



*Striving for Social Justice*

# St. Christopher and Nevis Social Security Board ANNUAL REPORT 2012





*Striving for Social Justice*

## **VISION**

To become the most sustainable and secure financial institution in the Federation, that is efficient and committed to provide excellent service to all.

## **MISSION**

The St Christopher and Nevis Social Security Board is committed to provide the best possible benefits to all eligible persons guaranteed by sound financial management and efficient administration

## **VALUES**

Confidentiality

Honesty & Integrity

Team Productivity

Commitment/Dedication

Efficiency

Motivation

Accountability

## **MOTTO**

*Striving for Social Justice*

# ST. CHRISTOPHER AND NEVIS SOCIAL SECURITY BOARD

## REPORT AND ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2012

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## Board of Directors

## St. Christopher and Nevis Social Security Board



Mr Halva Hendrickson - Chairman



Mr Stanley Franks Jr - Deputy Chairman



Mr Claudius Delaney - Member



Mr Frank Farrell - Member



Ms Eslyn Swanston - Member



Ms Myrna Liburd - Member



Mrs Carlene Pemberton - Member



Mr Victor Earle - Member



Mr Scott Caines - Member



Mr Dennis Phillip - Member



Ms Sandra Davoren - Secretary

# Executive Management and Assistant Directors Team



Executive Director: Mrs Sephlin Lawrence



Deputy Director: H.E. Mr C. Steve Wrensford



Ms Marilyn Johnson (left)  
Chief Financial Officer



Mr Lyndon Hodge (right)  
Assistant Director  
MIS & Records/Data Entry



Mr Elvin Bailey - (Left)  
Assistant Director  
Compliance & Benefits



Mr Vernel Powell (right)  
Assistant Director  
Branch Office, Nevis



## Social Security Board Managers



Ms Charlene Bowry  
Senior Manager, Human Resources



Mr Leon Charles  
Legal Officer



Mr Chesil Hamilton  
Manager, Public Relations



Mr Donovan Herbert  
Manager, Research & Statistics



Mr Stephen McMahon  
Manager, Benefits



Mrs Trevere Swanston  
Personnel Manager



Mrs Icilma Jeffers  
Internal Auditor



Mr James Bradshaw  
Systems Analyst



Mr Denis Johnson  
Manager, Compliance



Ms Deborah Taylor  
Investment Manager



Mrs Joycelyn Warde  
Manager, Accounts



Mrs Angela Grey  
Manager Records/Data Entry



Mr Paul Trotman  
Accountant



Mrs Lesa Tyson  
Manager, Branch Office, Nevis



Ms Avonelle Woodley  
Assistant Investment Manager

# 2012 Report of the Chairman of the Board of Directors

The year ended December 2012, was a very challenging year for Social Security. Contribution Income collected was \$69.7M, less than 1% lower than the previous year.

However, benefits disbursements increased by 6% from \$44.55M the previous year to \$47.41M. This is the essence of Social Security: to be a stabilising force in our society, especially during tough times.

Special mention must be made of those self-employed persons who have become steadfast in their commitment to securing their future although we are not yet satisfied with the numbers.



In addition to our prescribed role as set out by law, we continue to be a good corporate citizen, contributing to the development of all facets of our society, but more prominently to the development of the health sector, the educational sector, programmes against crime and violence, and to tourism development.

These contributions and the benefits they derive have contributed to the general well being of our citizens and have built goodwill towards Social Security.

The other members of the Board of Directors and I pledge our deepest commitment to do all that will enhance the sustainability of the Fund for future generations.

We acknowledge the management and staff for their dedication to excellence, the working public for its steadfastness in the payment of contributions due and the general public for its overall support in all our endeavours.

A handwritten signature in black ink, appearing to read 'Halva Hendrickson', is positioned above the printed name.

**Halva Hendrickson**

**Chairman**

**Board of Directors**

**St. Christopher and Nevis Social Security Board**

# REPORT OF OPERATIONS

The economy of St. Kitts and Nevis continues to experience the impact of the slowly recovering world economy and the St. Kitts and Nevis Social Security Board year-end result shows minute evidence of such gradual resurgence. Summarized below are the main financial and other performance highlights for the reporting year ended December 31, 2012:

- The reserves stood at \$1.260 billion compared to \$1.198 billion in 2011
- The Fund grew by \$62 million or by 5% compared to a 4% growth in 2011
- The net surplus increased 41% compared to 2011
- Total Income dipped by 0.37% at \$136.323 million
- Contribution Income was \$69.7 million a mere 0.24% lower than 2011
- Current Assets increased by 20%
- Cash on hand doubled

Table 1 PERFORMANCE HIGHLIGHTS FOR 2008 TO 2012

HIGHLIGHTS	2012	2011	2010	2009	2008
	\$000,000's	\$000,000's	\$000,000's	\$000,000's	\$000,000's
Total Net Assets	1,260.13	1,198.04	1,150.56	1,068.33	989.52
Investments	1,170.61	1,124.07	1,078.70	1,068.33	921.49
Net Surplus	73.38	46.80	80.60	71.27	80.29
Contribution Income	69.74	69.91	72.84	70.54	70.71
Investment Income	65.26	66.54	62.21	57.85	55.88
Other Income	0.46	0.39	0.59	0.69	0.61
Benefits Expenditure	47.41	44.55	41.62	39.70	33.95
Staff Costs	8.18	8.14	8.79	8.49	5.06
Total Administration Expenses	12.13	12.29	13.18	12.26	12.96
Benefit expenditure as percentage of Contribution Income	68%	64%	57%	56%	48%
Administration Expenses as percentage of Contribution Income	17%	18%	18%	17%	18%
Net Surplus as a % OF Total Income	54%	34%	59%	55%	63%
Number of Employees*	131	136	141	135	148
Number of Claims/Benefits Paid	14,365	15,256	15,829	15,923	16,135
Active Employers	1,810	1,860	1,934	1,912	1,869
Active Insured Persons	24,503	24,823	25,854	25,822	25,454
* This includes temporary and part time employees for the year					



- Accrued Interest increased by 2.88%
- Accounts Receivable and Prepaid Expenses increased by 34%
- Current Liabilities declined by 9%
- Investments increased by 4%
- Average return on investment was 5.7% compared to 2011 when it was 6.04%

Over the five-year period from 2008, benefit expenditure grew by 40% and investment income by 25%. The number of claims in 2012 was the lowest for the past five years, and so were the number of active employers and the number of actively insured persons.

At December 31, 2012 the St. Christopher and Nevis Social Security Fund stood at \$1.260 billion compared

to \$1.198 billion in 2011. The Fund grew by \$62 million or by 5% compared to a 4% growth in 2011. The net surplus increased by 41% when compared to 2011. The impact of debt restructuring and loan impairment in 2012 was not as significant as in 2011. Contribution Income of \$69.7 million declined by \$171,000 compared to 2011. Benefit expenditure was up by 6%, while administration expense declined by 1.26%.

The major key performance indicators for the last 5 years are captured in Table 1. Worthy of note is that the total assets grew from \$989 million to \$1.260 billion or by 27% higher than the consistent growth observed every year for the past six years. The rate at which the Fund grew from year to year declined since 2006. (Refer Figure 1).

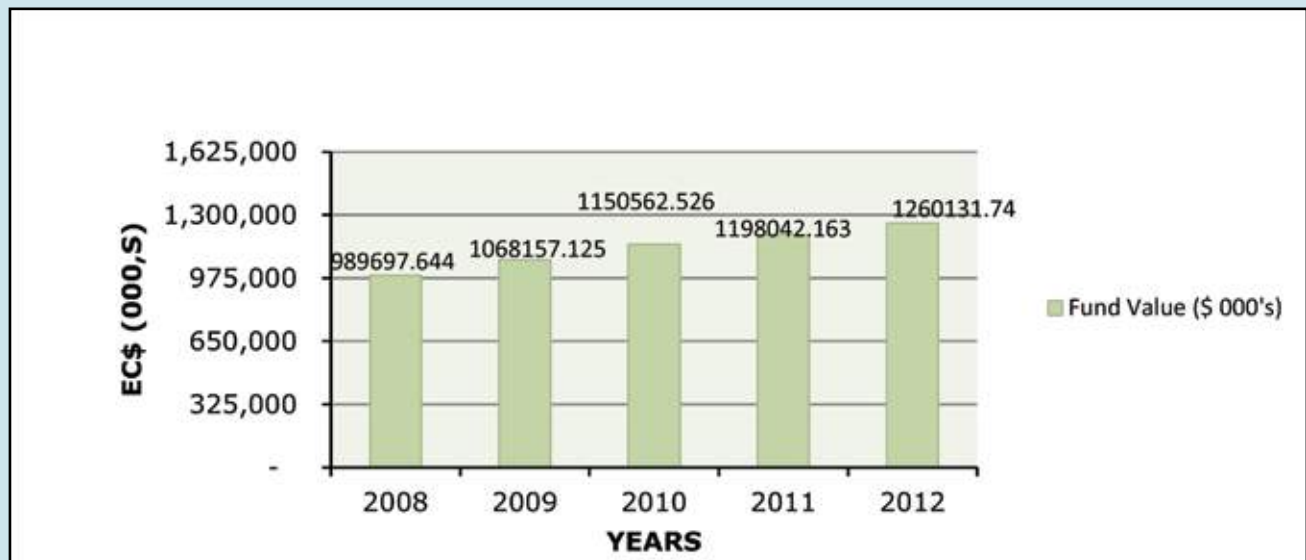


Figure 1 – SOCIAL SECURITY FUND BALANCE 2008 - 2012

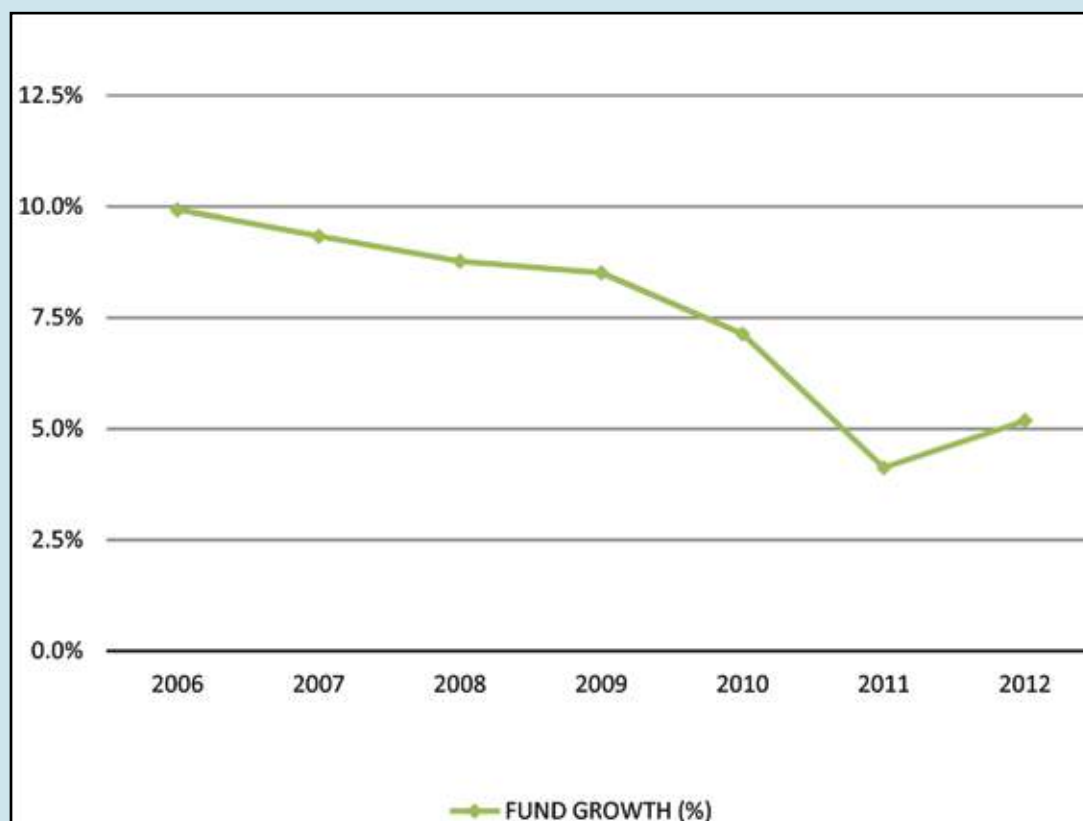


Figure 2

## INVESTMENTS

During the year, the investment portfolio grew by 4% and stood at \$1.171 billion at the end of December 2012. There was marginal change in the asset classes when compared to 2011. Equities declined by 1% as

the market values dipped while fixed deposit increased as surplus was invested into the banks. Government Securities, Treasury Bills and Corporate Securities all declined compared to 2011.

Table 2 INVESTMENT PORTFOLIO BY ASSET CLASS

TARGET 2014	ASSET CLASSES	Dec-12		Dec-11		% Change
%		Valuation	% of Total	Valuation	% of Total	
10-20	EQUITIES	36,431,643	3%	46,524,461	4%	-22%
5-10	TREASURY BILLS	29,295,188	3%	29,708,763	3%	-1%
20-30	FIXED DEPOSITS	726,398,821	62%	659,528,679	59%	10%
20-30	GOVERNMENT SECURITIES	265,280,621	23%	281,432,881	25%	-6%
5-15	CORPORATE SECURITIES	1,937,545	0%	2,316,576	0%	-16%
10-20	REAL ESTATE	100,736,694	9%	95,355,809	8%	6%
5-10	OTHER INVESTMENTS	10,528,981	1%	9,198,746	1%	14%
<b>Total</b>		<b>\$1,170,609,492</b>	<b>100%</b>	<b>\$1,124,065,915</b>	<b>100%</b>	<b>4%</b>

## INVESTMENT PORTFOLIO BY ASSET CLASS

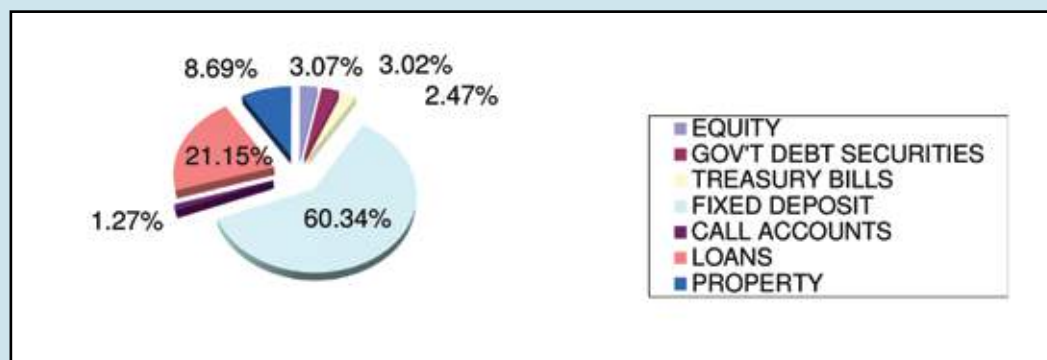


Figure 3

According to Table 3, 65% of the total investment income represented interest earned from deposits which make up 62% of the investment portfolio. This is followed by interest from loans at 24% of the total

and 3% from Treasury Bills. Interest from Government Securities and dividends decreased by 73% and 22% respectively.

