2014-2015
Annual Report
Assuring a future
for the Cayman Islands Workforce

National Pensions Office
a division of the Department of Labour & Pensions
Assuring a future for the Cayman Islands workforce

DEPARTMENT OF
LABOUR & PENSIONS
CAYMAN ISLANDS GOVERNMENT
Department of Labour & Pensions

Vision

To be a valued and trusted partner in supporting excellence in employee-employer relations and compliance with labour and pensions legislation for the private sector in the Cayman Islands.

Mission

To provide through education, engagement and the enforcement of labour and pension legislation, a one-stop-shop for private sector labour and pensions services and support, delivered by competent and caring staff, operating in a prompt, fair and impartial manner and with the highest integrity.

Values

The Department of Labour & Pension ("DLP") is committed to being a Department that is:

- Professional, pro-active and ethical;
- Fair, consistent and impartial in our decision-making;
- Research and fact-driven;
- Resourced with well-trained, dedicated, honest and attentive staff; and
- Client-focused; communicates well and delivers timely and thorough services.
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FOREWORD

Chairman’s Introduction:

The National Pensions Board was able to be actively engaged in its statutory responsibilities for most of the 12 months ended 30\textsuperscript{th} June 2015, though constrained in giving due weight to each aspect because of a small number of critical issues and to certain shortages of administrative resources, as detailed in the pages that follow.

As the year advanced, the Board was pleased to see the progress being made on a number of fronts under the determined leadership of the Director, as well as the investment in additional staff resources noted later, and, therefore, we were particularly sorry to learn of his decision late in the period to resign.

The matter of resources, \textit{staffing} (numbers and competencies), \textit{technological} and \textit{legal}, mentioned in our Report for the previous year, remained a major concern of the Board. We therefore continued to make representation on these issues, particularly for the need for a competent evaluation on exactly what is required in this mix of resources in order to properly discharge the regulatory responsibilities arising from the NPL in a timely manner. We urge that this be given priority, so as not to continue to detract from the good work the staff and Director have endeavoured to produce, and because of the risk inherent in respect of the responsibilities of any regulatory body.

Certain issues in the administration of pension funds heavily occupied the ‘National Pensions Office’, and in the year under review, particularly the Director as Acting Superintendent of Pensions. Some of these were of particular concern to the Board, especially given the length of time matters can remain, and, in at least one case, have remained, unresolved. The state of compliance by employers and the timeliness of data available on this, also continue to require additional attention.

The Board was once again directly involved in the review of the National Pensions Law and related Regulations, and was pleased to engage with a number of parties working in this process. Members are keen to ensure that the statutory regime is fit for present day purpose and are supportive of changes. However, we did continue to emphasise that a particular distinction in regard to Cayman as compared to most other countries whose pensions’ regimes are often looked at, is that the NPL encompasses the total retirement
provisions for the private sector workforce in Cayman, unlike countries with basic social security, national insurance, etc. And we have also been particularly anxious to ensure that the population will be able to readily see accurate, truly comparable and full information on the relative returns of local pension funds, net of all fees, over a sufficient time cycle, to make informed decisions in choosing a pension plan.

Another caution of the Board is the necessity to ensure that the National Pensions Office will have the right expertise to provide effective regulatory oversight in whatever way in which the pensions regime evolves. We trust, therefore, that this work will continue and necessary amendments will be finalised and implemented.

The Board is pleased to have been able to serve the Government in this way and wishes to record its thanks to the Hon. Minister and the Ministry for the assistance provided and to the Director and the Staff of the ‘National Pensions Office’ for their work and support.

Mr. Bryan Bothwell, MBE, ACIB (Trustee)
Chairman, National Pensions Board
Executive Summary:

The 2014-15 Fiscal Year of the National Pensions Office (NPO) was heavily occupied with strategies and related approved activities to rectify a host of long-standing (“legacy”) issues, as can be seen from some of the Enforcement statistics in the Report – in Figure 6 and elsewhere.

The key amongst these were the following:

- Meticulous follow-up on Delinquencies and Arrears by Employers, which involved written correspondence, telephone follow-up and conversations, and face-to-face meetings, seeking to collect any monies owing to employees under the National Pensions Law (whether deducted from the employees or not);
- Devising strategies to comply with the Report of the Office of the Complaints Commissioner, from her Own Motion Investigation, and this involved seeking to establish a “culture of compliance” through various methods including effective inter-agency cooperation and intelligence sharing;
- Where Arrears or Delinquencies disputes remained unsettled after attempts by the NPO staff to negotiate immediate or payment-schedule recoveries for the employees, cases were prepared for prosecution through the Office of the Director of Public Prosecutions;
- As one of the MEPP (Multi-Employer Pension Plans), namely BAF Guaranteed Pension Plan, was under a Cease & Desist Order (barring new business) by the Superintendent, a significant amount of time was taken during the year to resolve this, and to set that MEPP on a sound regulatory and compliance platform. This remained ongoing at the end of this fiscal year.

During the year my team at the NPO and the Department of Labour & Pensions (DLP) also sought to work diligently on the effective deployment and training of staff, especially in view of the Pay & Hiring Freeze within the C.I. Government, which had been in effect prior to 2012. Other institutional and stakeholders’ relationships strengthening which took place involved the hard-working Chairman and most members of the National Pensions Board (NPB), in fostering compliance relationships with other industry partners and stakeholders. One such crucial partner with whom we were developing a great working relationship during this time is the CFA (Certified Financial Analysts) Society of the Cayman Islands. From this relationship we were able to offer a number of public/industry
awareness out-reaches, and also a generous offer by the CFA Society of financial assistance (Bursary) to NPO/DLP employees for competency training on Investment Principles.

