



General Audit Chamber

Algemene Rekenkamer

Report on Financial Statements APS 2011

July 2014

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1. METHODOLOGY

1.1 Background

The assignment to review the General Pension Fund Sint Maarten (*Algemene Pensioenfonds Sint Maarten – APS, the Fund*) is set forth in article 26 of the National Ordinance General Pension Fund Sint Maarten (*Lv APS; AB 2013, GT nr. 65*). Article 18, paragraph 10 of the National Ordinance General Pension Fund Sint Maarten requires that the General Audit Chamber submit the audited annual accounts (financial statements) along with comments to Parliament and the Minister.

It is clear from the provisions of the *Lv APS* that Government wants to remain involved in monitoring the APS and its holdings. The General Audit Chamber is of the opinion that this is justified given that the premiums are paid by the participants and by Government to the Fund and as such the Fund should secure future pension benefits.

The Board of the Fund was required to submit its approved 2011 financial statement¹ as well as its annual report including the independent auditor's report of the fund's external auditor prior to November 1st of 2012 to the Minister of finance, the Central Bank and General Audit Chamber. The Board of the Fund submitted the financial statements 2011 to us by letter of June 21st 2013.

The Fund's financial statements 2011 were audited by an external auditor. In consideration of efficiency, the General Audit Chamber chose not to independently audit the financial statement of the Fund but instead to conduct a thorough review of the audit performed by the external auditor. For the aspects relating to the actuarial assumptions when determining the pension obligations of the Fund, we were assisted by an external actuary.

Content

The topics, in order of appearance, contained in this report are: the summary (Chapter 2), the financial statements 2011 (Chapter 3), (legal) compliance with the *Lv APS* and the relevant rules and guidelines (Chapter 4), and Governance, Compliance and Risk Management aspects (risk management) (Chapter 5). We conclude this report with the reaction of the Fund's board regarding the draft report (Chapter 6) including our epilogue (§ 6.2).

¹ *Lv APS; AB 2013, GT no. 65. Art. 18, paragraph 7*

1.2 Audit approach

As part of the legal task of the General Audit Chamber to audit the Fund (APS), we relied on the audit performed by the external auditor. We needed to obtain reasonable assurance regarding the reliability of the accounting information as well as level of (legal) compliance of the Fund. The General Audit Chamber is expected to perform our tasks as efficiently as possible. In consideration thereof, it is logical to avoid reperformance of audit activities and instead to rely on activities already performed by the external auditor. It is important that we form an opinion about the work performed by others based on our specific task and responsibility.

We therefore conducted a review program and made optimum use of the work carried out by the external auditor.

In addition to assessing the work of the external auditor and the results thereof, we maintain the right to carry out our own research regarding the Fund. For example, we performed the audit "*Sint Maarten 2011 Pensions*" and reported about this to Parliament on April 16th 2013 and published our findings on our website. We also engaged the services of an external actuary to assist us in evaluating actuarial assumptions underlying the calculation of the pension obligation. Additionally, we independently examined various aspects of legal compliance.

The General Audit Chamber is responsible² for the review of the financial statements of the Fund. APS compiled their financial statement based on the International Financial Reporting Standards (IFRS). This reporting system is a generally accepted system.

The financial statements of the APS are audited by an external auditor. In this report we provide answer to the following review questions:

1. Are the financial statements 2011, as drawn up by the General Pension Fund Sint Maarten, in accordance with the provisions of the National Ordinance General Pension Fund Sint Maarten and the International Financial Reporting Standards, and do the financial statements provide a true and fair view of the Fund's financial position as of December 31st 2011 and of the Fund's financial result in 2011?
2. Does the Fund act in accordance with:
 - a. The National Ordinance Pension Fund Sint Maarten and other regulations and guidelines derived from the Lv APS?
 - b. The National Ordinance Civil Service Pensions (PB 1997, no. 312) and the Pension Ordinance Civil Servants (PB 1938, no. 15) and other relevant laws and regulations, inasmuch as these are present?
 - c. The National Ordinance Corporate Governance (AB 2013, GT no. 19)?
 - d. Policy and guidelines of the Central Bank?

² Lv APS; AB 2013, GT no. 35, art. 18, paragraph 7

1.3 Audit of the financial statements

Our audit of the financial statements 2011 of the APS consists of reviewing the work of the external auditor as well as our own investigation. As part of our review, we also considered the extent to which the external auditor relied on the work of the Fund's actuary and in this context we analyzed several letters and mail messages to and from said actuary.

Our review of the files of the external auditor consists, in general, of performing activities related to the following elements:

- The risk analysis performed;
- The substantiated and documented audit approach;
- The audit activities of the audit program for the aspects derived from our risk analysis (see paragraph below);
- The established reliability rates and tolerances which determine the minimum sample size for observations;
- The depth of the execution of the audit activities as outlined in the audit program as well as the resultant effect on the final opinion;
- The material items of the financial statements in the planning and evaluation of the financial audit of the external auditor;
- The audit of the applied accounting principles;
- The text of the Independent Auditor's report;
- The text of the actuarial statement;
- Compliance with the National Ordinance Civil Servants Pensions (PB 1997, no. 312) and the Pension Ordinance Civil Servants (PB 1938, no. 15) and other relevant laws and regulations, inasmuch as these are present.

Based on our own risk analysis we mainly researched the following aspects of the financial statements:

- The valuation of investments;
- The valuation of the Government's receivable;
- The division of assets and liabilities of the former General Pension Fund of the Netherlands Antilles (APNA - Algemeen Pensioenfonds van de Nederlandse Antillen);
- Equity;
- The completeness, existence and accuracy of the administration (files) of the participant's "defined benefit pension plan";
- The prudence of the actuarial assumptions for calculation of the defined benefit obligation as of the balance sheet date;
- The current account debt to APC (General Pension Fund Curaçao).

As part of our report, we will further elucidate the aforementioned aspects.

1.4 Research on legal compliance

Our research on the legal compliance concerns:

- The National Ordinance General Pension Fund Sint Maarten (AB 2013, GT no. 65);
- Compliance with the National Ordinance Civil Servants Pensions (PB 1997, no. 312) and the Pension Ordinance Civil Servants (PB 1938, no. 15) and other relevant laws and regulations, inasmuch as these are present;
- The decree "Mandate and delegation management APS" of April 13th 2012;
- Appointment decree of the investment committee;
- The regulation of the investment committee;
- The investment policy: External and Internal Master investment Policy.

1.5 Research on Governance, Compliance and Risk Management

This research regarding the quality of the Governance, Compliance and Risk management aspects concerns:

- The various investment policy statements;
- The Separately Management Accounts agreement (SMA)
- Article 11, paragraph 2 of the National Ordinance General Pension Fund Sint Maarten

2. SUMMARY

We provide a summary of the most important findings and conclusions in this Chapter. We chose to summarize both findings and conclusions without the use of overly technical terminology. For the substantiation of our findings and conclusions including technical details please refer to the chapters that follow.

Financial Statements

The division of assets and liabilities of the former General Pension Fund Netherlands Antilles (APNA) was not completed at the time of performing this audit. As a result, there is uncertainty in terms of the valuation of the items related to this division.

Not all participants are included in the files of the APS and the data of a significant portion of the participant contain errors. We are of the opinion that there is a real possibility that the pension obligation is actually higher as of December 31st 2011 than the amount of ANG 394,701,000 presented in the financial statement 2011.

The principles used for the calculation of the Provision For Pension Obligations were not validated for the specific situation of Sint Maarten. The Fund calculates the pension obligation by discounting future payments based on an interest rate of 4%. Should the Fund use a lower interest rate, the pension obligation should be much higher as of December 31st 2011. We were unable to form an opinion regarding the adequacy of using the interest rate (actuarial rate) of 4 percent to calculate the pension obligation given the fact that there is no ALM (Asset Liability Management) study available, and the fact that the return on investment is low in 2011 as well as the negative financial result of 2011.

According to the financial statements, the pension obligations are not covered by available assets and in addition, there are insufficient assets to cover general risks and investment risks. When one uses an interest rate lower than 4 percent (actuarial rate) to calculate the pension obligation, the deficit of available assets as compared to the pension obligations, becomes substantially higher.

APC did not confirm APS's debt of ANG 13,436,381 as of December 31st 2011. The external auditor did not acquire any substantive audit information regarding the APC debt. There is therefore no assurances regarding the completeness of the stated APC debt in the financial statements.

The current premium payment rate of 22 percent currently used, is not in accordance with the legal percentage of 25 percent.

Conclusion

On the basis of the aforementioned, there are substantial uncertainties in the financial statements regarding the division of assets of the former Netherlands Antilles, the completeness of the participant administration and the substantiation of the principles for the calculation of

the pension obligation as well as the APC debt. We therefore refrain from issuing an opinion regarding the true and fair view of the financial statements.

We also cannot conclude that the financial position as of December 31st 2011 was healthy on the basis of the aforementioned.

Legal Compliance

Formal decision making regarding the Fund's organization, such as the appointment of a complete Board, were not taken in a timely fashion. In addition, the financial statements for 2011 as well as 2012 were not prepared in a timely fashion. There was no investment plan developed for 2011 and 2012. These findings are not compliant with the National Ordinance General Pension Fund Sint Maarten.

The transfer of US\$ 48 million to a foreign bank account is not legally compliant because the required license from the Central Bank was provided after the date of transfer. The General Audit Chamber has been informed that the practice is not unusual and due to time constraints verbal approval for transfers is often provided by the Central Bank and the formal licenses are issued after the date of transfer. However, we were not able to determine whether in the case of the APS, this "practice" was also applied.