Table 3 INVESTMENT INCOME BY ASSET CLASSES

Investment Income	2012		2011		% Change
	\$	% of Total	\$	% of Total	
Dividends (AFS)	1,355,469	2%	1,748,966	3%	-22%
CD's interest	42,809,273	65%	39,381,134	59%	9%
Treasury Bills	2,104,976	3%	2,090,430	3%	1%
Government Securities	1,285,999	2%	4,783,914	7%	-73%
Notes & Bonds	522,165	1%	115,260	0%	353%
Loans	15,728,473	24%	16,218,849	24%	-3%
Staff & Students	663,068	1%	636,257	1%	4%
Other	145,424	0%	154,605	0%	-6%
Gain/(Loss) on Sale of Investments	165,446	0%	131,445	0%	26%
	<b>64,780,293</b>	<b>98%</b>	<b>65,260,860</b>	<b>98%</b>	<b>-1%</b>
National Provident Fund	1,350,330	2%	1,275,544	2%	6%
	<b>\$66,130,624</b>	<b>100%</b>	<b>\$66,536,404</b>	<b>100%</b>	<b>-1%</b>

## Income and Expenditure

Total Income was \$136.3 million in 2012 compared to \$136.83 million in 2011, one percent decline between the two years. Contribution Income was about the same compared to 2011 and Investment Income

declined by 0.61%. Other Income increased by 18%, mainly as a result of the increase in Rental Income from the Liverpool Row building. However, there was a reduction in fines and legal fees collected in 2012.



Table 4

## COMPARATIVE INCOME &amp; EXPENDITURE

	2012	% of Total	2011	% of Total	2012% Change
<b>INCOME</b>					
Contributions	69,735,737	51%	69,907,443	51%	0%
Investment Income	66,130,624	49%	66,536,384	49%	-1%
Other Income	456,494	0%	388,361	0%	18%
<b>Total Income</b>	<b>136,322,855</b>	<b>100%</b>	<b>136,832,188</b>	<b>100%</b>	<b>0%</b>
<b>EXPENDITURE</b>					
Benefits	47,408,411	67%	44,553,785	49%	6%
Administration	12,135,947	17%	12,290,665	14%	-1%
Loss Provision	10,755,285	15%	33,192,705	37%	-68%
<b>Total Expenditure</b>	<b>70,299,643</b>	<b>100%</b>	<b>90,037,155</b>	<b>100%</b>	<b>-22%</b>
<b>NET SURPLUS FOR THE YEAR</b>	<b>\$66,023,212</b>		<b>\$46,795,033</b>		<b>41%</b>

A breakdown of contribution income by type is shown in Table 5. In 2012, contribution from employers, self-employed persons and voluntary contributors declined. Contribution refunded increased by almost

10%. Self-Employed persons' contribution was within the budget set for 2012, while employers and voluntary contribution missed the target.

Table 5

## CONTRIBUTION INCOME BY TYPE

	2012	2011	%Change	2012 Budget	% of Budget
Employers' Contribution	68,766,346	68,914,800	-0.22%	71,245,800	97%
Voluntary Contribution	13,561	21,841	-37.91%	20,000	68%
Self Employed Contribution	1,059,906	1,065,704	-0.54%	1,059,200	100%
Refund of Contribution	(104,076)	(94,902)	9.67%	(120,000)	87%
	<b>\$69,735,737</b>	<b>\$69,907,443</b>	<b>-0.25%</b>	<b>\$72,205,000</b>	<b>97%</b>

Benefits expenditure increased by 6% compared to 7% in 2011, and represented 68% of contribution income compared to 64% in 2011. Expenditure exceeded the 2012 budget by 3%. Table 6 shows an 11% increase

in Long Term Benefits expenditure, a 9% reduction in Short Term benefits and Employment Injury, and 96% increase in National Provident Funds benefits paid out during the year.

Table 6 Benefits Expenditure by Benefit Type

	2012	2011	% Change	2012 BUDGET	% of Budget
LONG TERM BENEFITS	38,265,639	34,535,954	11%	35,037,000	109%
SHORT TERM BENEFITS	7,939,514	8,733,386	-9%	9,390,000	85%
EMPLOYMENT INJURY BENEFITS	1,145,857	1,255,201	-9%	1,429,000	80%
NATIONAL PROVIDENT FUND	57,401	29,244	96%	31,000	185%
	<b>\$47,408,411</b>	<b>\$44,553,785</b>	<b>6%</b>	<b>\$45,887,000</b>	<b>103%</b>

Administration expenses declined by 1%, and represented 17% of contribution income, compared to 2011.

The trend lines in *Figure 4* show that contribution

income has been constant over the last two years, and Investment Income has begun to show marginal decline. Benefit expenditure continues to grow, while Administrative Expenses have been about the same level over the five-year period.

#### INCOME AND EXPENDITURE TRENDS 2008 TO 2012

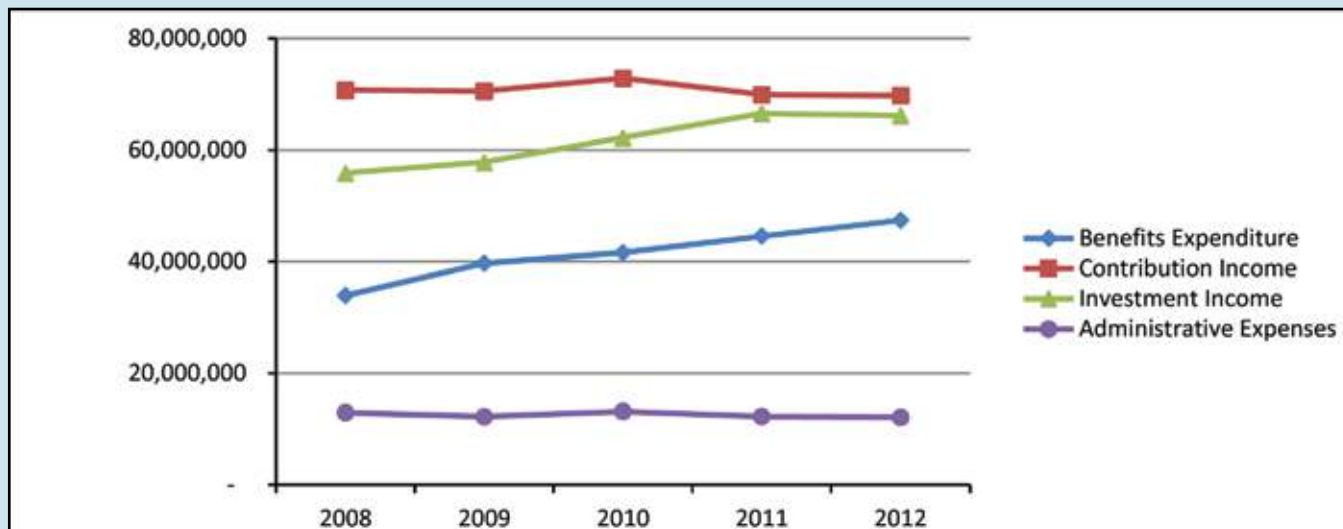


Figure 4

## INSURANCE OPERATIONS

Vital to the execution of the various responsibilities at the office of Social Security, persons registered as they became eligible and employers enrolled as they opened businesses. Persons went into self-employment and

registered. Registration is necessary if members are to respect the Social Security Act and the various Statutory Rules and Orders. Below highlights the registration activities of the various categories of the membership.

### *Registration of Insured Persons*

For the year in review, 963 persons registered consisting of 479 males and 484 females. This represented a 12% decline in registrants from the previous year. Consistent with previous years, over 48% of the registrants were in the 16-19 age group. The Wholesale & Retail Trade industry recorded the largest number of new registrants with 228 (24%) for the year with 182 males and 150

females. The Public Administration & Defence sector was second with 159 (17%) Hotels & Restaurants sector with 118 (12%), followed by the Construction sector with 111 (12%) and the Real Estate, Renting & Business Activities sector with 51 (5%). Figures 5 and 6 depict the registration by sex and age group during the year under review compared to the previous year.

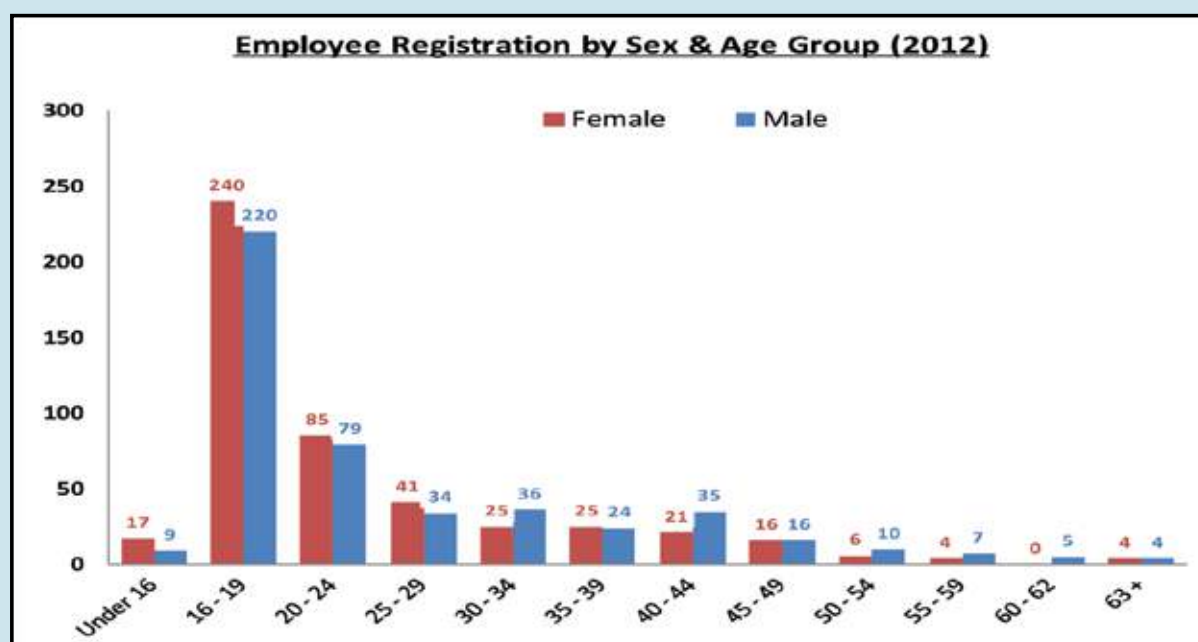


Figure 5 –New employee Registration by Age Group

### *Self-Employed Persons Registration*

The two hundred and sixty-one (261) persons who registered for self-employed coverage in 2012 comprised of 149 males and 112 females. This represented a 6% decline in total self-employed registrants since 2011 when there were 279 new self-employed registrants, 173 males and 106 females. The Construction industry dominated registration with 59 (23%), while the Wholesale & Retail Trade sector registered 46 (18%).

The two other notable sectors were Transport, Storage & Communication with 27 (10%), Agriculture, Fishing & Livestock with 26 (10%). The 'Other Services sector completed the top five with 23 (9%) self-employed registrants. Five sectors realized growth in 2012 including the Health & Social Work sector, the Private Households sector, the Electricity, Gas & Water Supply

<sup>1</sup> Other Community, Social & Personal Services



sector, Transport, Storage & Communications sector and the Agriculture, Fishing & Livestock sector. With respect to the age profile of these new entrepreneurs, the 25 to 29 age group emerged with 38 or 15%. The middle age group 30 to 49 accounted for 154 (59%) of the self-employed registrants while the 50 to 59 age

range accounted for 41 (16%). The 20 to 29 age range saw 60 (23%) of the registrants.

(Figures 7, 8 and 9) show the registration of self-employed persons by gender and age group, the quarterly trend and the comparison with 2011.