Since this is my final summary overview as (Acting) Superintendent of Pensions, I wish to offer a few points and recommendations, as follows:

- The new legislative package, comprising comprehensive revisions to the National Pensions Law and Regulations, which were the subject of Islands-wide public consultation in 2015, should be pursued and enacted as a matter of priority;
- The NPO in its recruitment efforts should focus not only on individuals with law enforcement experience, but also talent with investment/finance, accounting/audit, and Law/legal administration acumen and experience;
- The NPO should maintain its momentum of robust enforcement monitoring and prosecutions, in support of the “culture of compliance”, but also equally focus on preventing non-compliance through public education and moral-suasion by using illustrations to show a clear and positive national business case for proper long-range retirement planning;
- The NPO and NPB must continue to actively advocate (and agitate) for increased investment in the NPO to fulfill its needs, as the sole Regulator of private sector pensions in the Cayman Islands. Key amongst these needs is better IT assets and infrastructure, including a reliable and modern Case Management System;
- It is critical that the NPO expands it depth and scope of influence by building networks of improved cooperation, including leveraging its relationship and synergies with the C. I. Monetary Authority and the Public Service Pensions Board.

It has been an honour for me to serve as Director of the DLP, and at the same time as Acting Superintendent of Pensions (a dual role which seems insurmountable at times), and to help establish the new Department and lead a new and dynamic integrated team. I thank God for giving me the strength and wisdom to perform my duties and to be a faithful guardian of over US$1 Billion in Assets that belong to current and future retirees in these Islands.
I also thank him for being merciful to me and giving me the grace and humility to perform as a consistent “Servant Leader”. Much has been accomplished in a relatively short time, but the road ahead is still long with much to be done. I remain encouraged, and I believe that the NPO team is as well, by the words of the Poet Robert Frost who said in one of his famous pieces (in part), “…But I have promises to keep....And miles to go before I sleep....And miles to go before I sleep”.

Sincerely,

Mr. Mario E. Ebanks, MBA
Chief Administrative Officer & Acting Superintendent of Pensions (Dec 2012 – June 2015)
National Pensions Office
INTRODUCTION

In accordance to Section 85(1) of the National Pensions Law (2012 Revision), the 2014-15 Annual Report provides an overview of the regulatory, structure, governance and composition of the Board and the National Pensions Office (“NPO” or “Office”), with the objective of delivering the vision of the Department of Labour and Pensions:

“To be a valued and trusted partner in supporting excellence in employee-employer relations and compliance with labour and pensions legislation for the private sector in the Cayman Islands.”

This report aims to provide an outline of the administration of the National Pensions Law (2012 Revision) & Regulations. The registration, growth, value and types of private sector pension plans registered through the National Pensions Office will be discussed.

This report illustrates pertinent information relating to pension compliance and enforcement, particularly as it relates to Employers and Pension Plan Administrators. Reference to Appeals filed with the Board and the Superintendent of Pensions will be reviewed, and the enforcement on Employers and Pension Plan Administrators will be examined.

The importance of pension awareness, development and training will be reported and an outline of the various training sessions that were delivered during the course of this fiscal year will also be showcased. A report on the development of pension programmes in conjunction with the Office will be also presented.

An overall view of specific updates and recommendations made to the Ministry of Education, Employment and Gender Affairs (“MEEGA” or “Ministry”) will be presented in an effort to meet the strategic objectives of the Board and Office respectively.

While Section 84 of the National Pensions Law (2012 Revision) requires the Auditor General to examine annual accounts and financial transactions of the Superintendent and the Board, the Board is not vested with any authority in respect of funds or accounts and consequently is not involved in these matters. The accounts and financial transactions of the Superintendent (NPO) are examined as part of the Auditor General’s annual audit of the Department of Labour & Pensions.
BACKGROUND: REGULATORY STRUCTURE AND GOVERNANCE

National Pensions Board

Section 78 of the National Pensions Law (2012 Revision) (the “Law”) stipulates the composition of the National Pensions Board.

The structure of the Board consists of a Chairman, a Deputy Chairman, and between five (5) to nine (9) additional members. The Superintendent of Pensions serves as the Chief Administrative Officer of the Board.

The term for each Board member is for a period of years as in the letter of the appointment of the Member as Gazetted, and its duties, responsibilities and powers are laid out in Section 80 of the Law. The duties and responsibilities of the Board include:

- To administer the Law and Regulations;
- To promote the establishment, extension and improvement of pension plans throughout the Islands;
- To advise the Minister in respect of the business of the Board; and
- To make recommendations to the Minister in respect of pension plans.

COMPOSITION OF THE BOARD

In observance with staggered appointment terms to ensure the Board’s continuity, the composition of the Board during the fiscal year is as follows:

Table 1: Composition of the Board

<table>
<thead>
<tr>
<th>NAME</th>
<th>POSITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Bryan Bothwell</td>
<td>Chairman</td>
</tr>
<tr>
<td>Mr. Sean Glidden</td>
<td>Deputy Chairman</td>
</tr>
<tr>
<td>Mrs. Phillippa McFarlane Ebanks</td>
<td>Member</td>
</tr>
<tr>
<td>Mr. Billy Adam</td>
<td>Member</td>
</tr>
<tr>
<td>Mr. John Pitcair</td>
<td>Member</td>
</tr>
<tr>
<td>Mr. Balan Murugesu</td>
<td>Member</td>
</tr>
<tr>
<td>Mr. Stephen Price</td>
<td>Member</td>
</tr>
<tr>
<td>Mr. Mario Ebanks</td>
<td>Chief Administrative Officer (resigned June 2015)</td>
</tr>
<tr>
<td>Ms. Dorcas Watson</td>
<td>Recording Secretary</td>
</tr>
</tbody>
</table>
ORGANISATIONAL STRUCTURE