Conclusion

Base on the aforementioned, we conclude that from the inception of the Fund on October 10th 2010, up to the time of our audit, a number of legally required organizational requirements were not met. We were also unable to confirm whether the Central Bank's supervision of the Fund was in compliance with the National Ordinance General Pension Fund Sint Maarten.

Governance, Compliance and Risk management (GCR)

Inasmuch as we were able to determine, the supervisory activities related to the implementation and internal review of the investment policy were inadequately structured and inconsistently documented. As a result, it was not possible for us to determine if supervisory activities and the internal review thereof were adequately carried out.

However, we were able to determine during an interview with management, that APS has 24/7 access to a terminal that allows constant monitoring of investments. Furthermore, there is periodic contact by telephone with the external advisor as part of the supervisory activities.

The advisor, the company the advisor represents and the company that issues buy and sell orders to the managers, are directly or indirectly related to each other, while the managers are selected by APS on advice of the same advisor (see 5.2: Table OECD).

For the foreign investments (40%), APS has formally foreseen in the function of a custodian. This is not (yet) the case for the domestic investments (60%).

The General Audit Chamber was not able to form an opinion regarding the supervision of the Fund by the Central Bank during the years 2011 and 2012.

Conclusion

Based on the aforementioned, we have not been able to establish that a structured method of supervision on the execution of the investment policy is present within the Fund.

3. THE FINANCIAL STATEMENTS

3.1 Statement from the external accountant and the actuary of the APS

Independent auditor's report

The external auditor issued a qualified opinion to the financial statements 2011 on May 15th 2013. According to the auditor's report the financial statements give a true and fair view of the financial position at December 31st 2011 and the result achieved for 2011 are in accordance with International Financial Reporting Standards **with the exception** of the possible effects of the following issues:

- *The other non-current assets include the proceeds from the division of the assets of the Fund's predecessor. The division of assets is being executed in accordance with the Kingdom decree 'Onderlinge regeling opvolging en boedelscheiding Algemeen Pensioenfonds Nederlandse Antillen en opvolging van enkele andere aanverwante regelingen'. The amount that the Fund has been recognized as the beginning balance is derived from the latest draft version of the 'Rapport inzake boedelverdeling per 9 oktober 2010 van het Algemeen Pensioenfonds van de Nederlandse Antillen' dated September 14, 2012. The possible effect on the non-current assets of the re-allocation of participants is unknown;*
- *The loan and borrowings include the current account payable to APC amounting to ANG 13,436,381 as per December 31, 2011. This balance could not be confirmed by APC. We were not able to satisfy ourselves as to the completeness of this current account balance by other audit procedures;*
- *The Fund has recorded a provision for unregistered participants for an amount of ANG 7,086,649. This provision is recognized based on the invoiced premiums for non-registered participants. The related pension benefit obligation for these unregistered participants and the possible effect on the provision currently recognized is unknown.*

The actuarial statement

The Fund's actuary issued a statement on May 7th 2013 regarding the year 2011. The opinion states:

- *"Met inachtneming van **het voorafgaande** en het navolgende verklaar ik dat naar mijn overtuiging de technische voorzieningen, overeenkomstig de beschreven berekeningsregels en uitgangspunten, als geheel bezien, toereikend zijn vastgesteld. Het vermogen van het pensioenfonds is op de balansdatum niet voldoende ter dekking van de minimum positie van de voorziening voor pensioenverplichtingen (VPV), er is sprake van een dekkingstekort." (Taking into account the **preceding** and the following, I declare that I believe the technical provisions, described in accordance with the calculation rules and principles, as a whole, to be sufficient. The assets of the Pension Fund as of the balance sheet date are not sufficient to cover the minimum position of the provision for pension obligations (VPV), there is a funding shortfall.)*

The "preceding" refers to the administrative base data provided by the Fund and the findings of the external auditor in respect of this. The actuary accepted this information as a starting point for assessment activities.

3.2 Balance sheet items

Assets

The following table shows the asset side of the balance sheet of the APS as of October 10th 2010 and the end of 2011. We have maintained the naming convention of the APS financial statements 2011:

Balance sheet assets (x ANG 1,000)	2011	10-10-10
Property and equipment	161	-
Intangible assets	108	-
Financial assets		
- Investments held to maturity	70,000	
- Investments held at fair value through profit or loss	65,972	
Other non-current assets	87,229	300,928
Total non-current assets	223,470	300,928
Accounts receivable	40,062	74,427
Short term portion of financial assets	120,000	-
Other current assets	66	-
Cash and cash equivalents	31,134	-
Total current assets	191,262	74,427
Total assets	414,732	375,355

Valuation of investments

The investments are partly disclosed under the balance sheet item *Financial assets* and partly in terms of the short-term portion of ANG 120,000,000 (part of the investment assets that will be available within a year after December 31st 2011 is available for reinvestment or pension payments) under the balance sheet item *Short term portion of financial assets*.

Investments held to maturity

The APS has in the context of the division of assets of the APNA, received an advance on the portion the APS is entitled to. This advance was temporarily invested in *Time deposits* for 2011 pending further domestic and foreign investment. We could not establish the intention of management regarding the intended term for holding the time deposits. These time deposits are classified as "held to maturity". The intention of the management was apparently to hold these investments to maturity.

These time deposits were held at four local banks. The nominal value of these time deposits amounted to ANG 190 million, of which ANG 120 million will expire within 1 year. The portion of the time deposits that will expire within one year appear on the APS 2011 balance sheet and are accounted for as part of the short-term investments of the APS balance sheet.

Investments held at fair value through profit or loss

The "investments held at fair value" relate to international investments and at the end of 2011 they are as follows:

Type of investment	31-12-11
Fixed income	17,123,623
Equity	48,847,610
Total	65,971,233

Amounts in ANG

The APS receives periodic overviews of the Fund's international investments. We note that the valuation is not backed up by an independent source (for example, Bloomberg). We understand that the valuation will be compared to an independent source at the end of 2012.

Valuation of the claim against Government

At the end of 2011, the APS had a substantial claim amounting to ANG 38,4 million against the Government. This claim relates to amounts paid in advance by the APS for:

- Early Retirement (VUT) and cost-of-living supplement for the benefit of retired civil servants;
- Amounts paid in advance for VUT and cost-of-living supplement of retired workers of subsidized school boards;
- Accrued pension contributions for active workers of subsidized school boards.

APS is currently negotiating with Government regarding a repayment plan for the payment of the outstanding receivable.

At the time of the presentation of the financial statements, the claim against the Government as of December 31st 2011 was more than 1 year old. The interest on the outstanding amount as of December 31st 2011, is included in the claim.

Conclusion on the valuation of the claim on Government

The claim against Government is properly valued.

Division of the assets and liabilities of the former General Pension Fund of the Netherlands Antilles (APNA)

Important to the APS is that a final statement of assets and liabilities will result from the final settlement of division of assets and liabilities of APNA. The division is not yet completed and therefore also not yet final.

Conclusion regarding the division of assets and liabilities of the former General Pension Fund of the Netherlands Antilles (APNA)

There is uncertainty in terms of the valuation of the items resulting from the provisional settlement of APNA assets and liabilities. This may affect the true and fair view of the financial statements.

Liabilities

The following table show the liabilities side of the balance sheet for year-end 2011:

Balance sheet liabilities (x ANG 1,000)	2011	10-10-10
Reserves	3,597	3,597
Result current year	- 4,328	-
Total equity	- 731	3,597
Pension benefits obligations	394,701	371,758
Provisions	7,087	-
Loan and borrowings	13,436	-
Total non-current liabilities	415,224	371,758
Accounts payable	199	-
Tax and social premiums payable	40	-
Total current liabilities	239	-
Total liabilities	415,463	371,758
Total equity and liabilities	414,732	375,355

Shareholders' equity

As a result of the new constitutional relationships as of October 10th 2010 and the resultant allocation formula for the assets and liabilities of APNA, a portion of those assets and liabilities were provisionally transferred to the APS on the basis of a provision for settlement of APNA assets and liabilities. The divided assets exceed the liabilities by an amount of ANG 3.597.252. This represents the starting capital of the APS as of October 10th 2010.

Provisions

Introduction

The item provisions on the balance sheet is compromised of the following:

Description	Amount ANG
Pension provision registered participants	394,701,000
Pension provision unregistered participants	7,086,649
Total	401,787,649

The provision for unregistered employees concerns invoiced premiums for unregistered participants. The unregistered participants will be included in the pension provision as soon as

these workers are formally registered. Going forward in this report, we will refer to these two provisions jointly as pension provision.

Conditions for the correct calculation of the scope of the provision for pension obligations

To properly calculate the scope (amount) of the provision related to the pension obligations (VPV) it is essential that:

- the participant administration is accurate and complete;
- the actuarial assumptions are sufficiently prudent.

Accuracy and completeness of the participant administration

The APS was established by National Ordinance on October 10th, 2010 and is the Pension Fund for all government officials and employees of the Government entities of Sint Maarten. The participating organizations provided information regarding the number of participants and other relevant data to the APS in 2011. This information/data was not accompanied by an audit report from the external auditors of these participating organizations. The APS did not verify whether the number of employees specified by the participating organizations and employee data were accurate.

The management of the participant administration and disbursement of the retirement benefits was mainly outsourced to the General Pension Fund Curaçao (APC) in the year 2011. In this context, there was a Service Level Agreement (SLA) between the APS and the APC.

There were significant backlogs in terms of processing changes ('mutations') to the participant administration at both the APC and its predecessor, the APNA. Moreover, around the time of October 10th 2010, the participant files expanded considerably due to the entry into service of many civil servants required to fulfill important functions of the government of the new country Sint Maarten.