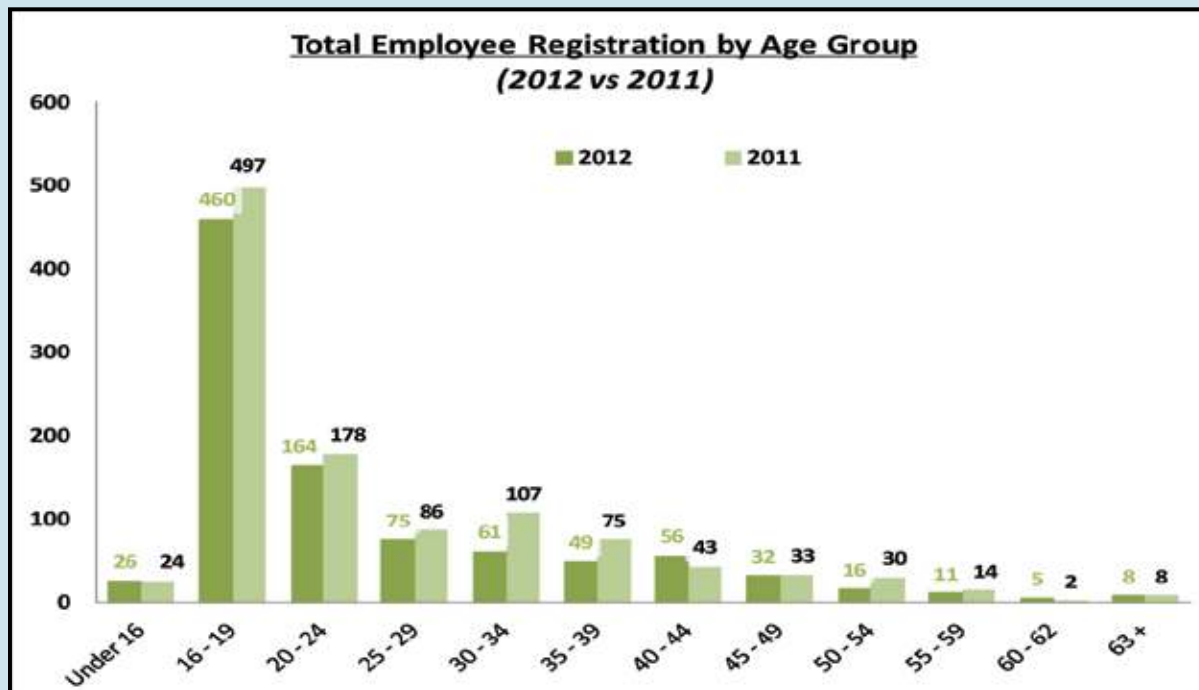


Figure 6

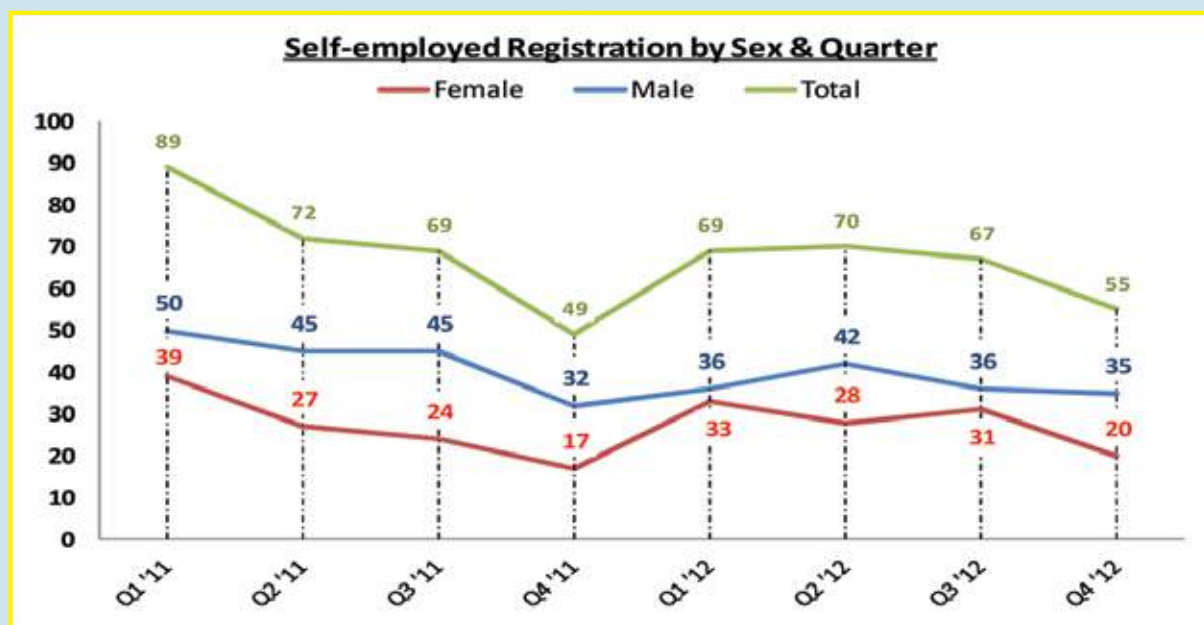


Figure 7

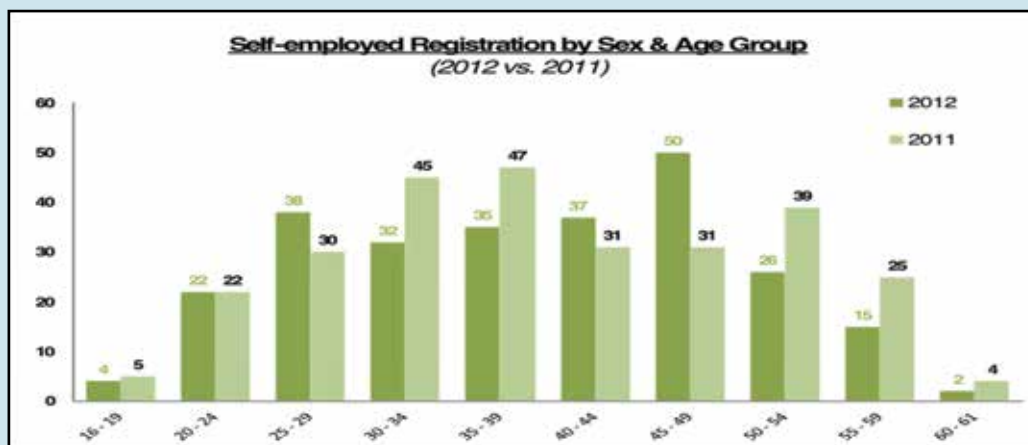


Figure 8

### Registration of New Employers

There were 191 newly registered employers this year, 130 in St. Kitts and 61 in Nevis. Figure 10 shows the quarterly trend in registration in the two islands while Figure 11 shows the island comparison of registration in 2012 compared with 2011. The total registrations represented a 3% decline from the previous year. Compared to 2011 statistics, only four sectors realized growth in 2012. These industries were the Manufacturing sector, the Financial Intermediation sector, the Real Estate, Renting & Business Activities and the Transport, Storage & Communication sector. Of the 191 new registrants, 75% were registered in the

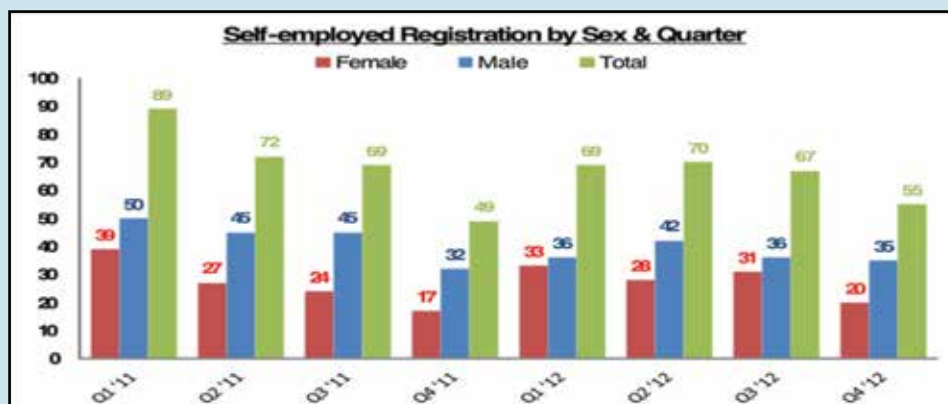


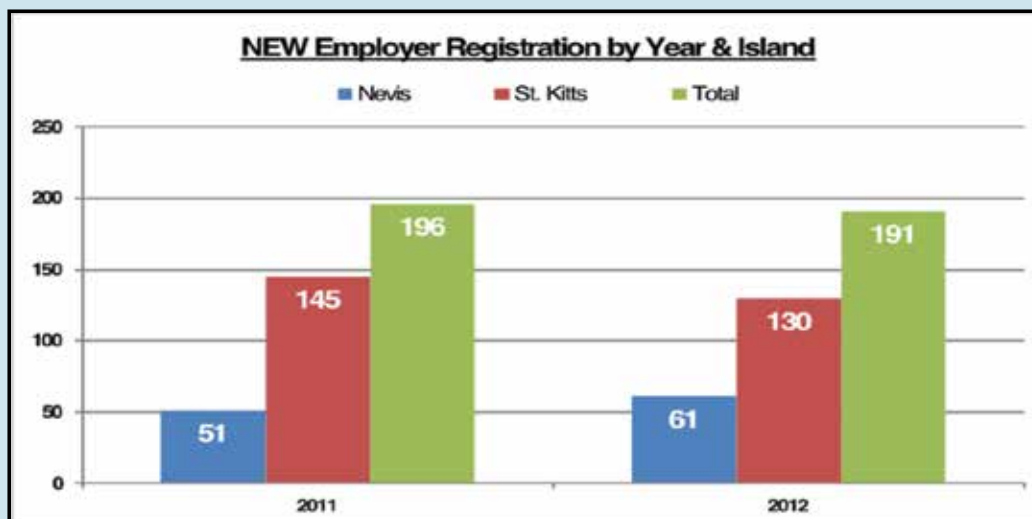
Figure 9

following five industries namely Construction 60 (31%), Real Estate, Renting & Business Activities 29 (15%), Hotels & Restaurants 24 (13%), and the Wholesale & Retail Trade 18 (9%) and Private Households sector with 12 (6%).



Figure 10

Figure 11



### Cessation of Registrations

While there were new businesses and registrations of new employers, some businesses completed their life cycles and sought to cancel or in some cases suspend their registrations.

Figure 12 provides the details. One Hundred and Fifty-four (154) employers ceased operations in 2012, (72) in Nevis and (82) in St. Kitts. Thirteen (13) industries were affected by the cessations, the most significant being the Construction industry with 48 cessations which accounted for approximately (31%) of the total cessations for the year. The Wholesale & Retail Trade recorded 26 (17%) cessations, while the Private

Households sector recorded 16 (24%) cessations and the Hotels & Restaurants sectors each accounted for 17 (11%).

Overall, the number of cessations in 2012 resulted in a 4% decline compared to the previous year. However, five of the industries recorded an increase in the number of cessations when compared to 2011, namely the Transport, Storage & Communications sector, the Financial Intermediation sector, the Real Estate, Renting & Business Activities sector, the Health & Social Work sector and the Private Households sector. Figure 13 shows the cessations by island.

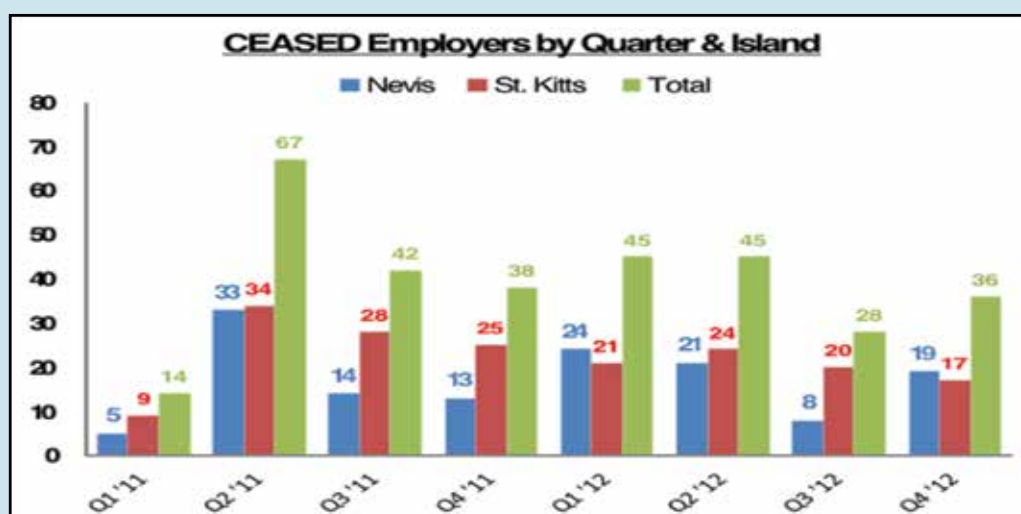


Figure 12



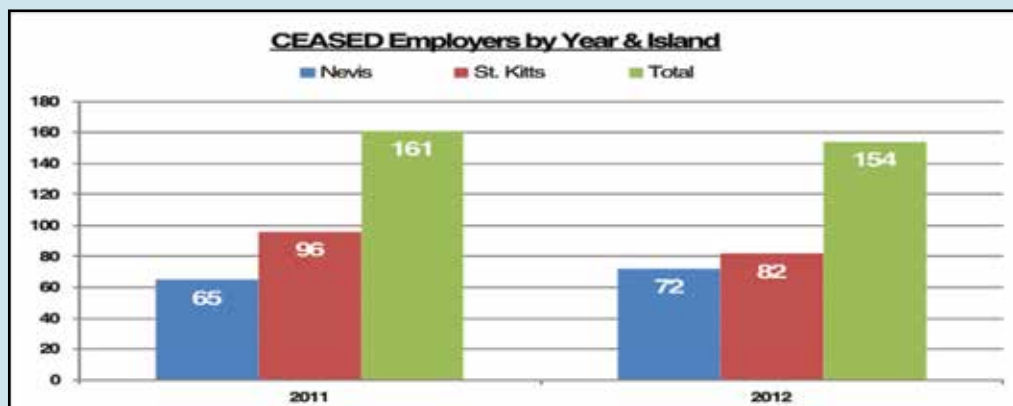


Figure 13

### Re-registrations of Employers

In the year under review, some of the ceased businesses were revived and 46 employers re-registered, fourteen (14) on St. Kitts and thirty-eight (32) on Nevis. There was a 26% decline in total re-registered employers compared to 2011. These employers re-registered in ten sectors, of which the top three were Construction 29 (63%), Hotels & Restaurants sector 4 (9%) and Private Households 3 (7%) and Wholesale & Retail

Trade sectors each recorded 9 (15%). The Hotels & Restaurant sector saw 6 (10%) of the business re-register. Only the Construction sector saw growth of 29% in re-registered employers in 2012 compared to 2011. *Figure 14* shows the quarterly re-registration activity from the start of 2011 to the end of 2012 in both islands. In *Figure 16*, the summarized employer registration activities are depicted at a glance.

