Annual Report

2022

Pension Fund
Tourism Sector Aruba

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Pension Fund
Tourism Sector Aruba

Report of the Executive Board

Report by the Executive Board

Foreword

Issues to be discussed.

1. General economic condition
2. Strategic Investment Policy
3. Internal Controls/RISK Assessment
4. Draft ABTN & Ring-fencing policy
5. Changing pension market

General economic condition

Following the substantial contraction of 22.8%[1] of the real GDP in 2020 due to Covid-19, the economy rebounded registering successive growth rates of 23.6%[2] and 9.6%[3] in 2021 and 2022. On balance, the GDP in real terms was 4.6%[4] higher in 2022 compared to the year 2019.

The spending components of the GDP shows differing results. Real private consumption is estimated to have rebounded by 4.2%[5] in 2022 compared to 2019, and investment outlays measured in real terms shrank by 14.6%[6] over the same period, whereas tourism exports recorded a relatively substantial recovery of 9.4%[7] in 2022 compared to 2019.

The distribution of the recovery seems to be lopsided, with the tourism-related sectors benefiting relatively more than other sectors. Although the extent of the recovery of tourism is very much welcomed by the participant base of the Pension Fund Tourism Sector Aruba Foundation (“PFTSA”, “the Fund”), the uneven recovery in 2022 should be monitored with caution, the more so because the preliminary baseline projections of the Centrale Bank van Aruba (“CBA”) for 2023 show continuing higher discrepancies between sectors. This is associated with the persistent higher inflation rate, which registered an average of 5.5%[8] by the end of 2022 and is projected to continue at a relatively high pace, estimated at 6.0%[9] on average for 2023. The erosion of purchasing power is projected to cause local spending to deteriorate in real terms, whereas tourism exports are projected to continue to grow, albeit at a marginal rate, causing the projected real baseline GDP growth to contract with an estimated 1.8% in 2023.

[1] Source: CBA Economic Outlook March 2023 (readBlob.do (cbaruba.org))
[2] Source: CBA Economic Outlook March 2023 (readBlob.do (cbaruba.org))
[3] Source: CBA Economic Outlook March 2023 (readBlob.do (cbaruba.org))
[4] Own calculation derived from CBA Economic Outlook March 2023
[5] Own calculation derived from CBA Economic Outlook March 2023 and Presentation of CBA at C.U.A. Business Event (March 23, 2023)
[6] Own calculation derived from CBA Economic Outlook March 2023 and Presentation of CBA at C.U.A. Business Event (March 23, 2023)
[7] Own calculation derived from CBA Economic Outlook March 2023 and Presentation of CBA at C.U.A. Business Event (March 23, 2023)
[8] Source: Central Bureau of Statistics (Tables CPI – Central Bureau of Statistics (cbs.aw))
[9] Source: CBA Economic Outlook March 2023 (readBlob.do (cbaruba.org))

Except for inflationary risks associated with international and local developments in the fiscal area, in 2023, Aruba will continue to be vulnerable to mainly the effects of geopolitical risks and uncertainties regarding the refinancing of external debt.

On the local financial market, mainly fueled by an increase in housing mortgages, banking credit provided by the commercial banks to the private sector increased by 1.7%[10] per the end of 2022 compared to the end of 2021. Since Covid-19, commercial banks have developed a high liquidity position fueled by a subdued credit demand. The CBA responded to this development by successively increasing the reserve requirement. In the last update of March 1, 2023, the CBA informed the commercial banks to maintain the amount that they must hold as a minimum balance at the CBA equal to 25.5 percent[11] of their clients' liquid deposits. Despite these policy measures, the commercial banks remain highly liquid with aggregate excess liquidity of AWG 633 million[12] as of the end of January 2023 (December 2021: AWG 1,321 million[13]; December 2020: AWG 820 million[14]).

Despite the over-liquidity of the commercial banks, the Fund has investment opportunities in the local market in the pipeline but will keep monitoring the developments in the local financial circumstances, including the financing activities by the Government of Aruba of its fiscal deficit and refinancing of maturing local bonds.

Strategic investment portfolio

Objective Investment policy

The strategic investment policy of the Fund 2021 to 2023, approved in October 2021 by the Executive Board of the Fund, aims to outline the overall investment philosophy of the Fund. It is developed in such a way that the benefits of pension entitlements for the participants of the Fund can be realized. The target strategic allocation stemmed from the Assets Liability Management (ALM) study conducted in January 2021 by Willis Tower Watson.