The APS engaged the SOAB (*Stichting overheidsaccountants bureau*) to review the accuracy and completeness of the participant files that were transferred from APC to APS. The work started in 2012 and continued into 2013. At the time of the writing of this report, the SOAB had not yet issued their final report regarding the accuracy and completeness of the participant files. The findings contained in their draft report show that there was uncertainty about the reliability of the participant administration. The reasons were among others due to:

- data related to the pensionable salary, the name and address, as well as information regarding a partner or no partner, as well as and the number of children were not completely included in the files;
- government, government companies (NV's), school boards and other foundations did not always provide complete and up-to-date data to APNA/APC.

In the event incomplete documentation or information was provided to APNA/APC, the persons were not registered in the participant files.

Our report of April 16th 2013 "Pensions Sint Maarten 2011", also established that the participant files were incomplete. We determined that more than 50 percent of the workers entitled to pension had not been registered at the APS. Even if workers are not registered, they retain their right (in accordance to civil law) to pension because they are civil servants or contract

government workers. The timeline for the execution of our investigation did not extend to the moment of issuance of the independent auditor's report. However, we are of the opinion that our investigation provides guidance for our opinion regarding the reliability of the participant administration.

The actuary of APS released a "Certification report 2011 General Pension Fund Sint Maarten" on May 7th 2013. The report contains statements that give us reason to doubt whether the participant files and the subsequent calculated provision for pension obligations (VPV) reported in the Financial Statements 2011 are reliable. The actuarial statement in question refers to:

- The lack of a statement from the auditor certifying that the basic data are correct and complete. Such a statement is quite usual and provides the actuary with assurance. The actuary can choose to accept the basic information without a statement, however, given that the auditor failed to provide the statement, and because there are already doubts about the files, there must be clear findings from the auditor and/or the actuary themselves from which to conclude that the basic information is correct and complete.
- A letter from the auditors dated April 15th 2013 states that using a sample of 85 files they were able to confirm the correctness of 80. Of the five for which accuracy could not be determined, these files were absent/missing. Said files were still at the General Pension Fund Curaçao. From emails we learned that the 5 missing participant files were reviewed by the actuary and the actuary found nothing of consequence.
- The completeness of the basic data. In the aforementioned correspondence, the actuary and auditor do not discuss the completeness of the basic data. There could be participant files missing. The participant files of the APS are derived from the division of APNA. The division of the APNA was audited by an auditor. The review of the actuary and auditor are based on this starting position. Transfer of participants between the various pension funds is still possible based on the division of APNA. The actuary states that such a situation would have a limited impact on the coverage ratio because both the pension liabilities as well as the pension assets will have to be transferred.
- The amount of the provision for unregistered participants, was determined by the Fund itself and not reviewed by the actuary.
- The existence of two separate systems of administration for the active and premium-free participants on the one hand, and pensioners on the other hand, has led to a. inclusion of 'manual' accounting items as part of the provision and b. various corrections in determining the VPV as well as developing the buildup of the VPV (provision for pension obligations). This situation creates impurities in the analysis and hampers the audit of the adequacy of the VPV. According to the actuary of the APS, the technical analysis does not yet provide the desired reliability level. This is because there were significant correction entries due to the division of the Fund and because of uncertainties due to multiple administrative systems.
- The reclassification of the participants of the three funds (APS, APC and PCN). According to the actuary, the final accounting with the other funds should be settled as soon as possible in order to reduce as many uncertainties as possible.
- Participants who have wrongly been registered or not registered in the APS systems. According to the actuary, 147 participants who belong within the APS system were incorrectly registered at APC. Moreover, 22 participants registered at APS should be

registered at APC. These participant issues were corrected by the end of 2011 in order to calculate the pension obligations. The corrections were checked by APC. This check by APC was not audited by the actuary nor by the auditor of APS.

- Pensioned participants. The actuary was unable to establish if these participants belong in the APS system. The review was conducted by the auditor.
- The "floating" pensioners. These participants are not in the files of the APS and were determined "manually".
- The lack of clarity related to whether a provision for uncollected pensions is included.
- The lack of clarity regarding whether the buyout factors used are still suitable with the principles used by the Fund.

Based on the aforementioned points, it appears that the technical analysis is insufficiently reliable. If a technical analysis is insufficiently reliable, the review of the basic information/data must be more stringent. This stringency did not/could not take place.

During our review of the files of the auditor of the APS, we took notice of a letter from the actuary dated September 7th 2012 regarding "Information temporary provision pension obligations as of December 31st 2011" (*"Opgave voorlopige voorziening pensioenverplichtingen per 31 december 2011"*). The actuary states in this correspondence that the principles used by the APNA do not necessarily suit the APS. In the "Certification report 2011 General Pension Fund Sint Maarten" issued by the actuary on May 7th 2013, the actuary does not make mention of the aforementioned lack of suitability. We were unable to determine why the statement regarding the suitability of principles was not included in the certification report for 2011.

Given the importance of the information in the participant files and the influence thereof in terms of the technical provision for pension benefits, the uncertainty of the review will, in all probability, have a profound impact on the true and fair view of the financial statements.

Ad Prudence of the actuarial assumptions

In calculating the provision for pension obligations (VPV-Voorziening Pensioenverplichtingen) several assumptions and approximations are used:

- Basis interest rate (actuarial rate): 4%;
- Life Expectancy Tables: For men the mortality table GBM 2000–2005 is used and for women the GBV 2000–2005, with an age reset of one year for men and two years for women. The APS increased the GBM and GBV 1995-2000 tables with a percentage spread on the pension benefit of 3.4% for actives and 3.7% for former participants. The mortality for orphans was negligible;
- Age differences: the male participants are assumed to be 3 years older than their spouses (wife or female partner) and female participants are assumed to be 3 years younger than their male spouses (husband or male partner);
- Marital status: all participants are assumed to be married.

The principles used by the APS were adopted from those used by the APNA. The actuary of the APS stated that these principles used by APS are not necessarily correct. We recommend having these principles evaluated to the specific situation of Sint Maarten.

The APS maintained an actuarial rate of 4 percent for the year 2011. Based on the division of assets, APS received a substantial amount of cash. This amount of cash needed to be invested after October 10th 2010. During 2011, the liquid funds were temporarily invested in Time Deposits.

The actual return on investment of the Time Deposits was low and (partially) led to a negative result in 2011. The minimum return sought on the long term is 5.5% according to the APS. There is no actual substantiation by means of an ALM-study for this long term ROI objective.

The absence of the ALM-study, as well as the lower return on investment in 2011 and the negative result of 2011, makes it impossible for us to form an opinion regarding the adequacy of the use of the actuarial rate of 4% by the APS. The consequences of a lower rate of 3% are significant. A rough estimate of the coverage ratio of the APS based on an actuarial rate of 3% is 80%, which represents a substantial under coverage.

Technical provision pension obligations

Actuarial Statement

The actuary issued an actuarial statement regarding technical provisions for the 2011 financial year. The judgment (a "clean" statement) of the actuary states:

*"Met inachtneming van **het voorafgaande** en het navolgende verklaar ik dat naar mijn overtuiging de technische voorzieningen, overeenkomstig de beschreven berekeningsregels en uitgangspunten, als geheel gezien, toereikend zijn vastgesteld. Het vermogen van het pensioenfonds is op de balansdatum niet voldoende ter dekking van de minimum positie van de voorziening voor pensioenverplichtingen (VPV), er is sprake van een dekkingstekort."*

(In regard to the preceding and the following, I declare that I believe the technical provisions, described in accordance with the calculation rules and principles, as a whole, are sufficient. The actuary further opines: The assets of the Pension Fund as of the balance sheet date are not sufficient to cover the minimum position of the provision for pension obligations (VPV), there is a funding shortfall. The financial position of the General Pension Fund St. Maarten is in my opinion poor, due to a funding shortfall.)

One can question to what extent it is possible to issue a "clean" opinion regarding the technical provision for pension obligations while uncertainty prevails about the reliability of the information in the participant files. For our findings about the uncertainties as to the reliability of the information from the participant administration, please refer to the pages 13 to 15 under *accuracy and completeness of the participant administration*. We are of the opinion that, at the most, only the accuracy of the calculation of the provision, based on the data presented, can be established. This is different than a statement regarding the reliability of the size (amount) of the provision. Furthermore, the APS indicates that they are not sure that the current size of the technical provision for pension obligations will be adequate. The APS also acknowledges uncertainty regarding the reliability of the participant administration. A clean-up action, started in 2012, was still ongoing at the time of our review. Only after this clean-up activity is completed will additional clarity be possible in terms of determining the correct number of participants and the inherent financial risks to the Fund.

In this regard, APS took measures for an additional provision in the amount of ANG 7 million to cover participants who are not yet registered. According to APS, only after the clean-up of the files is completed can additional clarity be provided regarding the correct number of participants and the related financial risks for APS.

Coverage Ratio

The coverage ratio³ is 99.82 percent. This means that there is no investment reserve. The obligations are not covered by the available equity and there are insufficient assets available to cover general and investment risks. A coverage ratio of 105 percent is typically regarded in the Netherlands as the lower limit. A coverage ratio below 105 percent is considered as under coverage. Coverage of 115% is considered indicative of a healthy financial position.

The actuary of the APS also concludes that the financial position of the APS is inadequate as of the end of 2011. For this reason, the actuary advised the APS to institute a recovery plan.

The APS made an estimate of the size of the provision for pension obligations (VPV) for the unregistered participants. The size of the provision is established at ANG 7 million. The actuary of APS did not review that provision. In establishing the provision, the assumption is used that the pension obligation for the unregistered participants will be approximately equal to the amount of premium paid. This assumption is based on the expectation that these employees should have been included, for the first time, in the pension obligation as of 2011. Depending on the average age of the unregistered participants, this retirement provision could exceed the paid premiums.