The organisational chart of the National Pensions Office ("NPO") as of 30 June 2015 is as follows:

Figure 1: The Organisational Chart of the National Pensions Office

Notes:
* The Ministry refers to the Ministry of Education, Employment and Gender Affairs ("MEEGA").
** Admin Asst refers to Administrative Assistant.
*** Pension Inspector refers to the positions of Senior Pensions Officers

Source: National Pensions Board
BOARD MEETINGS

During the 2014-15 financial year, members of the National Pensions Board (the “Board”) held strategic board meetings, aimed at discussing specific subjects on the amendments to the National Pensions Law & Regulations, the enforcement on non-compliance pension matters, and the need to implement inter-agency/inter-ministerial collaboration.

The Board also conducted strategic planning sessions to discuss its ongoing concerns, as it pertains to pensions. The schedule of all Board meetings for this fiscal period is as follows:

Table 2: Scheduled Board Meetings

<table>
<thead>
<tr>
<th>DATES</th>
<th>PURPOSE OF MEETING</th>
<th>ESTIMATED PERCENTAGE IN ATTENDANCE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3rd July 2014</td>
<td>Board Strategic Meeting</td>
<td>63%</td>
</tr>
<tr>
<td>18th September 2014</td>
<td>Board Strategic Meeting</td>
<td>73%</td>
</tr>
<tr>
<td>16th October 2014</td>
<td>Board Strategic Meeting</td>
<td>63%</td>
</tr>
<tr>
<td>20th November 2014</td>
<td>Board Strategic Meeting</td>
<td>55%</td>
</tr>
<tr>
<td>16th December 2014</td>
<td>Board Meeting with the Honourable Minister Tara Rivers, Chief Officer Mr. Christen Suckoo, Acting Deputy Chief Officer Ms. Tammy Ebanks</td>
<td>82%</td>
</tr>
<tr>
<td>18th March 2015</td>
<td>Board Strategic Meeting</td>
<td>55%</td>
</tr>
</tbody>
</table>

Note: Percentage of National Pensions Board members in attendance. Percentages were rounded to the nearest percentage.
NATIONAL PENSIONS OFFICE

In conjunction with the National Pensions Board ("NPB"), the National Pensions Office ("NPO" or "Office") functions as the regulatory body designed to oversee and regulate the registered private sector pension plans in the Cayman Islands.

The ultimate goal of this Office, as an independent unit within a department of the Cayman Islands Government, is to promote pension compliance and regulation. It is also responsible for meeting service delivery standards and addressing evolving needs, while being mindful of legitimate interests of employees, employers, legislators, beneficiaries, and Pension Plan Administrators respectively.

As a regulatory body of the Cayman Islands Government, this Office aims to carry out its regulatory responsibilities, including the oversight of the Pension Plan Administrators. It investigates, enforces and recommends cases for non-compliance against employers in breach of the National Pensions Law (2012 Revision) to the Director of Public Prosecutions to commence legal proceedings in Summary Court. Other responsibilities also include administering specific pension-driven programmes while educating the general public on the importance of the compliance of the Law and Regulations in respect to pensions.

The Office is located on the 2nd Floor of Midtown Plaza on Elgin Avenue, Grand Cayman, Cayman Islands. The contact details for the Office are: Tel: (345) 945-8960, Fax: (345) 945-8961, Email: npo@gov.ky and Website: www.npo.gov.ky.

STAFFING LEVELS

Over the recent year, the staffing levels of the Office increased slightly. For the first time ever, eight (8) staff members comprised of the total staff complement within the Office. There were five (5) Senior Pensions Officers and three (3) Administrative staff, inclusive of the Superintendent of Pensions.

As recorded in previous reports, the Superintendent of Pensions was seconded to the Ministry of Education, Employment and Gender Affairs (formerly Ministry of Education, Training and Employment) to complete a host of special projects, including the coordination of the National Pensions Law (Amendment) Bill, the Regulations reviews and the pending National Pension Board Annual Reports for prior years.
While this transition was made, Mr. Mario Ebanks served in dual roles as the Director of the Department of Labour & Pensions (Director) and the Acting Superintendent of Pensions (ASOP). In his capacity as ASOP, Mr. Ebanks provided exemplary leadership required to meet the strategic objectives of the Office. He spearheaded major undertakings to improve the public awareness and education initiatives, as well as partnered with other agencies within the Cayman Islands Government to create a ‘culture of compliance’, particularly to gain greater oversight over the regulations of the pension regime for the Pension Plan Administrators.

**Staffing Levels & Vacancy Comparisons**

As indicated in Table 3, the data represents the staffing levels and vacancies recorded for the period of June 2008 – June 2015. A detailed breakdown of the number of full-time Pension Inspectors and other full-time Administrative personnel compared to the staff vacancies as recorded is presented in detail below.

