to the basic pension liability was applied, to account for invalidity, death in service, the refund of contributions, and administrative expenditure. It was also assumed that only females would be entitled to survivors' pensions on the death of a retired male participant. For females, it was assumed that the male pensioner would die before the death of the spouse.

As to the discount rate, Anguilla does not have a “deep” market of long-term corporate or Government obligations. The 3% discount rate is equivalent to the average rate of the portfolio and the actual return, as shown in Section 5, Chapter I.

2 Actuarial Present Value of Active Participants (at 31 December)

Table 10 shows the present value of the actuarial obligations of active participants at the valuation date.

Table 10
Active Participants at 31 December 2019

Fund Contributor	Number of Participants	Salary	Actuarial Present Value
Government of Anguilla (excluding Police)	859	5,116,577	111,580,699
Health Authority of Anguilla	196	2,518,352	44,833,103
Anguilla Development Board	9	114,586	4,243,984
Water Corporation of Anguilla	19	244,217	2,056,549
Anguilla Tourist Board	9	116,132	857,862
Public Utilities Commission	2	25,864	91,663
Financial Services Commission	10	129,029	703,961
Public Service Pension Fund Office	5	64,802	170,495
Anguilla Air & Seaports Authority	163	154,116	2,721,242
Anguilla Community College	12	2,106,902	15,868,525
Total	1,284	10,590,577	183,128,084

3. Actual Liability of Pensions in Payment

Table 11

Female y Male	Number	Monthly Pensions	Actuarial Liability
Age 50- 59	7	22,536	4,919,404
Age 60 - 69	104	296,716	55,288,241
Age 70- 79	7	15,019	2,283,047
Age 80- 89	0	-	-
Age 90-99	0	-	-
Total	118	334,270.5	\$ 62,490,691

4. Actuarial Present Value of Survivors Pensions in Payment

The valuation shows the following actuarial obligation.

Table 12

	Temporary ^{a/}	Permanent	Total
	(amounts in EC\$)		
Number	4	4	8
Monthly pension	2,518	5,047	7,565
Actuarial obligation	107,775	1,292,336	1,400,111

^{a/}Orphans

5. Actuarial Present Value of Deferred Pensions

The actuarial liabilities amount to **\$1,594,171** at 31 December 2019

6. Supplement Benefits

A 10% factor applied to the net liability of active participants were assessed for disablement, death in service and refunds, for a total of \$18,312,808.

7. Summary of Actuarial Obligations (at 31 December 2019)

Table 13

Active staff	183,128,084
Contingent survivors' pensions ^{a/}	5,984,970
Sub-Total	189,113,054
Pensions in payment	62,490,691
Survivors' pensions in payment	1,400,111
Deferred pensions	1,594,171
Terminations, disability & death in service	18,312,808
Sub-Total	21,307,090
Total	272,910,835

^{a/}Widows of active pensioners

8. Funded Status (IAS-19/26) at 31 December 2019)

Table 14

Present value of:	2019	2016
Pensions in payment (retired)	62,490,691	35,511,859
Deferred and Supplemental benefits	21,307,090	1,534,371
Active participants	189,113,054	229,359,697
Projected benefit obligations	272,910,835	266,405,927
Fair value of assets (net)	(40,200,974) ^{a/}	(42,258,339)
Unfunded obligations	232,709,861	224,147,588

^{a/}Unaudited

Table 15

Movement of the liability

	2019	2016
Liability at 1 January (estimate)	264,961,976	216,016,591
Service cost	9,670,836	9,872,109
Interest cost	7,948,859	6,469,651
Benefits paid	(7,291,030)	(6,166,930)
Actuarial loss (gain)	(2,379,806)	40,214,506
Liability at 31 December	272,910,835	266,405,927
Assets at 1 January	41,693,909	42,076,110
Expected return on assets	1,250,817 ^{a/}	1,251,436
Contributions	5,525,782	5,443,789
Benefits paid expenses	(8,215,392)	(6,166,930)
Actuarial gain (loss)	(54,142)	(346,066)
Assets at 31 December (fair value)	40,200,974	42,258,339 ^{b/}
Unfunded Obligations	232,709,861	224,147,588