Premium rate

In determining the VPV and in determining the expected premium of participating organizations, a premium rate of 22% is used. Based on the Pension Ordinance, the premium rate is supposed to be 25% (hence, non-compliance in the VPV determination). According to the actuary of the APS, the premium rate of 22% was sufficient to cover the costs of building the pension benefits in the year 2011 (including the remaining actuarial costs and the back-service).

This statement is only valid if the actuarial rate of 4 percent is adequate. In the event of a lower actuarial rate, an analysis should be done to determine whether the premium payment is sufficient to cover the costs of building the pension benefits for the year. We consider it more than likely that the rate of 22% is insufficient to cover the costs of building up the required pension benefits.

Conclusion Pension provision

Because the participant administration is neither accurate nor complete, we note an uncertainty with a possible profound impact in terms of the valuation of the pension obligation. In addition, there is a lack of substantiation of the principles maintained for calculation of the Provision Pension Obligation (VPV), among which is the actuarial rate. The findings with regard to the participant files and the actuarial rate means that we cannot provide an opinion on the adequacy of the pension provision. We find the low coverage ratio very worrisome.

³ The coverage ratio is determined by deducting the short term and long term debt from the total assets on the balance sheet and dividing the outcome by the total of pension liabilities.

Based on the Pension Ordinance, a premium rate of 25% should be used. In 2011, a premium rate of 22% was used. If the actuarial rate is lower than 4%, there is a chance that the percentage used to determine premium payments will need to significantly increase.

Current account debt to APC

APS's debt to APC in the amount of ANG 13,436,381 as of December 31st 2011 was not confirmed by APC. The external auditor was unable to obtain sufficient audit information regarding this debt to APC. There is no assurance regarding the completeness of the recorded debt to APC.

3.3 Profit and loss statement 2011

The following table shows the operating profit for 2011:

Result (x ANG 1,000)	2011
Pension premium income	33,267
Investment income:	
- Time deposits income	2,073
- Income investments held at fair value	- 853
- Other investment income	4,718
Other income	834
Total Revenues	40,039
Pension benefit payments	11,836
Operating expenses	2,504
Net increase in pension benefits obligation	22,943
Net increase in provisions	7,086
Total expenses	44,369
Result from operating activities	- 4,330
Financial income/(expenses)	2
Total non-operating results	2
Profit/(loss)	- 4,328

Net returns

The premium revenues are based on pension contributions charged to the participating organizations. The charged pension contributions are based on the input (information) provided by the participating organizations. This includes the premiums for workers of participating organizations not yet reported to the APS and therefore not yet included in the calculation of the pension obligation. An amount of ANG 7,086,649 in pension premiums is included in the profit and loss statement under the item "Net increase in provisions".

APS and APC are currently debating the division of Sint Maarten-based employees of the CBCS, SOAB, NPNA and UTS. The APS is of the opinion that the place of employment of these employees is critical, while the APC believes that the country in which the organizations are

headquarters is the determining factor. The APS has not accounted for the premiums of the workers of these 4 organizations in the premium revenue. The Financial Statement⁴ provides a further elucidation of the aforementioned problem.

Opinion regarding the Financial Statement

Based on the aforementioned, there exist substantial uncertainties in the Financial Statements in terms of the division of the assets and liabilities of the former Netherlands Antilles, the completeness of the participant administration and the substantiation of the actuarial assumption used to calculate the pension obligations as well as the debt to APC. We refrain from providing an opinion on the true and fair view of the financial statement.

In addition, based on the above, we cannot conclude that the financial position as of December 31st 2011 was healthy.

⁴ On pages 35 and 36 of the 2011 Financial Statements of APS.

4. LEGAL COMPLIANCE

The National Ordinance General Pension Fund Sint Maarten (*Landsverordening Algemeen Pensioenfonds Sint Maarten - Lv APS*) contains stipulations regarding handling, among others:

- The organization;
- Investments;
- The budget and accountability;
- Supervision.

In this chapter we indicate which items are not in compliance with the stipulations of the Lv APS and other detailed rules and guidelines derived from that ordinance.

Several decisions related to the organization were taken after December 31st 2011. The first international investments were carried out at the end of 2011. For both these reasons, we decided to review the adequacy of the decrees and regulations, as well evaluate compliance with these decisions and regulations during our investigation of the financial statement of 2012.

4.1 Organization

The National Ordinance General Pension Fund Sint Maarten stipulates that there will be a Board comprised of an independent Chairman and four other members. These members are nominated by:

- a. a person, appointed on the proposal of the Minister;
- b. a person, appointed on the proposal of the Minister, which proposal is made in accordance with indications provided by the Corporate Governance Council;
- c. a person, appointed on the proposal of the Minister, which proposal is made in accordance with indications provided by the *Georganiseerd Overleg in Ambtenarenzaken* (Organized Consultation Committee for Civil Servants);
- d. a person, appointed on the proposal of the Minister, which proposal is made in accordance with indications provided by or on behalf of one or more organizations are considered representative of government pensioners.

The appointment of the member listed among point c has not yet taken place.

Regulation for the Board

On June 1st 2012, the Board adopted a so-called '*bestuursreglement*' or Regulation for the Board; This was accomplished 17 months after the establishment of the Fund. The Regulation for the Board was published in the National Gazette on September 14th 2012.

Designation decision Board and Board member profile General Pension Fund Sint Maarten

The Minister of Finance provided rules regarding the requirements for suitability and competence for the chairperson and members in the execution of their duties as part of the "Designation decision Board and Board member profile General Pension Fund Sint Maarten" (*Aanwijzingsbesluit bestuur profiel en bestuurdersprofiel Algemeen Pensioenfonds Sint*

Maarten). The decision of the minister that we possess is undated. In accordance with article 6 of the Designation decision, the decision enters into force on the day of its publication in the National Gazette. The decision was published in the National Gazette on February 15th 2013.

Division of expertise of the Board

In Annex 1 as referenced in article 1 of the Designation decision Board and Board member profile General Pension Fund Sint Maarten, the division of expertise of the board is described in Chapter 3. The APS recognizes 7 areas of expertise. The areas of expertise that each member possesses is provided per member.

Division of work of the Board

According to article 6 paragraph 1 of the National Ordinance General Pension Fund Sint Maarten, members are required to determine the division of the work of the board among themselves. The Chair represents the Board; the Board designated a second representative. A fully detailed description of the division of the work of the Board members has not been prepared, though the work of the Secretary is described. The decision related to the management of activities of the management of the APS was published in the National Gazette on September 14th 2013.

Mandate and Delegation Management APS

On April 13th 2012, the Board ratified the document Mandate and Delegation Management APS vs. 0.4 (in accordance with article 8, paragraph 2 of the Lv APS). The ratification concerns the decisions for delegation and mandate. Both decisions were adopted by the Board on March 16th 2012. This decision entered into force on April 13th 2012 and was published in the National Gazette. In the period prior to March 16th 2012, management did not have a mandate.

Article 10, paragraph 1 of the Lv APS provides that the Board adopt a regulation for its members as well as management and the staff of the Fund. The regulation covers items such as recruitment, suspension and dismissal, salary, work and duty time; leave entitlements and disciplinary measures. According to the Director of the APS, the regulation has been drafted but has not yet been adopted by means of National Decree. Absent the Decree, the regulation has not been formally approved and published, and as such, the regulation has not yet entered into force.

Conclusion Organization

Formal decisions regarding the organization of the APS have not been taken or have not occurred in a timely fashion.

4.2 Investments

The Investment Committee

The first members of the Investment Committee were retroactively appointed effective of October 10th 2010 by ministerial decree of March 9th 2011. Subsequently, the Minister of Finance signed a new ministerial decree (1917/2012). The persons referred to in this decision were appointed retroactive October 10th 2010. Two of the three members were already mentioned in the ministerial decree of March 9th 2011.

According to article 14 of the National Ordinance General Pension Fund Sint Maarten, the members of the Investment Committee must possess specialized expertise in the field of investments.

On October 22nd 2011, the Board adopted the rules of order for the Investment Committee. In the period prior to October 22nd 2011, no rules of order existed.

Article 15, paragraph 1 of the National Ordinance General Pension Fund Sint Maarten, requires that the Board establish an annual investment plan describing the general guidelines of the investment policy. For 2011, no investment plan was adopted by the Board. The same is true for the year 2012. Management presented plans for 2013 and 2014 to the investment committee but these plans have not yet been approved by the Board.

Investment policy

On October 18th 2011, the Board of the APS established an Investment Policy Statement (IPS) for the total Fund. In addition, the Board established the following IPS:

- Investment policy statement for asset allocation strategy;
- Master Investment Policy Statement (MIPS) for the internal investment portfolio;
- Master Investment Policy Statement (MIPS) for the external investment portfolio;
- Investment Policy Statement for custody management;
- Investment Policy Statement external manager/strategy analysis, selection and monitoring;
- Consultant conflict of interest protocol.

These documents represent the framework within which investments can be made. This includes aspects such as:

- the investment objective;
- the responsibilities of parties involved (board, management, advisor, manager and fund managers);
- performance objectives and benchmarks;
investment approaches and parameters;
- derivatives;
- average duration for investment;
- risk tolerance;
- the allocation of investments across various funds;
- the evaluation period;
- the selection criteria;
- the monitoring and control procedures.

Foreign exchange license

As of December 15th 2011, the APS invested US \$ 48 million abroad. To transfer money to a foreign bank requires the permission of the Central Bank. The authorization for this transaction was provided by the Central Bank on March 16th 2012. Based on article 11 of the 'Regulation foreign exchange Curaçao and Sint Maarten' transactions with foreign countries for the purpose of investment in foreign securities in an amount exceeding ANG 250,000 are prohibited unless authorized by the Central Bank.