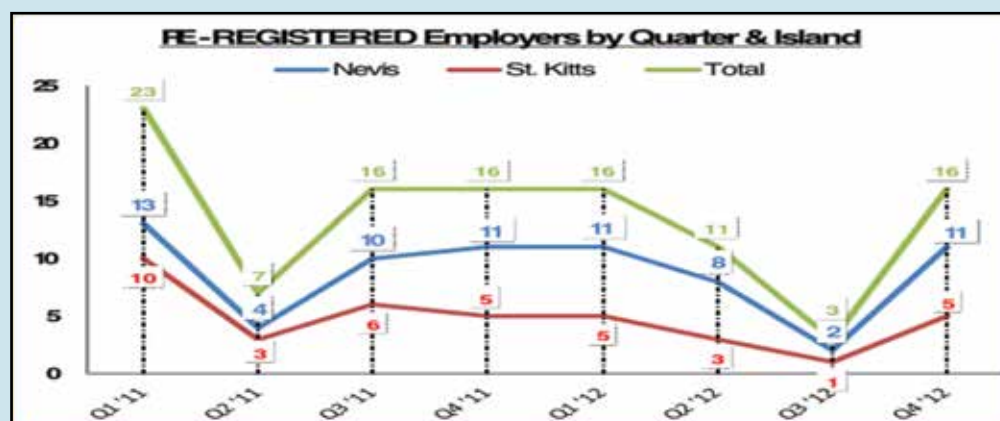


Figure 14

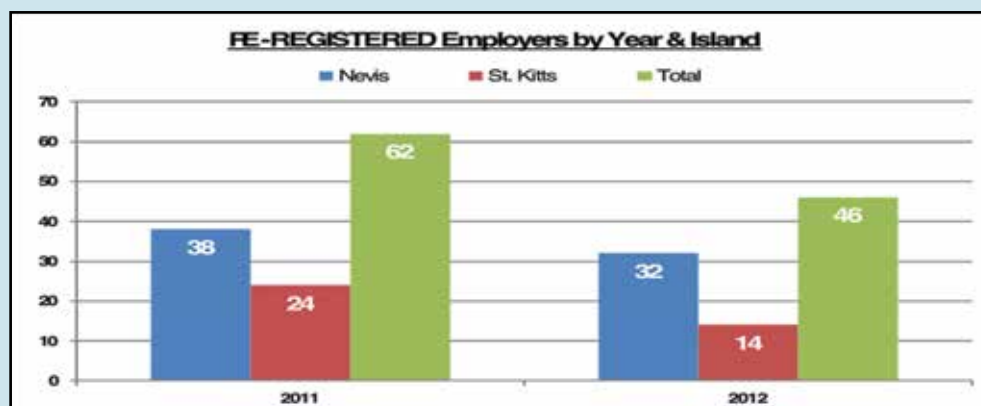


Figure 15



Figure 16

## CUSTOMER SERVICE

Propelled by the commitment to deliver excellent customer service based on the 2012 goals, the entire staff worked towards this goal.

Most of the Short-term benefits claims were processed within ten days, providing customers with their cheques prior to their resumption of employment. Some expressed appreciation.

During the period, the Customer Service Excellence Committee was revived with a new set of staff members. They instituted five-minute refreshers, on Monday mornings, with the frontline staff that proved

to be excellent stimulants for the week.

The motivated frontline staff was able to provide excellent service as they reflected on topics covered. Topics included the power of the smile, kind words, bundle service, the customer is always right, enthusiasm, efficiency, positivity and expressing appreciation.

Pensioners were paid on time each month and in an effort to encourage many to accept direct bank deposits, the cheques are available at the banks one week prior to the end of the month. The persons approaching pensionable age are advised in advance of the milestone age and encouraged to submit the age claims.



*Highlighting the inauguration of Congratulatory Cards, Social Security officers Mr Sylvester Powell (in tie picture left) and Ms Madeliene Wilkinson (picture right) present first pension cheque along with a congratulatory card to first-time pensioners at the Head Office and Branch Office, respectively.*

## PUBLIC RELATIONS

Social Security continued with its public relation activities in accordance with its goal to reach the public of St. Kitts and Nevis. This was pursued in an effort to increase the public's knowledge of social security and to make them more aware of their rights and responsibilities.

The primary and secondary schools education programs were held in addition to the institution's involvement in the career fairs of high schools. Television and Radio Programs were also aired. Both types of programs were produced with internal resources resulting in huge production cost savings.

The TV programs were aired on ZIZ, and N-TV (broadcasted in Nevis only) while the Social Security Five was aired on five radio stations on both islands.

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### *Scholarship Program*

Consistent with our goal to assist in the education of needy and bright students, the organization selected one student to each public high school and awarded a scholarship. The scholarship is available from first to sixth form as appropriate.

A short induction ceremony was held for the seven new students where the Parents were required to sign a Memorandum of Understanding with the Social Security. Worthy of note is that one of the graduating High School Scholarship holders Tishana Hazel (picture right) was awarded the State Scholarship during the year.



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### *Donations*



***Prime Minister the Rt Hon Dr Denzil Douglas receives keys for the vehicles from Deputy Chairman Mr Stanley Franks (right). Looking on is Homeland Security Minister Hon Patrice Nisbett.***

Furthermore, the WINN FM *Because you Deserve a Future* monthly radio program was also aired on the last Wednesday of each month (except December). Other outreach included- the short programs or announcements on the Lobby Screen, the reconfigured Website and the updated Facebook page was accessible with relevant information.

There were also the regular publications of Staff Matters, Vision and Insight magazines in addition to appearances at Agriculture and other public fairs of partners.

There was a week-long Special Promotion for Beacon Heights Housing in the form of an Open House initiative targeting persons who had returned home to celebrate Christmas and Carnival.

In response to written requests, small miscellaneous donations were made to various organizations in the field of sport, education or religious activities in responses to requests. In February 2012, the Ministry of Homeland Security requested and received two vehicles, a Toyota Hiace and a Nissan Pickup for \$138,000 to facilitate the performance of their duties.

In addition, a stove and building materials costing \$16,572.90 were also purchased for work on the NEMA Office. Formal handing-over ceremonies were held for these items.



## NEW SOCIAL SECURITY BUILDING OPENS

After a protracted construction period, the new edifice of the Social Security Board Building in Basseterre was opened on 18<sup>th</sup> September, 2012. It was named E. St. John Payne Annex; in honour of the first Minister responsible for Social Security.

Invited guests included the Governor General of St. Kitts and Nevis, His Excellency Sir Cuthbert Sebastian, the Prime Minister of St. Kitts and Nevis, Rt. Hon. Dr. Denzil Douglas, and Mrs. Pearl Payne who is the widow of His Excellency Esmond St. John Payne.

Others included Senior Federal Cabinet Minister the Hon Dr Timothy Harris who is a former Minister of Social Security and also the Parliamentary Representative for Constituency St. Christopher Seven which was once held by His Excellency E. St. John Payne, and Mr Rupert Herbert who also served as a Minister of Social Security.

The Deputy Prime Minister and Minister of Social Security, Hon. Sam Terence Condor gave the feature address. He chronicled many developments and highlights in the life of the institution and rationalized the decision to name the building in honour of the first Minister of Social Security, His Excellency E. St. John Payne.

The ceremony culminated with the official unveiling of the sign and cutting of the ribbon by Mrs. Pearl Payne. Some of the offices of Social Security will be housed in the annex but it will offer commercial and office rental spaces.



*Posing outside the new building, from left: Social Security Executive Director Mrs Sephlin Lawrence, Prime Minister the Rt Hon Dr Denzil Douglas, Mrs Pearl Payne, the Governor General His Excellency Sir Cuthbert Sebastian, Deputy Prime Minister and Minister with responsibility for Social Security the Hon Sam Condor, Deputy Chairman of Social Security Board Mr Stanley Franks, and Chairman of Social Security Board Mr Halva Hendrikson.*



## STAFF ACTIVITIES

The staff assigned to different departments continued to perform well. While there are a few who have to improve their overall productivity, in general, the staff are committed and dedicated to their work and the values of Social Security. Staff development and training are always encouraged and financed.

Two staff members successfully completed their part-time Bachelor's degree in Management Studies with the University of the West Indies. One graduated with first class honours, while the other graduated with second-class honours. We laud these staff members for successfully balancing work with studies.

Several supervisory personnel were exposed to training sessions facilitated by Mr. John Pilgrim of the Barbados Productivity Council on Productivity and Work Ethics. One session was called Becoming an Effective Manager. Other internal training sessions were held in customer service, management development, internal auditing, accounting and leadership among others. Other local and some overseas training to which staff and Board Members were exposed are outlined below:

- a. Seventeenth International Conference of Actuaries & Statisticians
- b. Twenty-third Meeting of CARICOM Heads of Social Security
- c. Fraud and Forensic Auditing Workshop

- d. Thirteenth International Conference on Information & Communication Technology in Social Security
- e. Business and Communication course
- f. Conference on Information & Communication Technology in Social Security
- g. Caribbean Association of Administration Professionals
- h. Seventh Annual Session on Investment Management Strategies by Atlantic Connection
- i. Corporate Governance - 66th National Conference
- j. Annual General Meeting & Conference of Caribbean Association of Internal Auditors
- k. Regulatory framework in Social Security & Health
- l. Fourth Annual - Future of Corporate Reform
- m. UBS Regional Training
- n. Managerial Skills & Techniques for Supervisors
- o. Ninth Regional Law Fair

During the period under review, five new persons joined the organization namely Ianna Heath, Liberty Mitchell, Sylvester Powell, Brennise Forbes Kilene Belgrove-Richardson while nine were employed temporarily over the summer. Mrs. Edez Lescott demitted the organization on March 31st on retirement. Best wishes were extended for a long, peaceful and happy retirement.

### *Health & Wellness*

During the year, the organization held the annual Health and Wellness week of activities, this time under the Theme *"wise up, be aware, take care"*. Several activities were included in the calendar including one new initiative, a health quiz dubbed "are you smarter than your coworker". The celebration commenced with the personalized bottled water distribution to all staff members. Through this effort, the committee intended to sensitize staff on the importance of drinking the required number of glasses of water on a daily basis. Other activities included a local drink week. This initiative saw the camaraderie of various departments pooling together to prepare local drinks sponsored by the individual departments. Local drinks included



soursop, pumpkin, breadfruit, gooseberry, ginger beer, lemonade and papaya.



In collaboration with the dedicated Committee for Health and Wellness, the International University of Nursing offered a day of blood sugar and blood

pressure screening and many staff participated. The staff also attended the three medical lectures that were given in-house during the period.





## DIRECTOR'S CONCLUSIONS AND COMMENDATIONS

The year in review was a good one, with many achievements. Social Security met many of the targets outlined at the commencement of the year. Unfortunately, there was an underperformance in the contribution target despite the many efforts, when only \$69.7M was collected of the budgeted sum of \$71.2M. The collection was also marginally lower than that (\$69.9M) collected in the previous year. There was less than 1% decline in contributions from the Self-employed with the sum of \$1.06M. It is imperative for further efforts to be made to improve collections and better manage employers' accounts. With the declining economy, contribution arrears also increased.

Investment income fell and is expected to continue this trend. Not only have interest rates on deposits declined but the overall investment portfolio returns will be reduced with the Government debt restructuring. Ideally, the investment portfolio needs long-term instruments to match the liabilities of the Fund, but there is a dearth of such securities in the economy. Therefore, the investment strategy is to increase the portion held overseas as well as increase the real estate component in accordance with the Investment Policy Statement.

The declining trend is certainly not applicable to expenditure. In fact, benefits expenditure continued its upward trajectory. In the year under review, benefits expenditure absorbed 68% of contribution income, a 4% increase from the previous year. More persons are qualifying for higher pensions as many qualify at the maximum rate of 60% of average annual wages. Furthermore, persons are claiming for longer periods to replace lost earnings in times of illness and maternity. Therefore, the increasing beneficiaries, though welcome, need to have financing. This means that reform is an imperative for the future if we are to prolong the value of the fund for successive generations to continue to benefit. A strategy cannot be sought to overcome



the challenges without embarking on pension reform. After all, it is only such reform that will delay the impact of low birth rate, aging population and longevity.

As we reflect on the entire results for the year ended December 31, 2012, we are cognizant that it is the ongoing excellent work of management and staff members, the commitment of Board members and the input of medical officers which have advanced the organization to its current level. I commend all involved for their work. My continuous prayer is that the Chairman of the Board, the Deputy Director, the members of the Board Committees, members of management and staff, will remain dedicated and steadfast in performing well. The organization is valuable in eradicating poverty, and depends on the full participation of the workers. Of course, Social Security continues to crave the cooperation of the public including the self-employed, employer and their staff, because without their contributions, our work would not be necessary.

The Board will continue to work with the Government to ensure that the suggested reforms to avert the current negative trends are implemented, as a failure to put them into operation can affect the long-term sustainability of our esteemed Fund. We remain committed to secure the Fund and respect our mission to pay the best possible benefits.

**ST KITTS NEVIS SOCIAL SECURITY BOARD**

**ACCOUNTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2012**

**PANNELL KERR FORSTER**  
**Chartered Accountants**

## INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS

ST KITTS-NEVIS SOCIAL SECURITY BOARD

We have audited the accompanying financial statements of St Kitts-Nevis Social Security Board which comprise the statement of financial position as at 31 December 2012, and the income and expenditure account, statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of St Kitts-Nevis Social Security Board as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

  
Chartered Accountants:

BASSETTERRE - ST KITTS  
9 November 2013



**ST KITTS-NEVIS SOCIAL SECURITY BOARD**

**STATEMENT OF FINANCIAL POSITION**

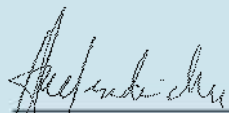
**AT 31 DECEMBER 2012**

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
<b>FUNDS EMPLOYED</b>			
Social Security Fund			
- Long Term Benefits Fund		938,484,766	892,731,554
- Short Term Benefits Fund		108,739,446	102,154,770
- Injury Benefits Fund		164,614,920	152,209,523
- National Provident Fund			
- Members' Account	3	9,800,773	9,261,226
- Reserve Fund	4	13,448,902	12,708,522
Revaluation Reserve	5	<u>16,817,659</u>	<u>21,615,915</u>
EQUITY (Page 28)		1,251,906,466	1,190,681,510
STAFF SUPPLEMENTAL BENEFITS RESERVE FUND	6	<u>8,225,274</u>	<u>7,360,653</u>
TOTAL FUNDS		<u>\$1,260,131,740</u>	<u>\$1,198,042,163</u>
<b>REPRESENTED BY:</b>			
PROPERTY, PLANT AND EQUIPMENT (Schedule III - Page 33)	7	<u>32,625,900</u>	<u>28,109,312</u>
INTANGIBLE ASSETS	8	<u>177,355</u>	<u>219,282</u>
INVESTMENTS	9	<u>1,170,609,492</u>	<u>1,124,065,915</u>
<b>CURRENT ASSETS</b>			
Cash at Bank and in Hand	10	16,621,886	8,023,822
Accrued Interest Receivable	11	42,359,888	41,172,261
Accounts Receivable and Prepaid Expenses	12	<u>2,966,393</u>	<u>2,216,013</u>
		<u>61,948,167</u>	<u>51,412,096</u>
<b>LESS: CURRENT LIABILITIES</b>			
Accounts Payable		19,032	60,654
Sundry Creditors and Accruals	10	5,177,945	5,671,591
National Provident Fund Treasury Balance		<u>32,197</u>	<u>32,197</u>
		<u>5,229,174</u>	<u>5,764,442</u>
NET CURRENT ASSETS		<u>56,718,993</u>	<u>45,647,654</u>
TOTAL NET ASSETS		<u>\$1,260,131,740</u>	<u>\$1,198,042,163</u>

The attached Notes form an integral part of these Financial Statements.