^{a/}Actual return: 1,157,450

^{b/}Unaudited

Table 16

Expense to be Recognized (IAS-19R) at 31 December

	2019
Service cost (net)	9,670,836
Net interest expense	6,698,042
Sub-total (P&L)	16,368,878
<u>Remeasurement</u>	
Liability loss	(2,379,806)
Asset loss	54,142
Sub-total (OCI)	(2,325,664)
Total	14,043,214

P&L: Benefit / loss

OCI: Other comprehensive income

7. Sensitivities

A 1% variation in the discount rate has the following incidence on the actuarial liabilities.

Table 17

Discount Rate	Variation in the Obligation
4%	-13%
3%	-
2%	+2.5%

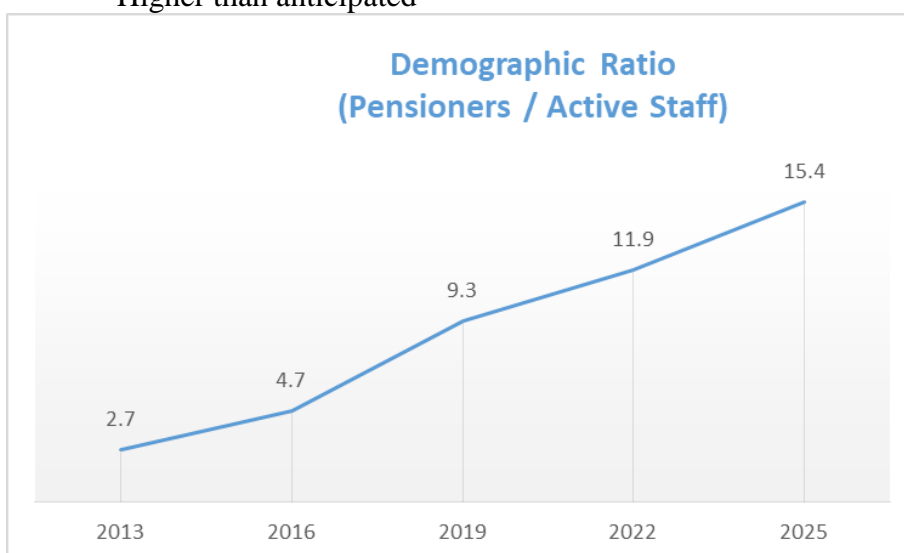
8. Demographic Projections

Table shows a demographic projection, assuming a 3%, increase up to 2020 (0.75% per annum), and 1% per annum.

Table 18

Year	Active Participants	Pensioners	Demographic Ratio (%)
2013	1,082	29	2.7
2016	1,192	56	4.7
2019	1,284	120 ^{a/}	9.3
2022	1,340	160	11.9
2025	1,400	215	15.4

^{a/}Higher than anticipated



9. Projection of Benefits and Reserves

The financial projection is shown below, shows a steady decline. The reserves during the following three years. Therefore, the original actuarial design of a 20-year “period of equilibrium” financed with the joint 6% rate of contributions, will be lower than anticipated.

Table 19
Financial and Reserve Projections
(amounts in thousands of EC\$)

Year	Contributions	Benefits Administration	Current surplus	Investment income	Reserves (year-end)	Annual Surplus Deficit	Fund Ratio ^{a/}
017	5,360	6,089	(729)	1,359	41,812	629	6.87
2018	5,488	7,414	(1,926)	1,901	41,693	(25)	5.62
2019	5,526	8,215	(2,689)	1,157	40,200	(1,532)	4.89
2020	5,581	9,118	(3,537)	1,206	37,869	(2,331)	4.15
2021	5,637	10,121	(4,484)	1,136	34,521	(3,348)	3.41
2022	5,693	11,235	(5,542)	1,035	30,015	(4,507)	2.67

^{a/}Reserve / Total expenses

ANNEX A

Summary of Benefit Provisions

Public Officers

Retirement Age: 60 years for active officers at the appointed date.