We understand that it is common practice to receive verbal consent because of time constraints where after the formal written approval, i.e. license will be provided. We have not been able to confirm whether this "practice" was used in the case of APS transaction.

Realized investments

The Central Bank demands that the APS invest 60% locally and 40% abroad. At the end of 2011, the reported Time deposits at local banks, which are classified as local investments, amounted to 74% of the total investments of the APS. This means that APS was in compliance with the requirement of the Central Bank to achieve at least 60% local investment.

At the end of 2011, foreign investments amounted to 26% of the total investments of the APS. This means that the Central Bank (CBCS) requirement to invest a maximum of 40% abroad was met.

The APS maintains a point of departure for its foreign investments that 40% is placed in fixed income and 60% invested in equity. The 'fixed income' concerns bonds of listed companies while the equity relates to investments in equity indices (e.g. mid cap). At the end of 2011 APS met this requirement.

Conclusion Investments

Based on the above findings, we draw the following conclusions:

- contrary to the National Ordinance General Pension Fund Sint Maarten, the APS did not establish an investment plan for 2011. The same applies also for 2012. An investment plan exists for 2013 and 2014, but was not yet adopted by the Board at the time of this report;
- the transfer of US \$48 million to a foreign bank account was not in compliance with the lawful because the required license was issued after the fact by the Central Bank.

4.3 Budgeting and Accountability

Based on article 17 of the National Ordinance General Pension Fund Sint Maarten, the Board is responsible for drafting the annual budget of the Fund for the following year. This budget must be presented to the Minister of Finance for approval prior to October 1st of the preceding year. Notwithstanding article 17, the Board could send the budget for calendar year 2011 to the Minister at a time set by the Minister in consultation with the Board (article 34 of the National Ordinance General Pension Fund Sint Maarten). The Minister of Finance informed us that based on information available to him, he cannot determine if notification of a date was made to the APS by the Minister of Finance.

The 2010-2011 budget was presented to the Minister of Finance for his approval on January 6th 2012. Documents confirming the approval by the Minister of Finance and submission by the Minister of Finance of the approved budget to Parliament, could not be provided to us.

The financial statement and the annual report are not dated. The audit report of the external auditor was issued on May 15th 2013. As a result, the Board did not present the financial statement, including a statement (opinion) of a certified public accountant and an annual report, prior to November 1st 2012 to the Minister of Finance, the Central Bank, nor was the financial statement sent to the General Audit Chamber (article 18, paragraph 7). The APS requested an

extension on January 4th 2013 from the Central Bank regarding the presentation of the annual results 2010-2011 (presentation to the Central Bank before March 2013).

The annual report 2011 drafted by the Board was not readily available (article 18, paragraph 8). As far as we have been able to ascertain, the Minister of Finance has not (yet) sent the financial statement and the annual report to Parliament (article 18, paragraph 9).

The Board of the Fund requested permission from the Minister of Finance and the Central Bank respectively on November 4th and November 8th 2013, for the delayed presentation of the Financial Statement 2012. This postponement was granted for submission of the statements on March 31st 2014. On April 1st 2014, the Fund once again requested postponement (until the end of May 2014).

Conclusion regarding budgeting and accountability

The financial statement 2011 was adopted late by the Board and the financial statement 2012 has not yet been drafted at the time of this report.

4.4 Opinion regarding legal compliance

Opinion Legal Compliance

There has been a lack of legal compliance from the inception of the Fund on October 10th 2010. This remains the case at the time of writing of this report. The Board is not yet complete, and the Financial Statement 2012 has not yet been prepared. We consider this an undesirable situation particularly if it persists.

With regard to the investments, we conclude that in respect to drafting an annual investment plan and the transfer of funds to a foreign country, there is a lack of compliance with the stipulations of the National Ordinance General Pension Fund Sint Maarten.

5. GOVERNANCE, COMPLIANCE AND RISK MANAGEMENT (GCR)

5.1 Investment Policy Statements (IPS) and internal control

Because APS outsourced investment activities, the Investment Policy Statements (IPS) and Separately Management Accounts agreement (SMA) are important as part of the control framework of APS.

The IPS offer the possibility to monitor these investment operations and to review (control). It is the responsibility of management and the board to assess the implementation of the investment policy.

In order to be able to carry that responsibility, information is provided to the Investment Committee and the management of the APS by the Fund's executive management, fund managers and the advisor. In this regard, APS's management is accountable to the Board.

To support the assessment of the Board, it is important that the management report to the Board in such a way that the Board understands the considerations that led to the opinion of management regarding whether implementation of the investment policy may or may not be consistent with policy principles.

The Board then makes its own assessment and ratifies and documents same. As far as we have been able to ascertain, these monitoring activities and the assessments are not sufficiently structured and inconsistently documented. As a result, we were not able, during the course of the investigation, to determine whether monitoring and assessments are adequately carried out.

We note that no *Investment Policy Statement for custody management* for domestic investments has been developed. The risk inherent is that inadequate insight exists regarding the existence of the assets.

Conclusion Investment Policy statement (IPS) and internal management

The General Audit Chamber, on the basis of the information received, cannot determine whether monitoring activities regarding the implementation of the investment policy and assessment of activities are sufficiently structured and consistently documented. As a result, it was not possible for the General Audit Chamber, during the conduct of our investigation, to determine whether monitoring and assessments thereof are adequately carried out. We did learn during a discussion with management, that the APS has 24/7 access to a terminal thus allowing monitoring of investment. Furthermore, there is regular contact by phone with the external advisor as part of the supervisory task.

The APS runs the risk that there is insufficient insight regarding the existence of the assets, because no *Investment Policy Statement for custody management* of the domestic investments has been prepared.

5.2 Cooperation with the investment advisor

The Board of the APS entered into an agreement with an American Investment Advisory Office on December 12th 2011. According to the agreement, the Advisory Office is responsible for the assessment of the financial situation of the APS and will advise the APS, including providing guidance on investing and reinvesting funds. The agreement was signed by the Investment Advisor Representative (the representative of the Advisor).

Scope of the agreement

According to the agreement, APS designates certain independent managers, who, are recommended by the investment advisor on the basis of the investment objectives of the APS. These managers are authorized by the APS to buy and sell stocks, bonds, mutual funds, other securities and contracts or otherwise execute investment transactions.

The recommendations of the advisor are based on his expert judgment; the advisor cannot be held responsible for the results of his recommendations.

Management agreements

The management of the assets of the APS is carried out by independent managers and not by the advisor. These managers are paid by the APS.

The advisor is authorized by the APS as part of the agreement, to issue instructions and assignments for the purchase, sale, conversion, exchange or withholding of collateral and cash to the company named in the agreement. This company in question has the same name as that of the advisor and holds office at the same address. The actual portfolio transactions are done by the managers.

According to the agreement with the advisor, managers will send monthly account statements directly to the APS. These reports will list all transactions.

As far as we have been able to ascertain, the APS, in selecting the advisor, did not develop a program of requirements or request offers from multiple advisors.

According to the APS, they have now contracted a second advisor.

Best practice

Among others, the OECD (Organization for Economic Cooperation and Development) recommends that a clear separation exist between "investment and settlement functions". The auditor (accountant), actuary and custodian should be appointed. As regards to domestic investment (60%), there is currently no custodian appointed.

Because of the outsourcing of investment activities, the existence of a Conflicts of Interest Policy is crucial. Furthermore, it is essential to insure independent and impartial monitoring and regular assessment of investment performance. We expect that documentation of supervisory activities also occur in a structured fashion.

Conclusion: Cooperation with the investment advisor

The advisor, the company that the advisor represents and the company that issues buy and sell orders to the managers are directly or indirectly connected to each other, while the managers are designated by APS on the recommendation of the same advisor.

The APS did not develop or use a program of requirements "in advance" of the appointment of the advisor. Moreover, APS did not solicit multiple offers from various advisors.

5.3 Central Bank Supervision

The Central Bank oversees the Fund and advises on request of the Minister of Finance and the Board of APS, or on its own initiative, regarding issues that relate to the Fund (article 20 the National Ordinance General Pension Fund Sint Maarten). The Central Bank reports annually; before June 1st, to the Minister of Finance. The Minister of Finance then shall forward a copy of said report to the Board of the APS. We were not provided documents indicating that the Central Bank issued a report regarding the years 2011 and 2012 to the Minister of Finance.

In accordance with article 11 paragraph 2 the National Ordinance General Pension Fund Sint Maarten, APS must, in consultation with the Central Bank, appoint one or more actuarial experts to advise the Board on actuarial and operational issues. According to the Central Bank, there has been no consultation regarding the appointment of the actuary.

On November 4th 2013, the Central Bank provided a written report related to a visit to the APS. The findings of the Central Bank relate to the status of the division of assets and liabilities, the reliability of the participant files, laws and regulations, investments and the financial position. The Central Bank issued multiple recommendations on the basis of their report.

Conclusion Central Bank Supervision

We have not been able to form an opinion regarding the supervision of the Central Bank for the years 2011 and 2012 as relates to the APS.

5.4 Opinion regarding Governance, Compliance and Risk Management (GCR)

Opinion regarding Governance, Compliance and Risk Management

The General Audit Chamber was unable to establish that monitoring of the implementation of the investment policy is structurally documented. As such, we are unable to provide an opinion regarding the adequacy of supervisory activities and assessments.

The importance of adequately performing monitoring activities is further increased by the relationship between external parties involved in the implementation of the investment policy.

