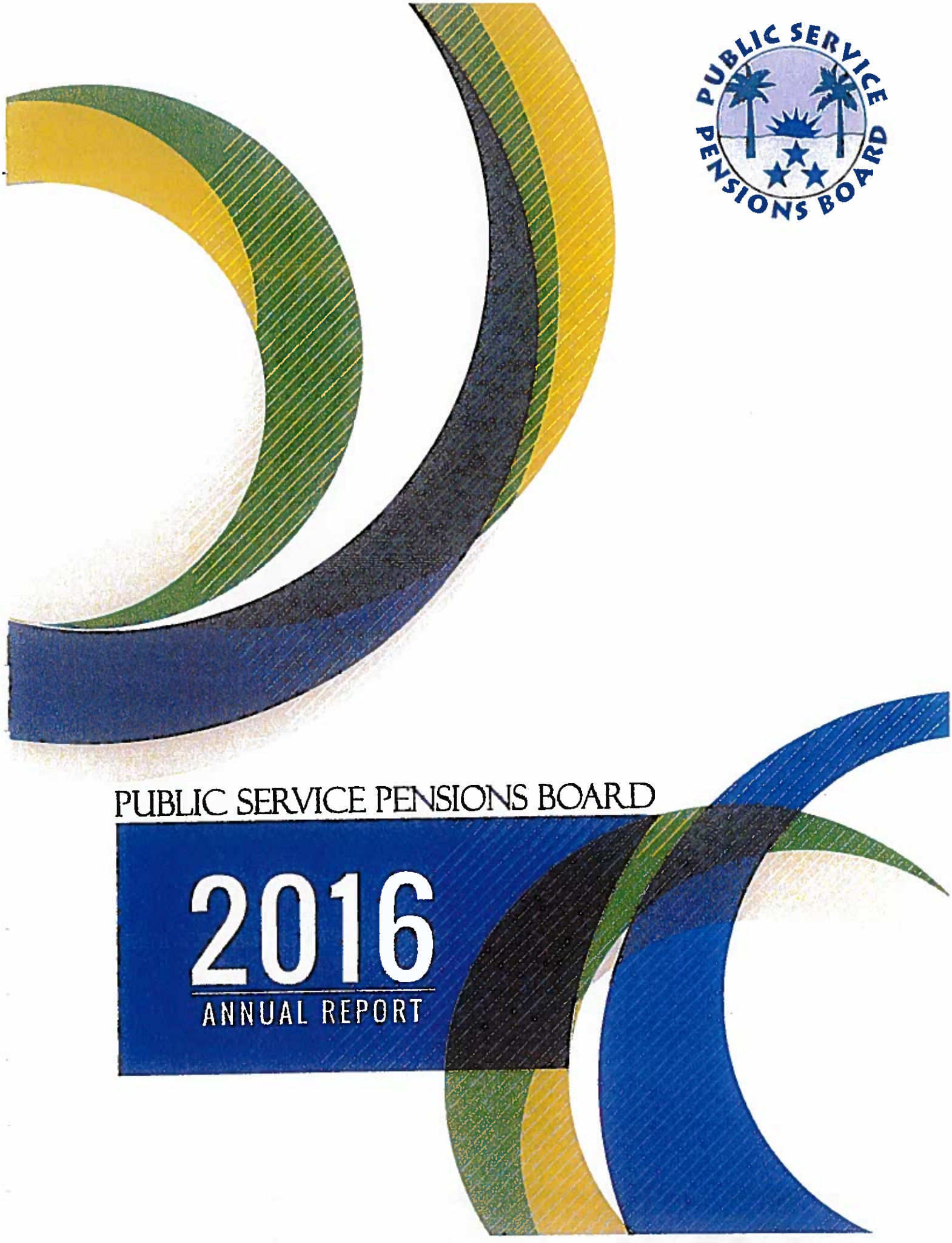


PUBLIC SERVICE PENSIONS BOARD

2016

ANNUAL REPORT

PUBLIC SERVICE PENSIONS BOARD

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE, 2016

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BOARD OF DIRECTORS
AS AT 30 JUNE 2016

BOARD OF DIRECTORS

Hon. Kenneth Jefferson JP
Financial Secretary
Chairman

Mrs. Jewel Evans Lindsey
Managing Director& Administrator

Mr. Eric Bush JP
Chief Officer, Ministry of Home Affairs

Mr. James Watler JP
President, Cayman Islands Civil Service Association

Mr. Nick Freeland
Private Sector Representative

Mr. Kirkland Nixon MBE, QFSM, JP
Pensioners Representative

Mrs. Bethany Powery-Ebanks
Executive Secretary to the Board

BOARD ADVISORS AS AT 30 JUNE 2016

Professional Services

Actuary

Mercer
Toronto, Ontario
Canada

Auditor

Office of the Auditor General
Grand Cayman, Cayman Islands

Investment Managers

Independent Franchise Partners
London, England
U.K.

PIMCO
Newport Beach, California
U.S.A

Wellington Management Company
Boston, Massachusetts
U.S.A

Morgan Stanley
New York, New York
U.S.A

Magellan Financial Group
Sydney, Australia

Aberdeen Asset Management
Philadelphia, Pennsylvania
U.S.A

Attorneys

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

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

Custodian

CIBC Mellon
Toronto, Ontario
Canada

Investment Advisors

Advisory Capital Group
Toronto, Ontario
Canada

Chairman's and Managing Director's Foreword

The fiscal year ended 30 June, 2016 reminded us all of just how volatile and fragile the global investment markets can be. Events that impacted the markets tested the resilience of the investment strategy implemented by the Public Service Pensions Board (the "PSPB") to manage the Public Service Pensions Fund (the "Fund") – a test that we passed.

It is important to note that while our returns were not as high as they have been in the last four or five years, comparatively they are probably more impressive. For context, consideration should be given to the fact that, during the twelve months between 1 July 2015 and 30 June 2016, significant economic and political events such as the strengthening of the US Dollar; the Federal Reserve's first rate hike in almost a decade; devaluation of the Chinese Yuan; further aggravation of the unrest in the Middle East and finally the U.K.'s referendum to leave the EU (Brexit). With that in mind, the fact that the Fund was able to end the period strong and achieve a return of 5.3% on a consolidated basis, is a testament to the structure and investment strategy of the Fund.

Despite the additional attention that the global markets demanded from the PSPB and its team of advisors and investment managers this past fiscal year, we were simultaneously into our collaborating with the Portfolio of the Civil Service ("PoCS") to amend the legislation governing all three Plans under our administration.

The amendments to the Parliamentary Pensions Law adjusted the eligibility criteria to qualify for pension benefits while the Judges Emoluments & Allowances Law was amended to bring Magistrates onto the Judicial Pension Plan.

However, it was the change to the Public Service Pensions Law ("PSPL") that had the greatest impact on the Civil Service participants due to the fact that it sought to increase the normal retirement age from sixty to sixty-five. This initiative required broad stakeholder consultation and several intensive reviews of the PSPL and Regulations in order to achieve the intended outcomes. Although the amending legislation was not made effective during the past fiscal year, we are pleased to announce that as at 9 September, 2016 it had come into force.

In addition to our collaboration with PoCS to increase the retirement age, we also worked with the Ministry of Finance & Economic Development to establish new pension contribution rates in line with the findings of the 2014 Funding Valuation Reports. This marked the first time since the 2005 Funding Actuarial Reports that the contribution rates have been adjusted.

Finally, after considering the achievements of this past fiscal year we look forward to continuing the momentum we have been building into the upcoming 18 month fiscal year, during which the PSPB will celebrate its milestone 25th Anniversary.

Chairman

Managing Director

PUBLIC SERVICE PENSIONS BOARD

Background Information

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

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

The Fund has a defined benefit and a defined contribution component. All employees who joined the Plan prior to 14 April 1999 were enrolled in the Defined Benefit Part of the Plan. Those employees joining after 14 April 1999 were enrolled in either one of the two components depending on their circumstances. The Public Service Pensions (Amendment and Validation) Law, 2000 which was passed on 20 June 2000 amended the date after which all new employees were to be enrolled in the Defined Contribution Part of the Plan to 1 January 2000.

PLANS UNDER ADMINISTRATION

Public Service Pensions Plan

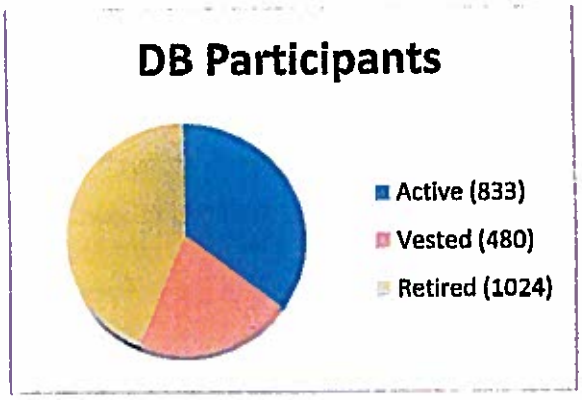
<u>Contribution Rates</u>

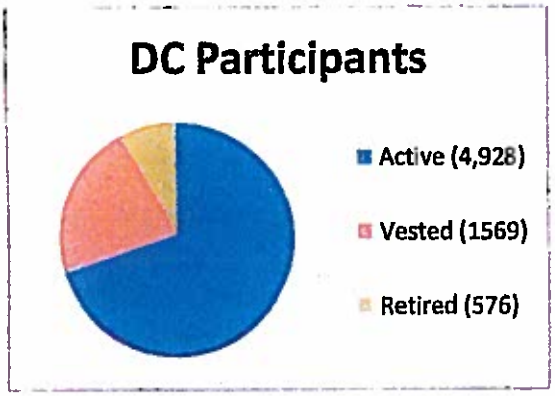
Public servants who participate in the Plan contribute at the rate of 6% of pensionable earnings and employers contribute a matching 6%. Contribution rates to cover additional defined benefit costs are recommended by the Board based on the latest Actuarial Valuation. This additional defined benefit cost largely reflects the eventual liability of benefits related to the past service at the valuation date. The full liability for additional defined benefit costs is borne by each respective employer.

Payment of Benefits

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

As at 30 June 2016 there were 2,337 DB participants and 7,073 DC participants that were participating in one of the following three categories – active participants; vested participants and retired participants (see key for further explanation of each category).





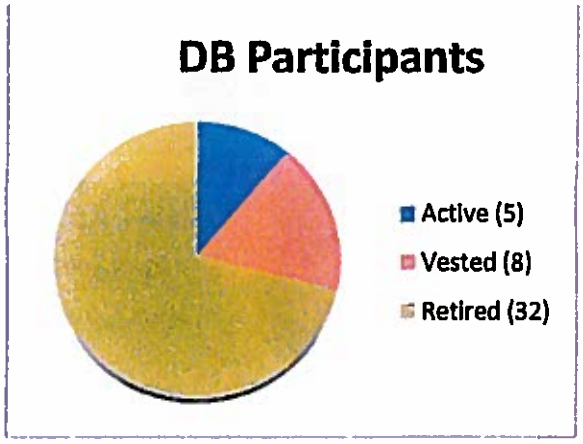
Parliamentary Pensions Plan

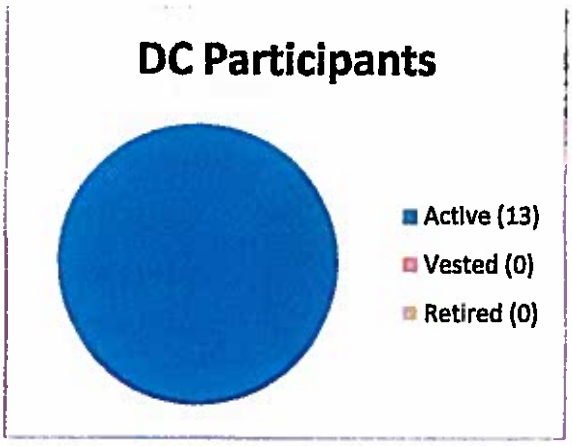
The Board began to administer the Parliamentary Pensions Plan (the PPP) with effect from 1 September 1999.