65 years for officers appointed after the appointed date.

Eligibility Condition: 10 years of pensionable service or continuous contributions to the Fund.

Pension Formula:

- i) Before 1 January 2004: $1/600$ per month of pensionable service (2% per year).
- ii) As from 1 January 2004: $1/1960$ per month of pensionable service (1.25% per year).

The maximum pension is set at $2/3$ pensionable emoluments, or 80% of the highest pensionable emoluments, less the social security pension.

- **Deferred Pension:** After 10 years of contributions, an option to a deferred pension commencing upon attaining normal retirement age.
- **Refund of Contributions:** On termination of an officer not entitled to a pension, refund of personal contributions, at 4% interest compounded annually.
- **Commutation of Pension:** Option to a lump-sum of $12\frac{1}{2}$ the annual pension and a reduced pension of 75% the full pension.
- **Employment Injury Pension:** As for the age pension without the 10 years of service, plus a supplement of 8.33% to 33.3% of salary, according to the degree of impairment.

- **Survivors Pensions:** On the death of an active officer with 10 years of service, and a pensioner or a deferred pensioner, widow(er) and eligible children, shall be entitled to a pension of 50% of the pension entitlement until death or remarriage, or (25% if there is no widow and only one surviving child), or for 5 years for a beneficiary with fewer than 45 years of age. Children's pensions shall cease upon the attainment of 18 years. If there are no eligible survivors, personal contributions with interest shall be paid to the legal representative.

ANGUILLA

II

ACTUARIAL REVIEW OF THE POLICE OFFICERS

PENSION FUND

(As at 31 December 2019)

14 December 2020

14 December 2020

Public Service Pension Board
The Valley, Anguilla

1. Pursuant to the provisions of the Police and Public Officers Pension Act, an actuarial valuation of the Police Pensions Scheme was carried out as at 31 December 2019.
2. The analysis shows that the Police Fund reserves have been depleted, due to the rapid actuarial maturity of the Fund. The payment of substantial pensions and gratuities to senior police officers who opted for retirement soon after the establishment of the Fund in 2008, with recognition of past services, contributed to the decapitalization of the Fund.
3. The analysis shows that the generous benefit provisions, designed by an external consultant, entailed a significant accumulation of actuarial obligations and benefit expenditure (gratuities and pensions), that exceed by a high margin the financing bases of the scheme. Proposals to amend the benefit and eligibility provisions are still pending formal approval by EcCo. Therefore, the Government is advised to operate the scheme for the remainders of police officers in service at 31 December 2019 on a pay-as-you-go (PAYG) basis, (unfunded basis), the same model used for the pension plan for Public Officers before 1 January 2004.
4. The modus operandi as from 2019 is as follows:
 - i. The PSPF will continue to cover the cost of 10 pensions in payment financed by the statutory contribution to the scheme;
 - ii. New pensions and gratuities to police officers active at 1 January 2020 shall be paid by the Consolidated Fund, and;

- iii. New entrants into the police force as from 2020 shall join the PSPF and receive a benefit based on the PSPF provisions. The first two items above operate on an **unfunded basis** (no assets) and can be assimilated to a “close fund”, the first with declining obligations due to the mortality of pensioners, and the second, with increasing actuarial cost, until the mortality of pension in payment offset the cost of new pensions and gratuity.
5. The benefit provisions of the 100 police officers in active service at 31 December 2019 are much generous than the provision of the PSPF, including higher pension accrual rates and lower retirement ages. Pending cost containment measures would include adjustment to the minimum retirement ages; to the pension formula for future service, to guarantee acquired rights, and to the formula to compute the gratuity. **The actuarial liability at 31 December 2019 are assessed at \$18,605,446, including deferred pensioners.** Including pensions covered directly by the GoA, and pensions paid by the PSPF, yield total liability of **\$41,116,327**, as compared to \$51,930,650 at 31 December 2016. The reduction is due to termination of police officers, pensions transferred to the general PSPF, and gratuities paid in the last three years. Details are shown in Section 12.