**Table 3: Staffing Level & Vacancy Comparisons**

<table>
<thead>
<tr>
<th>YEAR END</th>
<th>FULL-TIME PENSION INSPECTORS</th>
<th>OTHER FULL-TIME POSITIONS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FULL-TIME POSITIONS FILLED</td>
<td>FULL-TIME VACANCIES</td>
<td>TOTAL</td>
</tr>
<tr>
<td>June 2008</td>
<td>3</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>June 2009</td>
<td>3</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>June 2010</td>
<td>3</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>June 2011</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>June 2012</td>
<td>4</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>June 2013</td>
<td>4</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>June 2014</td>
<td>4</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>June 2015</td>
<td>5</td>
<td>0</td>
<td>8</td>
</tr>
</tbody>
</table>

*Note: Excludes the tracking of temporary staff members*

Records indicate that the Office hired an additional Pensions Inspector during the 2014-15 fiscal year, which led to a total staff complement of eight (8) as indicated earlier. No staff vacancies were recorded during this same timeframe.
Following the moratorium on hiring full-time staff, the approval to grant employment of temporary Senior Pensions Officers for a three-month period with the option to extend for another three-month timeframe still applies. These approvals were granted by the Office with the support and consent of the Ministry of Education, Employment and Gender Affairs, and the approval of the Deputy Governor and the Moratorium Exemption Committee.

**Recommended Staffing Levels**

Mr. Mario Ebanks, the Director and the Acting Superintendent of Pensions, confirmed that in order to meet anticipated demand for services provided through the Office, six (6) Senior Pensions Officers, another Administrative Assistant and the filling of the Superintendent of Pensions (on secondment) post were required.

The ongoing challenge of the staff recruitment moratorium established within the Cayman Islands Government played a major role in its ability to attract and recruit additional staff. With the support of the Ministry, the Deputy Governor and other respective civil servants continued to review the appeal for additional staff and granted approval in the interim to recruit temporary Senior Pension Officers for special projects as previously indicated.
ADMINISTRATION OF THE LAW AND REGULATIONS

National Pensions Law Update

In partnership with the Ministry and the Board, continuous efforts were made to review the National Pensions Law (2012 Revision) & Regulations. The goal was aimed with the view to put forward the amendments to the National Pensions Bill & Regulations to the Legislative Assembly for passage of the legislation and see it materialize before the end of the fiscal year.

Superintendent of Pensions Update

The implementation of the necessary revisions to the National Pensions Law & Regulations to establish a sound framework to further enhance the pensions regime was ongoing through joint efforts with the support of the Ministry and the Board.

The Director reported that during the 2014-15 fiscal year, the Office deployed Temporary Senior Pensions Officers to conduct a site-based and paper-based supervisory review of the registered pension plans for which the Office is responsible. This compliance audit followed a risk-based approach, using a comprehensive checklist and other methodologies which tested the Pension Plan Administrators (“PPAs) compliance with the National Pensions Law and Regulations, as well as tested compliance with the Pension Plan’s own corporate instruments, primarily the Trust Deed for example. This was an exercise which should be done at least every two (2) years.

During the past year, the Office and the Board expanded the scope of the compliance and public education networking by working closer with the various Auditors of Pension Plans, fostering relationships and monitoring the performance of the official Investment Managers/Advisors.

Together, both attended the AGM’s and other relevant meetings of the PPAs. An important piece of work also commenced, with the CFA Society and other technical advisors, on coming up with a methodology to introduce a “standardized investment performance reporting protocol” for all pension plans, so that members can clearly understand and can compare the performance of the various Plans. This remained a work in progress as at June 2015. The Office sustained and intensified its efforts at public and employees’ education in regard to the long-term importance of proper retirement planning.
Investment Regulations Update

Compliance Report

Following the recommendations provided by Morneau Shepell, one of Canada’s leading consulting firms that authored the “Recommendations on the Revision of the National Pensions (Pensions Fund Investments) Regulation (1998 Revision) Report”, the Office, in partnership with the Board and the Ministry, continue to enforce the law to ensure that all Pension Plan Administrators remained in compliance and executed proactive steps to address the incidents of non-compliance matters.

Registrations

Categories of Registered Pension Plans

The records indicate that there are seventeen (17) pension plans registered and approved by the National Pensions Office. Of the total, there are six (6) multi-employer pension plans, and eleven (11) single-employer pension plans that are categorized under the type of pension plans, as illustrated below.

Table 4: Multi-Employer Pension Plans

The six (6) Multi-Employer Pension Plans registered at the National Pensions Office are:

<table>
<thead>
<tr>
<th>MULTI-EMPLOYER PENSION PLANS</th>
<th>TYPE OF PENSION PLANS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silver Thatch Pension Plan</td>
<td>Defined Contribution Plan</td>
</tr>
<tr>
<td>Cayman Islands Chamber of Commerce Pension Plan</td>
<td>Defined Contribution Plan</td>
</tr>
<tr>
<td>BAF Guaranteed Pension Plan</td>
<td>Defined Contribution Plan</td>
</tr>
<tr>
<td>The Cayman National Pension Plan</td>
<td>Defined Contribution Plan</td>
</tr>
<tr>
<td>British Caymanian / Colonial Pension Plan</td>
<td>Defined Contribution Plan</td>
</tr>
<tr>
<td>The Fidelity Pension Plan</td>
<td>Defined Contribution Plan</td>
</tr>
</tbody>
</table>
Table 5: Single-Employer Pension Plans

The eleven (11) Single-Employer Pension Plans registered at the office are as follows:

<table>
<thead>
<tr>
<th>SINGLE-EMPLOYER PENSION PLANS</th>
<th>TYPE OF PENSION PLANS</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Caribbean International Bank Limited Pension Plan – Cayman</td>
<td>Defined Contribution Plan</td>
</tr>
<tr>
<td>McCormick Pension Plan Inc., Pension Plan</td>
<td>Defined Benefit Plan</td>
</tr>
<tr>
<td>Merrill Lynch Third Country National Pension Plan</td>
<td>Defined Benefit Plan</td>
</tr>
<tr>
<td>Scotiabank Pension Plan</td>
<td>Defined Benefit Plan</td>
</tr>
<tr>
<td>The Barclays Bank Cayman Islands Retirement Plan</td>
<td>Defined Contribution Plan</td>
</tr>
<tr>
<td>Cable &amp; Wireless International Retirement Benefits Plan</td>
<td>Defined Contribution Plan</td>
</tr>
<tr>
<td>Jacques Scott Pension Plan</td>
<td>Defined Contribution Plan</td>
</tr>
<tr>
<td>The Mighty Oaks Pension Plan</td>
<td>Defined Contribution Plan</td>
</tr>
<tr>
<td>Schroder Cayman Retirement Benefits Scheme</td>
<td>Defined Contribution Plan</td>
</tr>
<tr>
<td>Wyvern Retirement Trust</td>
<td>Defined Contribution Plan</td>
</tr>
<tr>
<td>CIBC International Pension Plan</td>
<td>Defined Benefit Plan</td>
</tr>
</tbody>
</table>
Annual Registration Renewals

Nearly 80.0 percent of the applications for renewals of annual registrations during the year were received on time, as illustrated in Figure 2 and Table 6 below.

Figure 2: Pension Plans by Annual Registrations for the 2014-15 Fiscal Year End

![Pie chart showing 23.5% received late and 76.5% received on time]

Table 6: Registration Renewals as of June 2014 and June 2015

<table>
<thead>
<tr>
<th>Pension Plan by Registration Category</th>
<th>2013-14 Fiscal Year</th>
<th>2014-15 Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Registrations</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Registration Renewals:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Received on Time</td>
<td>88.2</td>
<td>76.5</td>
</tr>
<tr>
<td>Received Late</td>
<td>0.0</td>
<td>23.5</td>
</tr>
<tr>
<td>Winding Up of Registrations</td>
<td>5.9</td>
<td>0.0</td>
</tr>
<tr>
<td>Termination of Registrations</td>
<td>5.9</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total Percentage (%)</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
**Growth & Value of Pension Plan Assets**

As illustrated in Figure 3, the records indicate that the total estimated assets under management ("AUM") in the underlying pension funds valued increased by 6.3 percent over the previous year to CI$ 1.084 billion by the 2014-15 fiscal year end.

Given that the fiscal year end varies for each registered pension plan, the total average was used to calculate the total estimated pension AUM for the 2014-15 fiscal year end, of which, five (5) international pension plans were excluded from this calculation due to the fact that these plans provide pensions for employees of an employer or a group of affiliated employers in more than one country.

**Figure 3: The Value of Assets under Management**

![Graph showing the value of assets under management for 2014 and 2015.]

- **2014**: CI$ 1,019,422,105.08
- **2015**: CI$ 1,083,725,594.42

Value of Assets Under Management (KYD$)
Enrollment of Pension Plan Members

The total estimated number of members as reported by the registered pension plans grew from 52,764 members by 6.3 percent to 56,063 by the 2014-15 fiscal year end.

The aforementioned five (5) International pension plans were excluded from the data calculations. Therefore, the results are based on twelve (12) pension plans – the same as in the previous report.

Figure 4: Number of Members in Registered Pension Plans
Pension Plan Type & Contribution In & Distributions

The Annual Movements of Pension Contributions v. Distributions

The illustrative graph (Figure 5) reveals the estimated pension contributions, including any pension transfers that were remitted into the private sector pension plans, and the estimated benefits distributed from the pension plans throughout the 2014-15 fiscal period. The aforementioned international pension plans were excluded from this calculation as previously stated.

The records indicate that the total pension contributions of CI$111.7 million (up from CI$91.9 million in the prior year) was remitted into the registered pension plans in the 2014-15 fiscal year compared to the total pension distributions of CI$56.7 million (down from CI$57.0 million in the prior year) dispersed to members / beneficiaries in the year. Therefore, the value of continuing contributions to registered pension plans exceeded distributions by CI$55.0 million in the 2014-15 fiscal year compared to CI$ 34.9 million in the previous year.

Figure 5: Annual Movement of Pension Contributions v. Distributions

![Chart showing pension contributions and distributions](image)
Consolidated Statistical Information on Pension Plans

The results in Table 7 illustrate the key performance indicators for the pensions regime, which include the value of assets under management, the number of members enrolled, as well as contributions received and funds distributed.

Through data analysis, the records indicate that the number of members enrolled into the registered pension plans jumped by 6.3 percent to 56,063 members by the end of the 2014-15 fiscal year.

The results further illustrated that while the contributions remitted into the pension plans jumped by 21.6 percent to CI$111.7 million, the pension distributions declined by 0.5 percent to CI$56.7 million as compared to prior year.

Table 7: Consolidated Statistical Information on Pension Plans

<table>
<thead>
<tr>
<th>Fiscal Year End</th>
<th>Value of Assets Under Management (CI$)</th>
<th>Number of Members</th>
<th>Contributions In (CI$)</th>
<th>Distributions (CI$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>758,981,176.62</td>
<td>50,447</td>
<td>84,120,856.79</td>
<td>(52,141,487.03)</td>
</tr>
<tr>
<td>2013</td>
<td>866,370,244.54</td>
<td>49,979</td>
<td>96,052,192.64</td>
<td>(55,830,748.15)</td>
</tr>
<tr>
<td>2014</td>
<td>1,019,422,105.08</td>
<td>52,764</td>
<td>91,891,816.63</td>
<td>(57,041,469.93)</td>
</tr>
<tr>
<td>2015</td>
<td>1,083,725,594.42</td>
<td>56,063</td>
<td>111,744,320.38</td>
<td>(56,727,389.88)</td>
</tr>
</tbody>
</table>
Compliance, Enforcement, Complaints & Appeals

The National Pensions Office (Office) received Appeals from members of the general public that were impacted by decisions made by the Superintendent of Pensions during the fiscal year. These were submitted to the Cayman Islands Government’s Legal Department for legal advice and counsel.