At the end of December-2022, the composition of the local, regional, and international portfolio and the composition of the assets class for the period 2021 – 2023 are shown in Tables 1 and Table 2.

Table 1: Composition of investment portfolio

Investment category	Allocation per end December 2022	Allocation per end December 2021	Strategic target allocation
Local	92%	90%	60.0%
Regional	3%	6%	2.5%
International listed	5%	4%	37.5%

[10] Source: CBA Monthly Tables February 2023, dated March 31, 2023 (readBlob.do (cbaruba.org))
[11] Source: CBA Monthly Tables February 2023, dated March 31, 2023 (readBlob.do (cbaruba.org))
[12] Source: CBA Monthly Tables February 2023, dated March 31, 2023 (readBlob.do (cbaruba.org))
[13] Source: CBA Monthly Tables February 2023, dated March 31, 2023 (readBlob.do (cbaruba.org))
[14] Source: CBA Monthly Tables February 2023, dated March 31, 2023 (readBlob.do (cbaruba.org))

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Table 2: Asset Class percentage of assets under management

Investment category	Allocation per end December 2022	Allocation per end December 2021	Strategic target allocation	Bandwidth min - max
Fixed income	78%	77%	42%	Min 35%
Equity (including property)	22%	23%	58%	Max 65%

The Fund is aware that the allocations presented at the end of December 2022 would not have materialized according to the strategic allocation within the period covered. The allocation objectives set in the strategic investment policy are to be pursued as a mid- to long-term goal.

The allocation of the local investment portfolio per end-December 2022 is 92% (2021: 90%), and it is above the strategic target allocation for local investment, which is set at 60%, despite that the Fund increased its investment abroad in the year 2022.

The Fund had the intention to transfer more funds to abroad, but with the given substantial volatility, on the traded stock market and since other good investment opportunities were presented locally with an attractive return to risk profile, the timing for entering the listed investments was not considered adequate to pursue during 2022. The Fund is monitoring the development of the international market closely and will assess the right moment to transfer the cash to Principal Bank to be invested with the advice of LCG Associates. Also, it should be noted that the international financial market is undergoing fundamental shifts because of, amongst others, the recent interest increases by the various central banks. In this regard, we advise conducting an ALM-study in 2024, which is in line with PFTSA policy to conduct such a study every three years.

Pension numbers

The year 2022 marks the 30th anniversary of the first pension contributions paid to PFTSA. In 2022 the Fund received a total amount of AWG 13,749,220 (2021: AWG 11,353,138), covering 5,202 active members (2021: 4,790), and its membership and pension assets have grown exceptionally in the past 30 years. The total annuitants' policies increased to 582 in 2022 (2021: 501). The rate of return of the Defined Contribution plan for 2022 is 3.75% (2021: 3.5%).