Synopsis of the Police Pensions Obligations

A: Pensions changed to the PSPF

- No new awards
- 10 pensioner and 1 survivor
- Operate on an unfunded basis (PAYG)
- 100% obligations share by statutory contributions
- Operations segregated from the general scheme
- Benefits financed by statutory contributions and gratuities

B: Pensions changed to the Consolidated Fund

- Limited to 100 active police officers at 31 December 2019
- Includes former pensions not transferred to the PSPF
- Operate on an unfunded basis (PAYG)
- Financed by GoA (Consolidated Fund)

C: New Police Officers appointed as from 2020

- Assimilated to the general PSPF
- Same financial and benefit provision as public officers
- Operate on a partially funded basis
- Contributions consolidated with contributions by and on behalf of public officers.

6. Financial Trends. Police Pension Fund**Table 1**

	2019	2018	2017
Contributions	650,679	671,569	665,475
Pensions & gratuities	589,265	589,265	589,265
Administrative Expenditure	114,247	175,249	48,815
Total Expenditure	703,512	764,514	638,080
Surplus (deficit)	(52,833)	(92,945)	27,395
Balance at year end	(92,538)	(39,704)	53,241

7. Distribution of Active Police Officers(at 31 December 2019)**Table 2**

Age groups	Numbers	Salary (monthly)
29 and less	20	110,112
30/39	38	223,483
40/49	31	203,434
50 and more	11	77,081
Total	100	614,110
Male	78	481,402
Female	22	132,708

Average age: 37.88 years

Average service years: 12

Average salary: \$6,141

8. Pensions in Payment

The list of pensions in payment is shown in Table 3, while Table 4 shows the pensions charged directly to the PSPF. Other pensions of transferred officers are being charged to the GoA.

Table 3
Pensions in Payment. Police Fund

Name	Sex	Date of Birth	Monthly Pension	Type
George Anton Adams	M	23-Aug-65	\$ 3,749.00	Full Pension
Keithly Benjamin	M	12-Jul-59	\$ 8,558.55	Full Pension
Wilfred A Carty	M	31-Oct-56	\$ 5,110.92	Full Pension
Ian Chase	M	11-Aug-57	\$ 1,604.75	Full Pension
Annette Duncan	F	8-May-63	\$ 3,979.00	Full Pension
Lewis Hodge	M	11-Jul-58	\$ 3,979.00	Full Pension
Bernadette Martin-Carbon	F	23-Mar-62	\$ 2,280.50	Full Pension
Rudolph Daniel Proctor	M	14-Sep-64	\$ 7,437.00	Full Pension
Illidge Richardson	M	6-Dec-55	\$ 6,383.81	Full Pension
Rayfield Roberts	M	11-Dec-79	\$ 4,729.90	Invalidity
Gertrude Saunders	F	22-Jun-62	\$ 1,293.00	Survivor

Table 4**Actuarial Cost of Pensions Paid by the PSPF (at 31 December 2019)**

BASE DE DATOS AL 31/12/2019			
ANGUILLA GRUPO 2B POLICE			3%
Name	sex_code	Date of Birth	Valor Presente Obligación Actuarial
POLICE			
Rayfield Roberts	M	11-Dec-79	\$ 1,442,576
George Anton Adams	M	23-Aug-65	\$ 885,044
Rudolph Daniel Proctor	M	14-Sep-64	\$ 1,714,878
Annette Duncan	F	8-May-63	\$ 882,949
Bernadette Martin-Carbon	F	23-Mar-62	\$ 495,069
Gertrude Saunders	F	22-Jun-62	\$ 280,695
Keithly Benjamin	M	12-Jul-59	\$ 1,727,210
Lewis Hodge	M	11-Jul-58	\$ 779,128
Ian Chase	M	11-Aug-57	\$ 304,505
Wilfred A Carty	M	31-Oct-56	\$ 938,647
Illidge Richardson	M	6-Dec-55	\$ 1,133,383
TOTAL		TOTAL	\$ 10,584,084
		PROMEDIO	962,189.44
Female y Male			
Age < 50			1,442,576
Age 50- 59			4,258,635
Age 60 - 69			4,882,873
Age 70- 79			-
Age 80- 89			-
Age 90-99			-
Total			10,584,084