Ongoing Appeal:

The records indicate that an Appeal was filed with the National Pensions Board by a well-established company against the Director and Acting Superintendent of Pensions Mr. Mario Ebanks for refusing to approve the registration of a new pension plan.

The reason for denying the application to register a new pension plan was due to the non-compliance of the National Pensions Law (2012 Revision) and Regulations; and therefore, the request made by the company was denied. As a result, a formal complaint was made by the company, which was brought before the Appeal Panel of the National Pensions Board. However, a decision was made by the Tribunal to uphold the ruling made by the Superintendent of Pensions for this particular appeal.

Actuarial Reviews:

The Director and Acting Superintendent of Pensions Mr. Mario Ebanks ordered each Pension Plan Administrator to complete an Actuarial Valuation Report in respect to Defined Contribution Plans to fulfill the obligations as outlined in the relevant sections of the Law and Regulations. This order made by the Director and Acting Superintendent of Pensions required for all PPAs to investigate the financial condition of their pension plans, with particular focus on the funding levels and the required employer contribution rate.

Of the total sixteen (16) Actuarial Valuation Summary Reports received as at 6 June 2014, there were two (2) reports from the Pension Plan Administrators that did not include any replacement ratios and that failed to report accurate information.

However, based on the reports received, the general consensus from these reports is that a 60% replacement ratio is unattainable at a 5% Employer and 5% Employee match. Only a few plans reported a higher contribution rate for the employer. Thus, the vast majority contributed at this same percentage match. Therefore, amendments to the National Pensions Law to increase the contribution rate and the normal retirement age were required as confirmed by the Mercer Human Resource Consulting (2007).
Evidence of Compliance Proposed for Trade & Business Licensing

In accordance to the amendments of the Draft Bill for the Trade & Business Licensing Law, the Office partnered with the Department of Commerce and Investment (DCI), and other inter-ministerial agencies to develop the Certificate of Compliance programme.

The key provisions within the Draft Bill was aimed to introduce and enforce the new requirement that applicants for grants and renewals of Trade and Business Licenses would be required to submit evidence of compliance as mandated under the applicable laws and regulations that relate to pensions and health insurance.

Through joint efforts by the Board, DCI, and the Health Insurance Commission (HIC), the Office discussed the revisions to be made to the form, which would help to increase the awareness of the culture of compliance in the supervision and regulation of private sector pensions and health insurance institutions.

National Pensions Office Developments – Administrative & Operational Matters

The Office identified the following critical projects that transpired throughout the fiscal year and these included:

Backlogged Cases

The records indicated that there were minor changes in the number of backlogged cases investigated during the 2014-15 fiscal year.

Due to the lean staff complement, intensification of enforcement and the rise in the number of new investigations inclusive of Delinquency cases, the number of backlogged cases remained the same. The need to review processes and the demand for additional staffing are required in an effort to address this ongoing concern. An update will be captured in the next report.

Interest Calculator

The senior officers in the Pensions Investigations Unit have been actively using an Excel software application to calculate outstanding pension contributions with accrued interest. However, the Office is pleased to report that a vendor was sought through a request for proposal process and the new software application was purchased.
This electronic platform aimed to calculate pension contributions quicker and easier is currently being tested by the officers in this unit. The Office is confident that a viable solution such as this advanced application would better assist our valued clients.

*Distributions:*

The records indicate that there were a total of four hundred and ninety-seven (497) Distributions processed by the National Pensions Office, which are governed in accordance with the provisions of Sections 34 and 53 of the National Pensions Law (2012 Revision).

**Table 8. Distributions Table**

<table>
<thead>
<tr>
<th>Distributions Table</th>
<th>Total Applications Processed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Retirement Savings Arrangements (RSAs)</td>
<td></td>
</tr>
<tr>
<td>1.1. At Normal Retirement Age</td>
<td>181</td>
</tr>
<tr>
<td>1.2. Upon Early Retirement</td>
<td>193</td>
</tr>
<tr>
<td>Total RSAs</td>
<td>374</td>
</tr>
<tr>
<td>2. Early Disbursements</td>
<td>26</td>
</tr>
<tr>
<td>3. Early Disbursement on Medical Grounds</td>
<td>24</td>
</tr>
<tr>
<td>4. Refunds</td>
<td>50</td>
</tr>
<tr>
<td>5. As Death Benefits</td>
<td>15</td>
</tr>
<tr>
<td>6. Transfers Overseas</td>
<td>7</td>
</tr>
<tr>
<td>7. By Court Order</td>
<td>1</td>
</tr>
<tr>
<td>Total Distributions</td>
<td>123</td>
</tr>
<tr>
<td>Total RSAs and Distributions</td>
<td>497</td>
</tr>
</tbody>
</table>

While it is too early to draw conclusions, the high number of early retirement RSA applications (relative to normal retirement-age cases) in these initial statistics might suggest that these need to be watched in future years to see how these matters develop as time goes on.
Enforcement Updates

Embezzlement of Pension Funds

The close monitoring of the matter involving the embezzlement of pension funds committed by one of the Pension Plan Administrator’s personnel remains under a comprehensive investigation.

