Pension Fund
Tourism Sector Aruba Foundation

Annual Report 2020

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1. Report by the Executive Board

1. Foreword

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a Pandemic, and on March 13, 2020 the first two positive cases were identified in Aruba. On March 15, 2020, the Government of Aruba announced that there would be a lockdown on all inbound international travel commencing at midnight of 16 March 2020 and closed its border on March 31, 2020 to contain the spread of the virus. The Government also introduced *"shelter in place"* restrictions, which in combination with the border closure had adverse impact on the tourism and tourism-related businesses and indirectly negatively impacted the retail and other supporting businesses. The Aruban economy is almost completely dependent upon its tourism industry. As a result, tourism came to a complete halt during the second quarter of 2020 causing ripple effects across all sectors, including the Fund.

Consequently in 2020, Aruba experienced a significant economic contraction, whereas the results for 2021 are highly dependent on the depth and length of the pandemic, the strength of the tourism recovery, as well as on the continuation of the government assistance program to businesses and individuals who have lost their job due to the COVID-19. According to the CBA the real GDP in 2020 is estimated to have contracted by 26.4 percent. The economic slump in 2020 follows a steep decline in tourism activity, private consumption, and investments triggered by the COVID-19 pandemic and the subsequent measures taken by the Government of Aruba (GoA) to contain its spread.

As a result of the negative effects on the Tourism industry, our premium income in 2020 dropped by 12% and is lower in comparison with the 2019 income. The Fund's operating results have declined from AWG 1,397,125 to AWG 827,295. Furthermore, our liquidity has been negatively impacted, which required the Fund to implement measures to sustain the Fund in the long run and mitigate the impact.

The Executive Board of PFTSA immediately performed an assessment of the COVID-19 impact. First on its business continuity to guarantee its operations and the well-being of its staff and secondly, its impact on the future results, cash flows and financial position of the Fund. In this regard, several scenario analyses were performed to determine the possible impact of COVID-19 on the Fund in 2020. In working out these scenarios the following developments were considered:

- Most of the member employers will have a sharp decline in their revenues and most of our member employers will no longer be able to meet their pension contributions obligations in full or partially as prescribed by the current individual pension agreements with PFTSA during much of the rest of 2020.
- Further the employers will be contributing less to the cost loading of the Fund. As a consequence, that the Fund will need to finance a large part of its operational costs with the investment returns of the participants. To mitigate these costs the Fund has decreased the operational costs including staff expenses.
- The COVID-19 crisis impacted our investment portfolio as the payment capacity of the various entities in which the Fund invested will be impacted, including the Aruban government. This requires a regular case by case review, which was introduced in July 2020.
- An overall possible negative impact on the coverage ratio ("*dekkingsgraad*") for the Fund.

Based on these considerations the Fund management prepared an elaborate action plan which was submitted to the Executive Board for approval. The purpose of the Action Plan was twofold:

Firstly, it focused on the impact of the COVID-19 crisis on the Fund's overall performance.
Secondly, it discussed mitigating strategies to contain the potential financial impact of the COVID-19 crisis. The mitigating strategies were divided into two categories:

- Measure 1: Adjustment investment policy: review & adjust the investment policy as a measure to increase the policy funding ratio.
- Measure 2: Review actuarial assumptions: looking at options to mitigate the pressure on the pension scheme.

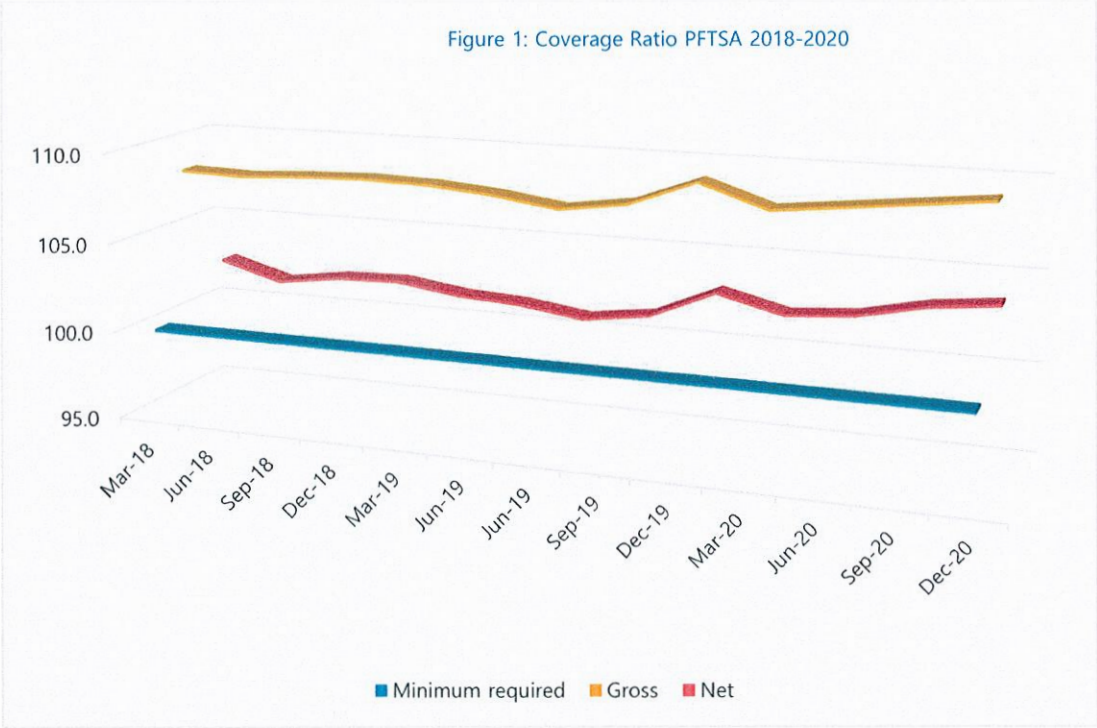
Table 1 below shows the series of concrete measures adopted by the Executive Board in cooperation with the actuary to mitigate the financial risk on short and longer term.

Table 1: Measures adopted

Measure	Description	Proposed Timeframe
Revise mortality tables	Adopt the newest mortality table GBM/GBV 2005 – 2010.	As per annual account 2019
Apply an actuarial interest of 3.75% to all new pensioners, while maintaining 4% for the existing pensions	Proposal to reduce the current actuarial interest ("rekenrente") only for all new pensioners.	Effective June 2020
Temporarily reduce the return on investments allocated to the DC plan	Proposal to reduce the annual allocation of the rate of return of the DC plan to 1% or 2%. The Executive Board approved in April 2020 to allocate 2% under the condition that this will be evaluated at the end of the financial year 2020. During the Board meeting of May 2021, the rate of return for the DC plan was set at 3% for the financial year 2020.	Financial years 2020/2021
Cost reductions	Following actions have been adopted: 1. Reduce costs by seeking alternative allocation through outsourcing options or establish cost sharing arrangements between the pension funds to spread the costs & to train our staff to reduce the outsourcing costs. 2. Strict cash flow management 3. Reduction of non-essential and other costs (e.g., reduction of staff costs)	2020

Despite the economic downturn PFTSA has been able to maintain its coverage ratio during 2020 above the regulatory minimum of 100 percent (figure 1). This is the result of the swift measures adopted by the Executive Board to contain the negative effects as discussed previously, but also as result of the GoA response to mitigate the negative economic and financial impact. The GoA introduced a comprehensive fiscal package – with the financial support from the Netherlands - in March 2020, which included temporary income support (so-called FASE), wage subsidies to employers to maintain employment and

liquidity assistance to small and medium enterprises. The wage subsidies partially covered the salary and thus, the employers were able to meet the premium obligations toward the Fund.

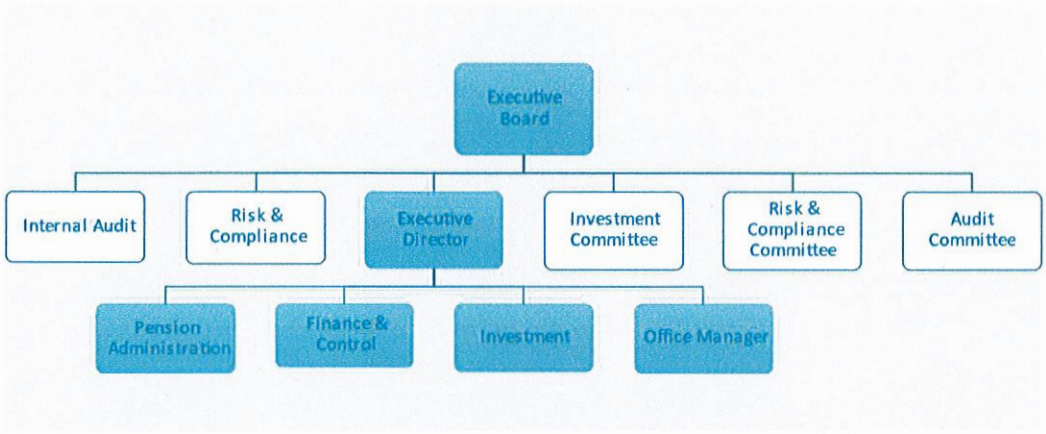


In 2020 PFTSA has introduced several internal measures to further strengthen its corporate governance structure. PFTSA hired Montae & Partners from the Netherlands to assist with the process of strengthening the governance structure of the Fund. Montae & Partners prepared a blueprint which outlines the general framework of the proposed governance structure, which included a new organizational chart as shown in figure 2.

The three core activities (investments, pensions, finance & control) have been incorporated into the organization of PFTSA. The Executive Board (Board) is ultimately responsible for PFTSA. The day-today management of the organization is carried out by the Executive Director. The division of functions between executive and control functions has been expressly considered in the design of the executive organization. The Pension Administration and Finance & Control are separate departments.

The departments work according to the four-eyes principle. Since the departments have a limited staff size, managers with a controlling role have been chosen. The managers know all the processes, they can work with the systems, and carry out the checks within the framework of the four-eyes principle. In the absence of the manager, the Executive Director takes over the duties of the manager.

Figure 2: New Organizational Chart



PFTSA's risk management is structured according to the Three Lines Model (previously known as the Three Lines of defense model). The Three Lines Model distinguishes three lines of defense for managing risks (refer also to figure 3):

- The first line is responsible for good administrative and accounting procedures and adequate internal control mechanisms and is involved in day-to-day activities.
- The second line concerns the management of the process and deals with the identification, analysis, evaluation, treatment, monitoring, and assessment of the risks. The second line is independent of day-to-day activities and has the mandate to review the front-line defense activities.
- The third line independently assesses the effectiveness of internal control and risk management, including the operation of risk management. This means that the third line tests the adequacy and effectiveness of both the first and the second line in the implementation of internal control and risk management.

In December 2020 PFTSA adopted and implemented its new internal controls framework and manuals. The internal control framework at PFTSA consists of five components and each component is detailed with an overview, principles, policies and procedures outlined in the manual. The purpose of the manual is to establish the objectives of operations, financial reporting, and compliance. The policies to achieve these objectives derive from best practices in the global business community and the Centrale Bank van Aruba directives and guidance. Policies were developed to suit the specific needs of PFTSA's functions and resources. The PFTSA staff was intensively involved in the development of the framework and manuals.

In 2020 Willis Towers Watson (WTW) conducted two sets of analysis for PFTSA, being the risk charter and the investment cycle review. The risk charter analysis was completed in October 2020 and adopted by the Board in December 2020. The risk charter describes the design and implementation of the integral risk management (IRM) regarding the financial and non-financial risks of PFTSA. As the result of this document a risk definition document was outlined. The purpose of the risk definition document is to

define the terms as described in the approved Risk Charter of Pension Fund Tourism Sector Aruba Foundation ("PFTSA" or "organization") and terms applicable in the risk management process of PFTSA.

The Executive Director and the Executive Board are responsible for approving and implementing the terms as detailed in this document. This document is vital to implementing the risk management process as it serves as a guideline to assist business owners in the risk identification and risk assessment processes. This task has been assigned to the risk officer to execute on behalf of PFTSA.

As a result of the investment cycle review WTW initially conducted a risk analysis and issued an investment beliefs document which was adopted by the Executive Board in February 2020. It was also the intention to conduct an ALM (Asset Liability Management) study in 2020. However, as result of the COVID-19 pandemic and the uncertain economic situation the Fund decided to postpone the ALM-study. This study was conducted and concluded early 2021 (refer further to paragraph 2).

The Fund also adopted in February 2020 the new loan and investment policy and procedures document. The purpose of these loan and investment policies and procedures is to provide the Executive Board of PFTSA (Board) with a framework for the establishment of policies and procedures for the prudent management and control of risk in their investment and lending portfolios and to attain a standardized format to ensure sound practices.

As part of the new governance structure the Executive Board also introduced three new committees. Each committee consists of three members (refer to table 1) and initiated their activities in August 2020. Each committee has been assigned one or two external persons to support each of the three committees.

Table 1: PFTSA Committee Members

Committee membership	Name and position
Audit Committee	Mr. G.K. Farro (Chairman) Mr. E. O. Croes (external member) Mr. P. D. Vandormael (external member)
Risk & Compliance	Mr. C. E. Heyliger Mr. E. F.C. Albertus (Chairman) Mr. D. J. M. J. Coenen (external member)
Investment Committee	Mrs. M. R. Croes (Madam Chair) Mr. E. I. R. de Cuba[1] Mr. R. K. Kock (external member)

According to the current regulatory requirements the Fund is required to have an active person monitoring the risk & control function at PFTSA and who is assigned to monitor and advice the implementation, amongst others, of the risk charter, which has been adopted by PFTSA in 2020. Due to the scale and size of the Fund's organization it is not sensible to appoint a full-time risk & control officer the Fund has outsourced this function and, in this regard, Mr. G. C. Croes was appointed as risk & control officer.

[1] Since March 27, 2021, Mr. E.I.R. de Cuba is no longer a member of the Investment Committee, and his position has been temporarily assigned to Mr. G.K. Farro.

2. Management and Supervision

a) Legal structure

General

Pension Fund Tourism Sector Aruba Foundation ("PFTSA", "the Fund"), with registered offices in Oranjestad, ARUBA, was established on March 27, 1992. The Fund is registered at the Chamber of Commerce under number S171.

The Fund is responsible for implementing a pension plan for employees of member companies and is responsible for proper implementation of the pension plan for vested participants and retirees in accordance with existing laws and regulations and works based on an ABTN report. PFTSA registers and archives all signed contracts and / or other commitments with (former) member companies.

The Fund currently manages two plans, namely a Defined Benefit plan ("DB") and a Defined Contribution plan ("DC"). As of January 1, 2004, the Fund ceased allowing participation into the DB-Plan and the participants could continue only with the DC-plan. The pensions built up in the DB-Plan until December 31, 2003 have not been transferred to the new pension plan (DC-plan).

PFTSA has an Executive Board that is composed out of employer's and participant's representatives who elect the independent chairman of the Executive Board. The Executive Board is assisted upon request by an external actuary. The Fund has 10 permanent employees, including the Executive Director, who together with the Executive Board are responsible for all the work (pension administration, payout, investment portfolio, communication, etc.) at the Fund.

Articles of Foundation

The current Articles of Foundation have been revised and notarized as of May 18, 2018.

Affiliated companies

During 2020, 8 (2019: 5) new companies have joined and 3 (2019: 7) companies became vested. At the end of 2020, a total of 176 (2019: 168) companies were affiliated with the Fund of which 126 (2019: 121) are active and 50 (2019: 47) are vested.

b) Composition of the Executive Board and committees

Executive Board

The Executive Board ("Board") consists since July 1, 2012 of 2 employer representatives and 2 participant's representatives. The composition of the Executive Board for the financial year 2020 is as stated here below.

Executive Board members	Name
Independent Chairman of the Executive Board	Mr. G.K. Farro
Appointed by the employers	Mr. E.F.C. Albertus Mr. E.I.R. de Cuba
Appointed by the participants	Mr. C.E. Heyliger Mrs. M.R. Croes

As per March 27, 2021 the term of Mr. E.I.R. de Cuba as a board member has ended and it was not extended.

The Board members on behalf of the employers are elected for a period of four years by nomination of member employers. Procedures regarding the election of board members are defined in the articles of foundation under article 8.

Executive Board and daily management

The Executive Board has appointed an Executive Director (Mr. Marion M. Agunbero) for the daily management of the Fund on November 1, 2019. The responsibilities of the Executive Board are in accordance with the article of foundation, the Rules and Regulations of the Fund as well the "Actuariële Bedrijfstechnische Nota" ("ABTN").

Board committees

As part of the new governance structure of PFTSA the Board has appointed in 2020 three committees, being the Risk and Compliance Committee, the Investment Committee, and the Audit Committee.

Risk and Compliance Committee

The primary tasks of the risk and compliance committee include preparing decision-making by the Executive Board regarding the risk management process of PFTSA and risk and compliance aspects of other (draft) Executive board decisions (the risk section). Preparing decision-making for the Executive Board regarding the process that PFTSA has regarding compliance with legislation and regulations and the code of conduct. Advising the Executive Board on the structure of PFTSA's risk management including policies and process.