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

The Elected Members of the Legislative Assembly participate in PPP as governed by the Parliamentary Pensions Law, (2010 Revision). The defined contribution and defined benefit members contribute at a rate of 6% of pensionable earnings and the Government contributes a matching 6%. Contribution rates to cover additional defined benefit costs are prescribed by the latest Actuarial Valuation and are borne by the Government. These contributions have been pooled for investment purposes with those of the Public Service Pensions Fund.

As at 30 June 2016 there were 45 DB participants and 13 DC participants that were participating in one of the following three categories – active participants; vested participants and retired participants (see key for further explanation of each category).



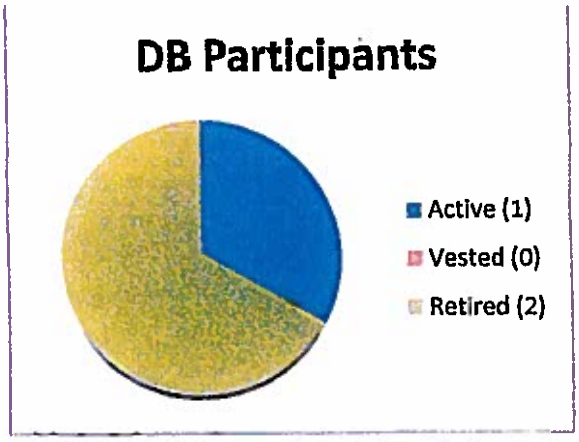


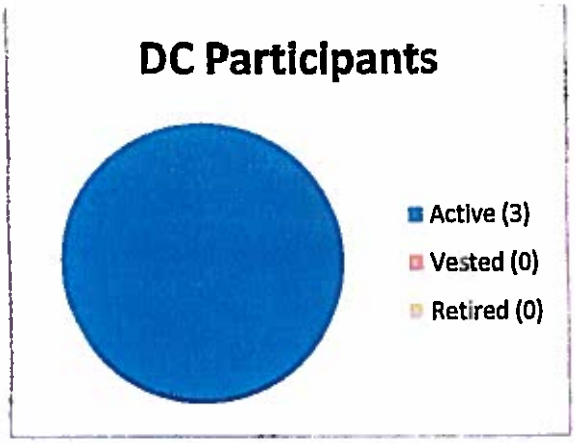
Judicial Pension Plan

Judges of the Grand Court of the Cayman Islands participate in the Judicial Pensions Plan (JPP). Judges' pensions fall under the remit of Her Excellency the Governor as set out in The Judges' Emoluments and Allowances Law (2006 Revision). Members of the JPP contribute at a rate of 10% of pensionable earnings; the Government contributes a matching 10% and an additional 21% of pensionable earnings in accordance with the 1 January 2005 actuarial valuation for the Judges in the defined benefit part of the JPP. Judges in the defined contribution part of the Plan contribute at a rate of 10% while the Government pays at a rate of 20%. The assets duly belonging to the Judges of the Grand Court are under the administration of the Board and pooled with the assets of the other Plans for investment purposes.

The JPP started in 1997, notwithstanding the absence of the requisite order setting out Plan details and specifics relating to administration of the Plan. The Judges Emoluments and Allowances Order was effected by His Excellency the Governor in 2005.

As at 30 June 2016 there were 3 DB participants and 3 DC participants that were participating in one of the following three categories – active participants; vested participants and retired participants (see key for further explanation of each category).





***Ex-Gratia* Pensions**

The Board administers the payment of *Ex-Gratia* Pensions on behalf of the Cayman Islands Government under Section 6(1)(i) of the Public Service Pensions Law (2013 Revision). Provisions contained in the Public Service Pensions (*Ex-Gratia* Pensions) Regulations (2012 Revision) and the Public Service Pensions (*Ex-Gratia* Pensions) (Amendment) Regulations 2011 are also applicable to the administration of Ex-Gratia Pensions. The *ex-gratia* recipients are former Caymanian civil servants over the age of 60, who were not in receipt of any pension, allowance, gratuity or other retirement or termination benefit. Those with an aggregate of four or more years but less than 10 years of service receive an *ex-gratia* pension of $300 per month. Those with 10 or more years of service received an *ex-gratia* pension of $450 per month. *Ex-Gratia* payments are not subject to increase for cost of living nor augmented annually across the board.

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

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

As at 30 June 2016 there were 180 former public servants in receipt of an Ex-Gratia pension benefit.

OPERATIONAL OVERVIEW

Organizational Structure

Senior Management Team

Jewel Evans Lindsey, Managing Director – Mrs. Evans Lindsey has been the Managing Director of the PSPB since its establishment in 1992. She has overall responsibility for the running of the PSPB office, management of fund investments and as the Administrator she is responsible for the administration of the Plans.

Ledra Lawrence, Deputy Managing Director/Chief Member Services Officer (Interim) – Ms. Lawrence has been with the PSPB since October, 2008 and took up her current post on 1 January, 2016. She works very closely with the Managing Director to provide key support in running the PSPB office as well as managing the delivery of Member Services.

Angella Bent-Thomas, Chief Human Resources and Operations Officer – Mrs. Bent-Thomas joined the PSPB in October, 2015. She provides business and strategic HR support to the Managing Director while also having responsibility for the HR and Operations Department and her four support staff.

Cal Powery, Chief Information Officer – Mr. Powery joined the PSPB in August, 2015. He is responsible for the IT infrastructure of the organization as well as managing the IT and Projects Department and his two support staff.

Faith Ebanks, Director, Financial Reporting Department – Ms. Ebanks has been with the PSPB since June, 2005 in her current role. She is responsible for providing financial reporting support to the Managing Director and has responsibility for the Financial Reporting Department, the functions of which include but are not limited to the payment of pension benefits; the execution of financial reporting and compliance requirements and managing her two support staff. Ms. Ebanks also assists the Managing Director with investment oversight.

Barton Solomon, Senior Manager, Financial Reporting Department – Mr. Solomon has been with the PSPB since December, 2008 in his current role. He is responsible for assisting the Director, Financial Reporting in executing the functions of the Financial Reporting Department.

Education and Training

During the fiscal year, one or more members of staff commenced towards attaining the following certifications:

- Retirement Provision Certification (Pension Management Institute) – four (4) members of staff began work towards acquiring this Certification in May, 2016.
- Certified Associate in Project Management (Project Management Institute) – One member of staff continued work towards acquiring this certification during the course of the fiscal year.

The following training courses/learning forums were attended by one or more members of staff during the fiscal year. It is important to note that as the PSPB filled the post of Chief Information Officer during the period, training programs emphasized subject matter that would assist with improving the IT infrastructure and overall operating environment of the organization.

- A Holistic Approach to Cyber Risk Data Security: Driving Efficiencies Through Process Improvement and Technology (CISPA)
- Cybersecurity: A Governance and Audit Committee Perspective (American Institute of CPAs)
- Cyber Security: Key Elements for Success (Learning Tree International)
- SQL Server DBA Essentials (Learning Tree International)
- Writing SQL Queries (Learning Tree International)
- Writing SQL Queries with SQL Server Management Studio (Learning Tree International)
- Cloud Essentials (Learning Tree International)
- Effective Customer Service Implementation and Operations of Good Control Frameworks (CISPA)

The following training courses/learning forums were attended by one Board Member during the fiscal year:

- The Public Funds Forum

The following certifications were attained by one Board Member during the fiscal year:

- Certificate of Achievement in Public Plan Policy: Health and Pensions Part I & II (International Foundation of Employee Benefit Plans)

Key Objectives/Achievements During the Period

Organizational Effectiveness Review:
As the PSPB continues to improve the service to its members, during fiscal year 2015/2016, the PSPB engaged in an organizational review. The purpose of this review was to put in place a structure which will support the PSPB's mission, which is to provide best in class investment programs and excellence in pension services, so as to provide public sector employees with retirement benefits that are adequate, equitable and safe. To support this new structure, the PSPB also performed a complete review of the job requirements descriptions for members of the Pension Administration Department (PAD).
The implementation of the revised structure is being done in a staged manner and completion of all structural amendments is expected in 2017.

Implementation of Recommendations from IT Consultants:
Further to outcome of the review performed by the IT consultants which was approved by the Board for implementation, the PSPB was able to commence work on the following objectives during the period:

- Review of existing IT service providers
- Prepare Project scoping document to identify suitable workflow tracking and electronic data management system
- Prepare a project scoping document for the identification of a suitable pension administration system inclusive of e-portal to improve member services.
- Commence comprehensive review and implementation of Standard Operating Procedures (SOPs) across all departments, inclusive of an aggressive internal training program.
- Initiate separation of IT infrastructure from management under CSD to achieve improved SLAs

As a result of implementing the IT consultant's recommendations, the PSPB will have installed the IT infrastructure, inclusive of an enforceable Service Level Agreement, that will allow the organization to execute and achieve its strategic objectives.

Implementation of Normal retirement Age (NRA) Changes:
Further to the approval by Cabinet of the proposed increase in the retirement age from 60 to 65, the PSPB continues to collaborate with PoCS to implement the requisite amendments to legislation.

As part of the implementation process the PSPB participated in the drafting of amended legislation as well as taking part in sensitization/educational exercises to bring awareness to the public service on the implications of the increase.

On 9 September 2016 the amendment legislation was effected.

Outlook for the Upcoming Fiscal Year Ending 31 December 2017

Further to the 2014 actuarial valuations have been tabled in the legislative assembly, the PSPB will ensure implementation and collection of pension contribution rates based on the regulations (which came into force on 1 July, 2016) in order to secure the long term sustainability of the Fund. To this end, the penalty for late payment of contributions will be reinstated during the fiscal year ending 31 December 2017.

Further to the implementation of legislation to increase the normal retirement age as of 9th September, 2016, the PSPB will continue its collaboration with the PoCS to ensure that the normal retirement age is increased successfully.

The PSPB also intends to initiate a tender process(es) to procure the following:

- An improved pension administration system
- Eportal
- Website

- Workflow system
- Electronic document management system

Additionally, the PSPB will be reviewing and cost a number of enterprise initiatives to contain cost and create efficiencies, which include:

- Dashboard system
- System integration
- Expense management system
- Time management
- Global mobility management
- Performance management
- Digital pension forms

Finally, the continued phased approach to revising the legislative framework governing the Pensions Plans under administration by the PSPB in the context of best practice with the wider pension industry in consultation with the Deputy Governor and the PoCS.

INVESTMENT OVERVIEW

Growth of the Fund

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

The Fund is subject to an actuarial valuation every three years which assesses the financial viability of the Fund, and the adequacy of the contribution rates for funding of the Plan. The Board also uses the results of funding valuations as the basis for recommendations regarding contribution rates. An actuarial valuation was carried out in 2014 based on assets and liabilities as at 1 January 2014.

The results of the actuarial valuation as at 1 January 2014 determined the past service liability to be approximately $624.6 million. The calculation is made based on pensionable earnings as of the valuation date and reflect the liability in respect of benefits actually earned up to 31 December 2013. Although the Fund remains underfunded, the actuaries determined that the liability for inactive members (existing pensioners and beneficiaries, and those with deferred pensions) is sufficiently covered by available assets. It should be noted that the full liability for additional defined benefit costs is borne by each respective employer.

As at 30 June 2016 the net assets available for benefits stood at $552 million which represents an approximate increase of $40 million or 7.4% in net assets available for benefit from 30 June 2015. The market value of the Fund (inclusive of local & foreign investment) at the same date was approximately $534 million, representing an increase of just over $25 million from 30 June 2015.

Investment Policy

The stated investment objective of the Board is "To preserve capital while adding value above its policy benchmark." The Board is committed to the investment objective, and has actively managed investment portfolios which are diversified, within the constraints of the Law as well as the Board's investment policy, to ensure that risk is not unduly concentrated in any one type of investment or area of currency. The Board adheres to internationally recognized benchmarks, and has established an asset mix policy, in collaboration with its investment advisors, for the purpose of achieving long-term returns of 3–4% above inflation. The asset mix policy establishes the percentage holdings by asset class and permissible ranges within the broad classes of investments. Within this framework, each investment manager is not limited by sector or country restrictions and is able to make discretionary decisions to capitalize on market opportunities. The Fund is biased to equities over the long term in order to achieve optimum returns. Equities, when compared to other classes of investments over the long term, have historically proven to generally outperform other forms of investments.