There is uncertainty regarding the Central Bank's supervisory activities being in accordance with the National Ordinance General Pension Fund Sint Maarten during 2011.

6. REACTION OF THE BOARD OF APS AND EPILOGUE OF THE GENERAL AUDIT CHAMBER

The Board of the APS responded to our draft report on June 19th 2014. The entire reaction of the Board is presented in section § 6.1. The reaction of the Board of APS led to an epilogue (§ 6.2).

6.1 Reaction of the Board of APS

The Board writes: (translated from original Dutch correspondence)

The General Audit Chamber
Attention Mrs. Joan Dovale-Meit (sic)
Secretary
E. Camille Richardson Street #13
Philipsburg
Sint Maarten

Cul-de-Sac, June 19, 2014

Subject: Reaction on draft final report June 2 2014 – Audit Financial Statement 2011
Reference: 2014-06/APS-53

Dear Mrs. Dovale-Meit,

In reference to your correspondence of June 4 (your reference AR040614/116), the draft final report regarding the Financial Statement 2011 and the accompanying letter dated June 6 (your reference AR040614/121), we inform you as follows.

In the aforementioned letter of June 6, the General Audit Chamber affords the Board of the APS the opportunity to provide a reaction to the draft final report. By means of this letter, we also wish to react to your letter of June 4.

Reaction to letter of June 4, 2014

The APS notes that the content of the draft final report was minimally amended since the reaction on the Findings Memorandum of April 28 2014, provided by the APS by letter of May 10, 2014. A number of crucial elements were not included in the final report which could be misleading to readers.

It is not clear to the APS which correspondence from our board will be included in Chapter 6 of your report. To avoid misunderstandings, and to guarantee readers of the report a complete picture, we request that besides this letter, our correspondence of May 10, 2014, as well as the reaction of the Audit Chamber of June 4, 2014, are included as annexes.

Reaction on the draft final report of June 6 2014

In accordance to issues the APS brought forward in the early period of this investigation as well as our previously referenced correspondence of June 4, we wish to make the following comments.

In the first place, we note that the report represents a review of a year that is far behind us. It was a year in which the Fund was formally established by law and needed to be built from the ground up. The Audit Chamber's report highlights the potential risks facing the fund; APS values the elucidation and wishes to state (once more) that a number of management measures have been taken, results of which will be evident in future accounting regarding the fund.

Secondly, the APS notes that the Audit Chamber's report does not take into consideration the less than "clean" start of the APS. The Audit Chamber persists in failing to mention certain facts, despite multiple mentions by APS – both prior to as well as during the investigation, and in our

response to the Findings Memorandum. As a result, statements are made that are unfair; crucial elements are left out of the report, and the reader is left in the dark rather than being informed. We expand on these crucial elements in the following bullet points.

- APS was established as of October 10, 2010; this is actually a “paper date”. Only in 2011 were members of the Board and members of the Investment Committee appointed. The first director was hired in mid-September 2011. Only in the last quarter of 2011 did the organization acquire operational staff.
- The year 2011 is the first year for which APS possessed funds to invest. The advance payment which represented Country Sint Maarten’s portion of the division (of assets & liabilities) of the former Netherlands Antilles, was paid in cash. This occurred on April 6, 2011. This means that APS could not earn a return between October 10, 2010 and April 6, 2011. The negative effect this situation created is reflected in the financial statements 2010-2011.
- The period of time between the appointment of the first board members and the members of the investment committee was very short. For this reason, there was little opportunity to formulate an investment policy and an implementation plan prior to receipt of funds. The policy was completed in October 2011.
- Despite not having established an investment policy, the board of the APS placed the highest priority on securing returns on funds as quickly as possible; funds were placed in time deposits at local banks. This happened as of June 2011.
- The organization of the APS was supported by two advisors. The renowned pension advisory consultant Montea signed a contract in June 2011 to support the APS in setting up and expanding the knowledge of the organization for this relatively new endeavor for Sint Maarten.
- In May 2011, the board met Mr. Newton of Kovack Securities for the first time. Mr. Newton was later contracted as the investment advisor for the APS.
- APS’s board does not invest but leaves this to the selected expert investment managers. The investment advisor provides advice to the board regarding potential investment managers whose investment strategy matches the approved investment policy. The board takes decisions regarding which investment manager should be hired and/or whether investments will be made in accordance with the recommended investment strategy. The investment committee of APS plays an advisory role in this.
- APS “inherited” a pension/participant administration from the former APNA that was clearly contaminated. This is proven by among others the most recent version of the division report that clearly indicates which agreements were made regarding the transfer of participants who were previously incorrectly assigned. The erroneous assignment was due to errors in the administration of the former pension fund – as is correctly stated by the Audit Chamber and which was also evident from the Audit Chamber’s earlier report from 2013 “Pensions Sint Maarten 2011”. APS was tasked to correct, as much as possible, errors by means of a clean-up campaign. The SOAB started this assignment in May 2012.

PS. It is important that the participant file remains “clean”. It must be understood that the APS, in this regard, is dependent on timely and accurate presentation of information for employers. If the employer does not present correct information about participants in a timely fashion, there will be a negative effect on the reliability of the administration.

- It was as well considered decision to not conduct an ALM study in 2011. An ALM study would have been premature and even senseless in 2011 because,
 - No historical data for the fund was available on which to substantiate such a study. This was also a limiting factor of the actuarial report of 2011; APS therefore had to use the same actuarial principles of the former APNA;
 - the fact that the “inherited” participant file of the APS was contaminated was known. The board’s (of APS) intent in issuing the assignment to the SOAB was to achieve a “clean” file that could be used for an ALM-study.

The assignment to start the first ALM-study for the fund was issued at the beginning of 2014. On the basis of the results of this study, the fund intends to give form to various policy areas, among which the investment policy.

The aforementioned is an example of the manner in which a relatively young pension fund, ever since its (organizational) start, has continuously worked on improvement of the situation and has learned from experience. As we have previously stated in this letter, we expect said improvement will be evident in future financial results and audit activities.

In conclusion, the APS wishes to thank the General Audit Chamber for the very thorough investigation and we will gratefully learn from the recommendations as listed in the final report on the financial statements 2011, inasmuch as related issues are still relevant.

The board of the APS hopes to have sufficiently informed you and looks forward to the final report.

Respectfully,

Mr. Franklyn E. Richards
Chairman APS

Mr. Michel G.M.H. Soons
Board member APS



De Algemene Rekenkamer
 T.a.v. Mevrouw Joan Dovale-Meit
 Secretaris
 E. Camille Richardson Street # 13
 Philipsburg
 Sint Maarten

Cul-de-Sac, 19 juni 2014

Onderwerp : Reactie op Concept eindrapport 2 juni 2014 - onderzoek jaarrekening 2011
Referentie : 2014-06/APS-53

Geachte mevrouw Dovale-Meit,

Naar aanleiding van uw schrijven d.d. 4 juni jongstleden (uw referentie AR040614/116), het concept eindrapport bij de jaarrekening 2011 en het begeleidend schrijven daartoe d.d. 6 juni jongstleden (uw referentie AR040614/121), berichten wij u graag als volgt.

In voormelde brief van 6 juni stelt de Algemene Rekenkamer (ARK) het bestuur van APS in de gelegenheid te reageren op de conceptversie van het eindrapport. Per dit schrijven wenst APS daarbij tevens van de gelegenheid gebruik te maken te reageren op uw brief van 4 juni voormeld.

Reactie op brief van 4 juni 2014

APS bemerkt dat de redactie van het concept eindrapport slechts zeer summier is gewijzigd sinds de opgestelde Nota van Bevindingen d.d. 28 april 2014 ten aanzien van de reacties gemeld zijdens APS d.d. 10 mei 2014. Enkele cruciale elementen zijn daarbij niet opgenomen in het eindrapport, waardoor de lezer van het rapport op het verkeerde been kan worden gezet.

Het is APS thans niet duidelijk welk schrijven van het bestuur van APS als bijlage bij hoofdstuk 6 van het rapport wordt gevoegd. Om misverstanden te voorkomen en de lezer van het rapport een volledig beeld te garanderen, wordt hierbij verzocht om naast onderhavig schrijven tevens het schrijven van APS d.d. 10 mei 2014 en de reactie daarop van ARK d.d. 4 juni 2014 als bijlage op te nemen.

Reactie op concept eindrapport van 6 juni 2014

Naar aanleiding van hetgeen APS naar voren heeft gebracht in het voortraject van het onderzoek en haar schrijven van 4 juni j., voormeld, wenst APS de navolgende opmerkingen te plaatsen.

Ten eerste dient opgemerkt te worden dat het rapport een controle is van een jaar dat inmiddels ver achter ons ligt. Een jaar waarin het fonds bij wet werd opgericht en van de grond af moest worden in- en opgericht. In haar rapport belicht ARK potentiële risico's van het fonds. APS waardeert deze uiteenzetting en wenst (andemaal) aan te geven dat voor enkele hiervan reeds

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beheersmaatregelen zijn opgesteld die in toekomstige verantwoordingen van het fonds te zien zullen zijn.

Ten tweede merkt APS op dat ARK in het rapport geen rekening houdt met de alles behalve "schone" start van APS. ARK persisteert in het onvermeld laten van enkele feiten, ondanks dat deze meerdere malen herhaald zijn door APS - zowel gedurende als voorafgaand aan het onderzoek van ARK, en andermaal bij de reactie op de Nota van Bevindingen. Hierdoor worden stellingen kort door de bocht gemaakt, bevat het rapport hiaten op cruciale onderdelen en wordt de lezer van het rapport in het ongewisse gelaten waar hij geïnformeerd had dienen te worden. In onderstaande bullets geven we deze cruciale punten kort weer.