Picture 1: Pension numbers 2022

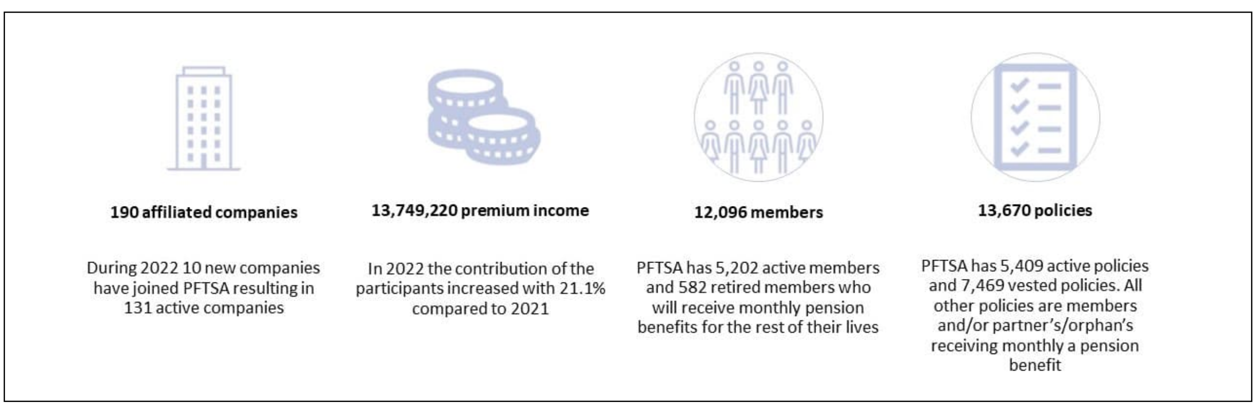
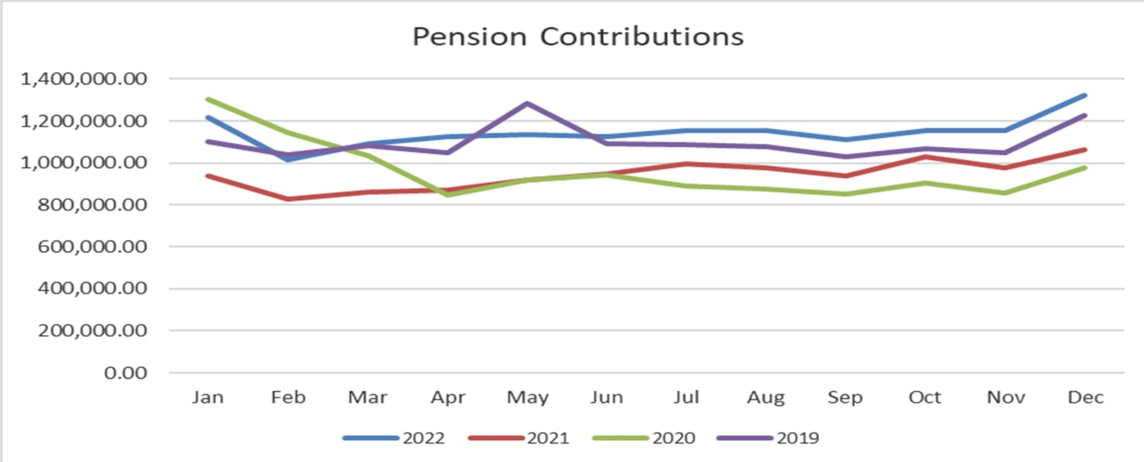


Chart 1 shows a solid performance of the premium income in 2022.



Key performance indicators

Table 3: Coverage ratios

	2022	2021
Coverage ratio in %		
Gross coverage ratio	108.2	108.5
Net coverage ratio	102.7	102.6

Table 4: Return on Investment

Investment performance in %	2022			2021		
	Direct return	Indirect return	Total net return	Direct return	Indirect return	Total net return
Total Return on portfolio incl. cash	5.0	(0.4)	4.6	4.6	0.1	4.5
Return on local investments incl. cash	5.3	0.3	5.6	4.8	0.7	4.1
Return on regional investments incl. cash	1.9	0.2	2.1	3.5	2.4	5.9
Return on international listed investments incl. cash	2.4	(22.4)	(20.0)	1.7	10.6	12.3

The Fund's total net return on investment, which includes the direct and the indirect return[15], shows at the end of December 2022 a marginal increase of 0.1 percentage points to 4.6 percent (2021: 4.5 percent).

The return on local investments amounted to 5.6 percent (2021: 4.1 percent), whereas the return on regional investments amounted to 2.1 percent (2021: 5.9 percent). The return on international investment amounted to (20.0) percent (2021: 12.3 percent). The downturn of the financial markets in

[15] The total return consists of the direct investment portfolio income plus direct costs properties, allowances, valuation changes, and other revenue.

2022 caused the return on the listed portfolio of the Fund on the international market to decrease, hence displaying the large volatility in the financial markets because of, among others, the Ukraine war, high inflation, and the actions taken by the international monetary authorities to increase interest rates.

Regulatory Compliance

The Fund's compliance framework is comprised of policies and procedures in the areas of Sound Business Operations as well as robust Anti-Money Laundering and Anti-Financing of Terrorism/Proliferation as per Aruba regulatory legislations. Internal controls with a multi-tier defense system ensure that the policies and procedures are adhered to in an effective manner. The Fund's compliance officer and reporting officer are tasked with the day-to-day compliance workflows. They work closely with the business units and executive management to implement the policies and procedures and report directly to the risk and compliance committee and the Executive Board.