Market Summary

Global Equities

Over the recent quarter, global equity markets rallied from market lows established in early February of this year. An overwhelming consensus of bearish opinions about the outlook had most investors sitting on the side lines with high cash levels. Hedge funds were even more aggressive, with record short positions. The logic for that positioning was straight forward - corporate profits were falling, valuations were the highest in a decade, the aggressive 'zero' then 'negative interest-rate' policies of the global central bankers had forced money into financial assets just as global growth was once again heading lower.

Although the Brexit vote led to two days of steep losses towards the end of the quarter, the market recovered nearly all of its losses within three days resulting in the major indices trading close to all-time high levels achieved over May 2015.

Global Emerging Markets

Emerging Markets continued to rebound over the last two quarters from a challenging 2015, as commodity prices appear to be recovering. Both WTI and Brent Crude Oil have traded around $50 for weeks, which helps reduce bankruptcy risk within the energy sector.

Commodity prices have continued to rise as central banks remained accommodative. Although investors were spooked by the late June, 2016 Brexit result in the U.K. referendum, confidence was quickly regained as central bankers offered liquidity lines to prevent another

financial crisis, resulting in a unified dovish stance by major central banks globally and a renewed search for income-producing assets as well as a rebound in commodity prices. Against this backdrop, emerging markets maintained an upward trend attributable to strength in Latin American equities, which largely compensated for weakness within Emerging European markets.

The actively managed Global Emerging Markets strategy produced a return of positive 3.3% over the 4th quarter, exceeding the benchmark by 2.5%. Over the 1-year period, the strategy generated a return of negative 4.0%, but value added was strongly positive by 7.7%.

Global Infrastructure

Given the results of the U.K.'s vote to leave the European Union, the consensus outlook is solidly in the camp of even lower interest rates, for even longer, which should be supportive for infrastructure. Given the evolving situation in Europe, caution within strategies relating to European airports and toll roads, over the near term, appears evident but these assets still remain attractive over the long term.

With regard to energy infrastructure, valuations have become compelling, though in the utilities sector, the valuations are elevated. As the U.K. referendum will likely be a catalyst for further disruptions in the European Union, security selection is taking on an even more important role. Investment opportunities are likely to shift as the situation in the U.K. and Europe evolves causing a further catalyst for market opportunity, allowing invested assets to be purchased at attractive long-term points of entry.

The infrastructure strategy posted a strong return of 7.5% over the 4th quarter and delivered an impressive return of 16.2% over the year-to-date period. The performance was in line with the broad benchmark for both periods. Over the 1-year period, the manager posted a positive return of 2.2%, lagging the benchmark by 1.0%.

Global Investment Grade Credit

The bond markets posted positive returns over the last two quarters in a row, as yields fell and credit spreads tightened. Long-duration and lower-credit-quality categories led with some categories registering double-digit returns year to date. Bond yields fell to near all-time lows, but credit spreads remain near their historic averages. The low-rate environment continues to support corporate balance sheets as debt-servicing costs remain low relative to cash-flow receipts. High-yield bonds have benefited from higher oil prices and more favourable liquidity conditions. Relative to cash and shorter-duration bonds, longer duration bonds have generated better returns which is counter to the historical experience where shorter duration has generated better returns during the later phase of the business cycle. Against this backdrop, global credit bonds rose 2.9% over the 4th quarter and produced a positive return of 6.7% for the 1-year period.

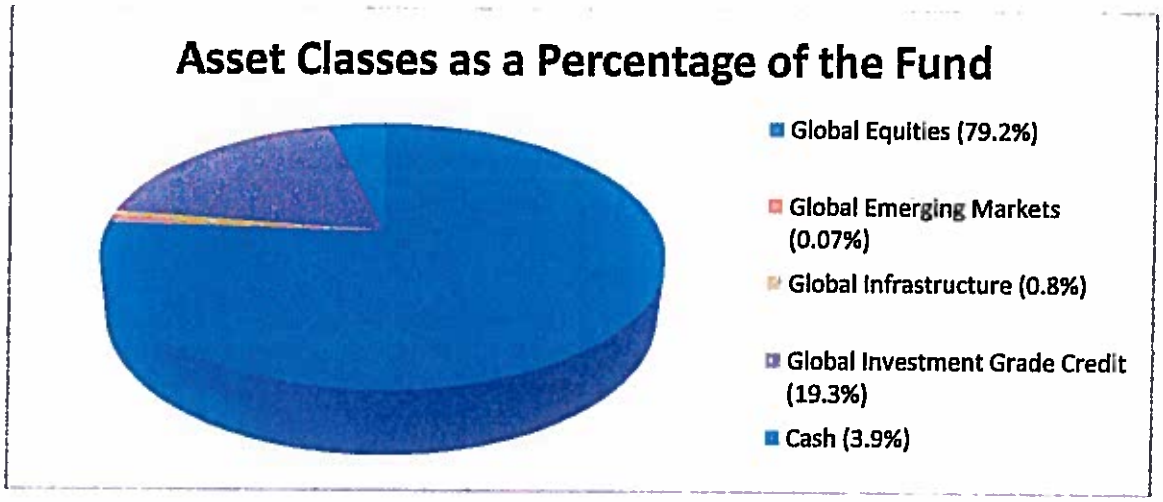
Fund Performance

During the 4th quarter, 2016, the overall return of the PSPB Fund was a positive 1.8%, ahead of its policy benchmark by 50 basis points. Over the 1-year period, the PSPB Fund's return was 5.3%, maintaining a substantial active management premium of 6.0% over the policy benchmark which was a negative 0.7%.

Longer term, annualized returns and value added remained strongly positive, with a 5-year return of 9.3%, and a 3.5% in value added performance;

On a relative basis, the PSPB Fund's overall performance ranked at the 42nd percentile for the 4th quarter and at the 5th percentile rank over the 1-year period. Longer term, being the 5-year period, the PSPB Fund's relative ranking is at the 1st percentile

Fund Asset Mix



Credited Rate of Return

The Credited Rate of Return (CRR) on contributions, calculated annually, is based on a three-year geometric average of actual returns, net of expenses, which amounted to a positive 8.72% for calendar 2015. As a result all participant contribution accounts would have been credited at the beginning of calendar year 2016 with an interest base of 8.72 %. Table 1 indicates the CRR earned for the period 2008 to 2015 expressed in percentages.

Table 1

Year	2008	2009	2010	2011	2012	2013	2014	2015
Return	-15.56%	11.77%	9.85%	7.30%	11.36%	15.99%	8.19%	4.03%
CRR	-0.41%	-0.49%	1.21%	9.79%	9.65%	11.66%	11.21%	8.72



PUBLIC SERVICE PENSIONS BOARD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2016

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Public Service Pensions Board
Financial Statements
30 June 2016

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

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

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

The financial statements fairly present the statement of net assets available for benefits, statement of changes in net assets available for benefits and statement of cash flows for the financial year ended 30 June 2016.

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

(a) are completely and reliably reflect the financial transactions of Public Service Pensions Board for the year ended 30 June 2016;
(b) fairly reflect the financial position as at 30 June 2016 and performance for the year ended 30 June 2016;
(c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

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

Mr. Kenneth Jefferson, JP
Chairman
Public Service Pensions Board

Date- 28 October 2016

Jewel Evans Lindsey
Managing Director
Public Service Pensions Board

Date- 28 October 2016

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CAYMAN ISLANDS

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AUDITOR GENERAL'S REPORT

To the Board of Directors of the Public Service Pensions Board

I have audited the accompanying financial statements of the Public Service Pensions Board (the "Board"), which comprise the statement of net assets available for benefits as at 30 June 2016 and the statement of changes in net assets available for benefits, statement of accumulated plan benefits and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 22 to 63 in accordance with the provisions of Section 11(3) of the Public Service Pensions Law (2013 Revision) and Section 60(1)(a) of the *Public Management and Finance Law (2013 Revision)*.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Service Pensions Board (the "Board") as at 30 June 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matters

1. I draw attention to Notes 14 and 15 to the financial statements which describe that the 2014 Actuarial Valuation Report which was finalized by the Board and its actuaries in April 2015 has been approved by Cabinet and was tabled in the Legislative Assembly in June 2016. The recommended rates of contribution contained in the 2014 funding actuarial valuations will become effective 1 July 2016 in accordance with the relevant regulations. As a result, contributions received and contributions receivable are based on the recommended contribution rates contained in the 2005 funding actuarial valuation which were the last approved contribution rates.

2. As discussed in Note 14 to the financial statements, the actuary has determined that the continuation of the current scenario of the total plan contributions (including both Defined Benefit and Defined Contribution) for the Public Service Pensions Plan will be insufficient to meet benefit payments and expenses. The actuary further states that the Parliamentary Pensions Plan ("PPP") continues to be severely underfunded. Assets allocated to the PPP cover only 41% of the past service obligations and are insufficient to cover the benefits currently being paid to retired members.

   The Government, in addition to the monthly contributions and budgeted Past Service Liability for the 2015-2016 fiscal year, made an additional payment of CI$18 million to the Fund.

My opinion is not qualified with respect to these matters.

Supplemental Information

The supplemental information on pages 64 to 65 has not been audited by us and, therefore, we do not express an opinion thereon.

Sue Winspear, CPFA
Auditor General

28 October 2016
Cayman Islands

Public Service Pensions Board
Statement of Net Assets Available for Benefits
As at 30 June 2016
(Expressed in Cayman Islands Dollars)

	2016 $000		2015 $000	
Assets				
Current assets				
Cash and cash equivalents				
Cash on hand and in bank	21,641		3,877	
Term deposits (Note 3)	56	21,697	56	3,933
Investments, at fair market value (Note 4)		534,371		509,415
Receivables				
Contributions receivable				
Employees' contributions	749		890	
Employers' contributions	758		888	
Employers' - Additional defined benefit costs	464		461	
Ex-gracia receivables	-		300	
Other receivables	155	2,126	114	2,653
Prepaid expenses		5		4
Total current assets		558,199		516,005
Non-current assets				
Fixed assets (Note 5)		75		73
Intangibles				
Pension administration system (Note 6)		143		257
Total non-current assets		218		330
Total assets		558,417		516,335
Liabilities				
Current liabilities				
Benefits due (Note 13)		2,942		2,098
Post retirement healthcare obligation (Notes 22)		1,317		1,048
PSPB deferred benefit liability (Note 21)		516		578
Investment management fees		578		570
Accounts payable		292		292
Overpaid grants (Note 7)		244		244
Other liabilities		238		148
Total current liabilities		6,127		4,978
Total liabilities		6,127		4,978
Net assets		552,290		511,357
Represented by:				
Net assets available for benefits:				
Accumulated fund (Note 23)		552,290		511,357

Kenneth Jefferson, JP
Chairman

Jewel Evans Lindsey
Managing Director

The accounting policies and notes on pages 28 to 63 form part of these financial statements.

Public Service Pensions Board
Public Service Pension Plan
Statement of Changes in Net Assets Available for Benefits
For the year ended 30 June 2016
(Expressed in Cayman Islands Dollars)

	2016 $000	2015 As restated (Note 24) $000
Pensions		
Contributions (Note 20)		
Employees	13,773	12,756
Employers	13,214	12,767
Employers - Additional defined benefit cost	30,595	11,046
Total	57,582	36,569
Pre-Funded Ex-gratia pensions (Note 8)	1,200	1,200
Total contributions	**58,782**	**37,769**
Benefits paid to participants (Note 11)		
Public service pensions	(34,486)	(32,318)
Ex-Gratia pensions (Note 8)	(1,274)	(1,154)
Total benefits paid to participants	(35,760)	(33,472)
Net pensions	**23,022**	**4,297**
Investing		
Investment income		
Realized gain on sale of investments – net	26,966	31,805
Dividends earned on investments	6,851	6,235
Unrealized (loss)/gain on investments – net	(6,057)	(6,990)
Realized (loss)/gain on foreign exchange	(1,093)	(1,419)
Interest earned on investments	56	70
Interest earned on term deposits and call accounts	4	1
Total investment income	**26,727**	**29,702**
Investment expenses		
Investment management and custodial fees (Note 16)	(4,344)	(3,867)
Other investment expenses	(39)	(16)
Total investment expenses	**(4,383)**	**(3,883)**
Net investment income	**22,344**	**25,819**
Operating		
Operating income		
Other income	159	161
Total operating income	**159**	**161**
Operating expenses		
Administrative expenses (Note 12)	(3,584)	(3,378)
Depreciation and amortization (Notes 5 and 6)	(143)	(137)
Write-off of accounts receivable and stale-dated items	(60)	(160)
Total operating expenses	**(3,787)**	**(3,675)**
Net operating loss	**(3,628)**	**(3,514)**
Other comprehensive income/(loss)	**(46)**	**197**
Net increase in net assets available for benefits	**41,692**	**26,799**
Allocation of Net Increase in in Assets		
Attributable to PPP (Note 9)	**(542)**	**(576)**
Attributable to JPP (Note 10)	**(282)**	**(339)**
Attributable to PSPP	**40,868**	**25,884**
Net assets available for benefits at start of year (Note 23)	**499,165**	**473,281**
Net assets available for benefits at end of year (Note 23)	**540,033**	**499,165**

The accounting policies and notes on pages 28 to 63 form part of these financial statements.