Approved by the Board of Directors on 31 October 2013.

  
Halva Hendrickson - Chairman

  
Sephlin Lawrence - Director

ST. KITTS-NEVIS SOCIAL SECURITY BOARD

INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2012  
(Expressed in Eastern Caribbean Dollars)

	Social Security Fund -----			National Provident Fund	Total 2012	Total 2011
	Long Term	Short Term	Injury			
<b>INCOME (Note 14)</b>						
Contributions	50,720,598	12,676,759	6,338,380	-	69,735,737	69,907,443
Investment Income	50,415,501	5,769,018	8,595,775	1,350,330	66,130,624	66,536,385
Other Income	<u>270,267</u>	<u>106,741</u>	<u>79,486</u>	<u>-</u>	<u>456,494</u>	<u>388,361</u>
	<u>101,406,366</u>	<u>18,552,518</u>	<u>15,013,641</u>	<u>1,350,330</u>	<u>136,322,855</u>	<u>136,832,189</u>
<b>EXPENDITURE (Note 14)</b>						
Benefits (Schedule I - Page 31)	38,265,639	7,939,514	1,145,857	57,401	47,408,411	44,553,785
Administration (Schedule II - Page 32)	<u>9,213,470</u>	<u>2,134,571</u>	<u>774,904</u>	<u>13,002</u>	<u>12,135,947</u>	<u>12,290,665</u>
Provision for loss on Investments (Notes 9 & 11)	<u>8,174,045</u>	<u>1,893,757</u>	<u>687,483</u>	<u>-</u>	<u>10,755,285</u>	<u>33,192,705</u>
	<u>55,653,154</u>	<u>11,967,842</u>	<u>2,608,244</u>	<u>70,403</u>	<u>70,299,643</u>	<u>90,037,155</u>
<b>NET SURPLUS FOR THE YEAR (Note 13 - Page 48)</b>	<u>\$45,753,212</u>	<u>\$6,584,676</u>	<u>\$12,405,397</u>	<u>\$1,279,927</u>	<u>\$66,023,212</u>	<u>\$46,795,034</u>

The attached Notes form an integral part of these Financial Statements.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Expressed in Eastern Caribbean Dollars)

	<u>2012</u>	<u>2011</u>
Net Surplus for the Year (Page 26) (Note 13)	66,023,212	46,795,034
Other Comprehensive Income:		
Unrealised Holding Gain (Note 2 (e)(i) & 5)	(4,798,256)	(377,552)
Bonus Shares Received (Notes 5 & 9)	<u>-</u>	<u>625,250</u>
Total Comprehensive Income for the Year (Page 28)	<u>\$61,224,956</u>	<u>\$47,042,732</u>

The attached Notes form an integral part of these Financial Statements.



**ST KITTS-NEVIS SOCIAL SECURITY BOARD**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2012**  
(Expressed in Eastern Caribbean Dollars)

	Social Security Fund -----		National Provident Fund							
	Long Term Benefits Fund	Short Term Benefits Fund	Injury Benefits Fund	Members' Account	Reserve Fund	Revaluation Reserve	Unrealised Holding Gain	Capital Reserve		Total
Balance as at 31 December 2010	859,173,288	100,662,626	141,698,197	8,741,336	11,995,114	6,108,232	5,684,530	9,575,455		1,143,638,778
Total Comprehensive Income (Page 27)	33,558,266	1,492,144	10,511,326	519,890	713,408	-	(377,552)	625,250		47,042,732
<b>Balance at 31 December 2011 (Page 25)</b>	892,731,554	102,154,770	152,209,523	9,261,226	12,708,522	6,108,232	5,306,978	10,200,705		1,190,681,510
Total Comprehensive Income (Page 27)	45,753,212	6,584,676	12,405,397	539,547	740,380	-	(4,798,256)	-		61,224,956
<b>Balance at 31 December 2012 (Page 25)</b>	\$938,484,766	\$108,739,446	\$164,614,920	\$9,800,773	\$13,448,902	\$6,108,232	\$508,722	\$10,200,705		\$1,251,906,466

The attached Notes form an integral part of these Financial Statements.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

STAFF SUPPLEMENTAL BENEFITS RESERVE  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2012  
(Expressed in Eastern Caribbean Dollars)

	<u>2012</u>	<u>2011</u>
INCOME		
Contributions	555,233	546,859
Investment Income	<u>433,991</u>	<u>391,338</u>
	<u>989,224</u>	<u>938,197</u>
EXPENDITURE		
Benefits (Schedule I - Page 31)	122,203	490,705
Administration (Schedule II - Page 32)	<u>2,400</u>	<u>10,587</u>
	<u>124,603</u>	<u>501,292</u>
NET SURPLUS FOR THE YEAR (Note 6 - Page 39)	<u>\$864,621</u>	<u>\$436,905</u>

The attached Notes form an integral part of these Financial Statements.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2012  
(Expressed in Eastern Caribbean Dollars)

	<u>2012</u>	<u>2011</u>
<b>Cash provided by operating activities:</b>		
Net surplus for the year		
- SSF and NPF (Page 26)	66,023,212	46,795,034
- SSBF (Page 29)	864,621	436,905
Add non-cash items		
Depreciation and Amortisation (Notes 7 & 8)	677,793	777,350
(Gain)/Loss on disposal of property, plant and equipment	<u>(65,150)</u>	<u>5,876</u>
	67,500,476	48,015,165
<b>Non-cash working capital change</b>		
Accrued interest receivable	(1,187,627)	(2,511,023)
Accounts receivable and prepaid expenses	(750,380)	3,765,821
Accounts payable	(41,622)	(14,647)
Sundry creditors and accruals	<u>(493,646)</u>	<u>(1,047,427)</u>
<b>Cash provided by operating activities</b>	<u>65,027,201</u>	<u>48,207,889</u>
<b>Cash flows from investing activities</b>		
Net increase in investments	(51,341,833)	(45,120,252)
Purchase of property, plant and equipment	(5,122,150)	(4,993,354)
Proceeds from disposal of property, plant and equipment	75,150	800
Purchase of intangible assets	<u>(40,304)</u>	<u>(87,419)</u>
<b>Cash used in investing activities</b>	<u>(56,429,137)</u>	<u>(50,200,225)</u>
<b>Increase/(Decrease) in cash for the year</b>	8,598,064	(1,992,336)
Cash at beginning of year	<u>8,023,822</u>	<u>10,016,158</u>
<b>Cash at end of year</b>	<u>\$16,621,886</u>	<u>\$8,023,822</u>
Cash at bank and in hand	<u>\$16,621,886</u>	<u>\$8,023,822</u>

The attached Notes form an integral part of these Financial Statements.



**ST KITTS-NEVIS SOCIAL SECURITY BOARD**

**BENEFITS PAID  
FOR THE YEAR ENDED 31 DECEMBER 2012**  
(Expressed in Eastern Caribbean Dollars)

**SCHEDULE I**

a)	Social Security Fund:	2	0	1	2	2	0	1	1
		Number of Claims		\$		Number of Claims		\$	
	<u>Long Term Benefits</u>								
	Elderly Refund	14		1,425		11		7,867	
	Survivors Pension	954		2,823,207		868		2,624,208	
	Invalidity	308		2,561,345		273		2,286,289	
	Age Pension	2,431		30,490,907		2,252		27,149,906	
	Age Grant	<u>102</u>		<u>812,540</u>		<u>99</u>		<u>738,180</u>	
		<u>3,809</u>		<u>36,689,424</u>		<u>3,503</u>		<u>32,806,450</u>	
	Assistance Pension (Age)	384		1,123,171		415		1,275,030	
	Assistance Pension (Invalidity)	<u>151</u>		<u>453,044</u>		<u>151</u>		<u>454,474</u>	
		<u>535</u>		<u>1,576,215</u>		<u>566</u>		<u>1,729,504</u>	
	Sub-Total (Page 26)	<u>4,344</u>		<u>38,265,639</u>		<u>4,069</u>		<u>34,535,954</u>	
	<u>Short Term Benefits</u>								
	Sickness	8,055		5,174,487		9,210		5,987,764	
	Funeral	280		664,312		231		553,202	
	Maternity Allowance	459		1,888,315		458		1,972,370	
	Maternity Grant	<u>468</u>		<u>212,400</u>		<u>481</u>		<u>220,050</u>	
	Sub-Total (Page 26)	<u>9,262</u>		<u>7,939,514</u>		<u>10,380</u>		<u>8,733,386</u>	
	<u>Employment Injury</u>								
	Funeral Grant	1		4,000		1		4,000	
	Injury	420		354,114		444		409,653	
	Travelling Expenses	16		27,415		13		14,845	
	Medical Care Expenses	204		137,982		239		214,818	
	Death Benefits	21		128,792		17		144,803	
	Constant Care	2		26,160		2		26,160	
	Disablement - Pension	58		451,025		56		422,792	
	Disablement - Grant	<u>2</u>		<u>16,369</u>		<u>3</u>		<u>18,130</u>	
	Sub-Total (Page 26)	<u>724</u>		<u>1,145,857</u>		<u>775</u>		<u>1,255,201</u>	
b)	National Provident Fund:								
	Survivor	2		2,714		1		1,701	
	Age	24		46,561		16		7,045	
	Members' Balances repaid (Note 3)	<u>9</u>		<u>8,126</u>		<u>15</u>		<u>20,498</u>	
	Sub-Total (Page 26)	<u>35</u>		<u>57,401</u>		<u>32</u>		<u>29,244</u>	
	TOTAL (Page 26)	<u>14,365</u>		<u>\$47,408,411</u>		<u>15,256</u>		<u>\$44,553,785</u>	
c)	Staff Supplemental Benefits:								
	Refunds	1		121,619		2		105,018	
	Pension	<u>1</u>		<u>584</u>		<u>3</u>		<u>385,687</u>	
	Sub-Total (Page 29)	<u>2</u>		<u>122,203</u>		<u>5</u>		<u>490,705</u>	
	GRAND TOTAL BENEFITS PAID	<u>14,367</u>		<u>\$47,530,614</u>		<u>15,261</u>		<u>\$45,044,490</u>	

The attached Notes form an integral part of these Financial Statements.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

ADMINISTRATION EXPENSES  
FOR THE YEAR ENDED 31 DECEMBER 2012  
(Expressed in Eastern Caribbean Dollars)

<u>SCHEDULE II</u>	<u>2012</u>	<u>2011</u>
Actuarial Review	96,101	9,473
Advertising and Publicity	173,016	210,510
Donations	58,138	-
Anniversary Expenses	5,741	17,950
Dedication of Annex	59,906	-
Audit Fees and Expenses	150,000	181,315
Bank Charges and Interest	(2,034)	(2,277)
Books, Periodicals, etc	5,038	380
Cleaning Expenses	13,535	15,567
Commission	2,220	41,477
Committee Expenses	71,763	66,482
Contribution for National Projects	406,579	405,000
Management Fees	45,211	43,386
Depreciation and Amortisation (Note 2(c) & 2(d))	677,793	777,350
Electricity	581,575	392,594
Hospitality	96,491	71,116
Insurances	388,751	303,693
Land and House Tax	11,035	1,044
Other Professional Fees	41,599	324,741
Maintenance of Computer System	201,083	159,840
Maintenance of Premises	204,160	137,791
Medical Expenses	5,144	7,060
Members of Social Security Board - Allowance and Other Expenses	202,306	202,199
Motor Vehicle Expenses	102,285	94,536
Postages, Telephone and Telegraph	205,790	194,587
Repairs, Maintenance and Related Minor Purchases	131,325	171,783
Retirement Benefits	-	5,884
Rental	10,750	10,950
Salaries and Allowances	6,621,618	6,471,319
Scholarships	97,658	70,609
Security Services	119,131	131,761
Social Security, Social Services, etc	607,622	602,661
Staff Pension	277,617	273,430
Stationery, Printing and Office Expenses	259,379	371,177
Subscriptions	21,121	120,505
Training Seminars, Conferences	407,592	464,031
Travelling and Subsistence	34,291	37,270
Uniforms	4,922	82,802
Wages - Other Employees	258,078	235,398
<u>Less: Recovery from Comptroller of Inland Revenue, Labour Commissioner and Treasurer Nevis Island Administration</u>	<u>(515,983)</u>	<u>(404,142)</u>
<b>TOTAL ADMINISTRATION EXPENSES</b>	<b><u>\$12,138,347</u></b>	<b><u>\$12,301,252</u></b>
Allocated as follows:		
- Long Term Benefits Fund (Page 26)	9,213,470	9,161,007
- Short Term Benefits Fund (Page 26)	2,134,571	2,300,330
- Injury (Page 26)	774,904	816,326
- National Provident Fund (Page 26)	<u>13,002</u>	<u>13,002</u>
Sub-total (Page 26)	12,135,947	12,290,665
- Staff Supplemental Benefits Reserve Fund (Page 29)	<u>2,400</u>	<u>10,587</u>
<b>TOTAL (As Above)</b>	<b><u>\$12,138,347</u></b>	<b><u>\$12,301,252</u></b>

The attached Notes form an integral part of these Financial Statements.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

AT 31 DECEMBER 2012

(Expressed in Eastern Caribbean Dollars)

SCHEDULE III

Item	GROSS CARRYING AMOUNTS		D E P R E C I A T I O N		NET CARRYING AMOUNTS	
	31/12/11	31/12/12	31/12/11	Charge (Disposals)	31/12/12	31/12/11
Freehold Properties						
- Kawaja Property St Kitts – Land at Valuation	796,067	-	-	-	796,067	796,067
- Liverpool Row Building St Kitts – Work in Progress	11,402,677	3,266,730	-	-	14,669,407	11,402,677
- Church Street St Kitts – Land at Valuation	2,598,000	-	-	-	2,598,000	2,598,000
- Church Street Building St Kitts – Work in Progress	3,130,955	269,905	-	-	3,400,860	3,130,955
- Bay Road St Kitts – At Valuation/Cost	6,463,666	-	435,601	109,039	5,919,026	6,028,065
- Chapel Street Nevis – At Valuation/Cost	2,101,200	-	186,500	46,625	1,868,075	1,914,700
- Pinneys Estate Nevis – Land at Cost	837,550	49,184	-	-	886,734	837,550
- Pinneys Estate Nevis – Work in Progress	249,852	1,110,638	-	-	1,360,490	249,852
Furniture and Equipment – At Cost	27,579,967	4,696,457	622,101	155,664	31,498,659	26,957,866
	1,922,639	221,825 (19,860)	1,381,689	188,559 (19,860)	574,216	540,950
Computer Equipment – At Cost	1,071,582	57,201 (815)	720,546	131,668 (815)	276,569	351,036
Motor Vehicles – At Cost	763,118	146,667 (135,518)	503,658	119,671 (125,518)	276,456	259,460
TOTAL	\$31,337,306	\$5,122,150 \$(156,193)	\$3,227,994	\$595,562 \$(146,193)	\$32,625,900	\$28,109,312

The attached Notes form an integral part of these Financial Statements.