Periodic risk assessments are performed to improve compliance policies and procedures and to diminish risks for the Fund. An ongoing review is performed by the compliance officer and the status of effective implementation is reported periodically to executive management, the compliance committee, and the Executive Board. This enables proactive adjustments and/or reactions to external triggers which are swiftly and efficiently addressed by the Fund.

As part of the new governance structure, the Executive Board has three active committees. Each committee consists of three members (refer to Table 5) and each committee has been assigned to one or two external persons to support each of the three committees.

Table 5: The Fund Committee Members

Committee membership	Name and position
Audit Committee	Mr. G.K. Farro (Chairman) Mrs. M. Statia (external member) Mr. R. van Trigt (external member)
Risk & Compliance Committee	Mr. E.F.C. Albertus (Chairman) Mrs. S.T.G. Nierop-Kappel Mr. D.J.M.J. Coenen (external member)
Investment Committee	Mrs. M.R. Croes (Madam Chair) Mr. P.D. Vandormael Mr. R.K. Kock (external member)

Management and Supervision

Legal structure

General

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. The Fund registers and archives all signed contracts and 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 2004, the Fund ceased allowing participation in the DB-Plan and the participants could continue only with the DC-plan. The pensions built up in the DB-Plan until 2003 have not been transferred to the new pension plan (DC-plan).

The Fund has an Executive Board that is composed of employers' and participants' representatives who elect the independent chairman of the Executive Board. The Executive Board is assisted upon request by an external actuary. The Fund has nine 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 2022, ten (2021: four) new companies have joined, and five (2021: four) companies became vested. At the end of 2022, a total of 190 (2021: 180) companies were affiliated with the Fund, of which 131 (2021: 126) are active and 59 (2021: 54) are vested.

Composition of the Executive Board and Committees

Executive Board

The Executive Board ("Board") consists since July 1, 2012, of 2 employers' representatives and 2 participants' representatives. The composition of the Executive Board for the financial year 2022 is as stated below (refer to table 6).

Table 6: The Fund Executive Board members

Executive Board members	Name
Chairman of the Executive Board	Mr. G.K. Farro
Appointed by the employers	Mr. E.F.C. Albertus Mrs. S.T.G. Nierop-Kappel
Appointed by the participants	Mr. P.D. Vandormael Mrs. M.R. Croes

The Executive 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 Executive Board members are defined in the articles of foundation under article 8.

Executive Board and daily management

The Executive Board appointed Mr. Marion M. Agunbero as the Executive Director for the daily management of the Fund. 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”).

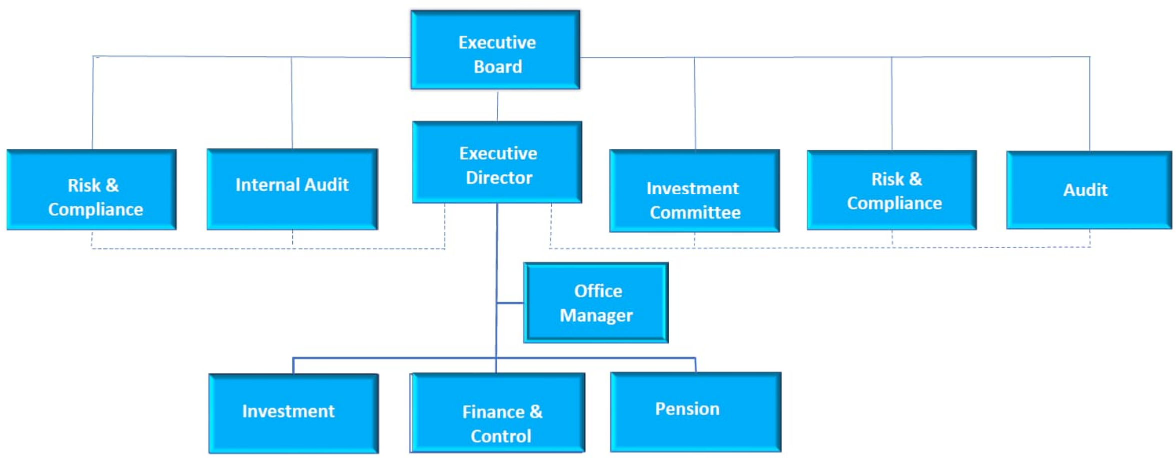
Executive Board committees

The Executive Board has three committees e.g., the Risk and Compliance Committee, the Investment Committee, and the Audit Committee.

Organization

The organization of the Fund is as shown in figure 1 below.