Public Service Pensions Board
Judicial Pension Plan: Supplemental Information
Statement of Changes in Net Assets Available for Benefits
For the year ended 30 June 2016
(Expressed in Cayman Islands Dollars)

	2016 $000		2015 $000	
Assets				
Net assets available for benefits at beginning of year (Notes 10 and 23)				
Pension		4,783		4,206
Contributions				
Employees	86		90	
Employers	149		140	
Employers - Additional defined benefit cost	52		85	
Total contributions		287		315
Benefits paid to participants		(143)		(77)
Net pensions		144		238
Net investment income		282		339
Net increase in net assets available for benefits		426		577
Net assets available for benefits at end of year (Notes 10 and 23)		**5,209**		**4,783**

The accounting policies and notes on pages 28 to 63 form part of these financial statements.

Public Service Pensions Board
Parliamentary Pension Plan: Supplemental Information
Statement of Changes in Net Assets Available for Benefits
For the year ended 30 June 2016
(Expressed in Cayman Islands Dollars)

	2016 $000		2015 As restated (Note 24) $000	
Net assets available for benefits at beginning of year (Notes 9 and 23)		7,409		6,344
Pensions				
Contributions				
Employees	186		169	
Employers	186		169	
Employers - Additional defined benefit cost	-		1,424	
Total contributions		372		1,762
Benefits paid to participants		(1,274)		(1,273)
Net pensions		902		489
Net investment income		542		576
Net increase in net assets available for benefits		(360)		1,065
Net assets available for benefits at end of Year (Notes 9 and 23)		**7,048**		**7,409**

The accounting policies and notes on pages 28 to 63 form part of these financial statements.

Public Service Pensions Board
Statement of Cash Flows
For the year ended 30 June 2016
(Expressed in Cayman Islands Dollars)

	2016 $000	As restated (Note 24) 2015 $000
Cash flows from operating activities		
Receipts		
Contributions received from employees	13,448	13,185
Contributions received from employers	13,806	13,221
Other income received	40	161
Net investment income received	13	58
Total	**27,307**	**26,625**
Payments		
Benefits paid to participants - Public Service	(33,642)	(30,732)
Administrative expenses paid	(3,407)	(3,354)
Investment management fees and other expenses paid	(3,041)	(2,598)
Benefits paid to participants - Ex-Gratia	(1,274)	(1,154)
Total	**(41,364)**	**(37,838)**
Net cash used in operating activities	**(14,057)**	**(11,213)**
Cash flows from investing activities		
Proceeds from sale of investments	517	-
Purchase of investments	-	(4,167)
Purchase of fixed assets and intangibles	(30)	(18)
Net cash applied to investing activities	**487**	**(4,185)**
Cash flows from financing activities		
Contributions received from employers - Additional defined benefit	30,592	10,366
Ex-gratia grant and prepaid Ex-gratia grant	1,500	900
Net cash received from financing activities	**32,092**	**11,266**
Cash flows from judiciary contributions		
Contributions received from employer	86	140
Contributions received from employees	149	90
Contributions received from employer - defined benefit	52	85
Benefits paid to participants	(143)	(77)
Net cash received from judiciary contributions	**144**	**238**
Cash flows from parliamentary contributions		
Contributions received from employer	186	169
Contributions received from employees	186	169
Contributions received from employer - defined benefit	-	1,424
Benefits paid to participants	(1,274)	(1,273)
Net cash received from judiciary contributions	**(902)**	**489**
Net (decrease) increase in cash and cash equivalents during the year	17,764	(3,405)
Cash and cash equivalents at beginning of year	3,933	7,338
Cash and cash equivalents at end of year (Note 3)	**21,697**	**3,933**

The accounting policies and notes on pages 28 to 63 form part of these financial statements.

Public Service Pensions Board
Supplemental Statement of Accumulated Plan Benefits
For the year ended 30 June 2016
(Expressed in Cayman Islands Dollars)

	2016 $000	2015 $000
Actuarial present value of accumulated plan benefits (Note 14)		
Inactive and Active Participants	(624,239)	(624,239)
Total actuarial present value of accumulated plan benefits	(624,239)	(624,239)
Fund's net assets available for benefits at year-end (Note 23)	**552,290**	**511,357**
Fund deficit	**(71,949)**	**(112,882)**

The accounting policies and notes on pages 28 to 63 form part of these financial statements.

1. Introduction and Background Information

a. Introduction

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

b. General background information

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

c. Contributions

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

	2005		2002	
	Defined Benefit*	Defined Contribution	Defined Benefit*	Defined Contribution
Cayman Islands Government (See note 20)	28.53%	1.00%	10.00%	1.00%
Cayman Islands Monetary Authority	1.00%	1.00%	1.00%	1.00%
Cayman Turtle Farm (1983) Ltd.	9.44%	1.00%	10.00%	1.00%
Civil Aviation Authority of the Cayman Islands	26.10%	1.00%	10.00%	1.00%
University College of the Cayman Islands	3.99%	1.00%	3.99%	1.00%
Public Service Pensions Board	1.00%	1.00%	10.00%	1.00%
Water Authority of the Cayman Islands	9.57%	1.00%	0.26%	1.00%
Cayman Islands Airport Authority	13.14%	1.00%	N/A	1.00%
Cayman Islands Health Services Authority	1.00%	1.00%	N/A	1.00%

1. Introduction and background information (continued)

c. Contributions (continued)

	2005		2002	
	Defined Benefit*	Defined Contribution	Defined Benefit*	Defined Contribution
National Roads Authority	2.24%	1.00%	N/A	1.00%
Cayman Islands Development Bank	17.11%	1.00%	N/A	1.00%
CAYS Foundation	12.31%	1.00%	N/A	1.00%
National Housing Development Trust	N/A	1.00%	N/A	1.00%

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

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

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

An interim rate of 1% was applied to all authorities in 2004 and updated by the 2005 actuarial valuation. New rates will be prescribed based on the 2014 actuarial valuation, unless the Governor in Cabinet fails to accept the Board's actuarial valuation and causes its own valuation to be carried out.

d. Investment policy

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

2. Significant accounting policies

Basis of preparation

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

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

Reporting and functional currency

The financial statements are presented in Cayman Islands dollars.

Changes in accounting policies

When presentation or classification of items in the financial statements is amended or accounting policies are changed, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

Reporting period

The reporting period is the year ended 30 June 2016.

Judgments and estimates

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

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

Contributions

Contributions are accounted for on the accrual basis. Both contributions received and contributions receivable in these financial statements are reflective of the contribution rates recommended in the 1 January 2005 actuarial valuation, which are the last approved rates. Actuarial valuations as of 1 January 2014 for each of the three Government sponsored pension plans have been finalised by the Board and its actuaries and have been submitted to the Financial Secretary in accordance with the Law.

2. Significant accounting policies (continued)

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

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

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

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

Intangibles
Intangible asset is comprised of externally acquired software for internal use. It is measured at cost and amortized on a straight-line basis over its useful life over a period not exceeding 5 years.

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

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

Changes in International Financial Reporting Standards

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

2. Significant accounting policies (continued)

Changes in International Financial Reporting Standards (continued)

(i) IFRS 15 Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2017).

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 will be applied using a five-step model: 1. Identify the contract(s) with a customer 2. Identify the performance obligations in the contract 3. Determine the transaction price 4. Allocate the transaction price to the performance obligations in the contract 5. Recognise revenue when (or as) the entity satisfies a performance obligation The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

(ii) IAS 1 Disclosure Initiative – Amendments to IAS 1 (Effective for annual periods beginning on or after 1 January 2016.)

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify: • The materiality requirements in IAS 1 • That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated • That entities have flexibility as to the order in which they present the notes to financial statements • That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

2. Significant accounting policies (continued)

Changes in International Financial Reporting Standards (continued)

(iii) IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (Effective for annual periods beginning on or after 1 January 2016.)

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

3. Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of bank balances and term deposits maturing within one year from the financial statement date.

Cash and cash equivalents	30 Jun 2016 $ 000	30 Jun 2015 $ 000
Cash	21,641	3,877
Term deposits	56	56
Total	**21,697**	**3,933**

The detail of the term deposits at Cayman National Bank at 30 June 2016 and 2015 is shown below:

At 30 June 2016

Account number	Principal $000	Value date	Maturity date	Interest Rate
TD-013-06149	56	07 June 2016	7 December 2016	0.2400%
Total	56			

At 30 June 2015

Account number	Principal $000	Value date	Maturity date	Interest Rate
TD-013-06149	56	08 June 2015	7 December 2015	0.1900%
Total	56			

4. Investments

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

a) Investment and Market conditions[1]

The Fund (In General)
The 2nd quarter ended higher for capital markets, although the advance did not take a straight path. Between the reduced probability of a near-term rate hike and the flight-to-safety spurred by Brexit, bond yields were lower across all terms to maturity, with long-government bond categories outperforming all other fixed-income categories for the quarter ended June 30, 2016. As a result, the broader global bond market delivered a positive return of 2.5% for the quarter and a 7.9% gain for the 1-year period. Regarding equities, the MSCI World Index ended the quarter up 1.0%, but posted a negative return 2.8% over the 1-year period. Global infrastructure was the leader in terms of performance as the Dow Jones Brookfield Infrastructure Index posted a strong gain of 7.4% over the quarter.

Against this backdrop, performance for the PSPB Fund, with respect to both value added and relative ranking, disclosed the following:

During the 2nd quarter, 2016, the overall return of the PSPB Fund was a positive 1.8%, ahead of its policy benchmark by 50 basis points. Over the 1-year period, the PSPB Fund's return was 5.3%, maintaining a substantial active management premium of 6.0% over the policy benchmark which was a negative 0.7%. Longer term, annualized returns and value added remained strongly positive, with a 5-year return of 9.3%, and a 3.5% in value added performance;

On a relative basis, the PSPB Fund's overall performance ranked at the 42nd percentile for the 2nd quarter and at the 5th percentile rank over the 1-year period. Longer term, being the 5-year period, the PSPB Fund's relative ranking is at the 1st percentile; and

The Fund's long term risk return trade-off is low and above the norm when measured against a peer universe sample of about 245 diversified funds.

Global equities
Although the Brexit vote led to two days of steep losses towards the end of the quarter, the market recovered nearly all of its losses within three days resulting in the major indices trading close to all-time high levels achieved over May 2015. Broadly, Global equities, as measured by the MSCI World Index, advanced by 1.0% over the 2nd quarter.

Equities under management with **IFP** produced a positive return of 3.8% over the 2nd quarter, outperforming the benchmark by 2.8%, while equity assets under management with **Magellan** produced a negative return of 3.2% and lagged the same benchmark by 4.2%.

[1] Cayman Islands Public Service Pensions Board, 'Performance Review for Periods Ending June 30, 2016', Advisory Capital Group Canada Inc., 3 August 2016.

4. Investments (continued)

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

Global equities (continued)

Over the 1-year period, **IFP** recorded a strong return of 8.7%, and continues to surpass the benchmark index, generating an impressive 11.5% of value added. On the other hand, **Magellan** posted a negative return of 1.9% over the 1-year period, producing 90 basis points of value added. Longer term, being the 4 and 5-year periods, **IFP** continued to meaningfully add value to the broader index.