9. Deferred Pensions

Four former police officers are eligible for deferred pensions of \$50,125 per annum. With an average age of 42 years, these officers will become entitled to their reduced pensions in approximately 13 years. The present value at a 3% discount for 13 years amounts to \$511,276.

10. Actuarial Trend of Police Pensions paid by the PSPS
(2017/19) (as % of salaries)

The cost of pensions in payment as a percent of insurable earnings is shown in Table 5, with an approximate balance between the statutory contribution rate and total expenses.

	<u>Table 5</u>		
	2019	2018	2017
Contributions	8.00%	8.00%	8.00%
Benefit-expenditure	7.24	7.02	7.08
Administrative cost	1.42	2.08	0.60
Total Expenditure	(8.66)	(9.10)	(7.68)
Surplus (Deficit)	(0.66)	(1.10)	0.32

11. Actuarial Projection of Pensions charged to the Public
Service Pension Fund (Amounts in thousands of EC\$ /
Costs as % of salaries)

The future actuarial cost of pensions in payment will tend to decrease steadily, due to the mortality of pensioners.

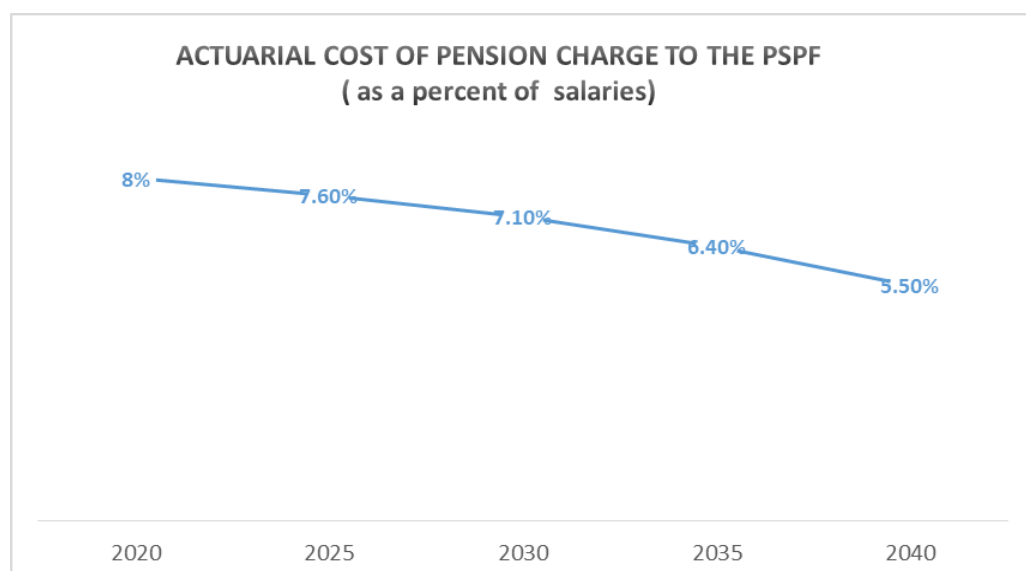
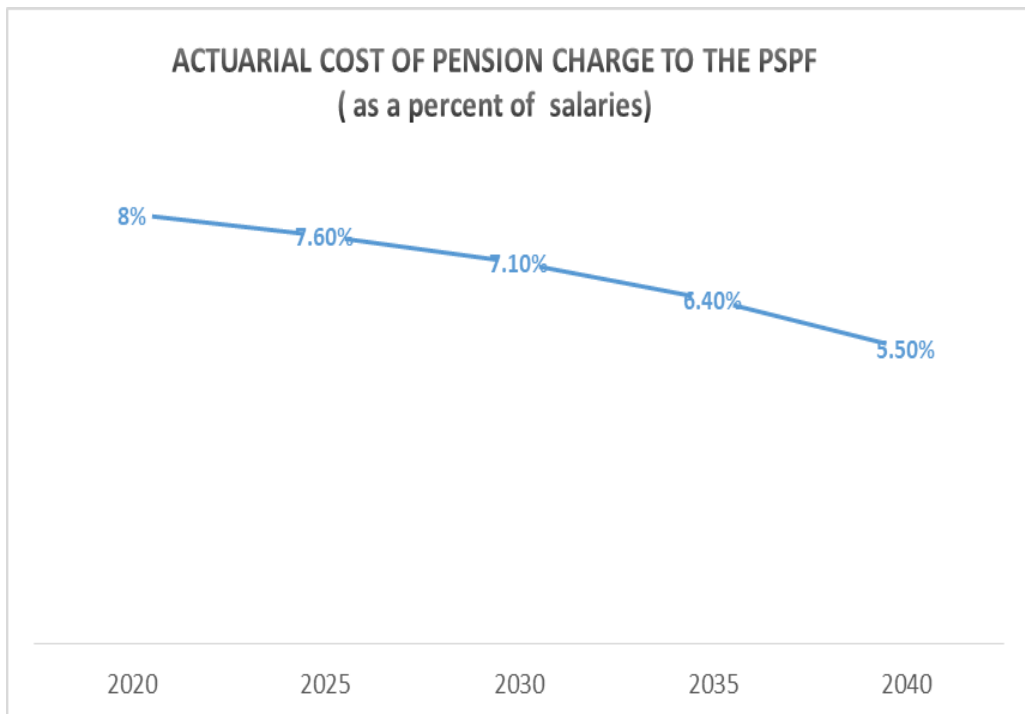