Investment Committee

The primary tasks of the committee are to prepare decision-making by the Executive Board regarding the strategic (long-term) investment policy, the investment analysis policy (especially of local investments) and the annual investment plan.

Audit Committee

The primary tasks of the Audit Committee are to prepare decision-making by the Executive Board regarding financial reporting and to test the operation or compliance with the system of internal control and the audit process of PFTSA and the process of PFTSA with regard to compliance with legislation, regulations and rules of conduct.

3. Financial position

a) Financial position and funding development

As of January 1, 2020, the Fund's actuarial interest is for the Defined Benefit plan 4% (2019: 4%) and for the Defined Contribution plan the rate of return is 3% (2019:4%). The mortality table in use is GBM /GBV 2005-2010 (2019: GBM /GBV 2005-2010) and the applied age correction factor -1 in 2020 (2019: -1).

The Fund kept operating expenses in 2020 within budgeted margins to maintain the Fund's financial position.

The investment portfolio consisted in 2020 mainly of government bonds, secured loan facilities and real estate investments resulting in a steady flow of interest income.

4. Risk Management

The Board has adopted the Risk Charter, which describes the structure and implementation of the Integrated Risk Management (IRM) regarding the financial and non-financial risks of PFTSA as shown in the following table.

Table 3: Financial & non-financial risk

Financial **Risk categories**	**Non- Financial** **Risk categories**
Discount Rate Risk	Environment Risk
Equity Risk	Operational Risk
Valuation Risk	Outsourcing Risk
Credit Risk	IT Risk
Technical Insurance Risk	Integrity Risk
Liquidity Risk	Legal Risk
Concentration Risk	Governance Risk

The basis for effective IRM of the Fund is a clear and appropriate division of tasks, responsibilities, and powers. The Executive Board is ultimately responsible for the IRM and responsible for appropriate management of all risks associated that the Fund faced.

5. Information on state of affairs

The Fund has shown a growth in 2020 in the number of policies and participants. The number of policies increased from 11,680 to 12,124 during 2020 and the number participants increased from 10,492 in 2019 to 10,809 in 2020.

Of the total policies 5,002 (2019: 4,987) are active policies of the DC Fund. The change in the active policies is specified in the following table.

Movement in active policies	2020	2019
Active policies as of January 1	**4,987**	**5,073**
New policies from new participants from existing and new affiliated companies	511	672
Less: Allocation to the following categories: vested policies, new annuitant's policies and policies related to one-time payments and transfers	(496)	(758)
Active policies as of December 31	**5,002**	**4,987**

The project for granting mortgages to the participants, which started in 2008, has further expanded in 2020. At the end of 2020 there were 72 (2019: 71) mortgages issued, with a total value of AWG 12,139,007 (2019: AWG 11,701,813) of which AWG 141,650 is still pending to be disbursed for construction mortgages. Overdue mortgage loans are monitored, and necessary action is taken. As of December 31, 2020, no provision was deemed necessary. Of one construction property the sale was not closed. This property is now for rent.

6. Investment development

General economic developments have a direct impact on the investments of the Fund. As a result, thereof, the following developments have had an impact on the investments of the Fund.

Developments in the investments

The Fund's investment approach is embedded in maximizing the return on investment while minimizing the possible negative impact on the continuity of the Fund.

Table 4 illustrates the allocation into different categories of the total investment of the Fund:

Table 4: Investment category	2020	2019
	%	%
Bonds	40	30
Loans	20	23
Time deposits	7	10
Mortgages	9	9
Fixed income investments	**76**	**72**
Investment property	14	16
Shares	10	12
Balance as of 31 December	**100**	**100**

7. Actuarial developments

a) Actuarial analysis

In calculating the technical pension provision for risk of the Fund, the Fund makes assumptions for interest, mortality, and costs. During the year, these parameters may deviate from the assumptions previously used. Consequently, these changes may result in the realization of a gain or loss. The total result on the income and expenses consists of the sum of the result on each of the individual assumptions. An actuarial analysis of the total result is displayed in the following table 5.

Table 5: Actuarial analysis

in AWG	2020	2020	2019	2019
Result on the contributions and others				
Contribution by the employers and participants	11,542,611		13,182,359	
Calculated premium	11,542,611		13,182,384	
		0		(25)
Result on investments				
Result on investments	5,642,078		7,212,656	
Yield on pension for the risk of the fund including DC pensioners	(799,906)		(725,055)	
Yield on pension for the risk of the participants	(3,091,704)		(3,650,740)	
Impairment mortgages	-		-	
		1,750,468		2,836,861
Result on mortality and others				
Result on disability	-		-	
Result on mortality	(89,182)		144,724	
		(89,182)		144,724
Result on distribution cost				
Pension administrative expenses	(2,238,791)		(2,270,563)	
Cost component included in premium	1,215,014		1,389,267	
Release calculated cost	14,269		12,415	
		(1,009,508)		(868,881)
Result on value transfers and refunds				
Release due to value transfers and refunds	1,097,872		1,006,351	
Refunds and value transfers	(998,983)		(995,572)	
		98,889		10,779
Other results				
Result on change in actuarial assumptions	-		(745,284)	
Result on others	76,628		18,951	
		76,628		(726,333)
Net result according to financial statements		**827,295**		**1,397,125**

b) Actuarial developments

In 2020 the Fund maintained the mortality tables GBM /GBV 2005-2010 (2019: GBM /GBV 2005-2010). For further details on the actuarial developments, we refer to the actuarial declaration for the Financial year 2020 as issued by Actuarial Consultancy Caribbean (AC²) B.V and page 35 – 37 (m: provision).

c) Developments in 2020

Details of the pension portfolio

As per year-end, the Fund has a total of 12,124 (2019: 11,680) policies; of which the composition is specified in the following table 6.

Table 6: Pension Portfolio

DB policies	2020	2019
Active policies	199	214
Vested policies	321	316
Annuitants' policies	148	138
Partners pension policies	8	9
Orphan policy	-	-
Total policies	**676**	**677**

DC policies	2020	2019
Active policies	5,002	4,987
Vested policies	6,038	5,663
Annuitants' policies	391	336
Partners pension policies	15	15
Orphan policy	2	2
Total policies	**11,448**	**11,003**
Total policies	**12,124**	**11,680**

The number of participants can be specified as follows:

Group	**DC participants**		**DB participants**		**Total participants**	**Total participants**
	2020	2019*	2020	2019*	2020	2019*
Active	4,764	4,773	193	208	4,957	4,981
Vested	5,092	4,809	312	306	5,404	5,115
Annuitants' policies	289	247	134	125	423	372
Partners and orphan pension	17	15	8	9	25	24
Total participants	**10,162**	**9,844**	**647**	**648**	**10,809**	**10,492**

* For comparative purposes we have edited the figures of 2019 to the total amount of participants.

Interest rate, technical provision of the risk of the pension Fund and Fund's equity

For the year 2020 the actuarial interest percentage was for the Defined Benefit plan 4% (2019: 4%). For the Defined Contribution plan a rate of return percentage of 3% (2019:4%) was granted to the active participants. For the vested participants, the Fund deducts 0.5% for cost loading from the interest granted.

The annual rate of return percentage, however, will be evaluated each year by the Executive Board of PFTSA and depends among others on the performance of the Fund's investments.

8. Pension Fund Governance of the Centrale Bank van Aruba ("CBA")

a) General

According to the CBA's Sound Governance Practices, members of the Executive Board of a financial institution falling under its supervision should follow the practices as outlined below:

- ensure competent management on an ongoing basis;
- ensure appropriate plans and policies for the institution;
- monitor operations to ensure compliance and adequate control;
- oversee business performance.

b) The Board's responsibilities

To ensure competent management on an ongoing basis

The Fund has an experienced Executive Director who is being assisted by a team of qualified staff. The Fund keeps investing in its staff to maintain quality, while integrity and sound technical skills are a must.

To ensure appropriate plans and policies for PFTSA

- Planning

The rapid changes in the financial industry call for clear strategies and swift decision making. Long-term strategic planning at PFTSA is carried out in close contact between the Executive Director and the Executive Board and is deduced from the ALM study (dated July 2018).

- Investment Policy and an AO/IC-Manual

The investment activities are laid down in the Investment Policy Statement (IPS) dated August 22, 2018. All major investment decisions are initiated by following written policies and procedures. The IPS is communicated through all levels within the Fund. The Administrative and Internal Control Procedures are contained in an AO/IC manual. The update of the AO/IC manual was completed in September 2020 and the IPS was updated in 2018.

- To monitor operations to ensure compliance and adequate control.

The Executive Board meets monthly to ensure that management exercises adequate internal controls on the institution's operations. Upon the Board's request all reports are generated.

The Executive Board receives the following information quarterly to evaluate the Fund's performance:

  - analysis of actual versus budgeted income and costs, including key ratios and trends;
  - information on accounting, policy and compliance matters (relevant laws and regulations);
  - information of investments opportunities and ongoing investments of the Fund;
  - information on important external developments;
  - internal and external audit reports (management letter, management's comments); and
  - on-site examination letters of CBA and other relevant correspondence.

Remuneration of the Executive Board

All Board members receive a monthly remuneration.

Approval financial statements

On June 21, 2021, the Executive Board approved the 2020 financial statements of PFTSA to be presented for approval at the General Assembly. Also, the 2020 financial statements were reviewed by the Audit Committee. During the General Assembly Meeting held on June 22, 2021 the members approved these financial statements.

Aruba, June 30, 2021

Original signed by Mr. G.K. Farro
Chairman of the Executive Board

Original signed by Mr. C.E. Heyliger
Secretary of the Executive Board
Board Member representing participants

Original signed by Mr. E.F.C. Albertus
Board Member representing employers

Original signed by Mrs. M.R. Croes
Board Member representing participants

Financial Statements

Statement of financial position

As at December 31, 2020 *in AWG*	*Note*	December 31, 2020	December 31, 2019
PLAN ASSETS			
Investments for the risk of the Fund	*4*	12,618,651	11,706,020
Investments for the risk of the participants	*5*	87,474,690	67,152,469
Investment properties for the risk of the participants	*6*	19,288,936	19,034,050
Total non-current plan assets		**119,382,277**	**97,892,539**
Short term Investments for the risk of the Fund	*4*	1,871,510	3,123,341
Short term Investments for the risk of the participants	*5*	14,932,436	17,364,573
Receivables	*7*	3,157,997	2,667,694
Cash and cash equivalents	*8*	5,588,091	9,706,964
Total current plan assets		**25,550,034**	**32,862,572**
TOTAL PLAN ASSETS		**144,932,311**	**130,755,111**
NON-PLAN ASSETS			
Property, plant, and equipment	*9*	648,354	226,438
Total non-current non-plan assets		**648,354**	**226,438**
Receivables and prepaid expenses		22,059	12,600
Cash and cash equivalents		650	-
Total current non-plan assets		**22,709**	**12,600**
TOTAL NON-PLAN ASSETS		**671,063**	**239,038**
Total assets		**145,603,374**	**130,994,149**

Statement of financial position *(continued)*

As at December 31, 2020 *in AWG*	*Note*	**December 31, 2020**	**December 31, 2019**
CAPITAL AND LIABILITIES			
Fund capital		-	-
Reserves	*10*	11,683,227	10,855,932
Total Fund Capital		**11,683,227**	**10,855,932**
PLAN LIABILITIES			
Provision for pension liabilities for risk of the Fund	*11*	13,569,222	13,268,218
Provision for pension liabilities for risk of the participants	*12*	117,618,803	104,897,133
		131,188,025	118,165,351
Lease liabilities	*13*	994,703	660,694
Total non-current plan liabilities		**132,182,728**	**118,826,045**
Provision for pension liabilities for risk of the Fund	*11*	245,817	233,874
Provision for pension liabilities for risk of the participants	*12*	575,069	493,509
Current lease liabilities	*13*	95,625	2,824
Other liabilities and accrued expenses	*14*	402,068	293,909
Total current plan liabilities		**1,318,579**	**1,024,116**
NON-PLAN LIABILITY			
Other liabilities and accrued expenses	*14*	418,840	288,056
Total current non-plan liabilities		**418,840**	**288,056**
Total capital and liabilities		**145,603,374**	**130,994,149**
Pension liability reserve funding ratio - CBA		**102.80%**	**102.40%**
Pension liability reserve funding ratio		**102.70%**	**102.40%**

Statement of comprehensive income

For the year ended December 31 *in AWG*	*Note*	2020	2019
REVENUES			
Premium Contribution for the risk of the participants	*18*	11,542,611	13,182,359
Net investment result for risk of the participants	*19*	4,981,947	6,420,447
Net investment result for risk of the Fund	*20*	660,131	792,209
Total revenues		**17,184,689**	**20,395,015**
EXPENSE			
Retirement benefits and refunds	*21*	998,983	995,572
Changes in pension provision for risk of the Fund	*11*	312,947	696,955
Changes in pension provision for risk of the participants	*12*	12,803,230	15,034,800
Pension administrative expenses	*22*	2,238,791	2,270,563
Net value of transfers		3,443	-
Total operating expenses		**16,357,394**	**18,997,890**
Total net income for the period		**827,295**	**1,397,125**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**827,295**	**1,397,125**
APPROPRIATION OF COMPREHENSIVE INCOME			
Added to the reserve for risk of the Fund	*10*	44,239	(221,953)
Added to the reserve for risk of the participants	*10*	783,056	1,619,078
		827,295	**1,397,125**

Statement of changes in Fund capital

For the year ended December 31
in AWG

	Note	Fund Capital	Reserves	Total Fund Capital
Balance as of January 1, 2019		-	**9,496,680**	**9,496,680**
Adjustments from the adoptions of IFRS 16		-	(37,873)	(37,873)
Adjusted balance on January 1, 2019		-	**9,458,807**	**9,458,807**
Net income for the period		-	1,397,125	1,397,125
Total comprehensive income for the period		**-**	**1,397,125**	**1,397,125**
Balance as of December 31, 2019	*10*	-	**10,855,932**	**10,855,932**
Balance as of January 1, 2020		-	**10,855,932**	**10,855,932**
Net income for the period		-	827,295	827,295
Total comprehensive income for the period		**-**	**827,295**	**827,295**
Balance as of December 31, 2020	*10*	-	**11,683,227**	**11,683,227**

Statement of cash flows

For the year ended December 31 *in AWG*	*Note*	2020	2019
Cash flow from pension activities			
Net contributions for the risk of the participants		11,407,455	13,048,636
Disbursement due to refunds and transfers		(3,443)	-
Disbursements due to retirement benefits and refunds	*21*	(998,983)	(995,572)
Paid administrative expenses		(1,830,615)	(2,082,502)
Net cash from pension activities		**8,574,414**	**9,970,562**
Cash flow from investing activities			
Proceeds from investments for risk of the Fund		748,801	723,510
Proceeds from investments for risk of the participants		4,678,216	4,677,492
Investments redeemed for risk of the Fund		2,148,720	1,032,112
Investments redeemed for risk of the participants		14,058,353	11,597,138
Acquisition of investments for risk of the Fund		(1,898,190)	(3,379,666)
Acquisition of investments for risk of the participants		(32,323,766)	(26,754,912)
Acquisition of property, plant and equipment	*9*	(104,770)	(154,088)
Net cash used in investing activities		**(12,692,637)**	**(12,258,414)**
Net decrease of cash and cash equivalents		**(4,118,223)**	**(2,287,852)**
Cash and cash equivalents as of January 1	*8*	**9,706,964**	**11,994,816**
Effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents as of December 31	*8*	**5,588,741**	**9,706,964**

Notes to the financial statements for the year ended December 31, 2020

1. General information

a) Fund information

Pension Fund Tourism Sector Aruba Foundation ("PFTSA" or "the Fund") was founded in 1992 on the initiative of Aruba Hotel And Tourism Association ("AHATA") and the Federacion di Trahadornan di Aruba ("FTA"), as they both shared the same vision for the need to create a pension plan that would provide workers in the tourism industry with additional income after retirement on top of the general old age pension provided by the government.

Currently there are 176 (2019: 168) member companies affiliated with PFTSA, who together represent 12,124 policies and 10,809 participants.

PFTSA is under supervision of the "Centrale Bank van Aruba" ("CBA").

PFTSA is a foundation Pension Fund as described in the State Ordinance for Company Pension Funds ("SOCPF") (in Dutch: "Landsverordening Ondernemingspensioenfondsen (LOP)"). The SOCPF rules, among others, the character, contents, regulation, reporting and form of pension funds. Its main objective is to protect the participants' interests.

PFTSA's registered and principal place of business is Avenida E.J. Watty Vos 24, Oranjestad, Aruba.

b) Activities of the Fund

The objective of the Fund is to provide old age, widow/widower/orphan pension benefits to the participants and their families.

c) Managed Pension Plans

As of January 1, 2004, the Fund administers two plans, namely, a Defined Benefit (DB) Plan ("for the risk of the pension Fund") and a Defined Contribution (DC) Plan ("for the risk of the participants"). As of this date the Fund ceased allowing participation into the DB-Plan and the participants can continue only with the DC-plan. The pensions built up in the DB-Plan until December 31, 2003 have not been transferred to the new pension plan (DC-plan).