On a relative basis, **IFP** global equities ranked at the 6th percentile over the quarter and at the 8th percentile rank over the 1-year period. Longer term, over the trailing 5 years, relative ranking remains high at the 2nd percentile of the comparative peer sample universe of managers. **Magellan** global equities ranked at the 95th percentile over the quarter and at the 39th percentile rank over the 1-year period. Over the 2-year annualized period, the manager ranked above average.

Global Emerging Markets

Benefiting from the recent commodity recovery, emerging markets continued on a positive trend, gaining 0.8% over the 2nd quarter of 2016. Over the year-to-date period, the MSCI Emerging Markets Index rebounded by 6.6%, while the 1-year performance remains negative by 11.7%.

The actively managed Global Emerging Markets strategy, under management with **Aberdeen Asset Management**, produced a return of positive 3.3% over the 2nd quarter, exceeding the benchmark by 2.5%. Over the 1-year period, the strategy generated a return of negative 4.0%, but value added was strongly positive by 7.7%.

On a relative basis, the Global Emerging Markets strategy ranked at the 25th percentile rank over the quarter and at the 15th percentile rank over the 1- year period.

Global Infrastructure

Given the highly volatile markets in the 2nd quarter, global infrastructure outperformed the broader equity markets as investors sought stable growth and attractive dividend yields offered by the sector. Global Infrastructure equities, as represented by the Dow Jones Brookfield Global Infrastructure Index, gained 7.4% in the 2nd quarter.

Against this background, the infrastructure strategy managed by **Morgan Stanley** posted a strong return of 7.5% over the quarter and delivered an impressive return of 16.2% over the year-to-date period. The performance was in line with the broad benchmark for both periods. Over the 1-year period, the manager posted a positive return of 2.2%, lagging the benchmark by 1.0%.

On a relative basis, **Morgan Stanley Global Infrastructure** equities ranked at the 14th percentile over the quarter and at the 73rd percentile rank over the 1- year period.

4. Investments (continued)

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

Fixed Income

The bond markets posted positive returns for the 2nd quarter in a row, as yields fell and credit spreads tightened. Long-duration and lower-credit-quality categories led with some categories registering double-digit returns year to date. Bond yields fell to near all-time lows, but credit spreads remain near their historic averages. The low-rate environment continues to support corporate balance sheets as debt-servicing costs remain low relative to cash-flow receipts. High-yield bonds have benefited from higher oil prices and more favorable liquidity conditions. Relative to cash and shorter-duration bonds, longer duration bonds have generated better returns which is counter to the historical experience where shorter duration has generated better returns during the later phase of the business cycle.

Against this backdrop, global credit bonds rose 2.9% over the 2nd quarter and produced a positive return of 6.7% for the 1-year period.

Actively managed corporate credit under **PIMCO** recorded a positive return of 3.4% over the 2nd quarter, culminating in a 1-year performance of 7.0%. The strategy contributed positive value added of 50 basis points over the quarter and 30 basis points for the 1-year period.

The **Wellington** Global Credit Plus strategy posted a positive return of 3.2% for the quarter and an attractive return of 8.2% over the 1-year period. Value added was positive by 30 basis points for the quarter and 1.5% for the 1-year period.

The short duration global credit strategy managed by **PIMCO** produced positive returns of 1.8% and 3.4% over the quarter and year-to-date period, respectively, outperforming its benchmark in both periods by about 60 basis points.

Regarding relative ranking, **PIMCO** Global Investment Grade Credit ranked at the 15th percentile over the quarter and the 19th percentile over the 1-year period. In comparison, **Wellington** Global Credit Plus ranked at the 20th percentile rank over the quarter and at the 3rd percentile rank over the 1-year period.

b) Investment returns

Total Returns to 30 June 2016
Annualized for periods exceeding 1 year

Last 3 Months	Year-to-Date	1 Year	2 Years	3 Years	4 Years	5 years	10 years	From Inception
1.8%	4.2%	5.3%	5.8%	9.3%	10.1%	9.3%	8.9%	6.3%

4. Investments (continued)

c) Investment portfolios

The investment portfolios are summarized below:

	30 June 2016		30 June 2015	
Description	**$ 000**	**%**	**$ 000**	**%**
Global Equities	431,182	80.69	411,608	80.80
Fixed Income	103,189	19.31	97,807	19.20
Total	**534,371**	**100.00**	**509,415**	**100.00**

5. Fixed assets

Fixed assets consist of the following components:

	Furniture & Fixtures $000	Office Equipment $000	Computer Equipment $000	Computer Software $000	Vehicles $000	Total $000
Cost						
As at 01 July 2015	4	19	218	33	16	290
Additions	8	2	15	8		33
Adjustments	-	-	-	-		-
Disposal in the period	-	-	-	-		-
As at 30 June 2016	12	21	233	41	16	323
Accumulated Depreciation						
As at 01 July 2015	**2**	**11**	**171**	**33**	**0**	**217**
Depreciation	1	4	20	2	4	31
Disposals in the period	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-
As at 30 June 2016	3	15	191	35	4	248
Carrying value at 30 June 2016	**9**	**6**	**42**	**6**	**12**	**75**
Carrying value at 30 June 2015	**2**	**8**	**47**	**0**	**16**	**73**

6. Intangibles

Intangibles consist of Plan Administration System as follows:

	$000
Cost	
As at 01 July 2015	571
Additions	-
As at 30 June 2016	571
Accumulated Amortization	
As at 01 July 2015	314
Amortization	114
As at 30 June 2016	428
Carrying value at 30 June 2016	**143**
Carrying value at 30 June 2015	**257**

7. Overpaid Contributions/Ex-Gratia Grants

Overpaid contributions were netted with contributions receivables as a result of a comprehensive review and reconciliation process undertaken in FY 14/15. The next stage is to agree the netted contributions receivabes as at 30 June 2016 with the individual employers and to make a decision as to whether to apply the balances against future pension contributions.
The review and reconciliation process will continue for Ex-Gratia Pension Grant and is expected to be completed in FY 16/17.

Contributions	**30 June 2016 $000**	**30 June 2015 $000**
Overpaid contributions – Employee	0	0
Overpaid contributions – Employer	0	0
Total	**0**	**0**

Pension grants	**30 June 2016 $000**	**30 June 2015 $000**
Ex-Gratia – Employer	244	244
Total	**244**	**244**

8. Ex-gratia Pensions

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

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

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

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

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

Ex-gratia pension payment activity: 2011 - 2016

Description	2011-12 $000	2012-13 $000	2013-14 $000	2014-15 $000	2015-16 $000
Accumulated Surplus /(Deficit)- Beginning of year	(345)	(44)	154	355	401
Annual Grant	1,111	998	1,200	1,200	1,200
Annual Payments	(810)	(800)	(999)	(1,154)	(1,274)
Surplus / (Deficit)	301	198	201	46	(74)
Accumulated Surplus / (Deficit) – End of year	**(44)**	**154**	**355**	**401**	**327**

9. Parliamentary Pensions Plan (PPP):

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

9. Parliamentary Pensions Plan (PPP) (Continued)

An additional contribution as prescribed by the latest Actuarial Valuation is made by the employer to cover the additional defined benefit cost associated with the PPP. In practice the Board administers the PPP and the related fund balances.

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

Due in Respect of Parliamentary Pensions Plan

All contributions received, since inception, have been pooled for investment purposes with those of the larger Public Service Pensions Fund and the Judicial Pension Fund for greater investment return opportunities and to contain administrative costs. In addition, this also reflects benefits paid to participants and an element of net investment income and Operating Expenses allocated (on the net of the contributions received and benefits paid) based on the Fund's annual rate of return.

To clearly account for the amounts in respect of the separate Plans, supplementary information to the Statement Net Assets Available for Benefits are presented for the PPP on page 25, showing beginning and ending balances, as well as contribution, benefits paid and investment returns recognised for the PPP during the year.

Net assets available for benefits for PPP at end of year amounted to $7,048 million (2015: $7,409 million). The Board does not charge any additional fees for acting as administrators of the Parliamentary Pensions Plan. The assets duly belong to the Members of the of the Legislative Assembly are under the administration of the Board.

10. Judicial Pensions Plan (JPP)

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

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

10. Judicial Pensions Plan (JPP) (continued)

Due in Respect of Judiciary Pensions Plan

All contributions received since inception have been pooled for investment purposes with those of the larger Public Service Pensions Fund and the Parliamentary Pension Fund for greater investment return opportunities and to contain administrative costs. In addition, this also reflects benefits paid to participants and an element of net investment income and Operating Expenses allocated (on the net of the contributions received and benefits paid) based on the Fund's annual rate of return.

To clearly account for the amounts in respect of the separate Plans, supplementary information to the Statement Net Assets Available for Benefits are presented for the JPP on page 24, showing beginning and ending balances, as well as contribution, benefits paid and investment returns recognised for the PPP during the year.

Net assets available for benefits for JPP at end of year amounted to $5,209 million (2015: $4,783 million). The Board does not charge any additional fees for acting as administrators of the Judicial Pensions Plan. The assets duly belong to the Judges of the Grand Court are under the administration of the Board.

11. Benefits paid to participants

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

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

12. Administrative expenses

Description	30 June 2016	30 June 2015
	$000	$000
Salaries and benefits	2,493	2,419
Office accommodation	386	379
General administrative	120	95
Other professional fees	205	141
Audit fees	67	67
Actuarial fees	302	260
Trustee-related expenses	11	17
Total	**3,584**	**3,378**

13. Benefits due

Benefits Due represents the liability to pay participants who had attained the age of 60 and whose pension payments had not commenced prior to the fiscal year ends of 30 June 2016 and 30 June 2015. Under Section 23 of the *Public Service Pensions Law (2013 Revision)*, participants of the Plan were required to initiate their pension benefit payments upon attaining the age of 60 and as such were no longer eligible to accrue further pension benefits and therefore contributions from the employer should cease.

14. Funding Actuarial Valuation Reports – 1 January 2014

In accordance with the respective legislation, the tri-annual funding Actuarial Valuation as at 1 January 2014 was carried out by the Board's Actuaries, Mercer, for each of the three Government sponsored pension plans.

The principal assumptions for the 2014 funding actuarial valuations (excluding the estimated retirement age which varied with each Plan) used in the computation of the actuarial estimate of the pension liability for each of the three named Pensions plans are as follows:

i. annual salary increases of 3.5%;
ii. long term inflation rate of 2.5% per annum;
iii. valuation interest rate to discount future benefit payments are shown under both 7% and 8% per year assumptons;
iv. expected long-term rate of return on the Fund's invested assets are shown under both 7% and 8% per year assumptons;
v. anticipated future pensions payments increases of 2.5% per annum; and
vi. estimated retirement ages for the three plans are as follows;
    a. Parliamentary Pensions Plan: 55 years and 10 months
    b. Public Service Pensions Plan: 57 years and 10 months for DB members and 60 years for DC members
    c. Judiciary Pension Plan: 65 years

Whereas, the 1 January 2014 reports present current and future funding actuarial valuations under both 7% and 8% discount rate assumptions., The Board recommended and Cabinet accepted an 8% discount rate which provides the basis of Results of the funding actuarial valuations based the accepted 8% discount rate assumptions are summarized under separate caption below for each of the Plans.

The funding actuarial valuations were finalised by the Board and its actuaries in April 2015 and submitted to the Financial Secretary in accordance with the Law. The Valuation Reports were approved by Cabinet on 7 June 2016 and tabled in the Legislative Assembly on 9 June 2016. In order to comply with the approved funding actuarial valuation reports, the Government, in addition to the monthly contributions of approximately CI$18.3 million and budgeted PSL of CI$11.4 million for the 15/16 fiscal year, also took the decision in June 2016 to make an additional payment of CI$18 million to the Fund. Contribution Regulations are being developed to ensure Government's and SAGCs compliance with the contribution rates as recommended in the 2014 Funding Actuarial Valuation Reports.