It was confirmed however that the majority of pension funds that had been embezzled from the investment portfolios of its valued clients was recovered and a number of remedies, including a Fiduciary Performance & Operational Integrity Review was executed.

Following this incident, the assurance of proper controls and procedures were established at this particular pension plan as well as all of the other plans aimed at helping to prevent a re-occurrence of this incident in the future. The matter remains unresolved and continues to be an ongoing pension matter.

Cease and Desist (C&D) Order

Through partnership with the Cayman Islands Monetary Authority (“CIMA”) and the National Pensions Board, the Director and Acting Superintendent of Pensions, Mr. Mario Ebanks, sent separate directive letters to the pension plan that failed to maintain full compliance in accordance with the National Pensions Law (the “Law”).

The Morneau Shepell’s recommendations on the Revision of the National Pensions (Pensions Fund Investments) Regulation Report identified a number of compliance irregularities and breaches of the Law that a pension plan ignored. As a result, the Cease and Desist Order that was laid by the Director and Acting Superintendent of Pensions on one of the Multiple Employer Pension Plans. This prevented the pension plan (BAF) from soliciting and registering new pension clients until it was brought into strict compliance with the Law & Regulations.

Own Motion Investigation

In response to the recommendations published in the Office of the Complaints Commissioner (“OCC”) report, the National Pensions Board and the National Pensions Office in conjunction with the Ministry presented progress reports during the course of the 2014-15 fiscal year. All parties involved continued to work closely towards resolving any challenges that failed to comply with the applicable law and regulations. Further updates will be published in the next report.
Enforcement on Employers of Plans

The illustration as shown in Figure 6 provides the number of new complaints that were filed with the National Pensions Office and the number of complaints that were resolved over the last seven (7) years since 2008-09 fiscal year.

In the 2014-15 fiscal year, the results show that the number of new and resolved cases reached normal activity levels with 170 and 136 cases respectively. However, the results further indicated that in prior years there was a huge spike in the number of new cases inclusive of Delinquency cases recorded in the 2012-13 fiscal year, which led the Office to re-activate the Delinquency enforcement programme.

Following this initiative, there was a significant jump to over 700 resolved cases recorded in the 2013-14 fiscal year. This is an impressive outcome as a result of this programme, which clearly shows that the backlogged complaints recorded from previous periods were being investigated and resolved, for the benefit of the employees. Enforcement included arranging viable payment plans, or proceeding to prosecutions.

Figure 6: Enforcement on Employers of Plans

![Enforcement on Employers of Pension Plans](Image)
Supervision of Administrators

Update on Delinquencies

During the 2014-15 fiscal year, the records indicate that the estimated total owed by employers to employees across all pension plans had been reduced from CI$12.3 million to CI$9.6 million dollars, a cash difference of 2.7 million dollars recovered from non-compliant employers.

Although a significant amount of delinquencies have been recovered, there still remains a large amount of delinquencies owed. However, the office has been executing corrective measures to ensure that employers comply with the National Pensions Law and that monies owed are repaid with immediate effect in order to avoid compounding interest on these arrears.

Delinquency letters were dispatched to employers, instructing them of their failure to comply in accordance with the National Pensions Law. Employers were informed of their outstanding arrears and were advised to pay their arrears in full or via payment plan agreements to avoid legal proceedings against them in Summary Court. Registered pension plans have been contacting employers to advise them of their arrears and have been working with the aim to reduce outstanding balances owed to the members of the pension plans.

This Office continues to address this pressing issue to reclaim unpaid pensions for the valued members enrolled in private sector pension plans expeditiously. Further details relating to this national financial concern will be provided in the next report.
PENSION AWARENESS, DEVELOPMENT AND TRAINING

Awareness and Promotion of Pensions throughout the Islands

In association with the Ministry of Education, Employment and Gender Affairs and the National Pensions Board, the National Pensions Office (“Office”) attended a series of public awareness and promotion of pension education through various locations including:

- The Panel
- Rooster X-Talk
- DayBreak
- Talk Today
- Workplace Excellence Clinics – Radio Cayman

Through public appearances, the Office also attended public awareness sessions held with the Cayman Islands Society of Human Resources Professionals (CISHRP) and the Jamaican Consulate.

Its partnership with the University College of the Cayman Islands to further educate the student populace about the pension regime remains a top priority, and through a strategic partnership with the Chartered Financial Analyst (“CFA”) Institute, the Office also organized a Pensions and Investment training programme for its staff, and Pension Plan Administrators at an off-site location.
Development of Pensions Programmes

In an effort to streamline the internal procedures and policies, improve regular communications and resolve ongoing operational challenges as it relates to pension matters, the following topics remain as top priorities for the Office:

- Interest Calculator
- Delinquency Reporting
- Property Housing Withdrawal Programme
- Amendments of the National Pensions Law
- Advertising / Public Relations of Pension Plans
- Policy on Application of Payment of Contributions
- Governance, including Offsite and Onsite Inspections
- Registrations and Renewals of Pension Plan Members
- Enforcement / Prosecution of long-standing Delinquencies
- Rules and providers governing Annuities as Retirement options
- Procedures & Schedule for the Retirement Savings Arrangements (“RSA”)

These relationship-building activities are aimed at receiving engaging, interactive, and invaluable feedback from the Pension Plan Administrators. It serves to help the Office gain a greater understanding of the legal and operational ramifications faced by each MEPP and the respective private sector pension plan members.

These meetings serve as the beginning of improving the pension framework, including the enhancement of the National Pensions Law & Regulations. Subsequent meetings will be scheduled at a time agreed by all.
Training of NPO Staff, Administrators of Plans and Employers

Training and development sessions to fulfill the duties and responsibilities of Pension Inspectors were conducted throughout the fiscal year.