The CBA in her Supervisory role regarding Pension Funds issues directives and guidelines. Among others it regulates the actuarial calculation of the pension plan as mentioned in its actuarial directive. In this respect the usage of an actuarial calculation rate of maximum 4% ("rekenrente") is required. The technical provisions and pension liabilities are in principle not stated at market value but are determined in accordance with the actuarial directives prescribed by the CBA.

Starting from January 1, 2009, the Fund changed the actuarial calculation rate previously used in the calculation of the defined benefit plan. Based on this new approach the rate used equals the average interest percentage earned on all investments pertaining to the defined benefit plan. Consequently, applying this interest rate is considered an equivalent to using an interest market rate approach for the calculation of the technical provision for the defined benefit plan.

2. Significant accounting policies

a) Basis of preparation

The Fund's financial statements for the year ended December 31, 2020 have been prepared on an accrual basis and under the historical cost convention except for the revaluation of properties and investments. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standard Board (IASB). They have been prepared under the assumption that the Fund operates on a going concern basis.

b) Foreign currency translation

i) Functional and presentation currency

These financial statements are presented in Aruban florin ("AWG"), which is the Fund´s functional currency.

ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Fund entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

The following foreign currencies are translated into AWG at the following fixed exchange rates:

- 1 USD: AWG 1.80
- 1 ANG: AWG 1.00.

c) Comparative figures

The classification of comparative figures for the previous financial year has only been adjusted, where applicable, for comparison.

d) Use of estimates and judgments

i) Assumptions and estimation uncertainties

The main estimates concern:

- the estimate of the provision for pension obligations (actuarial risk); and
- the determination of fair values of both financial and non-financial assets and liabilities.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 4 – investments for the risk of the Fund;
- Note 5 – investments for the risk of the participants;
- Note 6 – investment properties for the risk of the participants.

Information about assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 11 – Provision for pension liabilities for risk of the Fund;
- Note 12 – Provision for pension liabilities for risk of the participants;

Information on critical judgments in applying the policies and on significant assumptions about estimates related to the defined benefit obligations has been included.

Determination of fair values

Certain accounting policies and disclosures require the determination of fair values, both for financial instruments and for non-financial assets and liabilities.

The fair value of financial instruments traded in active markets is based on the market prices indicated on the statement of financial position at reference date. The stated market price used for the financial investments held by the foundation is the recognized market price.

Various valuation methods are used to determine the fair value of the financial instruments. The levels below provides an overview of the valuation method used to determine the fair value in each level.

Related to published price quotations in an active market (Level 1)

This category includes financial instruments, the fair value of which is determined directly based on published quotations in an active market. A financial instrument is considered to be quoted in an active market if the quoted price is readily and regularly available from a stock exchange, trader, stockbroker, industry group, pricing institution or supervisory institution and these prices reflect current and regularly occurring market transactions.

Valuation method based on market information (Level 2)

This category includes financial instruments, the fair value of which is not determined directly on the basis of published quotations in an active market but uses variables from an active market or which are observable in the market. When certain variables are not observable in the market, but all other significant variables are, this instrument is still classified in this category, assuming the impact of these elements on the overall valuation is insignificant. This includes instruments whose value is derived from quoted prices or comparable instruments.

Valuation method not based on market information (Level 3)

This category includes financial instruments whose fair value has been determined using a valuation technique (a model) and for which more than a non-significant part of the variables for the purpose of the total valuation are not observable in the market.

If the variables used to determine the fair value of an asset or liability fall within different levels of the fair value hierarchy, the determined fair value is classified in the same level of the fair value hierarchy as the lowest-level variable relevant to the entire measurement. The foundation recognizes any reclassifications between the levels of the fair value hierarchy at the end of the reporting period in which the change occurred.

For the applied valuation methods of these three levels of investments, to the investments of the Fund, reference is made to the investment table below.

Investments for the risk of the Fund

in AWG	Level 1	Level 2	Level 3	Total
Non-current Plan Assets				
Listed investment funds	1,814,074	-	-	1,814,074
Unlisted fixed investments	-	-	12,676,087	12,676,087
Balance as of December 31	**1,814,074**	**-**	**12,676,087**	**14,490,161**

Investments for the risk of the Participant

in AWG	Level 1	Level 2	Level 3	Total
Non-current Plan Assets				
Listed investment funds	2,095,036	-	3,022,608	5,117,644
Unlisted fixed investments	-	-	85,699,967	85,699,967
Unlisted investment funds	-	-	11,589,515	11,589,515
Balance as of December 31	**2,095,036**	**-**	**100,312,090**	**102,407,126**

More information about the assumptions for determining fair values is included in section f "Investments".

Reconciliation of Level 3 fair value measurements of financial instruments

The following table only includes financial assets:

Investments for the risk of the Fund

	Unlisted fixed investments	Total
Balance at January 1, 2019	**11,512,818**	**11,512,818**
Total gains and losses:	-	-
In profit and loss	-	-
In comprehensive income	-	-
Purchases	2,225,339	2,225,339
Issues	-	-
Settlements	(782,137)	(782,137)
Transfers out of level 3	-	-
Transfers into level 3	-	-
Balance at January 1, 2020	**12,956,020**	**12,956,020**
Total gains and losses:	-	-
In profit and loss	-	-
In comprehensive income	-	-
Purchases	1,000,000	1,000,000
Issues	-	-
Settlements	(1,279,933)	(1,279,933)
Transfers out of level 3	-	-
Transfers into level 3	-	-
Balance at December 31, 2020	**12,676,087**	**12,676,087**

Investments for the risk of the Participants

	Listed Investments Funds	Unlisted fixed investments	Unlisted Investment Funds	Total
Balance at January 1, 2019	**850,000**	**57,677,792**	**9,921,814**	**68,449,606**
Total gains and losses:	-	-	965,760	965,760
In profit and loss	-	-	965,760	965,760
In comprehensive income	-	-	-	-
Purchases	1,700,000	17,833,169	892,755	20,425,924
Issues	-	-	-	-
Settlements	(34,000)	(8,224,931)	-	(8,258,931)
Transfers out of level 3	-	-	-	-
Transfers into level 3	-	-	-	-
Balance at January 1, 2020	**2,516,000**	**67,286,030**	**11,780,329**	**81,582,359**
Total gains and losses:	(33,590)	622,035	(190,814)	397,631
In profit and loss	(33,590)	622,035	(190,814)	397,631
In comprehensive income	-	-	-	-
Purchases	-	28,414,656	-	28,414,656
Issues	-	-	-	-
Settlements	-	(10,622,754)	-	(10,622,754)
Transfers out of level 3	-	-	-	-
Transfers into level 3	540,198	-	-	540,198
Balance at December 31, 2020	**3,022,608**	**85,699,967**	**11,589,515**	**100,312,090**

ii) Fair value measurement of Financial Instruments

The financial assets and financial liabilities of the Fund consist of investments (i.e. the 'plan assets'), receivables and prepaid expenses, cash and cash equivalents, lease liabilities and other short-term liabilities and accrued expenses.

Financial assets and financial liabilities are recognized when the Fund becomes a party to the contractual provisions of the financial instrument. Regular purchases and sales of financial instruments are recorded on the transaction date, the date on which the Fund undertakes to buy or sell the financial instrument. The transaction costs for all financial instruments are accounted for through the statement of comprehensive income.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled, or when it expires.

Both realized and non-realized gains and losses on investments are accounted for in the statement of comprehensive income under "Net investment result for risk of the participants" and "Net investment result for risk of the Fund". Realized gains and losses on the sale of investments are calculated on the basis of the difference between the selling price and the historical cost.

Financial instruments recognized at fair value for which changes in value have been incorporated into the statement of comprehensive income are not subject to an impairment test. The fair value of these financial instruments already reflects possible impairments.

Financial instruments at amortized cost are valued at amortized cost after the first withdrawal using the effective-interest method. Discounting is omitted where the effect of discounting is immaterial.

Financial instruments are netted, and the resulting net amount is presented in the statement of financial position only if the Fund has a legally enforceable right to this netting and if it intends to settle on a net basis or settle the asset and the liability simultaneously.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the instruments, either directly or indirectly
- Level 3: unobservable inputs for the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Fund determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other assumptions used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Fund uses widely recognized valuation models for determining the fair value of common and simpler financial instruments such as interest rate. Observable prices and model inputs are generally available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives, e.g., interest rate swaps. The Fund does not believe changing one or more observable inputs to reflect reasonably possible alternative assumptions would change fair value significantly is applicable for the level three investments.

Availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

iii) Valuation of Investment Property

An external, independent valuation company is used and has appropriate, experience and knowledge, recognized professional qualifications and recent experience in the location and category of property being valued, values the Fund's investment property every 12 months. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuation is prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation. Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Fund and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time. For the purposes of preparing the valuation the following aspects were taken into consideration: occupancy, duration of lease agreement, location of the property, expectation towards renewal of lease agreements and expected selling price.

e) Impairment

i) Impairment of Financial Assets

The financial instruments related to the Fund's operational activities are accounted for in accordance with IFRS 9 and are classified as financial instruments at amortized cost. IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses - the "expected credit loss (ECL) model". As of January 1, 2018, this replaced IAS 39's 'incurred loss model'. Recognition of credit losses is no longer dependent on the Fund first identifying a credit loss event. Instead, the Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2')
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

The Fund assessed impairment of plan-assets based on the incurred loss model as promulgated by IAS 39. The incurred loss model assumes when a loss or trigger event is identified, an impaired investment is written down to a lower value.

ii) Impairment of Non-Financial Assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

f) Investments

Investments for the risk of the Fund, investments for the risk of the participants and their related investment income receivables are accounted for in accordance with IAS 26 and are categorized as financial instruments at fair value through profit and loss.

The Fund classifies these financial instruments in the following categories:

A. Investments for the risk of the Fund (refer to note 4):

A1. investments in unlisted fixed investments;

A2. investments in unlisted investment funds; and

A3. investments in listed investment funds.

B. Investments for the risk of the participants (refer to note 5 and 6):

B1. investments in unlisted fixed investments;

B2. investments in unlisted investment funds; and

B3. investments in listed investment funds.

1. Investments in unlisted fixed investments

These are assets with a fixed repayment value that have been purchased to be held until maturity to match the 'obligations of the plan'.

These assets are valued at first recognition at fair value plus any directly attributable transaction costs. After initial recognition, they are valued at amortized cost using the effective interest method.

Investments in unlisted fixed investments consist of issued private loans and purchased Land Aruba government bonds, corporate bonds, term deposits, mortgages and other. The latter category contains two investment accounts. These investments, which are not listed on an active market, are characterized by fixed or determinable payments (interest and repayments) and by a fixed maturity. The Fund intends to hold these fixed investments until the end of the term. Since these investments were acquired with the aim of meeting the obligations with IAS 26.33, based on the final redemption value at the end of the maturity.

Changes in the value of these investments in unlisted fixed investments, as well as the interest income earned, are accounted for as investment income in the statement of comprehensive income.

2. Investments in unlisted investment funds

Investments in unlisted investment funds consist of a participation in Aruba Growth Fund C.V. (AGF) and shares Mack's Total Finance N.V. (cumulative preferred shares). These investments are recognized at their fair value at first recognition and then revalued at the last known fair value and increased or reduced by any (de)investments until the end of the financial year. In this respect, investments in AGF at the end of the financial year are valued at fair value per share as provided by the asset manager. The fair value of Mack's Total Finance N.V. shares is based on the purchase price of these cumulative preferred shares.

Changes in the value of these investments in unlisted investment funds, as well as dividend yields, are accounted for as net investment result for risk of the participants in the statement of comprehensive income.

3. Investments in listed investment funds

Investments in listed investment funds, consisting of foreign bond and equity funds, are valued at their fair value at first recognition and then revalued at the last known fair value. In this respect, these investments are valued at fair value at the end of the financial year as provided by the asset manager.

Changes in the value of these investments in listed investment funds, as well as the interest and dividend income earned, are accounted for as net investment result for risk of the participants in the statement of comprehensive income.

g) Investment property

Investment properties are properties held to earn rentals or for capital appreciation, or both, and are accounted for using the fair value model. Investment properties are revalued annually with resulting gains and losses recognized in the statement of comprehensive income based on comparable market values or based on the cash flow model. These are included in the statement of financial position at their fair values.

h) Leased assets

Accounting policy applicable from 1 January 2019

The Fund as a lessee

For any new contracts entered into on or after 1 January 2019, the Fund considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Fund assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Fund
- the Fund has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Fund has the right to direct the use of the identified asset throughout the period of use. The Fund assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Fund recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Fund, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Fund depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Fund also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Fund measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Fund's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

After initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Fund has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

The Fund as a lessor

The Fund's accounting policy under IFRS 16 has not changed from the comparative period.

As a lessor the Fund classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

i) Receivables

The Fund makes use of a simplified approach in accounting for trade and other receivables for plan assets. The Fund's receivables as non-plan assets include deposits and other non-trade receivables. The impairment of plan and non-plan assets are based on the policies as defined in the impairment of Financial Assets.

j) Cash and Cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

k) Property, plant, and equipment

Property, plant, and equipment are stated at historical cost, less straight-line depreciation. All repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

The depreciation is calculated based on historical cost less estimated residual value and the related useful life of the asset. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The estimated useful lives are:

-	Right of use of assets building and equipment	4 – 5 years[2]
-	Leasehold	5 years
-	Vehicles	5 years
-	Furniture & equipment	3 – 5 years
-	Computer equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

l) Fund Capital

Fund capital consists of a capital contribution by the members of the Fund and the accumulation of results retained by the Fund.

m) Provision

A provision is recognized if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The calculation of the pension provision is determined by the following assumptions:

i) Provision for the risk of the Fund (defined benefit)

- Discount rate: 4% (2019: 4%).
- Mortality table: The mortality table used is, GBM/GBV 2005-2010 (2019: GBM/GBV 2005-2010), as drafted by the Society of Actuaries and in conformity with the CBA actuarial directives, with an age correction of -1 year for non-retirees and age correction of -1 year (2019: -1 year) for retirees. For children, the mortality risk was set at zero.
- Age difference: All participants are assumed to be married. Male participants are assumed to be 2 years older than female participants; the provision is set at the net cash value of the regulatory benefits accrued until statement of financial position date. The age at statement of financial position date is determined by deducting the date of birth from the statement of financial position date. The period until retirement date is determined by deducting the age at statement of financial position date from the retirement age.
- Exit costs: The Fund applies a 2% exit costs.
- Cost deduction: 0.5% (2019: 0.5%).

Due to the method of payment chosen (monthly in arrears), pension premiums due or pension premiums prepaid have not been considered for the calculation of the provision.

Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of additional benefits to the participants based on the Executive Board discretion.

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[2] The right of use assets building and equipment include the lease period of the Building at Watty Vos Boulevard (5 years) and the copy machine (4 years).

The Fund sponsors defined benefit plans for qualifying participants of qualifying companies from the hospitality industry. The defined benefit plans are administered by a separate fund. The Executive Board is responsible for the investment policy about the assets of the Fund.
All the participants of defined benefit plan are vested. Since January 1, 2004, the qualifying employers do not provide contributions to the defined benefit plan anymore as the Fund ceased participation on December 31, 2013.

The plan typically exposes the entity to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to non-traded loans and bonds of Land Aruba and certain traded stocks and bonds; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in debt securities and equity instruments. Due to the long-term nature of the plan liabilities, the trustees of the Fund consider it appropriate that reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the Fund.
Interest risk	A decrease in the interest rate of the plan assets will increase the plan liability.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

ii) Provision for the risk of the participants (defined contribution)

- Discount rate after retirement: January 2020 until May 2020: 4%. As of June 2020, only for new pensioners: 3.75% (2019: 4%).
- Mortality table: the mortality table used is, GBM/GBV 2005-2010 (2019: GBM/GBV 2005-2010), as drafted by the Society of Actuaries and in conformity with the CBA actuarial directives, with an age of -1 year (2019: -1 year) for retirees. For children, the mortality risk was set at zero.
- Cost deduction: 10% (2019: 10%).
- Cost retention for pension acquisition at retirement date: 2% acquisition of pension based on actual marital status.
- Exit costs: the Fund applies a 2% exit costs.
- Interest granted: 3% (2019: 4%).