14. Funding Actuarial Valuation Reports – 1 January 2014 (continued)

a. Public Service Pensions Plan actuarial valuation – 1 January 2014

The funding actuarial valuation calculated a Fund deficiency as at 1 January 2014 as follows:

Public Service Pensions Plan (actuarial estimate)	Amount $ 000
Value of pension fund allocated assets	433,704
Past service liability	(599,993)
Fund deficiency	**(166,289)**

The Actuarial valuation calculated a normal cost during the year as follows:

Public Service Pensions Plan (actuarial estimate)	
Attributable to the Defined Contribution component of the Plan	12.4%
Attributable to the Defined Benefit component of the Plan	16.3%

The Actuary has determined that a continuation of the current level of contributions to the Defined Benefit plan (close to 12% of salaries) is projected to result in the depletion of the Defined Benefit allocated fund by the year 2024.

b. Parliamentary Pensions Plan actuarial valuation – 1 January 2014

The funding Actuarial valuation calculated a Fund deficiency as at 1 January 2014 as follows

Public Service Pensions Plan (actuarial estimate)	Amount $ 000
Value of pension fund allocated assets	8,457
Past service liability	(20,354)
Fund deficiency	**(11,897)**

The funding Actuarial valuation calculated a normal cost during the year as follows:

Public Service Pensions Plan (actuarial estimate)	
Attributable to the Defined Contribution component of the Plan	12.4%
Attributable to the Defined Benefit component of the Plan	58.2%

The Actuary has determined that the Fund continues to be severely underfunded. Assets allocated to the Parliamentary Pensions Plan cover only 36% (under a 7% discount rate assumptions) and 41% (under a 8% discount rate assumption) of the past service obligations.

14. Funding Actuarial Valuation Reports – 1 January 2014 (continued)

c. Judicial Pensions Plan actuarial valuation – 1 January 2014

The Actuarial valuation calculated a Fund surplus as at 1 January 2014 as follows:

Public Service Pensions Plan (actuarial estimate)	Amount $ 000
Value of pension fund allocated assets	5,050
Past service liability	(3,892)
Fund surplus	**1,158**

The Actuarial valuation calculated a normal cost during the year as follows:

Public Service Pensions Plan (actuarial estimate)	
Attributable to the Defined Contribution component of the Plan	30.0%
Attributable to the Defined Benefit component of the Plan	00.0%

The Board has established an objective that the Plans remain fully funded in 20 years from the valuation date of 1 January 2014. Based on the principal assumptions and methods for the 2014 funding actuarial valuations, in order to achieve this objective, contributiions should be made in accordance with the calculated normal cost for each of the Plans.

15. Pension contributions (Re: Funding Actuarial valuations – effective 1 January 2014)

The recommended rates of contribution contained in the 2014 funding actuarial valuations will become effective 1 July 2016 in accordance with the relevant regulations, as a result, contributions received and contributions receivable are based on the recommended contribution rates contained in the 2005 funding actuarial valuation which were last approved rates.

16. Investment management and consultancy fees

The Board utilizes the services of various Investment Managers, a Global Custodian and an Investment Advisor in the course of its business. During the year, the Board employed the services of the following:

a. Independent Franchise Partners ("IFP", Investment Manager)
b. MFG Global Fund ("Magellan" Investment Manager)
c. Aberdeen Global Emerging Markets Fund ("Aberdeen" Investment Manager)
d. Morgan Stanley Global Infrastructure Fund ("Morgan Stanley" Investment Manager)
e. PIMCO Global Investment Grade Credit ("PIMCO", Investment Manager)
f. Wellington Global Credit Plus ("Wellington" Investmen Manager)
g. CIBC Mellon Global Securities Company ("CIBC Mellon" Global Custodian)
h. Advisory Capital (Investment Advisor)

16. Investment management and consultancy fees (continued)

The Board incurred investment management and consultancy expenses as follows:

	30 June 2016 $000	30 Jun 2015 $000
Investment managers		
IFP	2,211	2,048
Magellan	818	808
PIMCO	316	323
Wellington	99	96
Aberdeen	35	8
Morgan Stanley	33	2
Custodian		
CIBC Mellon	82	104
Investment advisor		
Advisory Capital	393	343
Legal fees		
Pillsbury, Winthrop, Shaw, Pittman LLP	357	135
Total	**4,344**	**3,867**

17. Financial and actuarial risk management

(i) Financial instruments risks

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

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

Capital risk
The fund is currently comprised of one segregated fund with the remaining investments in pooled funds in both the equities and fixed income sectors. It is a risk-averse strategy through which inherent risks are mitigated primarily by adherence to asset allocation and diversification policies prescribed by law.

17. Financial and actuarial risk management (continued)

(i) Financial instruments risks (continued

Capital risk (continued)
Each class of assets is managed by separate internationally- recognized money managers, who are recommended by the Investment Committee, with the guidance of independent investment advisors (Advisory Capital), and approved by the Board of Directors, thereby further diversifying the portfolio among unrelated managers and investments. Performance of each investment manager is monitored and measured against international
benchmarks by Advisory Capital. Senior management and the Board, advised by Advisory Capital, also perform annual due diligence visits to each of the investment managers.

Some inherent risks are further mitigated by specific circumstances.

Credit risk
Financial assets that potentially subject the Fund to credit risk consist principally of current, call and fixed deposits, long and short-term investments, accounts and interest receivable and other receivables and prepayments. The Board's current, call and fixed deposits are placed with high-credit quality institutions. Credit risk with respect to long and short-term investments, accounts and interest receivable, and other receivables and prepayments is limited because the Board only transacts business with counterparts it believes to be reputable and capable of performing their contractual obligations.

Inflation risk
Inflation risks are inherent in the monthly benefits payments, which are adjusted for cost-of-livng increases when applicable, and the resulting impact on the funding valuations of the three plans. Inflation risks are mitigated by regular review and adjustment of Plan funding, in accordance with the mandated Actuarial valuations due every three years.

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

Volitility in market interest rates not only affect the return on investments, but also the discount rate used to measure funding valuations and pension liabilities. Long-term interest rates declined in 2014, placing downward pressure on the discount rate.

Interest rate risks, in terms of investment returns, are mitigated primarily by investing in fixed income instruments that are relatively easy to divest and the avoidance of derivatives.

Liquidity risks
For pension funds, liquidity risk presents at the time of retirement. Once the retirement phase has begun, the liquidity risk is equivalent to the pension payments due to the retirees. For the Board, liquidity risk is primarily manifested in the ability for monthly contributions to exceed benefits paids and administrative expenses. A current surplus is maintained through the receipt of payments from Cayman Islands Government against past service liabilities for the Defined Benefit Contributions component of the Plan.

17. Financial and actuarial risk management (continued)

Financial instruments risks (continued)

Liquidity risks (continued)
The greatest risk that the Board faces, other than market related risks in terms of its investments, is the possibility that there could be some form of pension contribution holiday. Should this happen it would seriously impede the Boards
operations, as it would then become necessary to liquidate the investments in order to meet its statutory financial obligations.

At the investment level, liquidity risk is mitigated somewhat by the liquid nature of the investments and the ability to divest on relatively short notice.

Fair values
The carrying amount of current, call, and fixed deposits, accounts and interest receivable, other receivables and prepayments, demand liabilities, and other liabilities and payables approximated their fair value due to the short-term maturities of these assets and liabilities. The market value of investments is presented in Note 4. The fair values of other assets and liabilities are not materially different from the carrying amounts.

Market risks are inherent in the reported amounts of financial instruments. These market risks are mitigated by the risk-averse strategy pursued by the Board and supported by the investment manager selection, monitoring and due diligence processes.

(ii) Main actuarial risks to the funding of the plans

There are several actuarial risks that can adversely impact the funding of the plan. In general, actuarial risks are mitigated by mandated tri-annual actuarial valuation reviews performed by a universally reputable actuarial firm and the implementation of contribution rates adjustment contained therein. In addition, the Board has instructed the actuary to provided an annual interim update for each fiscal year in between the issuance of the tri-annual report. The key actuarial risks are as follows:

a. Contribution deficiency risks
b. Longevity risks
c. Investment return assumption and other financial risks
d. Demographic assumption risks
e. Plan structure risks

Contribution deficiency risks
This arises when contributions are not being paid in accordance with reliable actuarial valuation requirements. In addition, delays in tabling the actuarial valuation reports and delays in enabling regulations to prescribe the recommended rates exacerbate this. Adequate contribution funding is significantly affected by governmental processes, including appropraitions and is at the discretion of the government.

17. Financial and actuarial risk management (continued)

(ii) Main actuarial risks to the funding of the plans

Longevity risk
Longevity risk applies primarily to the Defined Benefit (DB) part of the Plans, which is inclusive of elements of the Defined Contributions portion of the plan converting to Defined benefits at retirement.

Investment return assumption and other financial risks
The most important one here is when the assumed rate of return on investments is not being met. Financial instruments risk management in Note 17 (i) details some of the associated risks. Other financial risks include inflation, which impacts the rate at which pension payments are increased, and pay increases above those assumed in the valuation.

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

Currently there is considerable subsidy provided to Defined contribution participants in the form of generous actuarial factors being used in the conversion of account balances to pensions at retirement. This subsidy reduces the value of the assets that can be allocated to the Defined benefit part.

In addition, there are other inherent features of the plans, such as the pensions benefits being based on final month's pay that can lead to adverse plan experiences.

Plan structure risks
Currently there is considerable subsidy provided to Defined contribution participants in the form of generous actuarial factors being used in the conversion of account balances to pensions at retirement. This subsidy reduces the value of the assets that can be allocated to the Defined benefit part.

In addition, there are other inherent features of the plans, such as the pensions benefits being based on final month's pay that can lead to adverse plan experiences.

18. Leases and commitments

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

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

18. Leases and commitments (continued)

On 1 July 2015, the Board entered into a two year lease agreement with Artemis Property Services for a warehouse storage facility at an annual cost of CI$8,100.00 per annum ($675 monthly). Unit No. 8 is located within the property known as Highgrove Business Park, Building A, consisting of 225 sq.ft. situated at Sparky Drive, George Town.

19. Related party transactions

Key management personnel
There are seven full-time equivalent personnel considered as "Key management personnel". The total remuneration includes: regular salary, pension contributions, health insurance contributions, acting allowances, duty allowances and motor car upkeep/allowance. Total remuneration for Key management personnel in FY 2015-16 was $892 thousand (FY2014-15: $828 thousand).

Intra-government agencies
The Board engaged the services of the Computer Services Department and the Office of the Auditor General during the year. The transactions amounted to $62 thousand and $67 Thousands, respectively (2014-15: $57 Thousand and $67 Thousand, respectively). The services are deemed to have been engaged at arm's length.

20. Plan participants

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

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

20. Plan participants (continued)

The statutory authorities and government companies that participate in the Public service pensions plan are the following:

a. Cayman Islands Airports Authority
b. Cayman Islands Development Bank
c. Cayman Islands Health Services Authority
d. Cayman Islands Monetary Authority
e. Cayman Turtle farm
f. CAYS Foundation
g. CINICO
h. Civil Aviation Authority
i. Elecricity Regulatory Authority
j. ICTA
k. Information and Communications Technology Authority
l. Maritime Authority CI
m. National Housing Development Trust
n. National Roads Authority
o. Public Service Pensions Board
p. University College of the Cayman Islands
q. Water Authority of the Cayman Islands

Contribution rates paid in by each Plan Participant is in accordance with the default rates as set out in the Public Service Pensions Law.