Through partnerships with local and overseas trainers and professional associations, the Office scheduled training for its staff, as well as to employers and Pension Plan Administrators. A snapshot of these training courses included:

**Table 9: Staff Training & Development Sessions**

<table>
<thead>
<tr>
<th>DATES</th>
<th>TITLES</th>
<th>LOCATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 2015</td>
<td>CLARITAS Seminar CFA Institute</td>
<td><a href="http://www.cfainstitute.org">www.cfainstitute.org</a></td>
</tr>
<tr>
<td>March 2015</td>
<td>Pensions Basics: Culture of Compliance (Inter-agency Cooperation)</td>
<td>Government Administration Building</td>
</tr>
<tr>
<td>April 2015</td>
<td>Pensions Governance Small Business Expo for Employers</td>
<td>University College of the Cayman Islands</td>
</tr>
<tr>
<td></td>
<td>Pensions Governance / Ethical Training CFA Institute for Staff &amp; Pension Plans</td>
<td>Elizabethan Square</td>
</tr>
<tr>
<td>May 2015</td>
<td>Putting Investors First CFA Society</td>
<td>Marriott Grand Cayman Resort</td>
</tr>
<tr>
<td>June 2015</td>
<td>Regulatory Affairs Training</td>
<td>University College of the Cayman Islands</td>
</tr>
<tr>
<td>September 2015</td>
<td>Critical Conversations Made Easy</td>
<td>NWDA Conference Room</td>
</tr>
<tr>
<td>October 2015</td>
<td>Pensions Regulatory Training</td>
<td>The Financial Services Commission, Canada</td>
</tr>
</tbody>
</table>
Pension programmes updates

The Governmental inter-agency working group comprising of the Office, the Department of Commerce and Investment, and the Health Insurance Commission aims to identify and enforce incidents of non-compliance amongst delinquent employers.

The group also envisioned that several advantages will come into fruition:

- Fostering stronger and closer working relationships;
- Improving communication; and
- Proactively identifying non-compliance against employers in respect to pensions, health coverage, work permits, and business registration and licensing.

Other critical areas as mandated under applicable laws and regulations will be addressed by the group in an effort to further promote the culture of compliance.
UPDATES & RECOMMENDATIONS TO THE MINISTRY

Updates on matters relating to the Ministry

In conjunction with the National Pensions Board and the Ministry of Education, Employment and Gender Affairs (the “Ministry”), the National Pensions Office were in agreement that certain provisions as mandated under the National Pensions Law (2012 Revision) required immediate amendments.

In keeping in line with the recommendations provided by Morneau Shepell, the 2007 Mercer Report and the Office of Complaints Commissioner, an extensive exercise to also revamp the General Regulations and the Investment Regulations required urgent action. This had proven to be even more critical as time passed and efforts by all parties involved were required to the pension regime.

Recommendations and advice to the Ministry

In an effort to effectively achieve the strategic goals of the National Pensions Office, these recommendations were presented to the Ministry:

- Increase staffing levels to improve pension compliance, supervision and governance;
- Amend the National Pensions Law & Regulations to improve the pensions regime;
- Address the incidents of non-compliance amongst the Pension Plan Administrators as reported by Morneau Shepell; and
- In conjunction with the National Pensions Board and the Ministry, establish an inter-agency collaboration with Immigration, Health, General Registry and the Department of Commerce and Investment to enforce the powers as stated under the applicable laws.

In conjunction with the Ministry, the Office aims to address these critical concerns, including making plans to revise pensions legislation and strengthen its financial framework.
ACKNOWLEDGEMENT

On behalf of the National Pensions Office, a special thank you is extended to the following:

- Morneau Shepell and the Office of the Complaints Commissioner for publishing their reports,
- Government Information Systems Unit of the Cayman Islands Government for designing the front cover of this report.
- Health Insurance Commission, Immigration, Department of Commerce and Investment.
- The Panel, Rooster, Day Break, Talk Today, Cayman Islands Society of Human Resources Brunch and Radio Cayman for the monthly “Workplace Excellence Clinic”; and
- Volunteer members of the National Pensions Board.
BIBLIOGRAPHY

FINANCIAL REPORTS FOR 2014-15 FISCAL YEAR END: Silver Thatch Pension Plan (Fiscal Year 2014-15), Cayman Islands: Silver Thatch Pension Plan.

FINANCIAL REPORTS FOR 2014-15 FISCAL YEAR END: Cayman Islands Chamber of Commerce Pension Plan (Fiscal Year End 2014-15), Cayman Islands: Cayman Islands Chamber of Commerce Pension Plan.


APPENDIX

Acronyms

DLP: Department of Labour and Pensions
MEPP: Multi-Employer Pension Plans
SEPP: Single Employer Pension Plans
METE: Ministry of Education, Training and Employment
NPB: National Pensions Board
NPL: National Pensions Law
NPO: National Pensions Office
OCC: Office of the Complaints Commissioner
PPA: Pension Plan Administrator
SOP: Superintendent of Pensions

Sections of the National Pensions Law (2012 Revision) referenced in this report:

Section 3: Definitions
Section 4: Establishment of pension plans
Section 16: Duties of administrator
Section 25: Eligibility for membership
Section 48: Notice to Superintendent of arrears of contributions
Section 52: Withdrawal of pension funds to purchase or construct dwelling unit, purchase residential land or pay off an existing mortgage in the Islands.
Section 78: National Pensions Board

Illustrations: All tables, graphs and/or illustrations were sourced using relevant data from the National Pensions Office.