Due to the method of payment chosen (monthly in arrears), pension premiums due or pension premiums prepaid have not been considered for the calculation of the provision.

n) Other liabilities and accrued expenses

The Fund initially recognizes other liabilities on the trade date at which the Fund becomes a party to the contractual provisions of the instrument. The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Fund has the following non-derivative financial liabilities: trade and other payables are recognized initially at fair value plus any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

o) Revenues

i) Premium contributions

Premium contributions are attributed to the period to which they relate. An estimate is made based on extrapolation if the necessary information has not been received from employers. The amount allowed to cover the costs of collection is accounted for in the benefit payments and administrative expenses.

ii) Net investment result

Investment results for the risk of the Fund and for the risk of participants are attributed to the period to which they relate. Capital gains and losses are accounted for in the period in which they occur.

iii) Other income

Other income consists of commitment fees and investments income fees (if any) and is attributed to the period to which it relates.

p) Expenses

i) Retirement benefits and refunds

The benefits represent payments made to the participants and annuitants and are based on actuarial principles and are allocated to the year in which the liability was incurred.

ii) Changes in pension provision for risk of the Fund (defined benefit)

Pension accruals are attributed to the period in which the accrual of pension rights takes place. An exception to this is the assumed continuation of active service for the purposes of pension accrual in the case of a participant dying. This future accrual of pension rights is recognized immediately in the year in which the participant dies. The change in the pension provision for the risk of the Fund consists of the following items:

- Interest addition: the interest cost added is calculated based on the nominal interest rate for a period of one year included in the interest rate structure published by CBA for pension funds. The interest is calculated on the opening balance and the movements during the year.
- Retirement benefits and other claims: the amount released from the provision for pension is credited to the statement of income and expenses in the period for which provision for the expenses concerned was made in the calculation of the provisions.
- Pension rights transfers: changes in respect of transfers of pension rights are attributed to the period to which they relate.
- Change in interest rate: the effect which the adjustment of the actuarial interest rate in line with guidelines has on the provisions for pension is recognized in the statement of income and expenses at the end of the reporting period.
- Change in actuarial assumptions: the effect which the adjustment of the actuarial assumptions has on the provision for pension is recognized in the statement of income and expenses at the end of the reporting period.

iii) Changes in pension provision for risk of the participants (defined contribution)

The changes reflect the difference between the beginning and ending values at statement of financial position date of the provision.

- Interest addition: the interest cost added is calculated based on the nominal interest rate for a period of one year included in the interest rate structure maintained by the Fund. The interest is calculated on the opening balance and the movements during the year.
- Retirement benefits and other claims: the amount released from the provision for pension is credited to the statement of income and expenses in the period for which provision for the expenses concerned was made in the calculation of the provision.
- Pension rights transfers: changes in respect of transfers of pension rights are attributed to the period to which they relate.
- Change in interest rate: the effect which the adjustment of the actuarial interest rate in line with guidelines has on the provisions for pension and insurance liabilities is recognized in the statement of income and expenses at the end of the reporting period.
- Change in actuarial assumptions: the effect which the adjustment of the actuarial assumptions has on the provision for pension is recognized in the statement of income and expenses at the end of the reporting period.

iv) Administrative expenses

Administrative expenses are attributed to the period to which they relate. The Fund is further exempted from profit tax, but pays BBO, BAZV, and BAVP taxes on its rental income. In 2020, part of the salary costs, Accounting, Administrative and Consultants fees, legal fees and Information and Technology costs have been allocated to the investment as part of the investment charges, as these charges are direct linked to investment activities of the Fund.

v) Net value of transfers

The net value of transfers reflects the value of the pension rights of the participants that have decided to transfer these to another pension fund.

q) Related parties

Parties are related if one party can control the other party or exercise significant influence over the other party in making financial or operational decisions. All transactions, outstanding balances and other relationships with entities identified as related parties are disclosed in accordance with International Accounting Standard 24 Related Party Disclosures.

Key management personnel comprise of the members of the Executive Board and the members of the management team who have authority and responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly.

The key management officers of the Fund deemed to be able to materially influence the performance and the future of the Fund are provided salary, benefits and incentives based on individual performance.

r) Cash-flow statement

The statement of cash flows has been prepared using the direct method. The notes to the statement of cash flows explain the variances between movements in the items in the statement of comprehensive income and the items in the statement of cash flows. Receipts and expenditures in foreign currencies are translated into Aruban Florin ("AWG") at transaction date exchange rates. The differences arising because of differences between the transaction rate of exchange and the settlement rate of exchange are included in the direct investments income received.

vi) Correction of prior year errors

During the current year, it was noted that the rental income related to investment property was erroneously included in the Net contributions for the risk of the participants as cash flow from pension activities for the year 2019 in the Statement of Cash flow. The related rental income is part of the proceeds from investments for risk of the participants as cash flow from investing activities. The correction of the error does not have impact on the comprehensive income nor on the retained earnings of the Fund. The error has been corrected in the comparative figures as follows:

	2019 – As corrected	2019 – As issued
Cash from pension activities		
Net contribution for the risk of participants	13,048,635	13,647,217
Paid administrative expenses	(2,062,502)	(2,064,251)
Cash flow from investing activities		
Proceeds from investments for risk of the participants	4,677,492	4,080,660

During the current year, it was also noted that the gross loans and receivables balance and the gross past due less than a year in the Impairment Loss section of footnote 15 Risk Management as per December 31, 2019, was erroneously presented. The correction of the error does not have impact on the comprehensive income nor on the retained earnings of the Fund. The error has been corrected in the comparative figures as follows:

Loans and receivables for risk of the participants (including other receivables)

	December 31, 2019	December 31, 2019
	Gross – As corrected	Gross – As issued
Not past due	37,967,105	36,753,425
Past due less than a year	161,900	43,370
Past due more than a year	-	-
Total	**38,129,005**	**36,796,795**

3. New or revised Standards or interpretations

Standards, amendments, and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Fund

Impact on the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The adoption of the Standards listed above is not applicable and hence does not have a material impact on the financial statements of Fund.

Impact of the initial application of COVID-19-Related Concessions Amendment to IFRS 16

In May 2020, the IASB issued *Covid-19-Related Rent Concessions* (*Amendment to IFRS 16*) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The adoption of the Standards listed above is not applicable as it applies to lessees only and hence does not have a material impact on the financial statements of Fund.

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

In the current year, the Fund has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards	The Fund has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.
Amendments to IFRS 3 Definition of a business	The Fund has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Fund of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 Definition of material	The Fund has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these financial statements, the Fund has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

IFRS 17	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The Fund does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Fund in future periods.

Notes to the financial position

4. Investments for the risk of the Fund

The Investments for risk of the Fund are assets relating to the Defined Benefit plan and consist of investments at fair value through statement of comprehensive income. The classification depends on the nature and the purpose of the investments and is determined at the time of initial recognition.

The Fund intended to hold the investments to profit from the changes in fair value change as well as income derived from these assets. When needed these will be converted (net of transaction costs) into cash and cash equivalents.

The total carrying amount of the investments is based on external estimates and confirmations. The value of the investment portfolio is therefore largely based on data from independent sources.

The investments for risk of the Fund can be classified in the following categories:

in AWG	**December 31, 2020**	**December 31, 2019**
4.1 Investment in listed investment funds	1,814,074	1,873,341
4.2 Investment in unlisted fixed investments	12,676,087	12,956,020
	14,490,161	14,829,361
Minus: Short term investments	(1,871,510)	(3,123,341)
	12,618,651	**11,706,020**

4.1 Investment in listed investment funds

This concerns the financial assets managed by Solar Asset Management N.V. and held for trading. These financial assets can be specified as follows:

in AWG	Bonds	Shares	Alternative investment	**Total**
Balance as of December 31, 2019	1,214,567	658,774	-	**1,873,341**
Acquisitions	-	749,080	149,110	**898,190**
Redemption	(654,465)	(214,322)	-	**(868,787)**
Change in fair value of investment	(34,906)	(48,108)	(5,656)	**(88,670)**
Balance as of December 31, 2020	525,196	1,145,424	143,454	**1,814,074**
Minus: Short term investments	(525,196)	(1,145,424)	(143,454)	**(1,814,074)**
Long-term portion	-	-	-	-

4.2 Investment in unlisted fixed investments

The governments bonds have a maturity period that varies between 1 to 15 years. These bonds earn, depending on terms, between 4.25% and 6.5% interest per annum.

The time deposits have a maturity period that varies between 4 to 5 years. These deposits earn between 4.0 to 5.0% interest per annum. The terms and conditions of the bonds, loans and time deposits were as follows:

in AWG	Bonds	Time deposits	Loans	**Total**
Balance as of December 31, 2019	8,181,982	2,250,000	2,524,038	**12,956,020**
Acquisitions	-	1,000,000	-	**1,000,000**
Redemption	-	(1,250,000)	(29,933)	**(1,279,933)**
Balance as of December 31, 2020	8,181,982	2,000,000	2,494,105	**12,676,087**
Minus: Short term investments	(25,000)	-	(32,436)	**(57,436)**
Long-term portion	**8,156,982**	**2,000,000**	**2,461,669**	**12,618,651**

in AWG	Type	Amount	Interest %	Maturity in year(s)
Land Aruba	Bonds	8,181,982	4.25 - 6.5	2021-2033
Volkskredietbank van Aruba	TD	2,000,000	4.0 - 5.0	2024-2025
Loan SOGA – HOH	Loan	2,494,105	6.5	2038

5. Investments for the risk of the participants

The Investments for risk of the Fund are assets relating to the Defined Contribution plan and consist of investments at fair value through statement of comprehensive income. The classification depends on the nature and the purpose of the investments and is determined at the time of initial recognition.

The Fund intended to hold the investments to profit from the changes in fair value change as well as income derived from these assets. When needed these will be converted (net of transaction costs) into cash and cash equivalents.

The total carrying amount of the investments is based on external estimates and confirmations. The value of the investment portfolio is therefore largely based on data from independent sources.

The investments for risk of the participants can be classified in the following categories:

in AWG	**December 31, 2020**	**December 31, 2019**
5.1 Investment in listed investment funds	5,117,644	5,450,683
5.2 Investment in unlisted fixed investments	85,699,967	67,286,030
5.3 Investment in unlisted funds	11,589,515	11,780,329
	102,407,126	84,517,042
Minus: Short term investments	(14,932,436)	(17,364,573)
	87,474,690	**67,152,469**

5.1 Investment in listed investment funds

in AWG	Bonds	Shares	**Total**
Balance as of December 31, 2019	4,066,214	1,384,469	**5,450,683**
Acquisitions	1,773,998	1,293,985	**3,067,983**
Redemption	(2,135,857)	(1,299,742)	**(3,435,599)**
Capitalization	21,250	-	**21,250**
Change in fair value of investment	20,329	(7,002)	**13,327**
Balance as of December 31, 2020	3,745,934	1,371,710	**5,117,644**
Minus: Short term investments	(1,208,684)	(1,371,710)	**(2,580,394)**
Long-term portion	**2,537,250**	-	**2,537,250**

Bonds

	Type	**Maturity**	**Interest**	**Outstanding 12-31-2020**	**Outstanding 12-31-2019**
Building Depot Curacao B.V.	Bonds	Nov-29	5.00%	1,666,000	1,666,000
Kovack Securities Inc.[3]	Bonds	-	-	1,208,684	1,264,157
Prime Real Estate Fund Brion B.V. dba Curaçao Heritage Fund	Bonds	Nov-23	5.00%	871,250	850,000
CIBC First Caribbean International Bank[4]	Bonds	-	-	-	286,057
				3,745,934	**4,066,214**

Building Depot Curaçao B.V.

In 2019, the Fund participated in a bond issue of Building Depot Curaçao B.V. (BDC) for a total amount of ANG 1,700,000. The total bond issue has a value of ANG 34,000,000. The bond is issued for a period of ten (10) years, with a fixed coupon interest payment of 5% per annum which are paid quarterly. Principal amount is paid annually and is 2% of the original issuance amount commencing November 30, 2019. The bond is listed through the Dutch Caribbean Securities Exchange, that is subject to the supervision by the Central Bank of Curaçao and Sint Maarten. The security agent and bond agent is Vidanova Bank N.V.

The bond is secured, and share pro rata based on the participation, by the following collaterals:

[3] Investment in bonds through the asset manager Kovack Securities Inc. are held for trade, therefore the maturity date is not considered.

[4] Investment in bonds through the private wealth management CIBC First Caribbean International Bank are held for trade, therefore the maturity date is not considered.

First rank collateral

- a first ranking mortgage deed on the real estate located at Zeelandia, Curaçao – market value ANG 47.5 million.
- a first ranking mortgage deed on the real estate located at Industrial Park Brievengat, Curaçao – market value ANG 6.75 million.
- First pledge on furniture, fixtures, and equipment – market value ANG 2.0 million.

Second source of collateral

- Debt service shortfall guarantee of BDC in an amount of ANG 2.4 million which is the equivalent of 1-year debt service.

Third source of collateral assets of BDC

- First ranking omnibus pledge agreement in respect of:
    - All cash and accounts receivables
    - All moveable assets
    - The Debt Service Reserve Account with the paying Agent to which BDC will make monthly standing order payments of ANG 200,000.

Due to Covid-19, BDC encountered cash constraints during 2020 and requested a waiver for partial deferral of the funding of the Debt Service Reserve Account during 2020. The deferral of repayment prompted a provision test to be executed during the February 2021 Investment Review round, which was discussed and approved in the Investment Committee and subsequently approved by the Board. The result of the provision test was that the collateral was considered adequate to cover the exposure of PFTSA and as such no provision was established on this investment.

The payment on the bonds in 2020 was deferred and an extension of the maturity date of the bonds from 30 November 2028 to 30 November 2029 was approved by the bond holders through these waivers.

Kovack Securities Inc. (Bonds)

This concerns the financial assets that are managed by Kovack Securities Inc.. These financial assets can be specified as follows:

in AWG	2020	**2020**	2019	**2019**
	Cost	**Fair value**	Cost	**Fair value**
Listed corporate bonds*1	1,162,337	**1,208,684**	1,221,877	**1,264,157**
Balance as of December 31	1,162,337	**1,208,684**	1,221,877	**1,264,157**

*1 For comparative purpose we have excluded the cash and cash equivalents line item in this table. Reference is made to note 8 current plan cash and cash equivalents.

Prime Real Estate Fund Brion B.V. doing business as Curaçao Heritage Fund

In 2018, the Fund participated in a bond issue for ANG 850,000 (AWG 850,000) managed by Prime Real Estate Fund Brion B.V. doing business as Curaçao Heritage Fund and is listed on the Dutch Caribbean stock Exchange (DCSX). The DCSX is subjected to supervision by the Central Bank of Curaçao and Sint Maarten. The security agent is Amicorp Trustees Foundation.

The total bond issue has a value of ANG 7,400,000. The bonds have a maturity of 5 years and earns an interest of 5% per annum.

This bond issue is secured, and shared pro rata based on the participation, by the following collaterals:

- First mortgage right on the real estate
- Pledge on Accounts Receivables
- First loss Payee on relevant insurance coverage

Due to Covid-19, which had a substantial impact on the operation of the property, which is mainly dependent on tourism, the bond issuer was unable to comply with the financial covenants and the interest payment in 2020 in accordance with the bond agreement. Upon request of the bond issuer, the bond holders approved to temporarily waive compliance with these requirements and approved to defer four interest payments for the period dated May 31, 2020, August 31, 2020, February 28, 2021, and May 31, 2021 to the maturity date of the bond, which is May 31, 2023. For these interest payments no penalty fee will be levied, and no interest will be compounded. The deferral of interests for the year 2020 (May 2020 and August 2020) amounts to for the fiscal year 2020 is Afl. 21,250 and will not compound interest. An assessment has been made on the bond and was discussed with the Investment Committee and the Executive Board and no provision is recognized.

CIBC FIRSTCARIBBEAN INTERNATIONAL BANK (CURAÇAO) N.V.

This concerns the financial assets that are managed by CIBC FirstCaribbean International Bank (Curaçao) N.V. – Wealth Department. These financial assets can be specified as follows:

in AWG	2020	**2020**	2019	**2019**
	Cost	**Fair value**	Cost	**Fair value**
Listed corporate bonds*1	-	-	147,375	**286,057**
Balance as of December 31	0	**0**	147,375	**286,057**

*1 For comparative purpose we have excluded the cash and cash equivalents line item in this table. Reference is made to note 8 current plan cash and cash equivalents.

The listed corporate bonds managed by CIBC FirstCaribbean International Bank (Curacao) N.V. were liquidated in December 2020, mainly due to the development on the international market which project that interest rates on the international market will remain low. As result, the Fund decided to change its strategic allocation on the international market, with the recommendation of the Investment Committee and the approval of the Executive Board. The investments managed by CIBC FirstCaribbean International Bank (Curacao) N.V. were liquidated and the proceeds were transferred to Kovack.

Shares

	Type	**Outstanding 12-31-2020**	**Outstanding 12-31-2019**
Kovack Securities Inc.	Shares	886,352	844,272
Prime Real Estate Fund Brion B.V. dba Curaçao Heritage Fund	Shares	485,358	540,197
		1,371,710	**1,384,469**

Kovack Securities Inc.(Shares)

This concerns the financial assets that are managed by Kovack Securities Inc.. These financial assets can be specified as follows:

in AWG	2020	**2020**	2019	**2019**
	Cost	**Fair value**	Cost	**Fair value**
Listed shares	780,499	**886,352**	747,369	**844,272**
Balance as of December 31	780,499	**886,352**	747,369	**844,272**

Prime Real Estate Fund Brion B.V. doing business as Curaçao Heritage Fund

In 2018 the Fund participated for ANG 500.000 (AWG 500,000) in shares of which an amount of ANG 250,000 in common shares and an amount of ANG 250,000 in preferred shares managed by Prime Real Estate Fund Brion B.V. doing business as Curaçao Heritage Fund. This fund invests in various properties located within the UNESCO World Heritage boundaries of Willemstad, Curaçao. The security agent is Amicorp Trustees Foundation.