21. PSPB's IAS19R Pension Liabilities

The Board's Actuary, Mercer, has calculated Public Service Pensions Board ("PSPB") actuarial estimates of liabilities as at 30 June 2016, related to the PSPB's staff participation in the Defined Benefit Part of the Public Service Pensions Plan under International Financial Reporting Standard - International Accounting Standard 19 (Rev June 2011) ("IAS19 R"). IAS 19 was revised in June 2011 and became effective for reporting periods commencing on or after 1 January 2013. For purpose of PSPB reporting, IAS 19R for fiscal year ending 30 June 2016 reflects the following:

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

	30 June 2016 $000	30 June 2015 $000
Defined benefit obligation	(2,076)	(2,097)
Fair value of plan assets	1,560	1,519
Funded status	(516)	(578)
Effect of asset ceiling/onerous liability	-	-
Net Liability	**(516)**	**(578)**

21. PSPB's IAS19R Pension Liabilities (continued)

The change in defined benefit obligation is as follows:

	30 June 2016 $000	30 June 2015 $000
Defined benefit obligation at end of prior year	2,097	1,996
Current service cost	109	108
Interest expense	100	90
Cashflows - participant contribution	16	21
Benefit payments from plan	(69)	-
Effect of changes in demographic assumptions	0	(4)
Effect of changes in financial assumptions	327	(116)
Effect of changes in foreign exchange rates	(504)	2
Defined benefit obligation at end of year	**2,076**	**2,097**

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

	30 June 2016 $000	30 June 2015 $000
Fair value of plan assets at end of prior year	1,519	1,376
Interest income	73	63
Cash flows		
Employer and participant contributions	35	45
Benefit payments from plan	(69)	-
Administrative expenses paid from plan assets	-	-
Remeasurements – return on plan assets (excluding interest income)	2	35
Fair value of plan assets at end of year	**1,560**	**1,519**

The net defined benefit liability reconciliation is as follows:

	30 June 2016 $000	30 June 2015 $000
Net defined benefit liability as of beginning of year	578	620
Defined benefit cost included in P&L	136	135
Total remeasurements included in OCI	(179)	(153)
Cash flows – employer contributions	(19)	(24)
Net defined benefit liability as of end of year	**516**	**578**

21. PSPB's IAS19R Pension Liabilities (continued)

The components of defined benefit cost is as follows:

	30 June 2016 $000	30 June 2015 $000
Current service Cost	109	108
Net interest cost		
Interest expense on DBO	100	90
Interest (income) on plan assets	(73)	(63)
Total net interest cost	27	27
Administrative expenses and taxes	-	-
Defined benefit cost included in statement of changes in net assets available for benefits	136	135
Remeasurements (recognized in other comprehensive income)		
Effect of changes in demographic assumptions	0	(4)
Effect of changes in financial assumptions	327	(116)
Effect of experience adjustments	(504)	2
(Return) on plan assets (excluding interest income)	(2)	(35)
Total remeasurements included in other comprehensive Income	(179)	(153)
Total defined benefit cost recognized in statement of changes in net assets available for benefits and other comprehensive Income	**(43)**	**(18)**

The sensitivity analysis on defined benefit obligation is shown below:

	30 June 2016	30 June 2015
1. Discount rate		
a. Discount rate - 25 basis points	2,203	2,213
b. Discount rate + 25 basis points	1,959	1,990
2. Inflation rate		
a. Inflation rate - 25 basis points	1,960	1,985
b. Inflation rate + 25 basis points	2,201	2,218
3. Mortality		
a. Mortality - 10% of current rates	2,119	2,135
b. Mortality +10% of current rates	2,037	2,063

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

	30 June 2016 $000	30 June 2015 $000
Expected employer contributions	29	25

21. PSPB's IAS19R Pension Liabilities (continued)

The significant actuarial assumptions are presented below:

Weighted-average assumptions to determine benefit obligations

	30 June 2016	30 June 2015
1. Discount rate	4.00%	4.75%
2. Rate of salary increase	3.50%	3.50%
3. Rate of price inflation	2.50%	2.50%
4. Rate of pension increases	2.50%	2.50%
5. Post-retirement mortality table	RP-2014 projected on a generational basis using Scale MP-2014	RP-2014 projected on a generational basis using Scale MP-2014
6. Cost Method	Projected Unit Credit	Projected Unit Credit
7. Asset valuation method	Market Value	Market Value

Weighted-average assumptions to determine defined benefit cost

	30 June 2016	30 June 2015
1. Discount rate	4.75%	4.50%
2. Rate of salary increase	3.50%	3.50%
3. Rate of price inflation	2.50%	2.50%
4. Rate of pension increases	2.50%	2.50%
5. Post-retirement mortality table	RP-94 projected on a generational basis using Scale MP-2014	UP-94 projected on a generational basis using Scale BB

Plan Assets

The Defined Benefit assets as well as Defined Contribution assets of the Plan are held as part of the Public Service Pensions Fund ("the Fund") and managed by the PSPB. The assets of two other pension plans are pooled together to constitute the Fund.

The assets are notionally allocated to each of the three participating pension plans through an internal accounting mechanism that tracks, for each accounting period, actual cash flows and allocates investment income based on the rate of return earned by the Fund. Based on the data provided, the gross rate of return earned by the Fund for fiscal 2015/2016 was 4.89%. Similar internal accounting is used for developing each participating entity's share of the asset portfolio of the Fund.

The valuations are based on the asset value as June 30, 2016 provided to us by PSPB, along with cash flow and other supplemental asset information. The assets are held in trust by CIBC Mellon.

21. PSPB's IAS19R Pension Liabilities (continued)

Plan Assets (continued)

The Fund currently has investment policy with a target asset mix of 80% equities and 20% bonds. As at June 30, 2016, the Fund was invested as follows:

	30 June 2016		30 June 2015	
Plan Assets by Asset Category	**($000)**	**Percentage**	**($000)**	**Percentage**
Equities	431,182	77%	411,606	80%
Debt securities	103,189	19%	97,807	19%
Cash	21,697	4%	6,312	1%
Total	556,068	100%	515,726	100%

The Defined Contribution portion of the Fund totalled $261,754,300 as at June 30, 2016 and $237,627,800 as at June 30, 2015, as provided by PSPB.

The share of the Fund that been notionally allocated to PSPB with regards to its participation in the Defined Benefit Part of the Plan is $1,560,000 as at June 30, 2016 and $1,519,000 as at June 30, 2015.

The Actuarial Assumptions

We have used actuarial assumptions approved by the Financial Secretary, the main sponsor of the Plan on August 10, 2016. The principal financial and demographic assumptions used at June 30, 2016 and June 30, 2015 are shown in the table below. The assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date and the pension expense for the following year.

Measurement Date	**30 June 2016**	**30 June 2015**
Discount rate		
- BOY disclosure and current year expense	4.75% per year	4.50% per year
- EOY disclosure and following year expense	4.00% per year	4.75% per year
- Following year current service cost	4.10% per year	4.75% per year
- Rate used to determine interest on definedbenefit obligation and plan assets for following year expense	3.40% per year	4.75% per year
- Rate used to determine interest on current service cost for following year expense	3.80% per year	4.75% per year
- Increases in pensionable earnings	3.50% per year	3.50% per year
- Rate of Pension Increases	2.50% per year	2.50% per year

21. PSPB Pension Liabilities (continued)

The Actuarial Assumptions (continued)

Mortality		
- BOY disclosure and current year expense	RP-2014 generationally projected using Scale MP-2014	UP-94 generationally projected using Scale BB
- EOY disclosure and following year expense	RP-2014 generationally projected using Scale MP-2014	RP-2014 generationally projected using Scale MP-2014
Disability	None	None
Turnover Rates	Age related table	Age related table
Retirement	Age 57 and 10 years of service	Age 57 and 10 years of service
Assumed life expectations on retirement	Retiring today (member age 57) 30.21 Retiring in 25 years (at age 57): 32.40	Retiring today (member age 57) 30.12 Retiring in 25 years (at age 57): 32.40
Liability Cost Method	Projected unit credit method	Projected unit credit method
Asset Value Method	Market Value of Assets	Market Value of Assets
Commutation of pension	All members commute 25% at retirement	All members commute 25% at retirement

Turnover Rates at sample ages:

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

Except for the discount rate, there have been no changes in actuarial assumptions since the prior valuation.

21. PSPB's IAS19R Pension Liabilities (continued)

Historically, a single level equivalent discount rate was used to determine the benefit obligation, service cost, interest cost and interest on the service cost. The discount rate as at June 30, 2016 was determined in accordance with IAS19. In accordance with IAS 19R paragraph 83, determined by reference to market yields on high quality corporate bonds (consistent with the term of the benefit obligations) at the fiscal year end date. The Mercer US Above Mean Yield Curve (referencing US corporate bond yields) was used to determine discount rates due to strong economic and currency links between the US and Cayman Islands.

Effective July 1, 2016, separate discount rates are being used to value the benefit obligation, service cost, interest cost and interest on the service cost. The discount rate used to calculate the benefit obligations is determined by multiplying the liability cashflows by the spot rates and determining a level equivalent discount rate. The discount rate used to calculate the service cost is determined by multiplying the service cost cashflows by the spot rates and determining a level equivalent discount rate. Interest cost is determined by summing the product of the discounted liability cashflows and the spot rates. Interest on the service cost is determined by summing the product of the discounted service cost cashflows and the spot rates.

22. PSPB Post Retirement Healthcare Obligation

The Board's Actuary, Mercer, has calculated actuarial estimates of liabilities as at 30 June 2016 and actuarial estimates of the defined benefit cost for the fiscal years ending 30 June 2016 and 30 June 2015, for the Post Retirement Healthcare Program ("the Health Plan"). For purpose of PSPB reporting, IAS 19R for fiscal year ending 30 June 2016 reflects the following:

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

	30 June 2016 $'000	30 June 2015 $'000
Defined benefit obligation	1,317	1,048
Funded status	-	-
Net defined benefit liability (asset)	**1,317**	**1,048**

The change in defined benefit obligation are as follows:

	30 June 2016 $'000	30 June 2015 $'000
Defined benefit obligation at beginning of year	1,048	993
Current service cost	0	54
Interest expense	50	45
Benefit payments from Employer	(6)	0
Effect of changes in demographic assumptions	(88)	14
Effect of changes in financial assumptions	174	(58)

22. PSPB Post Retirement Healthcare Obligation (continued)

Effect of experience adjustments	139	0
Defined benefit obligation at end of year	1,317	1,048

The net defined benefit liability reconciliation are as follows:

	30 June 2016 $'000	30 June 2015 $'000
Net defined benefit liability (asset) at beginning of year	1,048	993
Defined benefit cost included in P & L	50	99
Total remeasurement included in OCI	225	(44)
Employer direct benefit payments	(6)	0
Net defined benefit liability (asset) as of end of year	1,317	1,048

The components of defined benefit cost are as follows:

	30 June 2016 $'000	30 June 2015 $'000
Current service cost	0	54
Interest expense on DBO	50	45
Defined benefit cost included in P & L	50	99
Remeasurements (recognized in other comprehensive income)		
Effect of changes in demographic assumptions	(88)	14
Effect of changes in financial assumptions	174	(58)
Effect of experience adjustments	139	(58)
Total Remeasurement included in OCI	225	(44)
Total defined benefit cost recognized in P & L and OCI	275	55

The sensitivity analysis on defined benefit obligation is shown below:

	30 June 2016 $'000	30 June 2015 $'000
1. Discount rate		
a. Discount rate – 25 basis points	1,388	1,160
b. Discount rate + 25 basis points	1,251	973
2. Health care cost trend rates		
a. Health care cost trend rates – 100 basis points	1,083	780
b. Health care cost trend rates + 100 basis points	1,618	1,409
3. Mortality		
a. Post-retirement mortality assumption + 10%	1,267	1,074

22. PSPB Post Retirement Healthcare Obligation (continued)

The estimated defined benefit cost for the following year (FY 15/16) is as follows:

	Amount ($000)
Interest expense on DBO	50

The significant actuarial assumptions are presented below:

Weighted-average assumptions to determine benefit obligations

	30 June 2016	30 June 2015
Discount rate	4.05%	4.75%
Health care cost trend rates		
Immediate trend rate	5.00%	5.00%
Ultimate trend rate	5.00%	5.00%
Year rate reaches ultimate trend rate	N/A	N/A
Post-retirement mortality assumption	RP-2014	RP-2014

Weighted-average assumptions to determine defined benefit cost

	30 June 2016	30 June 2015
Discount rate	4.75%	4.50%
Health care cost trend rates		
Immediate trend rate	5.00%	5.00%
Ultimate trend rate	5.00%	5.00%
Year rate reaches ultimate trend rate	N/A	N/A
Post-retirement mortality assumption	RP-2014	RP2014

Actuarial Assumptions:
The assumptions as at the reporting date are used to determine the present value of the defined benefit obligation (DBO) at that date and the defined benefit cost for the following year. The Actuary used actuarial assumptions selected by the PSPB, which are consistent with the assumptions used to determined the results for the CIG's post retirement healthcare program. The principal financial and demographic assumptions used at 30 June 2016 and 30 June 2015 are shown in the table below.