## ST KITTS-NEVIS SOCIAL SECURITY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(Expressed in Eastern Caribbean Dollars)

#### 1 ESTABLISHMENT OF FUND

##### - Social Security Act 1977:

The Social Security Fund was established by The Social Security Act No 13 of 1977 on 29 December 1977. The Act repealed the National Provident Fund Act and established a system of Social Security providing pecuniary payments by way of various benefits to insured persons and social assistance by way of non-contributory old age pensions to insured and other persons not qualifying for benefits and for connected purposes. The Fund came into operation on 1 February 1978.

The Social Security Board was established as a corporate body by the Act and is domiciled in the Federation of St Kitts and Nevis. The principal place of business is Bay Road, Basseterre, St Kitts.

##### - Transfer of National Provident Fund Assets and Liabilities:

According to the provisions of Section 55 (1) and (2) of the Social Security Act No 13 of 1977, on the appointed date (1 February 1978), all assets and liabilities of the National Provident Fund shall become assets and liabilities of the Social Security Fund - that is to say:

- a) All sums standing to the credit of and accruing to other assets of the National Provident Fund;
- b) All assets of the body charged with the administration of the provisions of the National Provident Fund;
- c) Any liabilities accrued on or accruing after the appointed day to which the assets mentioned in (a) and (b) above would have been applicable but for this Act shall be liabilities of the Social Security Fund.

##### - Actuarial Review of the Fund:

Section 39 (1) of the Social Security Act 1977 (as amended) makes provision for an actuarial review of the operation of the Fund during the period ended 31 December 1980 and thereafter during the period ending 31 December in every third year.

The tenth actuarial review of the Social Security Board was carried out in December 2012 by the Project Actuary, Mr Derek Osborne, who was privately engaged to conduct the review for the period 2009 to 2011. The report which was submitted in 2013 stated that the scheme was financially and actuarially sound. A net surplus was recorded in each year of operation.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)  
(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES

a) Basis of Accounting:

The Financial Statements are prepared in accordance with International Financial Reporting Standards under the historical cost basis of accounting except for the revaluation of certain property, plant and equipment and available-for-sale investments.

The accounting policies which are followed are set out below.

The accounting policies adopted are consistent with those of the previous year including the adoption of the new and amended IAS, IFRS and IFRIC (International Financial Reporting Interpretations Committee) interpretations effective on or after the dates indicated:

**New and amended Standards and interpretations in effect and applicable**

IFRS 7 Financial Instruments: Disclosures - effective 1 July 2011

Adoption of this standard and interpretation did not have any effect on the performance of the Social Security Board.

**New and amended Standards and interpretations in effect and not applicable**

IAS 12 Deferred Tax: Recovery of Underlying Assets - effective 1 January 2012

**New and amended Standards and interpretations in issue but not yet effective and not early adopted**

IAS 1	Presentation of Financial Statements	-	effective 1 July 2012
IAS 19	Employee Benefits	-	effective 1 January 2013
IAS 27	Separate Financial Statements	-	effective 1 January 2013
IAS 28	Investments in Associates and Joint Ventures	-	effective 1 January 2013
IAS 32	Financial Instruments: Presentation	-	effective 1 January 2014
IFRS 1	First-time Adoption of International Financial Reporting Standards	-	effective 1 January 2013
IFRS 7	Financial Instruments: Disclosures	-	effective 1 January 2013
IFRS 9	Financial Instruments	-	effective 1 January 2015
IFRS 10	Consolidated Financial Statements	-	effective 1 January 2013
IFRS 11	Joint arrangements	-	effective 1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	-	effective 1 January 2013
IFRS 13	Fair Value Measurement	-	effective 1 January 2013
Annual Improvements 2009 – 2011 Cycle for IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34		-	effective 1 January 2013
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities – Amends IFRS 10, IFRS 11 and IFRS 12		-	effective 1 January 2013
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)		-	effective 1 January 2014



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

b) Foreign Currencies:

All amounts are stated in Eastern Caribbean Dollars. During the year, transactions involving foreign currencies are converted into Eastern Caribbean Dollars at the exchange rates prevailing at the dates of the transactions.

Assets and liabilities in foreign currencies are translated at the exchange rates prevailing at the year end. Exchange gains or losses arising therefrom are accounted for in the Income and Expenditure Account.

c) Property, Plant and Equipment and Depreciation:

Property, plant and equipment are stated at cost and valuation. Provision for depreciation is calculated on the straight line basis at rates estimated to write off the assets over their expected useful lives.

Depreciation rates are as follows:

Buildings (Non residential real estate)	2.5% to 3.34%
Buildings (Rental Property)	3.34%
Furniture	15%
Computer System and Equipment	20%
Motor Vehicles	20%

Freehold Property

Land and buildings are measured at fair value. Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses. Subsequent additions are at cost. Fair value is determined by reference to market-based evidence, which is the amounts for which the assets could be exchanged between a knowledgeable and willing buyer and a knowledgeable willing seller in an arm's length transaction at valuation date. Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the statement of financial position. Any revaluation deficit directly offsetting a previous surplus in the same asset is directly offset against the surplus in the asset revaluation reserve. Losses on revaluation for which there was no prior surplus are charged to the Income Statement.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the item is derecognized.

d) Intangible Assets:

Acquired computer software licences, upgrades to software and related costs that are expected to contribute to the future economic benefit of the Board are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives at a rate of 20% per annum.

Costs associated with maintaining computer software programmes are recognized as an expense when incurred.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

- e) Investments: Available -for-sale, Held-to-maturity and Loans Receivable - Initial Recognition and Subsequent Measurements.

Investments are classified into the following three categories:

- (i) Available-for-sale Investments – Debt and Equity

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; they are initially recognised at cost. After initial recognition, all available-for-sale investments are measured at their fair values based on market quoted prices where available with gains and losses on remeasurement recognised directly in the Revaluation Reserve until sold, collected or otherwise disposed of, at which time the cumulative gain or loss previously recognized in equity is included in the Profit and Loss Account. Fair Values for unlisted securities are valued at cost less provision for diminution in value.

- (ii) Held-to-maturity Investments

Investments classified as held-to-maturity are measured at cost less provision for diminution in value.

- (iii) Loans Receivable:

Where the Board creates financial assets by providing money directly to a debtor, these assets are classified as loans and are measured at amortised cost less provisions for impairment. For delinquent mortgages, specific provisions are established based on the extent of delinquency of the mortgages.

- (iv) Lands and Land Development

Lands and Land Development are stated at cost less amounts written off.

- f) Accrued Interest Receivable:

Interest on interest-bearing investments is accrued from the date of the last payment on the investments to 31 December 2012, at the rates quoted for the period of the investments.

- g) Revenue and Expenses:

Contributions are accounted for when actually received and paid. Other revenues and expenses are accounted for on the accrual basis of accounting except for dividends on equities that are accounted for on a cash basis.

- h) Staff Supplemental Benefits Plan:

Effective February 1, 1998 the Board approved a Staff Supplemental Benefits Plan to be managed by the Social Security Board. Contributions to the Plan would represent 9% of salaries to be shared equally between the Board and Staff Members.

- i) Critical accounting estimates and judgement:

- a) Use of Estimates:

The preparation of these Financial Statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumption and estimates are significant to the Financial Statements are disclosed below.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

i) Critical accounting estimates and judgement: (cont'd)

b) Impairment of financial assets:

An available-for-sale debt security, a loan or a receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees, and the financial condition and financial viability of the borrower.

An available-for-sale equity investment is considered impaired when there is a significant or prolonged decline in the fair value below cost. Determination of what is significant or prolonged requires judgement which includes consideration of the volatility of the fair value, and the financial condition and viability of the investee. These investments continue to be carried at cost less provision for impairment as no active market exists.

c) Fair Value of available-for-sale investment:

The fair value of financial instruments that are quoted in active markets is determined using the last traded value for the investment. Where no such value exists the investment is carried at cost less provision for impairment.

3 NATIONAL PROVIDENT FUND - MEMBERS' ACCOUNT

During the year under review, the Social Security Fund repaid a total amount of \$8,126 to 9 members of the National Provident Fund (2011 = \$20,498 to 15 members) (see Schedule 1 - Page 31). The repayment represents members' claims against the Fund up to the date of settlement of their balances.

4 NATIONAL PROVIDENT RESERVE FUND

Section 26 (1) of The National Provident Fund Act, 1968 states that:

"There shall be a Reserve Fund of the National Provident Fund to be known as the National Provident Reserve Fund, hereinafter in this Act referred to as "the Reserve Fund", and into which shall be paid -

- a) all fines and penalties collected under this Act;
- b) contributions by employers or workers which for any reason may not be allocated to individual accounts in the Fund; and
- c) any other moneys authorised to be so paid under this Act or any Regulations made thereunder".



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)

(Expressed in Eastern Caribbean Dollars)

5 REVALUATION RESERVE

The revaluation reserve reflects gains and losses on revaluation of freehold properties, and available-for-sale investments as follows:

	<u>Freehold Properties</u>	<u>Available-for- Sale Investments</u>	<u>Bonus Shares</u>	<u>Total 2012</u>	<u>Total 2011</u>
Balance as at 1 January 2012	6,108,232	5,306,978	10,200,705	21,615,915	21,368,217
Movement for the Year (Page 27 and Note 2 (e) (i))	-	(4,798,256)	-	(4,798,256)	247,698
Balance as at 31 December 2012	<u>\$6,108,232</u>	<u>\$508,722</u>	<u>\$10,200,705</u>	<u>\$16,817,659</u>	<u>\$21,615,915</u>

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6 STAFF SUPPLEMENTAL BENEFITS RESERVE FUND

	<u>2012</u>	<u>2011</u>
BALANCE - At Beginning of Year	7,360,653	6,923,748
Excess of Income over Expenditure for year (Page 29)	<u>864,621</u>	<u>436,905</u>
BALANCE - At End of Year (Page 25)	<u>\$8,225,274</u>	<u>\$7,360,653</u>

In accordance with SRO No. 27 of 2003, a Staff Supplemental Benefits Branch Reserve is constituted by transferring to that Reserve every year the excess of income over expenditure of that Branch.



**ST KITTS-NEVIS SOCIAL SECURITY BOARD**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

(Continued)

(Expressed in Eastern Caribbean Dollars)

**7 PROPERTY, PLANT AND EQUIPMENT**

	<u>Land &amp; Buildings At Fair Value</u>	<u>Furniture &amp; Equipment At Cost</u>	<u>Computer Equipment At Cost</u>	<u>Motor Vehicles At Cost</u>	<u>Total</u>
<b>Year Ended 31 December 2012</b>					
<b>Gross Carrying Amounts</b>					
Balance at 1 January 2012	27,579,967	1,922,639	1,071,582	763,118	31,337,306
Additions	4,696,457	221,825	57,201	146,667	5,122,150
Disposals	—	(19,860)	(815)	(135,518)	(156,193)
Balance at 31 December 2012	<u>32,276,424</u>	<u>2,124,604</u>	<u>1,127,968</u>	<u>774,267</u>	<u>36,303,263</u>
<b>Accumulated Depreciation</b>					
Balance at 1 January 2012	(622,101)	(1,381,689)	(720,546)	(503,658)	(3,227,994)
Depreciation Expense	(155,664)	(188,559)	(131,668)	(119,671)	(595,562)
Disposals	—	19,860	815	125,518	146,193
Balance at 31 December 2012	<u>(777,765)</u>	<u>(1,550,388)</u>	<u>(851,399)</u>	<u>(497,811)</u>	<u>(3,677,363)</u>
<b>Net Carrying Amount 2012</b>	<u>\$31,498,659</u>	<u>\$574,216</u>	<u>\$276,569</u>	<u>\$276,456</u>	<u>\$32,625,900</u>

(Pages 25 & 33)

**Year Ended 31 December 2011**

<b>Gross Carrying Amounts</b>					
Balance at 1 January 2011	22,886,252	1,721,614	982,982	763,118	26,353,966
Additions	4,693,715	211,039	88,600	-	4,993,354
Disposals	—	(10,014)	—	—	(10,014)
Balance at 31 December 2011	<u>27,579,967</u>	<u>1,922,639</u>	<u>1,071,582</u>	<u>763,118</u>	<u>31,337,306</u>
<b>Accumulated Depreciation</b>					
Balance at 1 January 2011	(466,437)	(1,184,098)	(574,874)	(369,039)	(2,594,448)
Depreciation Expense	(155,664)	(200,929)	(145,672)	(134,619)	(636,884)
Disposals	—	3,338	—	—	3,338
Balance at 31 December 2011	<u>(622,101)</u>	<u>(1,381,689)</u>	<u>(720,546)</u>	<u>(503,658)</u>	<u>(3,227,994)</u>
<b>Net Carrying Amount 2011</b>	<u>\$26,957,866</u>	<u>\$540,950</u>	<u>\$351,036</u>	<u>\$259,460</u>	<u>\$28,109,312</u>

(Pages 25 & 33)

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)

(Expressed in Eastern Caribbean Dollars)

7 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The board engaged Edwin Glasford, Architect and Real Estate agent, and Depsen Trust Limited, Real Estate agents to value the land and buildings of its headquarters in St Kitts and its branch office in Nevis respectively. The land (\$2,102,100) on which the headquarters stands was valued on the basis of recent land sales in close proximity. The value of the building (\$4,331,915) was based on present acceptable construction practices, material and labour costs and the type of structure and component of the building. The value of \$2,100,000 for the branch in Nevis was determined on current market conditions in Nevis and based on the assumption that an informed buyer would pay no more for a property than he would have to pay to acquire an equally desirable property of the same or similar utility.