Table 8

Year	PROJECTED WITH Police Salaries	PENSION EXPENSE	Actuarial cost ^{a/}	Surplus (deficit)
2020	7,400	590	8.0%	0.0%
2025	7,777	590	7.6%	0.4%
2030	8,174	578	7.1%	0.9%
2035	8,591	548	6.4%	1.6%
2040	9,029	493	5.5%	2.5%

The future actuarial cost of pensions in payment will tend to decrease steadily, due to the mortality of pensioners.



12. Valuation of Consolidated Actuarial Liability (GoA) IAS-19

Accounting Disclosure (at 31 December)

Table 6

Actuarial present value	2019	2016
Active police officers	18,094,170 ^{a/}	40,709,658
Deferred pensions	511,276 ^{a/}	0
Sub-total	18,605,446	40,709,658
Pensions covered by GoA	11,926,798 ^{b/}	0
Total Direct GoA obligations	30,532,243	40,709,658
Pensions paid by the PSPF	10,584,084 ^{c/}	11,401,694
Total obligations	41,116,327	52,111,352
Net assets	0	(180,702)
Unfunded Obligations	41,116,327 ^{d/}	51,930,650

^{a/} To be funded by the Consolidated Fund

^{b/} Global assessment

^{c/} Funded by statutory contributions

^{d/} Reduction due to terminations by police officers, pensions charged to the general PSPF, and gratuities paid by the Consolidated Fund between 2017/19.

12. Former police officers. Impact on the Actuarial Liability

A total of 14 police officers that were recorded in the 2016 actuarial valuation are no longer registered as active or retired at 31 December 2019. The Pension Fund office has informed that several went to work with other government agencies, others retired with the pension being paid by the Consolidated Fund, while others simply left few public services.

