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CI National Pensions Board

Cayman Islands National Pensions Board

Annual Report

July 1, 2005 – June 30, 2006

June 2007



CAYMAN ISLANDS GOVERNMENT
FORMERLY OFFICE OF THE SUPERINTENDENT OF PENSIONS

**National Pensions Board
ANNUAL REPORT
JULY 1, 2005 – JUNE 30, 2006**

BACKGROUND

The National Pensions Board (Board) is established under Section 78 of the National Pensions Law (2000 Revision). The Board is to consist of a Chair, a Deputy Chair and between 5 and 9 additional members. The appointment of Board Members is to be gazetted and its duties and powers are laid out in the National Pensions Law and its Regulations. The Superintendent of Pensions is the Chief Administrative Officer of the Board.

The duties and responsibilities of the Board and the Superintendent include:

- Administer the Law and regulations;
- Promote the establishment, extension and improvement of pension plans throughout the Islands;
- Advise the Minister in respect of business of the Board; and
- Make recommendations to the Minister in respect of pension plans.

COMPOSITION

The Board was re-appointed in April 2004 for a 2 year term and the composition was as follows:

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|----------------------|--|
| 1. Chair – | Mr. Carlyle McLaughlin, Jr. |
| 2. Deputy Chair – | Mr. Kirkland Nixon |
| 3. Member – | Mr. William Adam |
| 4. Member/Min Rep. – | Mr. Doss Solomon |
| 5. Member – | Mrs. Rhonda Kelly |
| 6. Member – | Mr. Bryan Bothwell |
| 7. Member – | Ms. Sharon Roulstone |
| 8. Ex-officio Member | Superintendent of Pensions (Cyril Theriault) |
| 9. Secretary - | Ms Amy Wolliston |

The recording secretary of the Board was a staff member of the National Pensions Office.

BOARD MEETINGS

The Board meeting schedule went to December '05 at which time, due to travel plans of Board members and illness, a quorum could not be achieved prior to the appointments terminating in April 2006. The Board held Regular Board meetings and Special Board meetings to deal exclusively with the review of the National Pensions Law.

The schedule of meetings was as follows:

Regular Board Meetings	Special Board Meetings
21 September, 2005	13 July, 2005
5 October, 2005	10 August, 2005
23 November, 2005	17 August, 2005
14 December, 2005	

REGISTRATION

During the period covered by this report, the NPO completed its annual renewal of registrations. In 2005/06, the Office received 197 Renewals/New Applications with over 30,000 employees covered and in excess of \$315,000,000 in invested assets. Currently, the registration and annual renewal process is managed manually, however discussions have commenced with Computer Services to track this information electronically, which will improve the office's efficiency as well as allow the production of better and more meaningful statistical reports (reported on elsewhere in this report).

The NPL has been enacted for eight (8) years. The Board is concerned that there are still unregistered, and thus unregulated, pension providers who have been allowed to operate, accepting pension monies and that the National Pensions Office (NPO) is still unable to determine if such funds are being managed within the safeguards established by the Law. Two of the multi-employer plans were threatened to have their registrations revoked should they not prepare amendments to their plans and reports to meet the requirements of the Law. They continue to work with the Office to ensure compliance.

Lack of information available to the Board prevented their oversight of the NPO's operation in this area of the Law's administration, where the timeliness of the NPO's response to both applications lodged and renewals overdue could often be open to criticism. This is one of the subjects which the Board seeks to address in the review of the Law mentioned elsewhere in this report.

Additionally, the NPO's response to the Board's request for interim reporting measures on pension plan applications and renewals has been inadequate. The NPO advised the Board that they continue to be hampered by inadequate management reporting systems.

The Board had requested that the NPO take effective action on pension plan Registrations and Renewals, particularly with respect to the multi-employer pension plans, during the 05/06 financial year and beyond, to ensure that pension plans are meeting the minimum requirements of the Law.

The Board reviewed the Offshore Pension Plan Registration Feasibility report and concurred with its findings and agreed that their registration should be recommended to government.

ENFORCEMENT

Some eight years after enactment of the Law, there can no longer be any reasonable excuse for allowing employers to ignore it. The Board continues to be extremely disappointed at the progress of prosecutions. Although the NPO and the Solicitor General's Office are proceeding with the laying of charges, the progress through the courts appears to be excruciatingly slow. The Board will address this issue in the review of the Law. There is still concern that when the public's sense of moral outrage in respect of this situation inevitably surfaces, it will be directed at the Government, the Board, the NPO and the business community.

The addition of more staff has improved the internal procedures and processes and assisted with the implementation of Pennat to ensure that basic complaint data is available. The Board recognizes that the NPO appears to be having many more successes in the compliance area than previously. The Board also recognized that the NPO has gone to great lengths to improve the reporting by the pension plan administrators but acknowledges that room for improvement still exists, particularly with some of the providers.