- APS is per 10 oktober 2010 opgericht; dit betreft echter een "papieren" datum. Enkel slechts in 2011 werden de eerste bestuursleden en beleggingscommissie-leden (IC-leden) benoemd. Medio september 2011 werd vervolgens de eerste directeur in dienst is genomen. Vanaf het laatste kwartaal van 2011 is de organisatie verder bemand met uitvoerend personeel.
- 2011 is het jaar waarin APS voor het eerst beschikte over gelden om te beleggen. Het voorgeschoten aandeel van Land Sint Maarten in de boedel van het voormalige APNA, is in contanten betaald. Dit geschiedde op 6 april 2011. Feitelijk betekent dit dat het voor APS niet mogelijk was om te renderen van 10 oktober 2010 tot in ieder geval 6 april 2011. Het negatieve effect hiervan op het resultaat van het fonds wordt weerspiegeld in de jaarrekening 2010-2011.
- Er is een betrekkelijk korte tijd geweest tussen de benoeming van de eerste bestuursleden en de IC-leden. Om deze reden was er geen gelegenheid om een beleggingsbeleid te formuleren en een uitvoerend plan op te stellen vóór ontvangst van de gelden. Dit beleid is in oktober 2011 voltooid.
- Ondanks het nog niet geformuleerd hebben van het beleggingsbeleid, heeft het bestuur van APS de hoogste prioriteit gelegd op het zo spoedig mogelijk laten renderen van de gelden: deze zijn tijdelijk op termijndepots bij lokale banken gezet. Dit is vanaf juni 2011 geschied.
- De organisatie van APS is in 2011 door twee adviseurs ondersteund. Met het gerenommeerde pensioenadviesbureau Montae is per juni 2011 een overeenkomst gesloten om APS te ondersteunen bij het opzetten en vergroten van de kennis van de organisatie in de tamelijk nieuwe materie voor Sint Maarten.
- In mei 2011 is de eerste kennismaking van het bestuur van APS met de heer Newton van Kovack Securities geweest. De heer Newton is later gecontracteerd als beleggingsadviseur van APS.
- Het bestuur van APS belegt niet zelf, maar laat dit over aan door haar geselecteerde deskundige investment managers. De beleggingsadviseur adviseert het bestuur over mogelijke investment managers wier beleggingsstrategie passend is bij het vastgestelde beleggingsbeleid. Het bestuur neemt de beslissing over welke investment manager aan te nemen en of conform een geadviseerde beleggingsstrategie zal worden belegd. Hierbij heeft de beleggingscommissie van APS een adviserende rol.
- APS heeft een pensioen- /deelnemersadministratie "geërfd" van het voormalige APNA waar duidelijk onzuiverheden in voorkwamen. Dit blijkt onder andere uit de meest recente versie van het boedelrapport waarin duidelijk is aangeven welke afspraken er gemaakt zijn ten aanzien van de herverdeling van deelnemers die verkeerd toegedeeld blijken te zijn. De verkeerde toedeling stamt voort uit afwijkingen in de administratie van het voormalige pensioenfonds - zoals ARK

terecht meldt en ook reeds had geconcludeerd in haar eerdere rapport uit 2011 "Pensioenen Sint Maarten 2011". Aan APS was de taak om via een bestandsopschoning de onjuistheden – voor zover mogelijk – te corrigeren. Hier is de Stichting Overheidsaccountantsbureau (SOAB) in opdracht van APS per mei 2012 mee begonnen.

NB: Het is van belang dat het bestand opgeschoond blijft. Het dient beseft te worden dat APS hierbij afhankelijk is van een tijdige en correcte aanlevering van gegevens door de werkgever. Indien de werkgever niet op een tijdige wijze correcte informatie doorgeeft over de deelnemers, zal dit een negatief effect hebben op de betrouwbaarheid van de administratie.

- Het is een weloverwogen besluit geweest om in 2011 geen ALM studie uit te voeren. Een ALM-studie zou in 2011 prematuur en zelfs onzinnig zijn, omdat
 - er geen historische cijfers van het fonds waren op grond waarvan de parameters voor een dergelijke studie onderbouwd kunnen worden. Dit is ook de beperkende factor geweest in het actuariële rapport 2011; APS heeft uit noodzaak dezelfde actuariële grondslagen laten hanteren als het voormalige APNA;
 - het bekend was dat er onzuiverheden in het "geërfde" deelnemersbestand van APS waren. Met de opdracht aan SOAB heeft het bestuur van APS beoogd een "schoon" bestand te verkrijgen op basis waarvan de ALM-studie uitgevoerd kon worden.

Begin 2014 is opdracht gegeven tot het uitvoeren van de eerste ALM-studie van het fonds. Op grond van de resultaten van deze studie is het fonds voornemens gerichte invulling te geven aan diverse beleidsterreinen, waaronder het beleggingsbeleid.

Het voormelde is een voorbeeld van de wijze waarop het relatieve jonge pensioenfonds er sinds haar (organisatorische) start continu werkt aan een verbetering van de situatie en hoe er lering is getrokken uit de opgedane ervaringen. Zoals reeds gesteld in dit schrijven, wordt verwacht dat deze in toekomstige jaarcijfers en controletrajecten van het fonds zichtbaar zullen zijn.

Afsluitend wenst APS aan te geven ARK erkentelijk te zijn voor haar grondige onderzoek en zal dankbaar lering trekken uit de in het eindrapport van de Jaarrekening 2011 gemelde aanbevelingen, voor zover een betreffende kwestie eventueel nog actueel zal zijn.

Het bestuur van APS vertrouwt er op u met het bovenstaande voldoende te hebben geïnformeerd en ziet het eindrapport graag tegemoet.

Hoogachtend,

Dhr. Franklyn E. Richards
Bestuursvoorzitter APS

Dhr. Michel G.M.H. Soons
Bestuurslid APS

6.2 Epilogue General Audit Chamber

The General Audit Chamber formally responded to the Board of the APS's letter of June 19th on June 27th 2014 as follows.

Esteemed Board,

In your letter of June 19th 2014, reference 2014-06/APS-53, you respond to the draft final report on the review of the financial statements of the APS. We would like to hereby react to your letter of June 19th 2014.

First of all, we would like to stress that this first review of the Fund and the specific research into the financial statement 2011 of the APS clearly took more time than desired. We will address the reasons for the delay later on in this reaction. The General Audit Chamber, from the time of the announcement of our audit, explained the intended approach in a very clear and transparent manner to both the management and board of the APS. We fully appreciate the fact that this process is new to the APS and as such, have also been flexible. Nevertheless, that does not preclude the General Audit Chamber from carrying out its statutory task in a precise and orderly fashion. In accordance with the National Ordinance APS, the fund is subject to review by the General Audit Chamber. Moreover, as you are aware, the aforementioned National Ordinance stipulates that the financial statement of the APS is subject to audit by the General Audit Chamber. In other words, this is an annual occurrence. The General Audit Chamber, in conducting this first audit, took the time and made the effort to instruct your board regarding our legal role and our authorities in regards to the APS. We also want to stress that those roles and authorities are independent of the 'ups and downs' related to the establishment and set-up of the institution of the APS.

In your letter of June 19th 2014, you state that by omitting crucial elements, the reader of the report can be misled. The General Audit Chamber notes, however, that the 'crucial points' that are listed in your letter fail to include facts that contradict the conclusions and recommendations presented in the draft final report.

In our final report we restrict ourselves to facts relevant to the primary process of the Fund, namely governance and management of the Fund. We have reviewed the legal compliance and where we deem it important, we also mention other aspects. On several occasions, we have explained the process we use, among which, that of the consultation and review. This process of consultation and review distinguishes, by design, between a reaction from management and one from the board. It is clear from your reaction that there is still a lack of comprehension at APS regarding the General Audit Chamber's method of reporting. Your letter of June 19th which was sent in the context of the board's consultation and review will be included in the final report.

Despite the fact that agreements regarding communication were made in the early phases of the audit, including at the time of the announcement of the investigation, the process has not been seamless. In future, we will pay additional attention to clarifying the process of consultation and review in order to avoid unnecessary misunderstandings.

We would further like to elaborate on your comment on page 1 of your reaction in which you state that "the report represents a review of a year that is far behind us". With regard to the timeliness of our report, we note that the main cause for reporting on the financial statement 2011 in 2014, is the fact that the financial statement was prepared late and provided, along with the audit report from the external auditor, on May 15th 2013. Furthermore, drafting of the report was complicated by the fact that the General Audit Chamber often was required to endure long delays in terms of receiving documentation and answers to questions posed. Some of these questions remain unanswered, and we intend to include these in our review of the fund for the year 2012.

Finally, we would like to address some of the so-called. 'crucial elements' that you have raised in your response. It is true that there was a "development" situation at the APS, however, that situation does not mean that said "development" should affect our opinion regarding the reliability and legal compliance of the financial statement. Moreover, the General Audit Chamber is not familiar with any provision within the laws and regulations, other than those already mentioned in the final report, that should influence our audit.

Crucial aspects:

Establishment: Managing a pension fund requires a minimum level of diligence. Based on the relevant laws and regulations, and with the exception of a transitional provision with respect to the date for presentation of the first budget, no exemptions are stipulated that abrogate compliance with said laws and regulations in the initial establishment of the APS.

Investment Policy: Despite the lack of an investment policy, the APS quickly acted to seek returns on its funds. This can be interpreted both positively and negatively. The APS is a body that should act in a prudent manner with the funds at its disposal. This requires comprehensive analysis and research. Whether the aforementioned took place, is open to debate.