The cessation of active service of former police officers jointly with, pensions changed to the Police Pension Fund will cause a significant reduction in the actuarial liability as at 31 December 2019, as compared with the liability at 31 December 2016.

14. Amendments under consideration by the Board

Police officers can retire upon the attainment of 30 years of service with no minimum age requirement. As most young police officers entered service between 18 and 20 years of age, they could

retire at 48 to 50 years of age with a pension of $\frac{2}{3}$ the pensionable salary; an unusually young age, in view of their life expectancy, which can extend for more than 30 years. Such liberal provisions are not very common in occupational pension plans, taking into account that pensions are tax-free in Anguilla. This illustrates the actuarial imbalance that would arise in the Fund under the present benefit provisions, as the rate of contributions required to finance a joint life pension of two-thirds of salary for 30 years is very high.

Therefore, the GoA is advised to introduce amendments to the plan sets a minimum retirement age of 55 or 57 years, with an option to retire as from age 53 but applying **an actuarial reduction factor** of 6% per year (0.5% per month) prior to the normal retirement age. Also:

Compulsory Retirement Age (Section 4 (1))

- Consider increasing to 55 or 60 years

Contributions (Section 8.1)

- Consider 4% or 5% each, participants and the GoA

Amend Rate of Pension (Section 12)

- Establish a linear formula of $1\frac{2}{3}$ % per year of **future service** for new police officers (still higher than for public officers), with a pension accrual of 50% with 30 years of service. Assess the feasibility of also applying the formula to present officers if no increases in contributions or adjustment to the minimum retirement ages are feasible.

Retirement Age (Section 13)

- Maintain the option to retire with no age requirement after 30 years of service but reduce the pension by an

actuarial factor of 6% per year (0.5% per month) prior to age 60.

Ill-Health pension (Sections 33/34/35/37)

- Reduce formula from 2/60 (3.33% per annum) to 1.2/60 (2% per annum).
- Eliminate the gratuity payment (the basic objective of an ill-health pension is not to grant a lump-sum but a steady stream of payments to guarantee a basic standard of living).

Injury Pension

- Apply formula as for invalidity pensions, or
- If the schedule is to be applied, restructure as follows:
 - a) Eliminate a life pension for impairment of less than 25%, and substitute the benefit for a grant.
 - b) Reduce the percentages by 20%.

* * * * *

Attestation

The valuation was carried out according to applicable actuarial accounting standards (IAS-19R) and our interpretation of the provisions in force. Further, the valuation was carried out utilizing actuarial and financial bases and assumptions which, in our opinion, are reasonable and offer an adequate estimate of the anticipated plan experience.

Yours sincerely,

For: Consultores Actuariales, SRL

Hernando Pérez Montás
Actuary

ANGUILLA

III

**PENSIONS CHARGED TO THE CONSOLIDATED FUND
(GOVERNMENT PENSIONS)**

ACTUARIAL VALUATION AT 31 DECEMBER 2019

14 December 2020

14 December 2020

Public Service Pension Board
The Valley, Anguilla

Attached the triennial actuarial valuation of the former non-contributory pension scheme on behalf of Public Officers. The plan was substituted by the current funded pension plan that became effective as from 1 January 2004.

As shown in the report, a key objective of the amendment has been met, by freezing the spiraling cost of the former plan and its impact on the public finances. The monthly payroll of the “closed group” of pensioners had started to decline steadily due to the mortality of retirees, offsetting gradually the cost of the current pension scheme for public officers. As from 2020, the reduction of the actuarial liabilities will be more pronounced than in the past, as the award of new pensions charged to the Consolidated Fund will be extinguished in a couple of years.

Yours sincerely,

Hernando Pérez Montás, Actuary

ANGUILLA
PENSIONS CHARGED TO THE CONSOLIDATED FUND
(GOVERNMENT PENSIONS)

ACTUARIAL VALUATION AT 31 DECEMBER 2019

1. Background

The Government-sponsored a defined benefit pension scheme on behalf of Public Officers. The scheme was non-contributory and operated on an unfunded basis.