The Board is convinced that there needs to be more co-operation between the NPO and the Solicitor General's Department in the area of moving prosecutions through the legal system. While a few cases have been sent to court, many more should have been by now, and there is the need to achieve consistency in the prosecutions area. The Board is also cognizant of the fact that there is a significant amount of statistical data which must be made available to the Board in order that it can provide more useful oversight in the work which needs to be accomplished by the Office.

PUBLIC EDUCATION

The NPO continued its work on the enhancement of public education within the Cayman Islands. The Office produced two significant brochures: one focused on employees and the other on employers. Additionally, the background work commenced on the development of the NPO's (and Board's) website (subsequently implemented).

The Board is very supportive of any initiatives taken in this area, as it believes that one of the keys to ensuring compliance with, and better understanding of, the NPL is through education of the public, as well as the employers. The Pension Consultancy Report discussed below is also expected to comment on this aspect of the retirement system in the Cayman Islands (see Public Awareness under Future Plans section of this report).

BOARD/MINISTRY

The expiration of the Board members terms with no immediate re-appointment of a new Board was disappointing, especially when there is so much work to be done. The NPO recognized this as well and continued on with the joint initiatives of the Board and the Office and kept the former members well informed on the issues.

LAW REVIEW

It was planned that the Board and NPO would be able to forward to the Ministry for consideration, at least the administrative changes in the 2005/06 fiscal year. The Board was striving to conclude consideration of the more substantive changes that year as well, however supporting actuarial advice through the consultancy report will need to be considered carefully. The Board held 3 special meetings in the 05/06 year and the last special meeting that was able to be scheduled prior to the Board appointments expiring in April 2006, was August 17, 2005.

The Law review was the major piece of work that suffered due to the Board not being able to meet.

OVERSIGHT

The consultancy report referred to in the earlier section is expected to address the following areas:

- Actuarial review of the adequacy of benefits and the “cost” of benefit increases;
- Review of current legislation pointing out areas which should be addressed in the short term, including compliance and prosecution issues;
- Recommendations with respect to changes to the investment regulations to ensure the possibility for optimum returns and to ensure consistent reporting and advertising of investment returns; and
- Identification of future initiatives which should be considered in any of the above areas or generally with respect to the best governance of pension plans within the Islands.

The consultants also undertook to give a cursory review of the earlier completed feasibility study on the registration of Offshore Pension Plans.

This project’s conclusions are expected to guide the Board and the Ministry in their recommendations for changes to the National Pensions Law and the pension systems in the Cayman Islands for at least the next 5 years.

TECHNOLOGY

In conjunction with Computer Services the Office has been developing an automated Registration/Renewal, Complaint and Plan information data base. The system is known as Pennat. The initial version of the system was delivered by Computer Services in December 2004; this was a basic version that was the data base structure to build a management information reporting system on.

The system then needed to be populated with information on pension plans and information on complaints under investigation, or to be investigated, which is well underway. The office will work with Computer Services over the next fiscal year to ensure that the system will be able to meet the operational needs of the Office and the information needs of the Board and the Office.

It is expected that the system will include, but not be limited to, such items as:

- Number of pension plans registered in the Cayman Islands along with basic demographic and financial data on the plans as well as registration/renewal information;
- Number of cases under investigation or to be investigated along with basic data on timing of investigations;
- Number of investigations concluded, with the results of the investigation;
- Approximate dollar value of arrears owed to pension plans by those in violation of the provisions of the Law; and
- Dollar value of arrears collected as a result of investigative action undertaken by the Office;

FUTURE PLANS

1. Legislative

The Legislative review must be completed with recommendations to the Ministry. There may not be sufficient time to have full public discussion on some matters that are more specialized (Investment changes) or administrative in nature. The Board still plans on having public discussion of the more substantive changes, those dealing with contribution rates and retirement age as well as any benefit changes.

2. Consultancy Services

As the Pensions Consultancy Report is released, the Board will take its Recommendations into consideration in its deliberations. It could well be that the Board and the Office will require outside assistance and expertise in developing a strategic communication policy to better serve the citizens.

3. Public Awareness

Public education and awareness on the need for retirement savings and savings in general, as an augmentation to savings through the pension system, has been identified as a key component in making the pensions system in the Cayman Islands successful. As mentioned previously in this report, this fact is expected to also be identified by the Pension Consultancy Report; sufficient resources will have to be made available in the next few years to achieve this general awareness.

4. General

While the NPO and the Board have made various plans for the coming years, it also acknowledges that the funding for these plans must first be secured. To that end, they will specifically address revenue enhancement as part of the review of the Law. Both the Board and the multi plan administrators have long recognized that, for the NPO to carry out its mandate, the revenue stream must be increased. The Plans support this move, so that the tasks assigned the NPO are not offloaded onto them.

The Board recognizes and appreciates the cooperation and support that the Ministry has provided the NPO, with recent staffing level increases and support for further resource increases in the future.