From the net profit, as reflected in the statement of comprehensive income account, and provided that the net profit is sufficient to this end, to the shareholders of non-cumulative preference shares a dividend of seven percent (7%) shall be paid calculated based on nominal value of their shares being one hundred guilders currency of the Netherlands Antilles (ANG 100.00).

Due to Covid-19, which had a substantial impact on the operation of the property, which is mainly dependent on tourism, no dividends were paid on either the common and preferred shares. Based on the projected financial results for the remainder of 2020, the intrinsic value of the fund's share is estimated at AWG 485,357 per the end of December, 2020.

5.2 Investment in unlisted fixed investments

in AWG	Bonds	Time deposit	Loans	Mortgages	**Total**
Balance as of December 31, 2019	21,815,019	9,800,000	24,561,179	11,109,832	**67,286,030**
Acquisitions	20,220,500	6,802,549	397,292	243,000	**27,663,341**
Redemption	(52,000)	(9,102,549)	(1,004,655)	(463,550)	**(10,622,754)**
Amortization and Capitalization	(7,519)	-	272,794	1,108,075	**1,373,350**
Balance as of December 31, 2020	41,976,000	7,500,000	24,226,610	11,997,357	**85,699,967**
Minus: Short term investments	-	(5,500,000)	(6,719,328)	(132,714)	**(12,352,042)**
Long-term portion	**41,976,000**	**2,000,000**	**17,507,282**	**11,864,643**	**73,347,925**

Breakdown short-term loans

In AWG	Outstanding December 31, 2020	Redemption 2021
Stichting Onroerend Goed Aruba (HOH)	7,019,141	91,270
SETAR N.V.	142,857	142,857
Wondersea Investment N.V.	5,729,765	5,729,765
Stichting Fundacion Cas pa Comunidad Arubano (FCCA)	5,000,000	416,666
Aruba Ports Authority N.V.	4,219,974	270,654
Aruba Ports Authority N.V.(tugboat)	1,190,326	68,116
AAA N.V.- Gateway 2030 project	924,547	-
	24,226,610	**6,719,328**

Bonds

The bonds have a maturity period that varies between 1 to 15 years. These bonds earn, depending on terms, between 4.50% and 7.25% interest per annum.

	Type	**Maturity**	**Interest**	**Outstanding 12-31-2020**	**Outstanding 12-31-2019**
Several Land Aruba issuing	Bonds	2021-2035	4.50%-6.125%	26,294,000	16,133,019
AIB Bank N.V.	Bonds	Jul -2027	4.375%	5,000,000	-
AIB Bank N.V.	Bonds	Nov -2027	4.375%	5,000,000	-
NuCapital Beheer Aruba N.V.	Bonds	Dec-2024	7.25%	4,800,000	4,800,000
Trinidad & Tobago Republican	Bonds	Aug-2026	4.50%	882,000	882,000
				41,976,000	**21,815,019**

The public finances of Land Aruba were severely affected by the financial consequences of Covid-19. The last available ratings of the bonds of Land Aruba are: Standard & Poor's BBB+ with negative outlook; and

Fitch BB with negative outlook. During the pandemic, the Netherlands provided financial assistance to Land Aruba. It is not yet known for how long and for which amount the financial assistance from The Netherlands will continue. These decisions are taken on a periodical (monthly and quarterly) basis. Up to now the Government of Aruba has duly complied with all its payment obligations to the bondholders.

The 10-years Trinidad and Tobago Republican bond issuing, with interest rate of 4.5% and with the maturity date of August 2026, is held till maturity by the Fund. Therefore, subsequent changes in market value are ignored since the return is predetermined.

NuCapital Beheer Aruba N.V. nor any of its affiliates have experienced any material (negative) impact due to Covid-19. An assessment has been made on the Bond and was discussed with the Investment Committee and the Executive Board and no provision is recognized.

AIB Bank N.V.

In 2020, the Fund participated in two bonds of the Debt Issuance Program (DIP) issued by AIB Bank for the total amount of AWG 5,000,000 each. The original maturity of the DIP bonds is issued for a period of seven (7) years, with a fixed interest rate of 4.375% per annum, which are paid annually. The maturity date of DIP 1 is July 1, 2027 and DIP 2 November 1, 2027. An assessment has been made on the DIP and was discussed with the Investment Committee and the Executive Board and no provision is recognized.

Time Deposits

The time deposits have a maturity period that varies between 0.5 to 5 years. These deposits earn, depending on terms, between 0.9% and 5.95% interest per annum.

In AWG	Maturity	Interest	Outstanding 12-31-2020	Outstanding 12-31-2019
Volkskredietbank van Aruba	May-24	5.0%	1,000,000	1,000,000
Volkskredietbank van Aruba	Dec-20	5.95%	-	1,250,000
Volkskredietbank van Aruba	Jul-24	5.0%	1,000,000	1,000,000
Volkskredietbank van Aruba	Dec-25	4.0%	1,000,000	-
FirstCaribbean International Bank (Cayman) Limited – Aruba Branch	Dec-20	3.0%	-	1,500,000
FirstCaribbean International Bank (Cayman) Limited – Aruba Branch	Feb-21	3.0%	1,000,000	1,000,000
FirstCaribbean International Bank (Cayman) Limited – Aruba Branch	Jun-20	0.9%	-	600,000
FirstCaribbean International Bank (Cayman) Limited – Aruba Branch	Dec-25	3.0%	1,000,000	-
Aruba Bank N.V.	Jun-20	1.25%	-	3,600,000
Aruba Bank N.V.	Jul-21	2.4%	4,500,000	-
RBC Royal Bank (Aruba) N.V.	Jun-20	1.75%	-	2,100,000
			9,500,000	**12,050,000**

Loans

	Maturity	Interest	Outstanding 12-31-2020	Outstanding 12-31-2019
Stichting Onroerend Goed Aruba (HOH)	Apr-38	6.5%	7,019,141	7,103,382
Servicio di Telecomunicacion di Aruba (SETAR) N.V.	Oct-21	5.50%	142,857	285,714
Aruba Ports Authority N.V.	Oct-32	5.40%	4,219,974	4,537,621
Aruba Ports Authority N.V. (tugboat)	Oct-33	5.40%	1,190,326	1,270,612
Stichting Fundacion Cas pa Comunidad Arubano (FCCA)	Sep-32	5.00%	5,000,000	5,000,000
Wondersea Investment N.V.	Sep 21	8.50%	5,729,765	5,836,594
AAA N.V. – Gateway 2030 project	Dec-38	4.50%	924,547	527,256
			24,226,610	**24,561,179**

Stichting Onroerend Goed Aruba (HOH)

In 2013 the Fund participated in a syndicated loan that is managed by the AIB Bank N.V., as syndication bank. The borrower is Stichting Onroerend Goed Aruba. The total nominal amount of the dual currency loan is AWG 252,700,000. The loan consists of three tranches. The Fund participates for a total amount of AWG 4,750,000 in tranche A (AWG 212,200,000) of the total syndicated loan. Upon completion of the project this tranche will roll forward in tranche B. The loan is currently being disbursed. The interest due during the construction period is capitalized as part of the loan.

In 2017 at request of the Borrower the loan was increased to a total amount of AWG 335,959,011. The Fund participated with an additional amount of AWG 5,000,000 and participates in this project for a total amount of AWG 9,750,000.

The construction period is estimated at 5 years and 6 months. During this period, the Fund will earn 6.75% on the disbursed amounts. The loan was fully disbursed in July 2019 and has a maturity of 25 years and earns interest of 6.50% per annum. The loan is secured, and share pro rata based on the participation, by the following collaterals:

- First priority credit mortgage established in the amount of AWG 256,200,000 plus 40% interest and costs on the rights of long lease land and the HOH building thereon;
- Second priority credit mortgage is established in the amount of AWG 83,259,011 plus 40% interest and costs on the right of long lease and the HOH building thereon:
    - of an aggregated 79,974 m^2 of land, with the facilities of the Hospital Complex thereon;
    - on two parcels located on Juan Irausquin Boulevard at Eagle Beach totaling 32,721 m^2 ;
- Assignment of claims to the Lease Agreement, present and future;
- Specific assignment of movable properties related to the Hospital Complex;
- Project including furniture, fixtures & equipment and all building materials belonging to the Borrower, present and future;
- Assignment of extended fire and burglary insurance naming the Security Agent as loss payee on all assets assigned as security;

- Assignment of all rights and claims arising from the performance bond extended to the Borrower by the general contractor related to the Project;
- Assignment of the Construction All Risk Insurance;
- Assignment of all bank accounts held by the Borrower in relation to the Project and the Hospital Complex including the Project Account, Debt Service Reserve Account, and the Maintenance Reserve Account.

SOGA's income is completely dependent on lease payments paid by the Government of Aruba. The public finances of Land Aruba were severely affected by the financial consequences of Covid-19. The last available ratings of the bonds of Land Aruba are: Standard & Poor's BBB+ with negative outlook; and Fitch BB with negative outlook. During the pandemic, the Netherlands provided financial assistance to Land Aruba. It is not yet known for how long and for which amount the financial assistance from the Netherlands will continue. These decisions are taken on a periodical (monthly and quarterly) basis. Up to now the Government of Aruba has duly complied with all its payment obligations to the bondholders. An assessment has been made on the Loan and was discussed with the Investment Committee and the Executive Board and no provision is recognized.

Servicio di Telecomunicacion di Aruba (SETAR) N.V.

In 2014, the Fund participated in a loan that is managed by the RBC Merchant Bank (Caribbean) Limited., as syndication leader. The borrower is Servicio di Telecomunicacion di Aruba (SETAR) N.V. The total nominal amount of the dual currency loan is USD 59,000,000. The Fund participates for a total amount of AWG 1,000,000. The loan has a maturity of 6 years (October 1, 2015 - October 1, 2021) and earns interest of 5.50% per annum.

The loan is secured, and shared pro rata based on the participation, by the following collaterals:

- A First Charge by way of Legal Mortgage over all Real Estate and Buildings of the Issuer and the assignment of all leases over the Poles and Transfer Houses used by the Issuer For the provision of all services, stamped to cover the amount of the Issue [AWG];
- A First Priority Right of Pledge over all the Fixed and Floating Assets of the Issuer stamped to cover the amount of the Issue;
- Assignment of material contracts;
- A First Priority Right of Pledge over all valid Property, third party liability as well as business interruption insurance policies underwritten by acceptable insurance companies;
- Other such security as reasonably recommended by the Lender's council.

An assessment has been made on the Loan and was discussed with the Investment Committee and the Executive Board and no provision is recognized. Despite the consequences of Covid-19 for the local economy, SETAR continued to comply with its payment obligations towards the lenders. The loan to SETAR matures in October 2021.

Aruba Ports Authority N.V.

In 2014 the Fund participated in a loan that is managed by the AIB Bank N.V., as agent bank. The borrower is Aruba Ports Authority N.V. The total nominal amount of the dual currency loan is AWG 62,650,000. The Fund participates for a total amount of AWG 3,500,000. In October 2017, the fund increased its participation amount in the loan with the amount of AWG 2,190,727. The loan has a maturity of 17 years

and earns interest of 5.00% per annum. In 2017 a refinancing took place whereby the interest rate has been adjusted downwards to 5.00% per year. The loan is secured, and shared pro rata based on the participation, by the following collaterals:

- First Mortgage established in the amount of AWG 62,650,000 plus 40% interest and costs on 34 plots of the aggregate of approximately 237,727 m2 located at Oranjestad;
- First Mortgage established in the amount of AWG 1,700,000 plus 40% interest and costs on the tugboat Andicuri;
- First Mortgage established in the amount to be determined plus 40% interest and costs on the new tugboat;
- First Mortgage established in the amount to be determined plus 40% interest and costs on the new pilot boat;
- General assignment of monies and claims of the Borrower present and future including insurances naming the Security Agent as loss payee on all assets assigned as security;
- Fiduciary transfer of ownership of all movable properties, furniture, fixtures and equipment belonging to the Borrower, present and future including the pilot boat Urirama;
- Assignment of all rights arising out of the Concession Agreement;
- Assignment of all rights arising out of the Direct Agreement.

An assessment has been made on the Loan and was discussed with the Investment Committee and the Executive Board and no provision is recognized. Covid-19 affected the operations of Aruba Ports Authority N.V., which is also dependent on income from cruise tourism. Aruba Ports Authority N.V. complied with all scheduled payments under the facility agreement but did not meet the required threshold for all financial covenants. A waiver has been requested and approved by the Board of PFTSA to breach the financial covenants for the financial year 2020.

Aruba Ports Authority N.V. (tugboat)

In 2018, the Fund participated in a loan that is managed by the AIB Bank N.V., as agent bank. The borrower is Aruba Ports Authority N.V. The total nominal amount of the loan is AWG 17,000,000. The total amount of AWG 1,621,796 was allotted to PFTSA. In August 2019, Aruba Ports Authority N.V. canceled the undrawn portion of the loan. As result, the total participation of PFTSA in the loan is AWG 1,286,011.52.

The loan has a maturity of 15 years and earns interest of 5.00% per annum. The loan is secured, and shared pro rata based on the participation, by the following collaterals:

- First Mortgage established in the amount of AWG 17,000,000 plus 40% interest and costs on the new tugboat;
- Pledge on security provided to Aruba Ports Authority N.V. by seller of the vessel.

An assessment has been made on the Loan and was discussed with the Investment Committee and the Executive Board and no provision is recognized. Covid-19 affected the operations of Aruba Ports Authority N.V., which is also dependent on income from cruise tourism. Aruba Ports Authority N.V. complied with all scheduled payments under the facility agreement but did not meet the required threshold for all financial covenants in 2020. A waiver has been requested and approved by the Board of PFTSA to breach the financial covenants for the financial year 2020.

Stichting Fundacion Cas pa Comunidad Arubano (FCCA)

In 2017, the Fund participated in a loan that is managed by the Vidanova Bank N.V., as agent bank. The borrower is Stichting Fundacion Cas Pa Comunidad Arubano.

The total nominal amount of the loan is AWG 95,000,000. The Fund participates for a total amount of AWG 5,000,000. The loan has a maturity of 15 years and earns interest of 5.0% per annum. The loan is secured, and shared pro rata based on the participation, by the following collaterals:

- A limited silent pledge up to a maximum amount of AWG 95,000,000 on the mortgage loan portfolio of the issuer.

An assessment has been made on the Loan and was discussed with the Investment Committee and the Executive Board and no provision is recognized. Covid-19 affected the operations of FCCA, however FCCA complied with all scheduled interest payments under the facility agreement. FCCA did not meet the required threshold for all financial covenants in 2020 and requested a temporary waiver from the lenders, which was granted accordingly for 2020.

Wondersea Investments N.V.

In 2017, the Fund participated in a loan that is managed by the AIB Bank N.V., as agent bank. The borrower is Wondersea Investments N.V.

The total initial nominal amount of the loan was USD 5,500,000. In January 2018, at the request of the Borrower the loan was increased with USD 2,500,000 to a total amount of USD 8,000,000.

The Fund increased its participation from USD 2,500,000 to a total amount of USD 3,636,364. The loan had a maturity of 30 months and earns interest of 8.5% per annum. In June 2019, at the request of the borrower, and with the approval of both lenders, the maturity of the loan was extended.

The loan is secured, and shared pro rata based on the participation, by the following collaterals:

- First credit mortgage established on the property land plot of 7,260 m2 known as Noord, parcel 2-D-247;
- Assignment of cash and receivables arising out of sales contract and claims arising out of the reservation agreements;
- Assignment on all relevant insurances;
- Pledging of shares of Wondersea Investments N.V.

The Fund is continuously evaluating the real estate market whether it is favorable to proceed with the execution of the collaterals or whether it is prudent to prolong the credit facility in short time intervals in view of the units that have been pre-sold and considering the continuous maintenance that is being conducted on the real estate by the borrower. On request of the borrower and due to the continuing deterioration in the economy of Venezuela (where the client base of the borrower is located), in December 2019 it was considered prudent to prolong the credit facility under strict conditions with another six months till June 2020. Due to the critical economic developments caused by the Covid-19 pandemic, on request of the borrower, the Fund is considering providing a Grace Period of six months on payments under the facility agreement, capitalize interest payments and extend the maturity to September 2020. Due to the prolonged effects of Covid-19 on the tourism market, the Fund together with AIB Bank N.V. as participating lenders deemed the prevalent circumstances inopportune to resort to the

execution of the collaterals and as such entered into an amended and restated agreement with the affiliated companies Wondersea Investments N.V. and Wondersea Property Management N.V. which will mature on September 1, 2021. An assessment has been made on the Loan and was discussed with the Investment Committee and the Executive Board and no provision is recognized. The Fund will continue to closely monitor the development of the real estate market and assess the possibility of executing the collaterals against the alternative of providing short term interval extensions on the maturity date of the loan.