Mr Arthurlyn Belle licensed land surveyor, Civil Engineer and Construction management consultant valued the land held at Church Street currently used as a parking lot at \$2,598,000 as at July 8 2008.

The rate used by Mr Arthurlyn Belle to value the Board's headquarters was adopted to value the land currently used to construct the new building (Kawaja Property) on Liverpool Row. This puts the value of the Liverpool Row Land at \$796,067. The value of the building that was previously on that land was derecognized.

	<u>2012</u>	<u>2011</u>
Land and Building at valuation	<u>\$31,498,659</u>	<u>\$26,957,866</u>

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	<u>2012</u>	<u>2011</u>
Net Carrying Amount	<u>\$25,390,427</u>	<u>\$20,849,634</u>

8 INTANGIBLE ASSETS

Computer Software

	<u>2012</u>	<u>2011</u>
Cost at Beginning of Year	1,132,056	1,044,637
Additions during the Year	<u>40,304</u>	<u>87,419</u>
Cost at End of Year	<u>1,172,360</u>	<u>1,132,056</u>
Accumulated Amortisation – Beginning of year	(912,774)	(772,308)
Amortisation for the Year	<u>(82,231)</u>	<u>(140,466)</u>
Accumulated Amortisation – End of Year	<u>(995,005)</u>	<u>(912,774)</u>
Net Book Value (Page 25)	<u>\$177,355</u>	<u>\$219,282</u>



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)

(Expressed in Eastern Caribbean Dollars)

9	INVESTMENTS		<u>2012</u>	<u>2011</u>
	Available-for-Sale			
	Lands		100,736,694	95,355,809
	Debt Securities: quoted at market value		3,402,735	2,432,015
	Equities:			
	Quoted at market value		36,002,643	46,323,544
	Unquoted		<u>429,000</u>	<u>429,000</u>
	Total Available for Sale		<u>140,571,072</u>	<u>144,540,368</u>
	Held to Maturity			
	Fixed Deposits:			
	CLICO (Trinidad) Limited )		6,960,558	6,960,558
	CLICO (Barbados) Limited )		6,128,583	6,128,583
	British American Insurance (Anguilla) ) See Note 11		1,298,208	1,298,208
	British American Insurance (St Kitts) )		1,000,000	1,000,000
	SKNA National Bank Limited		631,678,088	586,867,335
	SKN Finance Company Limited		8,321,764	8,321,764
	Bank of Nevis Limited		38,014,889	34,014,889
	St. Kitts Credit Union		2,297,553	2,297,553
	Nevis Credit Union		5,500,000	10,065,000
	Development Bank of St Kitts		<u>20,502,282</u>	<u>6,502,282</u>
			<u>721,701,925</u>	<u>663,456,172</u>
	Call Accounts:			
	R B C Dominion Securities		48,649	49,216
	Crown Agents		25,625	767,515
	SKNA National Bank Limited		4,271,195	714,321
	Bank of Nova Scotia		324,900	319,943
	Frank Alello CIMA		<u>5,805,015</u>	<u>-</u>
			<u>10,475,384</u>	<u>1,850,995</u>
	Sub-total carried forward		<u>732,177,309</u>	<u>665,307,167</u>



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)

(Expressed in Eastern Caribbean Dollars)

9	INVESTMENTS (cont'd)	<u>2012</u>	<u>2011</u>
	Sub-total brought forward	<u>732,177,309</u>	<u>665,307,167</u>
	Held to Maturity (cont'd)		
	Treasury Bills - St Kitts:	22,380,000	22,380,000
	Treasury Bills - Nevis:	<u>6,915,188</u>	<u>7,328,763</u>
		<u>29,295,188</u>	<u>29,708,763</u>
	Debt Securities Unquoted	<u>32,786,854</u>	<u>63,052,939</u>
	Total Held to Maturity	<u>794,259,351</u>	<u>758,068,869</u>
	Loans Receivable:		
	Government	46,933,747	47,316,523
	Statutory Corporations	191,525,014	198,521,934
	Other	1,937,543	2,316,574
	Staff Loans and Advances		
	(Less Provision for Doubtful Accounts \$60,285/2011 = \$60,285)	<u>10,528,981</u>	<u>9,198,746</u>
	Total Loans Receivable	<u>250,925,285</u>	<u>257,353,777</u>
		1,185,755,708	1,159,963,014
	Provision for impairment – CL Financial Group Investments (See Note below)	(5,778,487)	(5,778,487)
	Provision for impairment – SKN Government Bonds (See Note below)	<u>(9,367,729)</u>	<u>(30,118,612)</u>
	TOTAL INVESTMENTS (Page 25)	<u>\$1,170,609,492</u>	<u>\$1,124,065,915</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)

(Expressed in Eastern Caribbean Dollars)

9	INVESTMENTS (cont'd)	<u>2012</u>	<u>2011</u>
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The movement for the year is as follows:

**Available for Sale Investments:**

Balance at Beginning of year	144,540,368	124,176,901
Additions	5,380,885	20,916,434
Matured Securities	(5,706,935)	-
Change in market value	(3,643,244)	(552,967)
<b>Balance at end of year</b>	<b><u>140,571,072</u></b>	<b><u>144,540,368</u></b>

**Held to Maturity:**

Balance at beginning of year	722,171,768	696,151,758
Additions	78,460,240	86,451,404
Retired	(12,565,000)	(30,312,782)
Impairment Provision (see note)	<u>413,856</u>	<u>(30,118,612)</u>
<b>Balance at end of year</b>	<b><u>788,480,864</u></b>	<b><u>722,171,768</u></b>

**Loans and Receivables**

Balance at beginning of year	257,353,779	258,369,307
Additions	5,522,676	10,458,344
Repayments	(11,951,170)	(11,473,872)
Impairment provision	<u>(9,367,729)</u>	<u>-</u>
<b>Balance at end of year</b>	<b><u>241,557,556</u></b>	<b><u>257,353,779</u></b>

**Fixed Deposits:**

Interest rates range between 6.5% and 7.5% (2011 = 6.5% and 7.5%) per annum with maximum maturity of four years up to 24 August 2014.

**Call Accounts:**

Interest rates range between zero to 2.50% (2011 = zero to 2.50%) per annum.

**Treasury Bills:**

Interest rate is between 6.50 and 6.75% (2011 = between 6.5% and 6.75%) per annum with a term between 91 days and 365 days.

**Debt Securities Unquoted:**

These securities earn interest at varying rates up to 8.25% (2011 = 8.25%) and have maturity dates ranging between 2013 and 2027.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)

(Expressed in Eastern Caribbean Dollars)

9 INVESTMENTS (cont'd)

Loans Receivable:

The loans earn interest at rates ranging from 5% to 8% (2011 = 5% to 8%) and have maturity dates ranging from 2013 to 2057.

Collateral Security:

All the loans are secured by guarantees and/or mortgages over the assets of the respective borrowers.

CL Financial Group Investments

As at the end of the 2012 financial year the Social Security Board held investments with the CLICO Financial Group. Details of these investments are as follows:

	<u>Investment Amount</u>	<u>Provision</u>	<u>Maturity Date</u>
CLICO Trinidad	3,811,270	1,905,635	September 27 2012
CLICO Trinidad	3,149,287	1,574,644	August 31 2009
CLICO Barbados	2,688,200	-	April 7 2010
CLICO Barbados	3,440,383	-	May 29 2010
British American Insurance Co Ltd (St Kitts)	1,000,000	1,000,000	March 6 2009
British American Insurance Co Ltd (Anguilla)	<u>1,298,208</u>	<u>1,298,208</u>	May 19 2009
	<u>\$15,387,348</u>	<u>\$5,778,487</u>	

The matured investments and interest receivable have not been repaid to date with the exception of CLICO Barbados which was repaid in full during 2013 (See Note 21). CL Financial Group has been taken over by the Government of Trinidad and Tobago under section 44D of the Central Bank Act. As indicated in the above table a provision has been made for these investments against possible losses whilst efforts are put in place to recover the investments (See Note 11 for provision for non-collectible interest).

St Kitts and Nevis Government Debt

The Government of St Kitts and Nevis indicated in August 2011, its intention to engage in a debt reconstructing programme with its creditors; and three possible reconstructing options were proposed. It is anticipated that all government and government guaranteed debts may be affected by this reconstructing except for the treasury bills.

In March 2012, as part of the reconstructing of specific St Kitts and Nevis Government Bonds, The Social Security Board agreed to the amortization of these bonds with interest rates of 1.5% and monthly payment of interest and principal over 45 years. The instruments affected by this reconstructing are:

- a) A 10 year bond issued in November 2002 maturing in November 2012 and traded on the Eastern Caribbean Regional Government Securities Market, with interest rate of 7.5% and principal of \$28,688,000. Interest payment due November 2011 was not received as scheduled. These bonds were delisted on the exchange in February 2012.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)

(Expressed in Eastern Caribbean Dollars)

9 INVESTMENTS (cont'd)

- b) A 12 year \$15,000,000 bond issued in March 2008 maturing March 2020 with interest rate of 8.5% and principal of \$13,445,938 at December 31, 2011.

As part of the Government of St Kitts and Nevis debt restructuring the two bonds referred to, (a and b) above, were retired in exchange for those bonds. The St Kitts Nevis Social Security Board received a par bond of \$41,572,610 at an interest rate of 1.5% per annum for 45 years. There is a 15 year moratorium on principal but interest is however payable monthly throughout the life of the bond.

Prior to restructuring, a principal payment was received on the 12 year bond reducing the amount due and thus restructured from \$13,445,938 to \$12,844,610. The foregoing necessitated a reduction in the provision for diminution in value of the investment of \$413,856.

These bonds are a part of Debt Securities: Unquoted (Page 43).

- c) SOCIAL SECURITY BOARD AND THE ST KITTS AND NEVIS GOVERNMENT DEBT –  
RESTRUCTURING PROGRAMME

St. Kitts Government and its Statutory Corporations

At 31 December 2012, the total Reserve Funds of the Social Security Board amounted to \$1.260 billion (2011 = \$1.198 billion). The Social Security Board and the St Kitts and Nevis Government are in negotiations in respect to further debt restructuring of loans to the Government and its Statutory Corporations in St Kitts, totalling \$212,135,004. This debt restructuring will result in a write down of the Reserve Funds of the Social Security Board. The extent of this write down has not yet been determined at this time. However, the Management of the Social Security Board has been given the assurance by the St Kitts Government to indemnify the Social Security Fund for any losses suffered as a result of the debt restructuring programme. Furthermore, expected loss from this restructuring programme would not adversely impact materially the total Reserve Funds of the St Kitts-Nevis Social Security Board (\$1.260 billion at 31 December 2012).

- d) Nevis Island Administration:

On April 12 2013 the Social Security Board and the Nevis Island Administration signed an agreement to give effect to the restructuring of four loans – two to the Nevis Island Administration (NIA) and two to the Nevis Land and Housing Development Corporation (NHLDC). These restructured loans, including accrued interest, totalled \$26.9m. The loans in question were discounted resulting in a loan loss provision of \$9.3m which figure has been included in the surplus reported in the year under review.

- e) Bonus Shares Received:

The St. Lucia Electricity Services Limited:

During the year ended 31 December 2011, the St Lucia Electricity Services Limited made a bonus share issue of one share for every one held - 25,000 @ \$25.01=\$625,250.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)

(Expressed in Eastern Caribbean Dollars)

10	<b>CASH AT BANK AND IN HAND</b>	<u>2012</u>	<u>2011</u>
	Cash at Bank - Current Accounts		
	Royal Bank of Canada	55,841	21,499
	SKNA National Bank Limited (Benefits)	1,674,718	2,436,675
	SKNA National Bank Limited		
	(Social Services Levy & Protection of Employment Levy)	572,357	562,493
	SKNA National Bank Limited (Administrative)	5,206,469	3,387,085
	SKNA National Bank Limited (Beacon Heights)	<u>2,575,171</u>	<u>-</u>
		10,084,556	6,407,752
	Cash at Bank - Savings Accounts		
	Royal Bank of Canada	121,477	117,891
	SKNA National Bank Limited	1,829,371	1,478,864
	NCCU Savings Account	4,583,440	-
	SKNA National Bank Limited (Escrow)	2,709	-
	Cash in Hand	<u>333</u>	<u>19,315</u>
	<b>TOTAL (Page 25)</b>	<b><u>\$16,621,886</u></b>	<b><u>\$8,023,822</u></b>

During the year under review, the savings accounts earned interest at the rates of 1.5% to 3% per annum.

11	<b>ACCRUED INTEREST RECEIVABLE</b>	<u>2012</u>	<u>2011</u>
	Balance At Beginning of Year	41,172,261	38,661,238
	Interest Earned during the Year	66,130,624	66,536,384
	Provision for Non-collectibility (Note 9)	(5,803,253)	(4,001,841)
	Interest Received during the Year	<u>(59,139,744)</u>	<u>(60,023,520)</u>
	<b>Balance At End of Year (Page 25)</b>	<b><u>\$42,359,888</u></b>	<b><u>\$41,172,261</u></b>

Interest rates earned during the year are explained earlier under Notes 9 and 10.

**PROVISION FOR NON-COLLECTIBILITY OF INTEREST RECEIVABLE (\$5,803,253 (2011 = \$4,001,841))**

**CLICO GROUP OF COMPANIES \$927,749 (2011 = \$927,749)** (See Note 9 and above)

During the year ended 31 December 2010, CLICO (Trinidad) Limited, CLICO (Barbados) Limited, British American Insurance Company (Anguilla), British American Insurance Company Limited (St Kitts) reported that these investee entities (all Members of C L Financial Limited Group) were experiencing liquidity problems which created a negative impact on their day to day operations and also resulted in their inability to satisfy their investors' expectations.