When the new funded scheme established by the Pensions Amendments Act (2003) became operational, with an effective date of 1 January 2004, the former pension scheme became “de facto” a transitional program awarding pensions to a “closed group” of public officers, with expenses charged to the Consolidated Fund.

2. Key Objective of the Transition

The new scheme was redesigned with a pension formula and benefit provisions more in accordance with a complementary pension plan, providing additional benefits to the basic floor of protection implicit in the national Social Security Scheme. Contributions by the Government to the new plan were offset by freezing the increasing cost of the former plan, which was having a negative impact on public finances. As shown below, that key objective has been accomplished by the establishment of a funded scheme financed by bipartite contributions by public officers and the Government.

3. Pensions in Payment

The segment of pensioners financed directly from the **Consolidated Fund** increased in nominal amounts at the inception of the scheme, when those eligible to retire at age 55 had reached that age and opted for the lump-sum gratuity and a reduced pension, but he started to decline steadily as from 2010. As at 31 December 2019, the statistics provided by the Pension Fund Administrator show the following data.

Table 1
Trend of Pensions in Payment (at 31 December)
(Amounts stated in EC\$)

	2019	2016	2013	2010
Number of pensioners	164	175	178	182
Monthly payroll	508,958	516,898	506,857	6,276,336
Average pension amount	3,103	2,954	2,848	2,874

Expenses charged to the Consolidated Fund will decline steadily in real monetary values, due to the gradual mortality of pensioners, eventually declining to non-material amounts in the future, as shown below.

4. Distribution of Pensions in Payment

The distribution is as follows, with an average age of pensions in payment of 70.4 years.

Table 2
Distribution of Pensions in Payment (at 31 December 2019)

Age Distribution	Number	Amount (per month)
59 and less	16	\$47,797
60/69	70	222,186
70/79	51	163,688
80/89	25	72,406
90 and over	2	2,882
Total	164	508,958
Males	71	256,303
Females	93	252,655

5. Actuarial Liabilities

At the valuation date, the numbers of pensions in payment charged to the Consolidated Fund were as follows, as compared to the preceding valuation.

Table 3
Actuarial Liabilities of Pensions in Payment (as at 31 December)
(Consolidated Fund)

Actuarial Present Value	2019	2016
Mortality table	GAM-83	GAM-83
Discount rate ^{a/}	3%	3%
Actuarial present value (EC\$)	70,424,664	80,354,961

^{a/}Reduction due to the impact of the closure of the two local banks.

6. Sensitivities

A 1% increase or reduction in the discount rate has the following incidence on the actuarial liabilities.

Table 4

Discount Rate	Liabilities	Percent
4%	64,728,539	-8.09%
3% (basic)	70,424,664	-
2%	77,068,543	+9.43%

7. Pension Adjustments

No pension adjustments were stipulated for the former pension plan. It is also noted that the pension formula was much higher (2% per annum) than in the new scheme (1.25% per annum), as well as more liberal eligibility provisions. Any “ad hoc” adjustment to pension charged to the Consolidated Fund would be discretionary and subject to the situation of public finances.

8. Demographic Projections

The demographic projections of the closed group of pensions in payment are shown in Table 5, assuming that the number of new pensions to be charged to the Consolidated Fund would cease in a couple of years.

Table 5
Demographic Projection of Pensions Payment Consolidated Fund

Year	Number of pensioners	Annual payments (in millions of EC\$)	Actuarial Liabilities ^{a/}
2016	175	6.20	80.35
2019	164	6.15	70.42
2025	147	5.47	63.12
2030	125	4.65	53.67
2035	100	3.72	42.94
2040	70	2.60	30.06
2050	20	0.74	8.57

^{a/}At 31 December.

9. Financial Projections

As a by-product of the demographic projections, the last column of Table 5 shows a projection of pension payments. The projections show a steady decrease in pensions in payments, with non-material amounts in 30 years.

14 December 2020