AAA N.V. - GATEWAY 2030 PROJECT

In October 2018, the Fund participated in a total Loan Facility of AWG 495,000,000, that has Vidanova Bank N.V. as the agent bank, security agent and paying agent. The borrower is Aruba Airport Authorities N.V. (AAA). The purpose of the loan is to finance the constructions project related to Gateway 2030. All lenders participate in the construction Bridge Loan period of 5 years. Thereafter, either in a 10-year or 15-year term loans.

The Fund participated in the Bridge Loan Facility A for a total amount of AWG 5,000,000 with a fixed interest rate of 4.5%. After the construction period the loan will be converted in three 15-years AWG adjustable-rate Term loans Facility, i.e., C-I: AWG 1,666,667, C-II: AWG 1,666,667 - and C-III: AWG 1,666,666. The interest rate on the Term Loan Facility C is as follows:

At Financial close and until the fifth anniversary of the Financial Close and as of the respective Term Loan Facility Creation Dates, 5% per annum fixed for the duration of this period and calculated over the outstanding balance of each such Term Loan Facility.

As of the fifth anniversary of the Financial Close, the then applicable interest rate will be increased by 50 basis points if the weighted average interest rate of 15-year Aruba government AWG-bonds over the preceding three (3) year period is more than 100 points above the then applicable interest rate.

As of the tenth anniversary of the Financial close, the then applicable interest rate will be increased by 50 basis points if the weighted average interest rate of 15-year Aruba government AWG-bonds over the preceding three (3) year period is more than 100 points above the then applicable interest rate.

The loan is secured, by the following collaterals:

- First ranking credit mortgage plus 50% interest and costs on all the real property and assets of the borrower;
- First Priority pledge by AAA to the Security Agent on all receivables present and future;
- First Priority pledge by AAA to the Security Agent on all bank accounts;
- First Priority pledge of by AAA to the Security Agent on all movable properties, furniture, fixtures & equipment belonging to the borrower and all construction/ installation materials, present and future;
- First Priority pledge by AAA to the Security Agent on the rights from the installation/ construction contracts;
- Non-notarized positive-negative undertaking to establish a second ranking credit mortgage for an amount equal to the aggregate of the then outstanding Principal Obligation minus the amount of the first ranking mortgage, plus 50% interest and costs.

This loan is currently being disbursed.

Because of the high dependency on tourism travel, Covid-19 affected the operations of AAA substantially, however AAA complied with all scheduled interest payments under the facility agreement. AAA did not meet the required threshold for all financial covenants in 2020 and requested a temporary waiver from the lenders, which was granted accordingly for 2020. AAA announced to the lenders that the investment amount in the Gateway 2030 project will be curtailed and as such the financed amount agreed upon in the facility agreement would need to be reduced. This matter is ongoing between AAA and the lenders.

AAA has a strong solvency position and maintain a high degree of readily available liquidity to safeguard its ongoing operations, enabling AAA to cope with the effects of Covid-19. In Addition, AAA is regarded as a vital company on a national level and in the discussions between the Netherlands and Aruba. Covid-19 prompted AAA to lower its scheduled investment outlays as part of the Gateway 2030 project and in that regard the disbursement schedule was adjusted in terms of timing (delayed) and in terms of a proposed reduction of the amount of the financing facility agreed upon between AAA and the consortium of lenders. Based on these observations it was assessed by the Investment Committee and decided by the Board not to establish a provision on the loan to AAA, either on the already disbursed as well as on the undisbursed portion.

Mortgages

Mortgages are granted to participants of the Fund. They have a maturity period that varies between 2-30 years. The mortgages earn, depending on terms, between 5.95% to 7.50% interest per annum.

Due to Covid-19 a temporary payment moratorium was provided to the clients during 2020. An assessment has been made on the residential mortgage clients of PFTSA. Based on this assessment, some clients were placed on the watch list based on a combination of factors, such as the payment behavior and the vulnerabilities of these clients to the effects of the Covid-19. Most mortgage loans were restructured per January 1, 2021, and no provision is recognized per end December 2020.

5.3 Investment in unlisted investment funds

Shares

in AWG	Shares		**Total**
	AGF	Mack's Total Finance	
Balance as of December 31, 2019	5,280,329	6,500,000	**11,780,329**
Acquisitions	-	-	**-**
Change in fair value of investment	(190,814)	-	**(190,814)**
Balance as of December 31, 2020	**5,089,515**	**6,500,000**	**11,589,515**

Aruba Growth Fund C.V.

From July 27, 2015 the Fund participates as a limited partner in Aruba Growth Fund C.V. ("AGF"). The Fund has committed itself to a total investment of AWG 4.2 million.

in AWG	2020	2019
Balance as of January 1	**3,538,581**	**2,645,826**
Acquisition of shares from AGF and capital calls	-	892,755
Repayment	-	-
Balance as of December 31 (value at cost)	**3,538,581**	**3,538,581**
Balance as of January 1	**1,741,748**	**775,988**
Change in fair value	(190,814)	965,760
Balance as of December 31 (change in fair value)	**1,550,934**	**1,741,748**
Net asset value as of December 31	**5,089,515**	**5,280,329**

The underlying portfolio of AGF contains some investments that are sensitive to the development of tourism. The Net Asset Value (NAV) of the investment in private equity is determined every six months by an independent party in accordance with the agreement and is verified once a year by the external auditor of the private equity vehicle. PFTSA records the NAV as determined by the independent party. The NAV was adjusted downwards in the lastly available valuation that was carried out by the independent party per the end of December 31, 2020.

Mack's Total Finance VBA

From November 2016 the Fund participates in Mack's Total Finance VBA. The Fund has bought 20,000 shares with a nominal value of AWG 100 with a fixed annual cumulative preferred dividend with a rate of return of 8%. This rate of return is fixed for the period 2021 - 2026. After 2026, the current rate of return will be re-evaluated. These shares do not have voting rights and only receive annual cumulative interest. In June 2018, the Fund has increased the investment with AWG 1.5 million. The total cumulative preferred shares participation in Mack's Total Finance is valued against purchase price for AWG 6.5 million.

Covid-19 affected the financial operations of Mack's Total Finance VBA. Mack's Total Finance VBA continued to comply with its dividend payment obligations in 2020 reference the financial results of the year 2019. Out of cashflow prudency, the shareholders agreed to pay dividends in instalments instead of in one payment, even though the cash position allowed for a full payment of dividends.

6. Investment properties for the risk of the participants

As of January 1, 2019, the properties with a leasehold provision have valued the right of use assets according to IFRS 16. The value of this is shown in the overview below. Other information regarding these long land lease rights can be found under Note 15. The movement in the category of investment property is specified as follows:

in AWG	Investment property (excluding project in Progress)	Project in progress	**Total 2020**	Investment property (excluding project in Progress)	Project in progress	**Total 2019**
Balance as of January 1	**10,518,000**	**7,900,881**	**18,418,881**	**9,928,000**	**5,460,930**	**15,388,930**
Change in fair value	(135,435)	205,622	**70,187**	489,295	(102,824)	**386,471**
Completed projects	-	-	**-**	-	(166,908)	**(166,908)**
Project in progress	-	-	**-**	-	909,944	**909,944**
Investments	132,659	65,183	**197,842**	100,705	1,799,739	**1,900,444**
Balance as of December 31	**10,515,224**	**8,171,686**	**18,686,910**	**10,518,000**	**7,900,881**	**18,418,881**
Land right-of-use	365,401	236,625	602,026	373,286	241,883	615,169
Balance as of December 31	**10,880,625**	**8,408,311**	**19,288,936**	**10,891,286**	**8,142,764**	**19,034,050**

Investment property currently consists of 5 commercial properties of which two are leased to third parties.

The fair value of the Fund's main property assets is estimated based on appraisals performed by independent, professionally qualified real estate appraiser. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Executive Board at each reporting date.

The range of yields applied to the net annual rentals to determine the fair value of properties for which current prices in an active market are unavailable vary between 6.5-7.0% (2019: 6.75-7%). The impact of the fair value valuation method for unrented units due to the impact of Covid-19, were taking into account for the property Orange Plaza Mall, and a provision for bad debt is made. For the property investment FSLMA, which is occupied by one tenant, the tenant has incurred payment backlog throughout 2020. Since

the income of de tenant is dependent on AZV, a provision has not been established. The other investment properties in progress was not impacted by the Covid-19.

For the fair value valuation method, for each property an individual assumptions is disclosed hereunder.

The movement per investment property in 2020 is specified in the following table:

In AWG	Investment property			Project in progress				Total 2020
	Orange Plaza Mall	FSLMA	Subtotal	Bloemond project	Eagle centre	Jan Flemming project	Subtotal	
Balance as of January 1, 2020.	4,373,000	6,145,000	10,518,000	1,793,000	5,815,577	292,304	7,900,881	18,418,881
Change in fair value	(204,454)	69,019	(135,435)	160,086	-	45,536	205,622	70,187
Investments	-	132,659	132,659	-	53,023	12,160	65,183	197,842
Balance as of December 31, 2020	4,168,546	6,346,678	10,515,224	1,953,086	5,868,600	350,000	8,171686	18,686,910
Right-of-use-asset	238,364	127,037	365,401	-	236,625	-	236,625	602,026
Total balance as of December 31, 2020	4,406,910	6,473,715	10,880,625	1,953,086	6,105,225	350,000	8,408,311	19,288,936

1) Orange Plaza Mall:

On July 2nd, 2018, the Fund purchased the Orange Plaza Mall property. This property consists of 18 units. As per December 2020, there were 12 units rented out of which each has a rental agreement of one year with the option to renew. The average monthly rental income is AWG 28,038 (2019: AWG 37,640). Due to the chosen valuation method, the value of the building has been adjusted downwards with an amount of AWG 204,454.

2) Fundacion Servicio Laboratorio Medico Aruba (FSLMA):

The lease contract will expire on December 31, 2022. The increase of the value of the investment property is the result of the increase in cash flows. The monthly lease term of this property is AWG 46,507. Due to the chosen valuation method, the value of the building has been adjusted upwards with an amount of AWG 69,019.

3) Bloemond project:

On June 21, 2019, the Fund purchased a lot in the Bloemond area. The Fund is contemplating to develop this land in a small-scale housing project for elderly care. Due to the chosen valuation method, the value of the property has been adjusted upwards with an amount of AWG 160,087.

4) Eagle centre project:

On June 14, 2017, the Fund purchased a partially constructed property in Eagle. The plan is to furnish and rent out the building to be able to offer specific care. Detailed plans for a dialysis center have been worked out and negotiations are ongoing with the care provider to complete this project. The property has been valued at cost as the building is under construction.

5) Jan Flemming Project:

Furthermore, during the fiscal year 2014 the Fund started with a real estate housing project aimed at its participants. The project is divided into 11 parcels, of which 11 (2019: 10) are completed. Participants that purchase a parcel are financed by means of a mortgage granted by the Fund for which the parcel is granted as collateral. Upon completion of a portion of the project, this part is considered realized (sold) and the related income and expenses are recognized in the statement of comprehensive income. The completed house in 2020, remains unsold and will be rented out for a period of five years. Due to the chosen valuation, the property has been adjusted upwards with an amount of AWG 45,535 (2019: AWG 95,584).

The Fund entered into operating leasing arrangements as a lessor for its investment properties. The average term of operating leases entered into is between one and three years. Generally, these lease contracts do include extensions. As a result, the Fund is exposed to occupancy risk. The risk is mitigated by the location and price of the properties resulting in the timeframe to re-occupy the space being relatively instant. The Fund is not exposed to foreign currency risk because of the lease arrangements, as all leases are denominated in local currency. The Fund is exposed to collection risk, which managed by the Investment Account Manager.

7. Receivables

The receivables can be specified as follows:

Current plan receivables

in AWG	December 31, 2020	December 31, 2019
Accounts receivables	1,284,851	1,149,696
Interest receivables – for the risk of the Fund	209,700	209,700
Interest receivable – for the risk of the participants	1,532,439	1,286,960
Prepaid mortgage insurances	94,817	21,578
Other	36,190	(240)
Balance as of December 31	**3,157,997**	**2,667,694**

8. Cash and cash equivalents

The cash and cash equivalents can be specified as follows:

Current plan cash and cash equivalent

in AWG	December 31, 2020	December 31, 2019
Caribbean Mercantile Bank N.V.	911,635	4,494,894
Aruba Bank N.V.	2,282,388	3,995,754
FirstCaribbean International Bank (Cayman) Limited, Aruba Branch	591,827	31,182
FirstCaribbean International Bank Curaçao N.V.	4,281	651,419
RBC Bank – WISE, Trinidad & Tobago	138,142	99,265
RBC Bank N.V.	299,476	251,313
Kovack Securities – bank accounts	1,106,121	25,036
VP Bank (Switzerland) AG, Zurich	56,066	33,433
Vidanova Bank N.V.	198,155	124,668
Balance as of December 31	**5,588,091**	**9,706,964**

The bank balances consist of current accounts and savings accounts. The savings accounts earn an interest of 0.1%. The interest is paid quarterly. Some of the current plan cash and cash equivalent bank balances are used to cover operation expenses. Furthermore, the cash and cash equivalents are not encumbered.

9. Property, plant, and equipment

Details of the Funds property, plant and equipment and their carrying amounts are as follows:

in AWG	*Right of use of assets- Building and equipment*	*Leasehold*	*Furniture and Equipment*	*Vehicles*	*Computer equipment*	**Total**
Balance as of January 1, 2019						
Cost	-		87,452	65,000	190,996	**343,448**
Accumulated depreciations	-		(47,444)	(17,550)	(110,956)	**(175,950)**
Carrying amount	**-**		**40,008**	**47,450**	**80,040**	**167,498**
Changes in 2019						
Investments	-		28,502	72,000	53,586	**154,088**
Depreciation	-		(16,347)	(24,660)	(54,141)	**(95,148)**
Total change	**-**		**12,155**	**47,340**	**(555)**	**58,940**
Balance as of December 31, 2019						
Cost	-		115,954	137,000	244,582	**497,536**
Accumulated depreciations	-		(63,791)	(42,210)	(165,097)	**(271,098)**
Carrying amount	**-**		**52,163**	**94,790**	**79,485**	**226,438**
Changes in 2020						
Investments	486,378	44,107	38,834	-	21,829	**591,148**
Depreciation	(64,374)	(5,729)	(21,105)	(24,660)	(53,364)	**(169,232)**
Total change	**422,004**	**38,378**	**17,729**	**(24,660)**	**(31,535)**	**421,916**
Balance as of December 31, 2020						
Cost	486,378	44,107	154,788	137,000	266,411	**1,088,684**
Accumulated depreciations	(64,374)	(5,729)	(84,896)	(66,870)	(218,461)	**(440,330)**
Carrying amount	**422,004**	**38,378**	**69,892**	**70,130**	**47,950**	**648,354**
Depreciation years in useful life	4-5	5	3-5	5	3	

The property, plant and equipment is not encumbered.

All depreciation and impairment charges are included within depreciation, amortization, and impairment of non-financial assets.