22. PSPB Post Retirement Healthcare Obligation (continued)

Actuarial Assumptions (continued)

Economic Assumptions	Post Retirement Healthcare	Basis of Development – Accounting Specific Assumptions
Discount rate (p.a.) • 30 June 2014 • 30 June 2015 • 30 June 2016	 4.50% 4.75% 4.05%	Per IAS 19 para. 83, determined by reference to market yields on high quality corporate bonds (consistent with the term of the benefit obligations) at the fiscal year end date. Mercer US Above Mean Yield Curve (referencing US corporate bond yields) used to determine discount rates due to strong economic and currency links between the US and Cayman Islands.
Administrative expenses	Included in projected premiums	-
Rate of Medical Inflation (p.a.)	5.0%	Based on an analysis of historical claims information and long-term medical inflation expectations.
Current mortality rates • 30 June 2015	 RP-2014	Recent mortality studies in the U.S. and Canada show that people are living longer. New mortality tables have been issued by U.S. and Canada. The mortality table has been updated to better reflect actual mortality improvement rates experienced in the US over the last 20 years.

Economic Assumptions	Post Retirement Healthcare	Basis of Development – Accounting Specific Assumptions
Future mortality improvements • 30 June 2014 • 30 June 2015	 Scale BB Scale MP-2014	Broad consensus amongst longevity experts that mortality improvement will continue in the future. In the U.S., the future mortality improvement scale has been updated to Scale MP-2014, which replaces scale BB which was an interim scale. Scale MP-2014 was released October 2014.
Disability rates	None	-
Retirement Age	Age 57 & 10 years of service	-

22. PSPB Post Retirement Healthcare Obligation (continued)

Actuarial Assumptions (continued)

Marital assumption	80% married, wife 3 years younger	-
Current healthcare claims cost assumption	Based on 2014/15 premium rates: Health - $9,200 per participant Dental - $900 per participant	-
Healthcare coverage - future pensioners	Male - 27% single, 73% family Female - 50% single, 50% family	Based on Cayman Islands Government experience.
Healthcare utilization changes due to age	Mercer standard healthcare aging assumptions for medical and dental	Based on analysis of healthcare utilization for Mercer clients in Canada and US and by reference to Society of Actuaries studies.

Turnover rates

Age	Male	Female
20-24	7.5%	12.5%
25-29	5.0%	12.5%
30-34	3.5%	7.5%
35-39	2.5%	4.5%
40-44	1.5%	2.5%
45-49	0.5%	0.5%
50+	0.0%	0.0%

22. PSPB Post Retirement Healthcare Obligation (continued)

Actuarial Methods

Benefit obligations are estimated using the Projected Unit Credit method. Under this method each participant's benefits under the Plan are attributed to years of service, taking into consideration projection of benefit costs. Thus, the estimated total benefit to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

A description of the calculation follows:

- An individual's estimated accrued benefit for valuation purposes is the projected benefit at the full eligibility date, or current age if later, multiplied by the ratio of service at the valuation date over service at the full eligibility date. Service for this purpose is measured from 10 years prior to full eligibility. The full eligibility date for this plan is the minimum of age 50 with 10 years of continuous service.
- The benefit attributed to an individual's service during a plan year is the excess of the attributed benefit for valuation purposes at the end of the plan year over the attributed benefit for valuation purposes at the beginning of the plan year. Both attributed benefits are estimated from the same projections to the various anticipated separation dates.
- Estimated benefit obligation in respect of a given individual in the Health Plan is the present value of the attributed benefit for valuation purposes at the beginning of the plan year, and the service cost is the present value of the benefit attributed to the year of service in the plan year.

In all cases, the Defined Benefit Obligation is the total present value of the individuals' attributed benefits for valuation purposes at the measurement date, and the Current Service Cost is the total present value of the individuals' benefits attributable to service during the year.

Participant Data

	30 June 2016	01 January 2014
Active Members		
Number	1	3
Average years of service	22 years	22 years
Average years of service after age 40	12 years	9 years
Average age	51.9	49.4
Pensioners		
Number	1	N/A
Average Age	57.4	N/A

23. Balances Attributable to Each Plan in Respect to Total Net Assets Available for Benefits

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

	30 June 2016 $000	As restated (Note 24) 30 June 2015 $000
Public Service Pension Plan	540,033	499,165
Judiciary Pension Plan (page 24)	5,209	4,783
Parliamentary Pension Plan (page 25)	7,048	7,409
Total	**552,290**	**511,357**

24. Prior Period Adjustment

To reduce the unfunded liability and to bring the Public Service Pensions Plan (PSPP) and the Parliamentary Pensions Plans (PPP) in line with the annual amounts expressed in the 2014 funding valuation, the Government, in June 2016, took the decision to make an additional payment of CI$18,000,000. This payment was in addition to the monthly contributions and was intended to cover any shortfall in the amortization of the Funding deficiency expressed in the 2014 Valuation for the PSPP and the PPP.

During the process of allocating the funds between the two Plans, it was realized that the monthly PSL payments had been misallocated between the PSPP and the PPP with the PPP receiving more than the annual amount expressed in the 2014 Funding Valuation and the PSPP receiving less. The total overpayment to the PPP was CI$2,217,000 calculated as follows:

	Per Funding Valuation	Less Amounts Received	Annual Shortfall	Amortized over 3 Years valuation Period
PSPP	$16,233,000	$9,500,000	$6,733,000	$20,199,000
PPP	$ 1,161,000	$1,900,000	($739,000)	($2,217,000)

To correct the error, the payments made to the PPP in the 15/16 fiscal year of $1,900,000 were re-allocated from the PPP to the PSPP. In addition a prior period adjustment of $317,000 was made to account for the remaining balance.

25. Subsequent Event

New prescribed contribution rates based on the 2014 actuarial valuation have been agreed and became effective 1 July 2016. Contribution Regulations are being developed to ensure Government's and SAGCs compliance.

25. Subsequent Event (continued)

The new contribution rates are as follows:

Employer	DB Employee Contributions Rates	DB Employer Contributions Rates	DB Additional Normal Cost Contribution Rate	DB PSL Contributions Rates	DC Employee Contributions Rates	DC Employer Contributions Rates	DC Additional Normal Cost Contribution Rate	DC PSL Contributions Rates
AA = Cayman Islands Airports Authority*	6%	6%	2%	23%	6%	6%	0%	0%
AF = Sister Island Affordable Housing	6%	6%	5%	n/a*	6%	6%	0%	n/a*
AO = Audit Office	6%	6%	5%	n/a*	6%	6%	0%	n/a*
CA = Civil Aviation Authority*	6%	6%	0%	0%	6%	6%	0%	0%
CC = Community College*	6%	6%	5%	n/a*	6%	6%	0%	n/a*
CF = CAYS Foundation *	6%	6%	5%	n/a*	6%	6%	0%	n/a*
CG = Central Government	6%	6%	5%	n/a*	6%	6%	0%	n/a*
CI = CINICO	6%	6%	0%	0%	6%	6%	0%	0%
CO = Cabinet Office	6%	6%	5%	n/a*	6%	6%	0%	n/a*
CS = Portfolio of the Civil Service	6%	6%	5%	n/a*	6%	6%	0%	n/a*
DA = District Administration	6%	6%	5%	n/a*	6%	6%	0%	n/a*
DB = Cayman Islands Development Bank*	6%	6%	5%	n/a*	6%	6%	0%	n/a*
EA = Electricity Regulatory Authority*	6%	6%	5%	n/a*	6%	6%	0%	n/a*
FD = Portfolio of Finance & Development	6%	6%	5%	n/a*	6%	6%	0%	n/a*
FO = Foreign Office	6%	6%	5%	n/a*	6%	6%	0%	n/a*
HS = Health Services Authority*	6%	6%	3%	3%	6%	6%	0%	0%
HT = Housing Trust*	6%	6%	5%	n/a*	6%	6%	0%	n/a*
IB = Investment Bureau	6%	6%	5%	n/a*	6%	6%	0%	n/a*
IC = ICTA*	6%	6%	0%	0%	6%	6%	0%	0%
IE = Portfolio of Internal & External Affairs	6%	6%	5%	n/a*	6%	6%	0%	n/a*
JD = Judicial Department	6%	6%	5%	n/a*	6%	6%	0%	n/a*
JP = JPP Employees	10%	0%	0%	0%	10%	20%	0%	0%
LA = Portfolio of Legal Admin	6%	6%	5%	n/a*	6%	6%	0%	n/a*
MA = Cayman Islands Monetary Authority*	6%	6%	0%	0%	6%	6%	0%	0%
MC = Ministry of Communications	6%	6%	5%	n/a*	6%	6%	0%	n/a*
ME = Ministry of Education	6%	6%	5%	n/a*	6%	6%	0%	n/a*
MH = Ministry of Health	6%	6%	5%	n/a*	6%	6%	0%	n/a*
MP = Ministry of Planning	6%	6%	5%	n/a*	6%	6%	0%	n/a*
MT = Ministry of Tourism	6%	6%	5%	n/a*	6%	6%	0%	n/a*
OC = Office of the Complaints Commissioner	6%	6%	5%	n/a*	6%	6%	0%	n/a*
PB = Public Service Pensions Board*	6%	6%	0%	0%	6%	6%	0%	0%
PP = Parliamentary Plan	6%	6%	46%	n/a**	6%	6%	0%	0%
RA = National Roads Authority*	6%	6%	0%	0%	6%	6%	0%	0%
SR = Maritime Authority *	6%	6%	0%	0%	6%	6%	0%	0%
TF = Turtle Farm*	6%	6%	5%	0%	6%	6%	0%	0%
WA = Water Authority Cayman*	6%	6%	6%	17%	6%	6%	0%	0%
IO = Information Commissioner's Office	6%	6%	5%	n/a*	6%	6%	0%	n/a*
OP = Office of the premier	6%	6%	5%	n/a*	6%	6%	0%	n/a*
DP = Director of Public Prosecutions	6%	6%	5%	n/a*	6%	6%	0%	n/a*
FS = Ministry of Tourism Financial Services	6%	6%	5%	n/a*	6%	6%	0%	n/a*

* PSL for Central Government is paid in at a rate of $15.99 million per annum

** PSL for the DB Parliamentary Plan is paid in at a rate of $1.161 million per annum

2014 Funding Valuation Update – 1 January 2016

At the request of the Board the Actuary, Mercer, has calculated an update to the 1 January 2014 funding valuation report as at 1 January 2016. As the funding valuation report is produced tri-annually, the purpose of the interim report is to provide the Board with an update of the funding valuation position for each fiscal year in between the issuance of funding valuation reports. It is not for the purpose of funding the Plans, the report is based on known assumptions and on assumptions of proposed legislative changes under consideration by the Government. As such, the figures have not been used in the financial statements. Following are the findings from the 1 January 2016 update:

Events since 1 January 2014 valuation

	2016	2015
Public Service Pensions Plan (Deficit)	$220M	$191M
Parliamentary Pensions Plan	$10M	$10.3M
Judiciary Pensions Plan	$1.0M	$1.1M

Basis for projected funded status

1 January 2016 project is based on:

- Membership data used for 1 January 2014 valuation
- 1 January 2016 asset information and cash flow
- Actuarial assumption as outlined in 1 January 2014 valuation

Estimates do not reflect any demographic experience subsequent to 1 January 2014.
It is a funded status update – it does not dictate new contribution requirements. Contribution requirements are as per 1 January 2014 Funding Report.

Public Service Pensions Plan		
	8% Basis	
($'000)	**1 January 2016**	**1 January 2015**
Market value of DB plan assets	252,000	254,000
Market value of DC plan assets	247,000	216,000
Market value of total plan assets	499,000	470,000
Defined contribution (DC) liabilities	252,000	216,000
Defined benefit (DB) liabilities	467,000	445,000
Total liabilities (DB + DC)	719,000	661,000
Surplus / (Deficiency)	(220,000)	(191,000)
Funded ratio (DB + DC)	*69%*	*71%*
Funded ratio (DB only)	*53%*	*57%*

2014 Funding Valuation Update – 1 January 2016 (continued)

Parliamentary Pensions Plan		
	8% Basis	
($'000)	1 January 2016	1 January 2015
Funded surplus / (Deficiency)	($10,000)	($10,335)
Funded ratio		
- DB only	52%	50%
- DB and DC combined	54%	51%

Judiciary Pensions Plan		
	8% Basis	
($'000)	1 January 2015	1 January 2014
Funded surplus / (Deficiency)	$1,140	$1,158
Funded ratio		
- DB only	130%	135%
- DB and DC combined	125%	130%