The Group continued to experience liquidity problems during the year under review.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)

(Expressed in Eastern Caribbean Dollars)

11 ACCRUED INTEREST RECEIVABLE (cont'd)

The Social Security Board of Directors continues to monitor the developments in relation to the C L Financial Limited Group and believes that the carrying values of the Social Security Board's deposits and interest receivable held with the CLICO Group of Companies are fair and reasonable under the circumstances.

STATUTORY CORPORATIONS \$4,875,504 (2011 = \$3,074,092)

A provision is made for interest due on SSMC, NHLDC and Development Bank of St Kitts and Nevis Student Loans and NIA Capital Projects Loans at the end of this financial period which remained unpaid. The provision has been reversed as the loans in question are part of the negotiations in respect to Government debt restructuring (2011 = \$3,074,092).

12 ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

Bank of Commerce (St Kitts & Nevis) Savings and Trust Association (In Liquidation):

Included in Accounts Receivable and Prepaid Expenses is an amount of \$6,744,247 which comprises 8 1/2% judgement debt of \$3,670,674 (Suit No 71 of 1982) due from Bank of Commerce (St Kitts-Nevis) Savings and Trust Association, now in liquidation, plus accrued interest thereon of \$3,073,573 up to 31 December 1990, approved by the High Court. The Board took action against the Bank to recover fixed deposit balances and interest receivable due to the Board as at 21 July 1983.

The principal amount of the debt, \$2,963,506, was fully provided for and interest accrued and receivable of \$3,780,741 (\$707,162 part of original judgement debt, plus \$3,073,573 accrued on entire judgement debt) was excluded from the Board's income and deferred in these Financial Statements.

Since recovery of the Judgement Debt is considered doubtful, a decision was taken to cease accruing interest on this account effective from 31 December 1990. Provision has been made in full for the amount of \$6,744,247.

13	ALLOCATION OF NET SURPLUS	<u>2012</u>	<u>2011</u>
	Social Security Fund		
a)	Long Term Benefits Fund (Page 26)	45,753,212	33,558,266
b)	Short Term Benefits Fund (Page 26)	6,584,676	1,492,144
c)	Injury Benefits Fund (Note (Page 26)	<u>12,405,397</u>	<u>10,511,326</u>
		<u>64,743,285</u>	<u>45,561,736</u>
	National Provident Fund		
a)	Members' Account	539,547	519,890
b)	Reserve Fund	<u>740,380</u>	<u>713,408</u>
	Sub-Total (Page 26)	<u>1,279,927</u>	<u>1,233,298</u>
	NET SURPLUS FOR THE YEAR (Page 26 & 27)	<u>\$66,023,212</u>	<u>\$46,795,034</u>



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)

(Expressed in Eastern Caribbean Dollars)

14 DISTRIBUTION OF INCOME AND EXPENDITURE

According to the financial and accounting regulations of the Social Security Fund, Income and Expenditure are distributed as follows:

1) Social Security Fund - Contribution Income:

The income from contributions shall be distributed among the benefit branches in the following proportion:

(a)	Short Term Benefits Branch	2/11
(b)	Long Term Benefits Branch	8/11
(c)	Injury Benefits Branch	1/11

2) Staff Supplemental Benefits - Contribution Income:

Contributions to the staff supplemental benefits reserve fund shall be credited to that benefits branch.

3) Investment Income:

The income from the investment of the reserves shall be allocated as follows:

- (a) the income from the investment of the Short-term Benefits Reserve shall be allocated to the Short-term Benefits Branch;
- (b) the income from the investment of the Long-term Benefits Reserve shall be allocated to the Long-term Benefits Branch;
- (c) the income from the investments belonging to the Injury Benefits Reserve Fund, shall be allocated to the Injury Benefits Branch;
- (d) the income from the investment of the National Provident Reserve Fund, shall be allocated to the Provident Fund Branch.
- (e) the income from the investment of the Staff Supplemental Reserve shall be allocated to the Staff Supplemental Benefits Reserve Branch.

4) Other Income:

Any income of the Fund which cannot be identified with any specific branch shall be allocated to the Short-term, Long-term and Injury Benefits Branches in equal shares.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)

(Expressed in Eastern Caribbean Dollars)

14 DISTRIBUTION OF INCOME AND EXPENDITURE (cont'd)

5) Distribution of Expenditure:

a) Benefits and Assistance:

All expenditure of the Fund on benefits and assistance shall be debited to the account of the appropriate branch.

b) Administration Expenditure:

The administration expenditure of the Board shall be distributed between the benefits branches in such a manner that the proportion allocated to a particular branch shall be equal to the proportion which the sum of the contribution income and benefits expenditure shown in the Income and Expenditure Account of that Branch bears to the sum of the contribution income and benefits expenditure of the Fund as a whole.

c) Other Expenditure:

All other expenditure of the Board which is not attributable to any specific branch shall be distributed between the benefits branches in equal shares.

15 CONTRIBUTIONS AND FINES RECEIVABLE

At 31 December 2012, contributions and fines due from employers amounted to \$20,986,513 (2011 = \$18,485,158). Details are set out hereunder:

<u>Particulars</u>	<u>2012</u>	<u>2011</u>
Contributions due by Employers	7,688,432	6,395,555
Fines due by Employers	<u>13,298,081</u>	<u>12,089,603</u>
TOTAL DUE TO THE BOARD	<u>\$20,986,513</u>	<u>\$18,485,158</u>

These amounts are stated for memorandum purposes only and are not included in these Financial Statements.

16 CAPITAL COMMITMENT

At 31 December 2012, the Social Security Board of Directors approved capital expenditure for the ensuing year in the amount of \$6.4 million (including property development/2011 = \$17.85 million).

The infrastructure phase of the Beacon Heights Development Project was substantially completed in 2010. \$0.8 million is earmarked for Beacon Heights Development Project for the ensuing year (included in the 6.4 million above).



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)

(Expressed in Eastern Caribbean Dollars)

17 RELATED PARTY TRANSACTIONS

Section 4 subsection 3 of the Social Security Act, 1977 indicates that the members of the Board shall be appointed by the Minister in the Government of St Kitts-Nevis with responsibility for Social Security. The Government of St Kitts-Nevis has majority shareholding interest in St Kitts-Nevis-Anguilla National Bank and appoints the Board Members of the following Statutory Corporations:

St Christopher Air and Sea Ports Authority

National Housing Corporation

Development Bank of St Kitts and Nevis

The above Corporations and Companies along with the Federal Government of St Kitts-Nevis are therefore considered to be related parties of the Social Security Board.

<b>Loans to Government and Statutory Corporations</b>	<u>2012</u>	<u>2011</u>
Balance at Beginning of year	278,241,119	284,706,428
Loans advanced during the year	41,572,610	1,318,686
Loan Repayment received	(50,391,150)	(10,180,039)
Interest Income	13,137,994	17,878,826
Interest Received	(13,689,437)	(15,482,782)
Balance at End of Year	<u>\$268,871,136</u>	<u>\$278,241,119</u>

The balances owed by the Statutory Corporations have been guaranteed by the Government of St Kitts and Nevis.

<b>Fixed Deposits, Bank Accounts and Treasury Bills with Related Parties</b>	<u>2012</u>	<u>2011</u>
Balance at Beginning of Year	649,912,172	595,180,501
Net Advances	66,348,755	51,965,445
Interest Income	42,619,209	39,301,819
Interest Received	(39,980,994)	(36,535,593)
Balance at End of Year	<u>\$718,899,142</u>	<u>\$649,912,172</u>

**Amount owing By Directors**

Beginning of Year	1,207,313	984,554
Loan advanced during the year	24,344	705,006
Loan Repayment Received	(90,071)	(482,689)
Interest Income	84,705	76,547
Interest Received	(83,385)	(76,105)
End of Year	<u>\$1,142,906</u>	<u>\$1,207,313</u>

**Key Management Compensation**

The salaries and benefits paid to key management personnel of the Board during the year amounted to \$597,550 (2011 = \$598,794).



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)

(Expressed in Eastern Caribbean Dollars)

18 FINANCIAL INSTRUMENTS

a) Price Risk:

( i) Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rate. Substantially all the Board=s transactions and assets and liabilities are denominated in Eastern Caribbean Dollars or United States Dollars. Therefore, the Board has no significant exposure to currency risk.

( ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Board is primarily exposed to interest rate risk with respect to its fixed rate debentures, government securities and bonds.

(iii) Market risk:

Market risk is the risk that a financial instrument will fluctuate as a result of changes in market prices. The Board is mainly exposed to market risk with respect to its investments in quoted equities.

b) Credit Risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Board is mainly exposed to credit risk with respect to its mortgage portfolio. The Board granted mortgages based on evaluations of the mortgagors' financial situation, and continually monitors the exposure of potential losses from mortgages. Management believes that the provision at 31 December 2012 is adequate.

c) Fair Value:

The carrying amounts of the following financial assets and liabilities approximate their fair value: cash and bank balances, accrued interest receivable, accounts receivable, investments, accounts payable and sundry creditors.

As stated in Note 2(e) (i) available-for-sale investments are stated at fair value.

Investment held-to-maturity and loans receivable are carried at cost.

d) Liquidity Risk:

In order to manage liquidity risk, management seeks to maintain sufficient levels of cash, cash equivalents and available credit facilities such as loans and overdrafts to finance its operations and ongoing projects.

The following table summarises the maturity profile of the Board's financial assets and liabilities analysed into groupings based on the remaining periods from the Statement of Financial Position date to the contractual maturity dates.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)

(Expressed in Eastern Caribbean Dollars)

18 FINANCIAL INSTRUMENTS (cont'd)

Assets:

Year Ended 31 December 2012:

	<u>Due within</u> <u>1 Year</u>	<u>&gt;1 Yr to 5 Yrs</u>	<u>&gt;5 Years</u>	<u>Total</u>
Cash at Bank and in Hand	16,621,886	-	-	16,621,886
Accrued Interest Receivable	42,359,888	-	-	42,359,888
Accounts Receivable and Prepaid Expenses	2,966,393	-	-	2,966,393
Investment Securities	-	1,040,621,133	129,988,359	1,170,609,492
 Total Assets	<u>61,948,167</u>	<u>1,040,621,133</u>	<u>129,988,359</u>	<u>1,232,557,659</u>

Liabilities:

Year Ended 31 December 2012:

Accounts Payable	19,032	-	-	19,032
Other Payables	<u>5,210,142</u>	-	-	<u>5,210,142</u>
 Total Liabilities	<u>5,229,174</u>	-	-	<u>5,229,174</u>
 Net Liquidity Gap	<u>56,718,993</u>	<u>1,040,621,133</u>	<u>129,988,359</u>	<u>1,227,328,485</u>



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)  
(Expressed in Eastern Caribbean Dollars)

18 FINANCIAL INSTRUMENTS (cont'd)

d) Liquidity Risk: (cont'd)

Assets:

Year Ended 31 December 2011:

	Due within 1 Year	>1 Yr to 5 Yrs	>5 Years	Total
Cash at Bank and in Hand	8,023,822	-	-	8,023,822
Accrued Interest Receivable	41,172,261	-	-	41,172,261
Accounts Receivable and Prepaid Expenses	2,216,013	-	-	2,216,013
Investment Securities	-	816,533,056	307,532,859	1,124,065,915
Total Assets	51,412,096	816,533,056	307,532,859	1,175,478,011

Liabilities:

Year Ended 31 December 2011:

Accounts Payable	60,654	-	-	60,654
Other Payables	5,703,788	-	-	5,703,788
Total Liabilities	5,764,442	-	-	5,764,442
Net Liquidity Gap	45,647,654	816,533,056	307,532,859	1,169,713,569

19 CONTINGENT LIABILITY – CLAIM RE: KASSAB BUILDING

The court granted judgement in the amount of \$212,315 in favour of the claimant Samire Kassab in the matter of the collapse of the Kassab Building during construction of the Liverpool Row Building. The Board has a joint insurance policy with the contractor B C Audain and Associates and the insurance company National Caribbean Insurance Company Limited. At year end, the Board was in the process of settling the judgement in accordance with what the court awarded. This claim was subsequently fully settled in 2013 in the amount of \$249,504. No amounts remain receivable or payable in respect of this claim.

20 EMPLOYEE RISK BENEFIT RESERVE

The Social Security Board has made a commitment to build a contingency fund to cover inspectors and other compliance officers in the event of any employment related injury. The amount to be put aside annually is \$5,300 per person (totaling \$95,400) for 18 persons (2011 = \$95,400 for 18 persons). The maximum payment to be awarded is \$200,000 per individual incident. The details are being finalized, thus no entries were made in these financial statements.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

(Continued)

(Expressed in Eastern Caribbean Dollars)

21 SUBSEQUENT EVENTS

In April 2013, the CLICO Barbados matter was concluded when Social Security received land at Douglas Estate to offset the principal and some of the outstanding interest in regards to this investment.

# NOTES



*Striving for Social Justice*

## Customer Charter

**W**e at Social Security are committed to providing you, our customer with excellent service. Here is what you can expect when you conduct business with us:

- ❖ Prompt, polite and courteous service at all times.
- ❖ Knowledgeable employees who will listen to your needs and provide you with the assistance you require at the time.
- ❖ A walk-in service five days a week, Monday through Friday, except Public Holidays.
- ❖ At least twenty-four hour notice for any closure of our offices except for unforeseen circumstances
- ❖ Your service will not take more than 20 minutes when you visit our offices for Registration or Benefit enquiries
- ❖ You will be seen within ten minutes of the scheduled time of an appointment
- ❖ We will aim to settle all short-term benefit claims – maternity, sickness employment injury, funeral grants- within ten working days of receiving the claim.
- ❖ We will aim to settle all long-term benefit claims - age, survivor, invalidity and non-contributory pensions or grants - within two months of receiving the claim.
- ❖ If we are unable to settle your claims within the specified time, we will communicate with you no later than ten working days after receiving the claim and provide you with our best estimate of the time needed to settle the claim.
- ❖ We will answer your telephone calls within the third ring and will provide any requested information as soon as it is practical to do so.





## *Striving for Social Justice*

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