10. Pension Fund capital and reserves

The pension fund capital and reserves can be specified as follows:

	Fund Capital	Risk of the Fund	Risk of the participants	**Total**
Balance as of January 1, 2020	**-**	**398,191**	**10,457,741**	**10,855,932**
Net income for the period	-	44,239	783,056	**827,295**
Balance as of December 31, 2020	**-**	**442,430**	**11,240,797**	**11,683,227**

11. Provision for pension liabilities for risk of the Fund

The movements in the provision for the risk of the Fund were as follows:

in AWG	Retirement benefits	Survivor benefits	**2020**	**2019**
Balance as of January 1,	**11,511,459**	**1,990,633**	**13,502,092**	**12,805,137**
Correction	-	-	-	**(5,885)**
Interest	456,008	79,350	**535,358**	**506,021**
Retirement benefits	(218,136)	(13,505)	**(231,641)**	**(224,875)**
New partner pension	-	-	-	**17,768**
Surrender value	(11,408)	(2,994)	**(14,403)**	**(46,810)**
Deceased members with or without partners	-	-	-	**(79,853)**
Risk premiums	67,778	(39,513)	**28,264**	**25,042**
Paid out costs	(4,363)	(270)	**(4,633)**	**(4,497)**
Correction by change mortality table	-	-	-	**510,044**
Balance as of December 31	**11,801,338**	**2,013,701**	**13,815,039**	**13,502,092**
Less: short term portion			**(245,817)**	**(233,874)**
Long term portion			**13,569,222**	**13,268,218**

The technical provision for the risk of the Fund can be specified per category as follows:

in AWG	2020	2020	2019	2019
	Policies	*AWG*	*Policies*	*AWG*
For active members – regular / additional	199	4,094,415	214	4,134,324
Vested members – regular / additional	321	6,474,091	316	6,201,881
For existing pensioners	148	3,052,201	138	2,958,189
Widows / Widowers / Orphans	8	194,332	9	207,698
Balance as of December 31	**676**	**13,815,039**	**677**	**13,502,092**

12. Provision for pension liabilities for risk of the participants

The movements in the provision for the risk of the participants were as follows:

in AWG	Defined contribution	Defined contribution (pensions)	2020	2019
Balance as of January 1	**99,094,765**	**6,295,877**	**105,390,642**	**90,355,842**
Corrections prior year	(5,261)	1,055	**(4,206)**	**5,162**
Pension accrual and contribution	11,542,611	-	**11,542,611**	**13,182,384**
Surrender value	(280,712)	-	**(280,712)**	**(320,712)**
Result on Surrender	(92,764)	-	**(92,764)**	**(18,045)**
Deceased	-	-	**-**	**(149,801)**
Interest	3,091,704	264,548	**3,356,252**	**3,869,907**
Pensioners	(1,187,745)	1,115,323	**(72,422)**	**(23,883)**
Retirement benefits		(481,796)	**(481,796)**	**(396,660)**
Disbursements expenses	(1,215,014)	(9,636)	**(1,224,650)**	**(1,397,578)**
Risk premiums	-	60,917	**60,917**	**48,332**
Correction by change mortality table	-	-	**-**	**235,694**
Balance as of December 31	**110,947,584**	**7,246,288**	**118,193,872**	**105,390,642**
Less: short term portion			**(575,069)**	**(493,509)**
Long term portion			**117,618,803**	**104,897,133**

The provision for pension liabilities for the risk of the participants can be specified per category as follows:

in AWG	2020	2020	2019	2019
	Policies	*AWG*	*Policies*	*AWG*
For active members – regular	5,002	78,614,258	4,987	70,422,252
Vested members – regular	6,038	32,333,325	5,663	28,672,512
Annuitants, partner, and orphan	408	7,246,289	353	6,295,878
Balance as of December 31	**11,448**	**118,193,872**	**11,003**	**105,390,642**

13. Lease liabilities

in AWG	December 31, 2020	December 31, 2019
Current	95,625	2,824
Non-current	994,703	660,694
Balance as of December 31	1,090,328	663,518

a) Long lease right

The Fund has in connection with the ownership of the investment properties obligations arising from the use of long land lease rights. Each lease is reflected on the statement of financial position as a right of use – asset under the investment properties for risk of the participant and a lease liability. The long land lease right can be specified as follows:

- Parcel 1K-3334 also known as FSLMA at Sasaki: the long lease right will expire on July 8, 2068. The annual long lease term amounts to AWG 9,960.
- Parcel 1K-2429 also known as Eagle centre: the long lease right will expire on September 1, 2065. the annual long lease term amounts to AWG 16,290.
- Parcel 1K-2431 also known as Orange Plaza Mall: the long lease right will expire on June 8, 2066. The annual long lease term amounts to AWG 16,053.

The Fund has two other lease obligations in connection with property, plant and equipment which are further explained in note 17.

The table below describes the nature of the Fund's leasing activities by type of right-of-use asset recognized in the investment properties and the property, plant, and equipment:

Right-of-use asset	Remaining term	Lease with extension options	Lease with option to purchase	Lease with variable payments linked to an index	Lease with termination option
Leasehold land FSLMA	47	Yes	No	No	No
Leasehold land Eagle Centre	44	Yes	No	No	No
Leasehold land Orange Plaza Mall	45	Yes	No	No	No
Lease office building	4	Yes	No	Yes	Yes
Lease equipment	4	Yes	Yes	No	No

Future minimum lease payments at 31 December 2020 were as follows:

Minimum lease payment due							
	Within 1 year	1-2 years	2–3 years	3-4 years	4-5 years	After 5 years	Total
in AWG							
Lease payments	160,535	160,535	160,535	152,300	76,223	1,728,093	2,438,221
Finance charges	64,911	59,193	53,149	46,642	39,753	1,084,245	1,347,893
Net present values	**95,624**	**101,342**	**107,386**	**105,657**	**36,470**	**643,848**	**1,090,328**

14. Other liabilities and accrued expenses

The other liabilities and accrued expenses can be specified as follows:

PLAN LIABILITY

in AWG	December 31, 2020	December 31, 2019
Insurances	350,918	230,784
Deposits and rent received in advance	51,150	63,125
Balance as of December 31	**402,068**	**293,909**

NON-PLAN LIABILITY

in AWG	December 31, 2020	December 31, 2019
Accrued liability	404,169	290,302
Payroll and related accruals	14,671	(2,246)
Balance as of December 31	**418,840**	**288,056**

15. Risk management

a) Risk management

In the report by the Executive Board of PFTSA, the Executive Board sets out what the risks are that the Fund faces and what policy has been implemented to control, manage, and mitigate those risks. This section discusses the quantitative and qualitative aspects of the control measures.

Risk management, the Executive Board has the following policies available:

- Coverage Policy;
- Financing Policy;
- Premium Policy;

- Reinsurance Policy.

Which policy the Executive Board will use and how it will apply this will be based on extensive analysis of the likely future developments of the obligations and developments in financial markets. Management and Executive Board of the Fund prepared in 2018 an Asset-Liability Management Study (ALM) in corporation with the actuary. Based on the results of the analysis, the investment guidelines established by the Fund, management and the Executive Board will be amended. The policies and process for managing risks have remained consistent from the previous year.

b) Interest rate risk

i) Profile of interest rate risk

Interest rate risk is the risk that the value of the portfolio of fixed income securities and pension changes, due to unfavorable changes in market interest rates. The interest rate risk is limited as most of the investments are in fixed interest securities, such as time deposits issued by banks, government bonds, secured loan facilities and secured mortgages.

At the reporting date the interest rate profile of the Fund's interest-bearing financial assets was as follows:

in AWG	December 31, 2020	December 31, 2019
Bonds	54,429,112	35,277,780
Loans	26,720,715	27,085,217
Mortgages	11,997,357	11,109,834
Time deposits	9,500,000	12,050,000
Total fixed rate financial assets	**102,647,184**	**85,522,831**

ii) Sensitivity analysis

The Fund's policy is to minimize interest rate cash flow risk exposures on long-term investments. Long-term investments are therefore usually at fixed rates. On December 31, 2020, the Fund is exposed to changes in market interest rates through investments at variable interest rates. The Fund's investments in bonds and debentures all pay fixed interest rates. The exposure to interest rates for the Fund's money market funds is considered immaterial.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2019: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

In AWG	**Profit for the year**		**Fund Capital**	
	+ 1%	**- 1%**	**+ 1%**	**- 1%**
31 December 2020	809,887	-875,561	-	-
31 December 2019	108,942	(378,033)	-	-

c) Other price sensitivity

The Fund is exposed to other price risk in respect of its listed equity securities. For the listed equity securities, an average volatility of -2.15% has been observed during 2020 (2019: (8.98%)). This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased by that amount, profit or loss and equity would have changed by AWG -153,777 (2019: AWG 540,809).

The investments in listed equity securities are considered long-term, strategic investments. In accordance with the Fund's policies, no specific hedging activities are undertaken in relation to these investments.

d) Currency risk

Currency risk is the risk that the value of a financial instrument will change due to changes in foreign currency exchange rates. The Fund transacts in the following foreign currencies:

- The United States Dollar ("USD"), and the
- Netherlands Antilles Guilder ("ANG").

Currently the investments of the Fund are denominated for 87% (2019: 85%) in local currency and for 13% (2019: 15) in foreign currency (ANG and USD). The local currency has historically been linked to the United States Dollars and to ANG and has a fixed exchange rate with AWG. Consequently, the Fund currency risk is considered limited.

The total investment of the Fund into local and foreign currencies can be specified as follows:

in AWG	2020	2020	**Total**	2019	2019	**Total**
	Local	*Foreign*		*Local*	*Foreign*	
	87%	*13%*	***100%***	*85%*	*15%*	***100%***
Bonds	49,275,982	5,153,130	**54,429,112**	29,115,000	6,162,780	**35,277,780**
Time deposits	5,000,000	4,500,000	**9,500,000**	8,450,000	3,600,000	**12,050,000**
Loans	20,990,950	5,729,765	**26,720,715**	21,248,623	5,836,594	**27,085,217**
Mortgages	11,997,357	-	**11,997,357**	11,109,834	-	**11,109,834**
Investment property	19,288,936	-	**19,288,936**	19,034,050	-	**19,034,050**
Shares	11,589,515	2,517,134	**14,106,649**	11,780,328	2,043,244	**13,823,572**
Alternative investments	-	143,454	**143,454**	-	-	-
Balance as of December 31	**118,142,740**	**18,043,483**	**136,186,223**	**100,737,836**	**17,642,618**	**118,380,453**

The investments in foreign currencies are denominated in ANG and USD. The ANG is also pegged to the USD. The Fund is not exposed to any fluctuations in these currencies and therefore a sensitivity analysis is not required.

e) Credit risk

i) Sector risk

Credit risk is the risk of financial loss to the Fund because of (potential) bankruptcy or insolvency of the Fund's counterparties in which it has investments. This can include parties which are considered bond issuers, banks where deposits are placed and others.

To reduce this risk, the Fund sets requirements for the creditworthiness of counterparties, ensuring adequate coverage or additional collateral required. The spread is partly reflected in the different sectors in which it invests. The following table gives a breakdown of the investments by sector:

in AWG	%	Government	Financial institutions	Bank like financial institutions	Real Estate	Others	**Total**
2020							
Bonds	40%	35,357,982	1,733,880	10,000,000	2,537,250	4,800,000	**54,429,112**
Time deposits	7%	-	6,500,000	3,000,000	-	-	**9,500,000**
Loans	20%	6,477,704	-	5,000,000	5,729,765	9,513,246	**26,720,715**
Mortgages	9%	-	-	-	11,997,357	-	**11,997,357**
Investment property	14%	-	-	-	19,288,936	-	**19,288,936**
Shares	10%	-	7,121,292	6,500,000	485,357	-	**14,106,649**
Alternative investments	0%	-	143,454	-	-	-	**143,454**
Balance as of December 31	**100%**	**41,835,686**	**15,498,626**	**24,500,000**	**40,038,665**	**14,313,246**	**136,186,223**

in AWG	%	Government	Financial institutions	Bank like financial institutions	Real Estate	Others	**Total**
2019							
Bonds	30%	26,042,261	1,919,519	-	2,516,000	4,800,000	**35,277,780**
Time deposits	10%	-	12,050,000	-	-	-	**12,050,000**
Loans	23%	6,621,204	-	5,000,000	5,836,594	9,627,419	**27,085,217**
Mortgages	9%	-	11,109,834	-	-	-	**11,109,834**
Investment property	16%	-	-	-	19,034,050	-	**19,034,050**
Shares	12%	-	6,783,374	6,500,000	540,198	-	**13,823,572**
Balance as of December 31	**100%**	**32,663,465**	**31,862,727**	**11,500,000**	**27,926,842**	**14,427,419**	**118,380,453**

The values represent the direct investments held by the Fund. Furthermore, these values exclude the interest receivables.

Regarding the creditworthiness of borrowers of fixed-income portfolio, these are held in the form of government bonds and corporate bonds (40% of the total investment in 2020) or time deposits and loans at local banks or comparable institutions (27% of the total investment in 2020) that fall (partially) under the supervision of either the CBA or the CBCS.

The credit risk of the secured loan facilities is also limited by the fact that these loans are secured by tangible assets.

The credit risk of the mortgages is limited as these mortgages are extended up to 100% of the execution value of the property. Contrary to the other types of investments, these mortgages provide protection to the Fund through sale of the mortgaged property in the event of default in payments by the participant.

The Fund participated in a corporate bond issued by "NuCapital Beheer Aruba N.V." for an amount of AWG 4,800,000 (2019: AWG 4,800,000). This bond is included in the category "Others". This corporation invests in several alternative energy projects in the Caribbean. This investment is currently not quoted. The Fund will continue to monitor the results closely. As at the date of the statement of financial position there is no indication that the third party is unable to meet its payment obligations.

During the year, the Fund did not experience significant increase in credit risk as indicated in the following section.

ii) Impairment losses

The ageing of loans and receivables (including other receivables) at the reporting date for respectively risk of the fund and risk of the participants, was:

Loans and receivables for risk of the fund (including other receivables)

	December 31, 2020		December 31, 2019	
in AWG	Gross	Impairment	Gross	Impairment
Not past due	2,703,805	-	2,733,738	-
Past due less than a year	-	-	-	-
Past due more than a year	-	-	-	-
Total	**2,703,805**	**-**	**2,733,738**	**-**

Loans and receivables for risk of the participants (including other receivables)

	December 31, 2020		December 31, 2019	
in AWG	Gross	Impairment	Gross	Impairment
Not past due	38,898,710	-	37,967,105	-
Past due less than a year	273,554	-	161,900	-
Past due more than a year	-	-	-	-
Total	**39,172,264**	**-**	**38,129,005**	**-**

Management considered an allowance for impairment in respect for amounts past due less than a year. Management has taken measures to pursue the collection of the amounts past due less than a year.

f) Concentration risk

In general, concentration risk may occur if an appropriate diversification of assets and liabilities is missing. Concentration risks can occur when there is among others a concentration of the portfolio in the regions, economic sectors, and counterparties. A portfolio of loans that are highly sector-specific, sector concentration can be at increased risk. Currently approximately 6% (2019: 7%) of the investment portfolio is located abroad (United States, Trinidad & Tobago, Curacao, and Bonaire) and consist of government bonds and loans. This region is stable (economically and politically) and as such the concentration risk is considered low.

in AWG	2020	2020	**Total**	2019	2019	**Total**
	Local	*Foreign*		*Local*	*Foreign*	
	94%	*6%*	***100%***	*93%*	*7%*	***100%***
Bonds	49,275,982	5,153,130	**54,429,112**	29,115,000	6,162,780	**35,277,780**
Time deposits	9,500,000	-	**9,500,000**	12,050,000	-	**12,050,000**
Loans	26,720,715	-	**26,720,715**	27,085,217	-	**27,085,217**
Mortgages	11,997,357	-	**11,997,357**	11,109,834	-	**11,109,834**
Investment property	19,288,936	-	**19,288,936**	19,034,050	-	**19,034,050**
Shares	11,589,515	2,517,134	**14,106,649**	11,780,328	2,043,244	**13,823,572**
Alternative investments	-	143,454	**143,454**	-	-	-
Total	**128,372,505**	**7,813,718**	**136,186,223**	**110,174,429**	**8,206,024**	**118,380,453**

g) Liquidity risk

Liquidity risk is the risk that the Fund is not able to obtain the financial resources needed to comply with its obligations. The liquidity risk within the Fund is limited. Virtually all investments have a direct or indirect quotation.

Premium revenues are higher than the pension benefits and the costs of the Fund. Therefore, it is unlikely that the Fund will face payment problems in the short and medium-term.

The following are the contractual maturities of financial liabilities:

in AWG	Carrying Amount	Less than 1 year	More than 1 year
Pension liabilities for risk of the Fund	13,815,039	245,817	13,569,222
Pension liabilities for risk of the participants	118,193,872	575,069	117,618,803
Other liabilities	820,908	820,908	-
Balance as of December 31, 2020	**132,829,819**	**1,641,794**	**131,188,025**

in AWG	Carrying Amount	Less than 1 year	More than 1 year
Pension liabilities for risk of the Fund	13,507,977	233,874	13,274,103
Pension liabilities for risk of the participants	105,442,040	493,509	104,948,531
Other liabilities	581,965	581,965	-
Balance as of December 31, 2019	**119,531,982**	**1,309,348**	**118,222,634**

h) Insurance risk (actuarial risk)

i) Profile of insurance risk (actuarial risk)

The main insurance risks are longevity, and mortality risk. The principal actuarial risk is longevity risk (the risk that participants are living longer than average which is considered when determining the provision for pension).

The Fund applies the published Dutch mortality tables GBM /GBV 2005-2010 (2019: GBM /GBV 2005-2010) which is based on the whole Dutch population with sampling years 2005 – 2010, and with an age correction of -1 in 2020 (2019: -1). These tables, in accordance with the actuary of the Fund, provide a prudent insight into the life expectancy of (former) participants, pension earners and / or survivors. By applying these tables, the longevity risk for the Fund is greatly reduced.

Mortality risk means that in case of death, the Fund may grant a survivor's benefit for which the funds have not been provided. This risk can be expressed as capital risk. The Fund manages this risk in house.

For the financial year 2020, the Fund's Executive Board has decided to apply a rate of return of 3% (2019:4%) for the Direct Contribution plan. The same rate of return is used to determine the Fund's technical provision. For the Direct Benefit plan an actuarial interest rate of 4% (2019:4%) has been applied. For both plans a 0.5% is deducted for costs for the vested participants.

ii) Sensitivity analysis

The following table illustrates the sensitivity of provision to a reasonably possible change in interest rates of +/- 1% and +/- 0.50%). These changes are reasonably possible based on observation of current market conditions. All other variables are held constant.