Pension Advice: The General Audit Chamber notes that during our review, the contracting and involvement of the consulting firm Montae was not discussed. We find this a rather important aspect that certainly could or should have been reported during the investigation. In addition, this fact was not reported by APS in management's consultation and review phase. We will include a review of the involvement of Montae during our 2012 review.

Kovack Securities: We posed questions regarding the selection of the advisor Kovack Securities and Mr. Newton. We asked for a program of requirements, though we did not receive it. Our questions were meant to clarify the care and completeness of the selection process.

SOAB investigation: Stichting OverheidsAccountantsbureau's (SOAB) assignment to clean up the (participant) files began in May 2012. We did not receive the final reporting of the SOAB. For the review of the financial statement 2012, we intend to specifically address the accuracy and completeness of the files.

ALM-study: You indicate that it was a well-considered decision not to conduct an ALM study in 2011. You further state that "there was little opportunity to formulate an investment policy and an implementation plan prior to receipt of funds. The policy was completed in October 2011." It is precisely the availability of a proper ALM study that can lead to the development of well-considered policy.

In closing, we are pleased to note that APS considers our audit to have been thorough. For our 2012 audit, we intend to review the items for which we still have questions pending. Your board has recently informed us that the Financial Statement 2012 will not be available until the end of July 2014. We also intend to focus more on the communication process in order for the work on the 2012 financial statement to proceed more smoothly. We are hopeful that during that review, we will find that a number of the recommendations issued as part of our 2011 audit have been followed.

On behalf of the Board of the General Audit Chamber,

Respectfully,

Ronald C. Halman
Chairman

Joane Dovale-Meit
Secretary-General

ANNEX 1 LIST OF DEFINITIONS

Term or abbreviation	Description
Active participants	Other name for the participants participating in the fund. Because the participants are actively building up pension, they are also referred to as 'actives'.
Actuarial opinion	The judgment of a certifying actuary within the framework of its role with respect to the prudential supervision of insurance companies (pension funds and insurers).
Actuary	An actuary or insurance mathematician is professionally engaged in the calculation and evaluation of risks. Actuaries in insurance companies and pension funds issue statements on the adequacy of the provision and the financial position of the insurer or the Pension Fund.
Actuarial statement	Statement whereby the actuary indicates whether the provision for pension liabilities has been determined based in a prudent (conservative) fashion and/or the assets of the Pension Fund are sufficient to maintain the commitments of the Fund.
Redemption Factors	The lump sum payment (redemption) is calculated on the basis of several factors, all of which may be different per person. These redemption factors are determined by the Pension Fund and are normally available in the pension regulations. However, important factors that are taken into account include the average life expectancy of the population and your age at the time of redemption.
ALM- Study	Asset Liability management study. Matching the pension assets against obligations.
Amortized cost	The amortized cost is determined by means of the effective interest method less any impairment charges (directly, or by forming a provision due to impairment or uncollectability).
ANG	Antillean Guilders
AO/IC	Administrative Organization/Internal Control
APC	Algemeen Pensioenfonds Curaçao
APNA	Algemeen Pensioenfonds Nederlandse Antillen
APS	Algemeen Pensioenfonds Sint Maarten
Backlogs	Backlogs in process
Investment Policy	A pension fund is required to invest prudently. The investment policy of a pension fund is on the one hand aimed at excluding investment risks and, on the other hand, to achieve the highest possible returns. In addition, the alignment of investments against the obligations must be optimal: the pension fund must be able to meet its obligations at the right time. Compliance with these principles requires an optimal combination of investments which an ALM-study can support.

Investment Committee	<p>The Investment Committee advises – on request or independently – the Board regarding asset management with regard to: the long-term division of property on the basis of an Asset Liability Management (ALM)-study; The guidelines for asset management;</p> <p>The benchmarks against which the results are evaluated; The financial statements as far as investments are concerned; All issues on which the Board request advice of the Investment Committee and on issues the Investment Committee deems appropriate to provide an opinion.</p>
Investment plan	The investment plan describes how the Pension Fund will substantiate its Strategic-investment policy.
Investment reserve	A reserve that is formed to compensate fluctuations in the valuation of investments.
Balance of Estate	Overview of the debt and equity of an entity such as a company, institution or person, at one time (e.g. 10-10-2010), prepared to come to a final settlement between the stakeholders.
Division of assets & liabilities	Estate distribution (also: Division) is the division of the joint estate between different owners.
Certification Report	The report of the certifying actuary.
Qualified Opinion	This opinion is provided if the accountant cannot issue an unqualified audit or assessment statement but that the effect of the reservations about the financial statements or limitations in the audit or assessment is not sufficiently substantial to require a disapproving opinion or the withholding of an opinion.
Corporate governance council	The National Ordinance of May 11 2009, containing rules regarding decision making in cases concerning the involvement of the public legal entity Sint Maarten in corporations and foundations states the following. On the proposal of the Minister of General Affairs e an Advisory Board set up by national decree and will be referred to as the Corporate Governance Council. The Corporate Governance Council advises, without prejudice to further stipulations provided in the National Ordinance, the Minister, at his request, regarding the application of the stipulations contained in the Corporate Governance Code and provisions contained in this National Ordinance.
COS 3402	International Standards for Assurance Engagements (ISAE)/Service Organization Control (COS) 3402 Assurance-report will be prepared by an accountant and concerns the quality of the AO/IC and the role of management of the service organization.
Custodian	The independent financial party that preserves the assets.
Audit Chamber	General Audit Chamber of Sint Maarten
Participant Administration	The beneficiaries included in the administration of APS.
Test	A statistically-representative-sample.
Defined benefit pension plan	The available-benefit system (English: defined benefit, DB) or salary-duty time system, is a form of saving for a pension whereby the Pension Fund takes the investment risk. The beneficiary builds a right to a pension that is independent of the investment performance of the Pension Fund, but is dependent on elements such as the time the beneficiary has been a member

	of the Pension Fund, whether the system is an indirect wage system or a final-salary system.
Coverage Ratio	Provides the ratio between the current assets and the pensions that APS must pay at present as well as in future.
Coverage percentage	A (global) indicator for the capital position of a pension fund: this is the current value of investments divided by the present value of the obligations.
Coverage Shortfall	If the ability of a fund drops below the lower coverage percentage limit there is a funding shortfall.
Cost of Living Adjustment	A supplement to the salary for the higher cost of living.
Off Balance Sheet items	An accounting entry resulting from a –decentralized-administration for which there is no direct link to the General Ledger.
Foreign Exchange license	Permission from the central bank for the transfer of funds to a foreign bank.
Marital Status Assumption	To determine the old-age pension for the unmarried and the survivor's pension marital status assumptions are used. Men are assumed to be married to a spouse or partner that is three year younger, women are assumed to be married to a partner or spouse that is three year older.
Organized Consultation Committee for Civil Servants (GOA)	Is a committee in the civil service, consisting of the Minister and the Central Committee, in which consultation on all matters of general interest to the legal status of civil servants, including the General rules according to which the human resources policy will be conducted.
GOA	Georganiseerd Overleg Ambtenarenzaken (Organized Consultation Committee for Civil Servants)
Held to Maturity	A "Held to maturity" investment is made with the intention to hold the investment until the end of the agreed period of investment (maturity). These investment are in the form of loans and receivables because an end date is known.
IFRS	International Financial Reporting Standards
Investment held at Fair value	Fair value refers to the amount for which an asset could be exchanged or a liability settled, between independent, knowledgeable, willing parties.
Accuracy	The data of the participants is correctly included in the participant administration.
Lv APS	Landsverordening Algemeen Pensioenfonds (National Ordinance General Pension Fund Sint Maarten).
Name and address details (NAW)	Name, address data
Unregistered participants	Beneficiaries who are mistakenly not included in the administration of APS.
Lower Limit	The lower limit of the required equity is the minimum required equity (MVEV).
Life Expectancy Tables	These are tables with which the Pension Fund works to estimates

	the expected duration for receipt of premiums from participants and the duration the Fund expects to have to pay pension to the retired participant.
Pension Obligations	Obligations of the Pension administrator based on pension entitlements and pension rights.
Pension Provision	Amount that must be present in the pension fund including future premiums due, to meet existing pension obligations. According to an alternative definition the provision includes the pension liabilities equal to the past debt based on premium payments and payouts to participants. The provision pension obligations is therefore also dependent on the financing system used for the determination of premiums and payouts. The terms mathematical reserve and premium reserve are also used to refer to Pension Provision.
Legal Compliance	In accordance with the applicable rules and decisions.
Actuarial Rate	Fictional yield that the invested pension assets are supposed to return in the future. This rate is used in the calculation of present values of future payments.
"Clean" Actuarial Opinion	A statement in which the actuary indicates that the provision pension liabilities has been determined in a prudent (conservative) manner and that the assets of the pension fund are sufficient to meet the commitments of the Fund.
SLA	Service Level Agreement
SOAB	Stichting Overheidsaccountantsbureau
Mortality Tables	A mortality table is a table that shows how the mortality evolves according to age. The table provides mainly for any age (for example, from 0 to 105 years of age and older), the mortality risk (or mortality quotient), the survival rate, the number of deaths in a fictional generation and life expectancy.
Completeness	All relevant information for the participants is included in the participant administration.
VPV	<i>Voorziening Pensioen Verplichtingen</i> –Provision Pension Obligations
VUT	<i>Vervroegde Uitdiensttreding</i> - Early Retirement
Valuation Principle	A valuation principle is the basis on which a value judgment is pronounced as, for example, the valuation of a balance sheet item.
Legal Requirements for Organization	The statutory requirements to operate the Pension Fund.
Floating pensioners	Pensioners who receive a pension but have not yet been included in the files of the APS.

July 2014



General Audit Chamber

Algemene Rekenkamer