	-0.50%	basis	+0.50%
Discount rate	**3.50%**	**4.00%**	**4.50%**
Defined Benefit Provision	15,005,129	13,815,039	12,751,465
Defined Contribution Provision	118,551,088	118,193,872	117,863,810

	-1.00%	basis	+1.00%
Discount rate	**3.00%**	**4.00%**	**5.00%**
Defined Benefit Provision	16,340,292	13,815,039	11,798,516
Defined Contribution Provision	118,938,362	118,193,872	117,558,323

16. Contingent liabilities, assets, and commitments

a) Commitments

The commitments consist of signed agreements regarding investment and related investment property. The total committed amounts are specified in the following overview.

in AWG	Commitments
Commitments as of December 31, 2019	**4,987,546**
Correction	
Less: realized commitments	(397,292)
Less: withdrawn from commitments	-
Commitments as of December 31, 2020	**4,590,254**

The commitments are expected to be disbursed in the following one to two and half years.

b) Lease contracts

As of April 2020, the lease of the office building at the Vondellaan has been terminated and the Fund signed a new lease agreement in March 2020 for an office building at the Watty Vos Boulevard. The Fund signed on July 1, 2020 an equipment lease agreement for the period of 4 years. The lease of the building and the equipment are capitalized as capitalized leased assets. The lease of the warehouse as per January 1, 2019 for an amount of AWG 1,800 per month has been terminated on December 31, 2020.

	Within 1 year	1 to 5 years	Later than 5 years
Building WVB lease	101,760	339,200	-
Equipment lease	16,472	57,652	-
	118,232	**396,852**	**-**

c) Property tax and land lease (investment property)

	Within 1 year	1 to 5 years	Later than 5 years
Property tax	92,604	359,802	3,348,186
Property land lease	42,303	169,212	1,728,093
	134,907	**529,014**	**5,076,279**

17. Related parties

a) Transactions with members of the Executive Board and management of the Fund

All personnel including some key management officers participate in the defined contribution pension plan. In 2020, the basic salaries, social security contributions and other short-term benefits to the key officers of the Fund was AWG 390,916 (2019: AWG 313,993).

in AWG	2020	2019
Short-term employee benefits:		
Salaries including bonuses	346,343	271,280
Social security costs	30,456	33,172
Company car allowance		
	376,799	**304,452**
Post-employment benefits:		
Defined contribution pension plans	14,117	9,541
	14,117	9,541
Termination benefits	-	-
Total remuneration	**390,916**	**313,993**

Furthermore, the Fund has granted one mortgage to one of the Board members with an interest rate of 5.95% and a loan period of 15 years. As of December 31, 2020, the outstanding balance of this mortgage amounts to AWG 85,230 (2019: AWG 95,339).

Notes to the statement of comprehensive income for the year ended December 31, 2020

18. Premium contribution for risk of the participants

The premium contribution consists of contributions made by the employers and participants (including additional premium contributions that they have made).

The premium contribution to PFTSA, as described in the rules and regulations (RRDC172018), is based on a minimum fixed percentage of 6% (employer 3% and employee 3%) of the participant's annual pension salary. Participants are given the opportunity to make an additional premium contribution of a minimum of 1% up to a maximum of 19%. Employers may also contribute with additional premium; however, the total contribution may not exceed 25%.

The contribution made by employers and participants can be specified as follows:

in AWG	2020	2019
Employers' contributions	5,514,259	6,307,669
Regular contributions by the participants	5,514,259	6,307,669
Additional contribution by the participants	514,093	567,021
	11,542,611	**13,182,359**

Due to the COVID-19 pandemic the contribution of the participants decreased with 12% compared to 2019. This decrease was lower than initially expected due to the fact that the Government of Aruba introduced an Emergency Fund for Social Assistance in respect of salary subsidies and company cost subsidies.

a) Concentration

The top 10 participating employers with the Fund represent approximately 68% (2019: 72%) of the annual premium contributions.

19. Net investment result for risk of the participants

The result of the investments of the risk of the participants can be specified as follows:

in AWG	2020	2019
Interest income	4,276,070	3,915,101
Investment property income	894,541	1,053,090
Dividend income	534,842	537,160
Change in fair value of investment properties	70,187	386,471
Change in fair value of investment in shares and, bonds.	(177,486)	1,276,509
Other income	4,143	67,477
	5,602,297	7,235,808
Direct expenses investment properties, shares and bonds	(620,350)	(815,361)
	4,981,947	**6,420,447**

Other income consists mainly of commitments fees and administrative fees.

Interest income:

in AWG	2020	2019
Bonds	1,761,811	1,471,703
Time deposits	223,251	128,550
Mortgages	727,649	635,825
Loans	1,549,221	1,672,212
Savings	14,138	6,811
	4,276,070	**3,915,101**

20. Net investment result for risk of the Fund

The result of the investments of the risk of the Fund can be specified as follows:

in AWG	2020	2019
Interest income bonds, time deposits and loans	741,450	691,610
Dividend income	22,520	14,596
Change in fair value of bonds, shares, and alternative investments	(88,670)	98,055
Other income	-	1,148
	675,300	805,409
Direct expenses	(15,169)	(13,200)
	660,131	**792,209**

21. Retirement benefits and refunds

The retirement benefits consist of the following:

in AWG	2020	2019
For risk of the Fund		
Retirement benefits	223,097	224,987
Partner pension	12,769	14,295
Orphan pension	343	472
Deceased benefit	-	14,849
Emigration	-	2,887
For the risk of the Participants		
Retirement benefits	635,636	488,255
Partner pension	17,492	17,165
Orphan pension	1,412	1,763
Deceased benefit	70,689	25,915
Emigration	37,545	204,984
	998,983	**995,572**

22. Pension administrative expenses

The pension administrative expenses can be specified as follows:

in AWG	2020 *	2019
Salaries and remuneration (excluding Executive Board)	898,935	934,813
Accounting, administrative and consultants' fees	334,199	292,387
Information and technology	200,217	150,044
Depreciation	169,232	95,148
Office expenses	154,638	175,214
Board fee and expenses	140,558	197,111
Audit fees	140,519	112,038
Actuary fees	54,606	62,699
Other operating expenses	58,874	146,092
Legal fees and expenses	32,214	37,634
Product promotion	28,860	32,476
Car expenses	18,574	21,482
Bank charges and fees	7,365	13,424
	2,238,791	**2,270,563**
Number of permanent employees employed by the Fund	10	9

* In 2020 part of the salary costs of the staff of PFTSA, Accounting, administrative and consultants' fees, Information and technology and legal fees (AWG 271,849) directly related to the investment activities of the Fund have been allocated to the investments as part of the investment charges.

The salaries and remuneration (excluding Executive Board) can be specified as follows:

in AWG	2020	2019
Salaries and wages	724,438	714,698
Social premiums	91,201	104,240
Other staff expenses	46,045	80,118
Pension premium contribution	37,251	35,757
	898,935	**934,813**

23. Changes in the technical pension provision for risk of the Fund

a) Pension accrual

This item reflects the effect of mortalities on the pension liabilities for active participants calculated on a nominal interest rate basis.

b) Added interest

The value of the participants' pension rights also increases annually with the accrual of interest, in addition to the actual pension accruals. This means an increase in liabilities and hence requires an addition to the provision for pension liabilities, which represents an expense. The expenses relating to the increased liabilities should generally be met from the results achieved on the investment of the pension capital.

c) Provision utilized for benefit payments and administrative expenses

Future benefits payments are calculated actuarially in advance, based on probability systems, and are included in the provision for pension liabilities. This provision represents the present value of the expected future benefits. Each year, an amount of the provision is utilized to fund the benefits for that year. This item also includes the results on probability systems.

24. Changes in the provision for pension liabilities for risk of participants

The changes in the provision for pension liabilities for the risk of participants are calculated by deducting the ending balance of the provision from its beginning balance.

25. Going concern assumption

The CBA projects a moderate recovery for 2021. The real GDP in 2021 is expected at 2.5 percent under the baseline scenario, and 5.2 percent in the optimistic scenario.[5] According to the IMF the pandemic is likely to have lasting effects on the economy, which is only expected to reach the pre-COVID level of real GDP in 2025.[6]

In this regard, the Government of Aruba reached an agreement with the Netherlands for financial support which is conditioned to the reforms indicated in the so-called "Landspakket". This was necessary to mitigate the effects of the COVID-19 crisis on the economy of Aruba. The Government also stated that it will continue in 2021 its financial support for small and medium-sized businesses and the wage subsidy, which stabilizes the financial and economic situation in Aruba.

As mentioned earlier, Willis Towers Watson (WTW) performed an ALM-study early 2021 and the results were presented and discussed in the Board in February 2021. This study concludes that including more fixed income asset classes to the portfolio offers little upside potential and leads to a low pension. The only upside to fixed income is that they perform better for older participants if the worst-case scenario will manifest itself in the coming years. Adding more risk-seeking asset classes to the investment mix is to be preferred and these investment mixes generally outperform the fixed income mixes for almost all test profiles. WTW concludes that adding additional diversification within the equity portfolio offers little

[5] CBA Economic Outlook February 2021, page 4

[6] IMF, Mission Concluding Statement, Kingdom of the Netherlands-Aruba, March 8, 2021

advance and therefore proposes to create an international portfolio in line with market capitalization, consisting of 35% global developed equity and 5% emerging market equity.

PFTSA does not have an explicit policy in place in which the allocation of the investments and costs related to the current Defined Contribution and Defined Benefit schemes are determined. This so-called "ring fencing" policy is necessary because each Fund operates on different requirements, assumptions, and characteristics and as it is the case in the Netherlands "cross subsidy" is not allowed (e.g., costs of one Fund is covered by the other Fund). In December 2020, the Executive Board has requested WTW to draft a policy document regarding the ring-fencing requirements. The proposed policy will be included in the revised ABTN ("Actuariële en Bedrijfstechnische Nota" or general business technical note) document, which will be issued in 2021. The ABTN describes the Funds' financial structure and actuarial principals as well as the organization of the Fund.
The environment in which PFTSA is operating continues to pose significant uncertainties, and the economic, demographic, and operating risks that the Fund is exposed to have the potential impact on plans and the achievements of its objectives. We identified several factors that can have impacted and shaped the Fund for the foreseeable future (refer table 2), which requires adequate responses and solutions to address these inherent factors and related challenges. In this regard, PFTSA will be working on a long-term Strategic Plan for the coming years which will be focusing, amongst others, on addressing these challenges.

Table 2: Key challenges facing pension funds in Aruba

1. **Financial market and financing requirements**:	Growing limitations to find suitable local investment opportunities in combination of declining interest rates
2. **Regulations vis-à-vis economic of scales**:	Increasing complexity as result of expanding regulatory requirements and scrutiny that impacts the operations in terms of increasing costs and the need for the right organizational scale
3. **Information/data security and workflow management**:	Increasing importance of information/data security and workflow process management
4. **Evolving demographics**:	Ongoing aging of the population/workforce (longevity risk) and service expectations among clients
5. **Macroeconomic conditions**:	Volatile and external dependent tourism-based economy which can impact our member employers

Overall, based on its assessment of the impact of the COVID -19 pandemic for the year 2020 and beyond, the measures introduced and considering the uncertainties that exist as per the date of issuance of these financial statements, management concludes that it does not consider the impact to cast significant doubt upon the PFTSA's ability to continue as a going concern. The Fund's liquidity is expected to remain adequate. The subsequent event has not had any impact on the current year results of the financial statements.

26. COVID-19 pandemic

The financial statements are drawn up based on PFTSA's ability to continue as a going concern, since PFTSA will continue to comply with all its pension and other payment obligations.

PFTSA carried out an impact assessment by making several assumptions on the different drivers that will determine its financial performance and consequently its cash position during the year 2021. A base case scenario was taken as the point of departure, in which the payment behavior during the months of the year 2020 affected by Covid-19 were extrapolated to continue to display a similar pattern during the year 2021. Under this scenario, the free cash position of PFTSA is projected to grow from AWG 5.6 million at the end of 2020 to AWG 21.3 million at the end of 2021, under the assumption that the excess cash will not be applied for reinvestments during that year.

A pessimistic scenario was drawn up in which conservative assumptions were made regarding the premium earnings (12% lower than base case), investment receipts (26% lower than base case), whereas all expenses and payment commitments of PFTSA remain at the same level as in the base case. In this scenario, it is assumed that the financial assistance from the Netherlands will decrease during the second half of 2021, which reflects in a decrease of the premium earnings as well as the performance of the investment portfolio. The results show a decrease of net cashflow of AWG 9.7 million in 2021, resulting in free cash for the amount of AWG 11.6 million per the end of 2021.

As per mid-year 2021, the macroeconomic circumstances are displaying signs of a speedier recovery than was anticipated, even exceeding the most optimistic projected scenarios for recovery. Tourism is picking up at a relatively high pace which will benefit premium earnings, since the clients of the Fund are geared towards tourism. This development supports the performance of local investments whereas the international capital markets are also displaying solid developments, aided by a continuous support from the international authorities. In addition, Holland and Aruba proceed in their deliberation on the recovery of the fiscal position of Aruba. Based on these developments the Fund seems to be on course to end up in line with the base case scenario with some chance to even exceed this scenario.

Other information

Proposition for the appropriation of net result for the year 2020

According to the Articles of Foundation of Pension Fund Tourism Sector Aruba Foundation, the appropriation of the net result is at the disposal of the Executive Board.

The profit for the year 2020 amounting to AWG 827,295 is added to the Fund's equity. The financial position as of December 31, 2020 has been prepared taking this decision into account.

Aruba, June 22, 2021

Original signed by Mr. G.K. Farro
Chairman of the Executive Board

Original signed by Mr. C.E. Heyliger
Secretary of the Executive Board
Board Member representing participants

Original signed by Mr. E.F.C. Albertus
Board Member representing employers

Original signed by Mrs. M.R. Croes
Board Member representing participants

Independent Auditor's Report

Grant Thornton

Independent auditor's report

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Our ref: 138788/ A-32108

To the Executive Board and Executive Director of
Pension Fund Tourism Sector Aruba Foundation
Aruba

Report on the financial statements included in the annual report

In our opinion, the financial statements give a true and fair view of the financial position of Pension Fund Tourism Sector Aruba Foundation, Aruba (the Foundation) as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Foundation's financial statements comprise:

- the statement of financial position as at December 31, 2020;
- the statement of comprehensive income for the year ended December 31, 2020;
- the statement of changes in Fund capital for the year ended December 31, 2020;
- the statement of cash flows for the year ended December 31, 2020; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Foundation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Dutch Code of Ethics).

Emphasis of Matter – Impact of COVID-19

We draw attention to note 26 of the financial statements which includes the Executive Board's assessment of the impact of the COVID-19 pandemic in 2020 as well of its impact on the future results, cash flows and financial position of the Foundation.

Our opinion is not modified in respect of this matter.

Report on the other information included in the annual report

The Executive Board is responsible for the other information. The other information comprises the following:

- Report by the Executive Board;
- Other information Proposition for the appropriation of net result for the year 2020;
- Independent Actuary's Report.

(but does not include the financial statements and our auditor's report thereon).

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Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Board for the Financial Statements

The Executive Board is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the Executive Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Board is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Executive Board either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- Conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Executive Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aruba, June 30, 2021
Grant Thornton Aruba

Original signed by Herbert van Elferen

Actuarial Consultancy Caribbean

Actuarial Declaration

Aruba, June 29, 2021

Assignment

The assignment to issue an actuarial declaration for the Pension Fund Tourism Sector Aruba for the year 2020 is granted to Actuarial Consultancy Caribbean.

Data

The data on which this audit was based were provided by and were compiled under the responsibility of the management board of the pension fund. In evaluating the assets of the pension fund and in assessing its financial position, we have based ourselves on the financial data in the annual report of June 9, 2021. The pension fund's auditor has signed a declaration regarding the correctness and completeness of the basic administrative data and other assumptions which are of importance to our assessment. We received the signed declaration on June 25, 2021 from Grant Thornton Aruba.

Activities

In carrying out the assignment, we have calculated the provisions referred to in the Actuarial Report. The actuarial assumptions were set up by the Board of the fund.

As part of the activities pertaining to the assignment:

- We have assessed whether the technical provisions have been determined adequately; and
- We have formed an opinion on the financial position of the pension fund.

Our audit was carried out in such a way that with a reasonable degree of certainty the results do not contain any inaccuracies of material importance. We have formed an opinion on the probability with which the pension fund will be able to meet its liabilities incurred until the balance-sheet date, also considering the financial policy of the pension fund.

Opinion

The technical provisions are equal to Afl. 132,008,911 as per December 31, 2020. This is inclusive of 3% interest added in 2020 to the Defined Contribution capitals. The provisions are calculated on sufficiently prudent assumptions. The amount of the provision is prudent.

Actuarial Consultancy Caribbean

The assets of the fund are enough to cover the liabilities. The funding ratio, considering the necessary solvency margin, amounts to 102.7% per December 31, 2020. The financial position of the fund is sufficient.

In the context of this judgment, I would like to indicate the developments after the date of balance resulting from the crisis due to Covid-19, as explained by the pension fund in the annual report issued by the Board.

Elma Velgersdijk, actuary AG
Managing Director