Figure 1: the organization chart of the Fund



The three core activities (investment, pension, finance & control) are incorporated into the organization of the Fund. The Executive Board is ultimately responsible for the Fund. The management of the executive organization is provided by the Executive Director.

The Executive Board has established the following committees:

- Investment Committee
- Risk & Compliance Committee
- Audit Committee

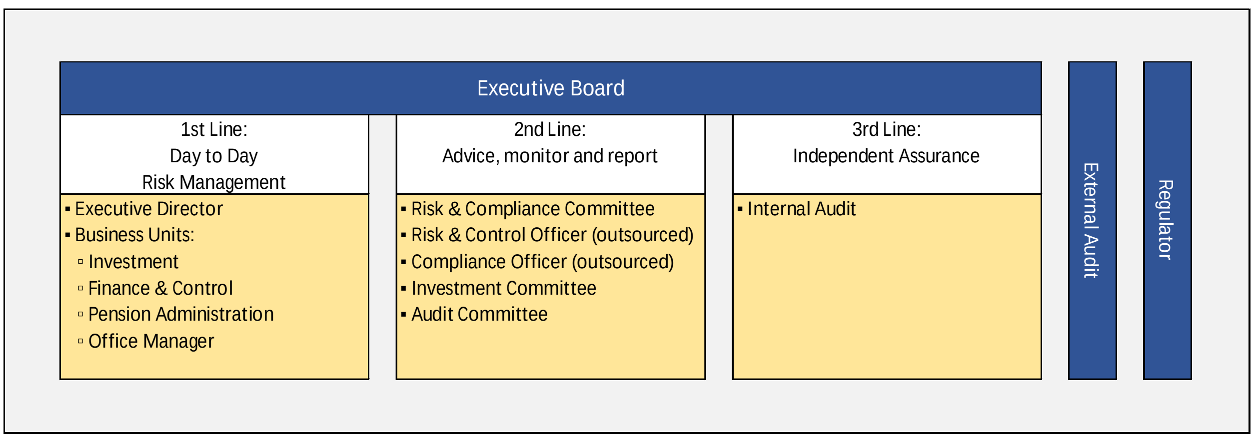
The committees have an advisory role and prepare policy recommendations. In addition, the committees monitor the implementation and progress of the follow-up of the Executive Board decisions based on reports that they receive from the Executive Director. Each committee has three members; at least one is a member of the Executive Board of the Fund. The Executive Board can appoint one or more external members to each committee.

The mandate of the committees, as well as the composition and working method, are laid down in regulations for each committee. The committee regulations are established by the Executive Board.

The Fund'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 2):

- 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 lines in the implementation of internal control and risk management.

Figure 2: The Fund’s Three Lines Model



In December 2020 the risk charter analysis was completed and adopted by the Executive Board. The risk charter describes the design and implementation of the integral risk management (IRM) regarding the financial and non-financial risks of the Fund. 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 the Fund and terms applicable in the risk management process of the Fund.

In 2021, the Fund implemented an enterprise risk management process. The Executive Board has responsibility for internal controls and risk management.

Policy changes in 2022

Table 7 shows the key policy documents and decisions presented, which were adopted by the Executive Board in 2022.

Table 7: Key policy decisions and policy documents approved by Executive Board in 2022

Areas	Policy Document	**Approved by Executive Board**
Allocation investment & costs of DB & DC schemes	Ring fencing policy document	May 2022
Sound business conduct requirements	Sound business conduct policies & procedures manual	May 2022
Actuariële en Bedrijfstechnische Nota (ABTN)	Updated ABTN document	June 2022
Business Continuity Management (BCM)	Business Continuity Management Policy & Plan documents	September 2022
Business Risk Assessment & Compliance	Updated Business Risk Assessment & AML/CFT manual	September 2022
Foreign Investment Manager	Selection of new foreign investment portfolio management & approval of LCG as Investment Advisor	May/September 2022
Lump sum payments & transfer of values	Policy on costs related to lump sum payments & transfer of values	November/December 2022

Financial position and funding development

As of January 1, 2022, the Fund's actuarial interest for the Defined Benefit plan is 4% (2021: 4%) and for the Defined Contribution plan, the rate of return is 3.75% (2021: 3.5%). The mortality table in use is GBM /GBV 2005-2010 (2021: GBM /GBV 2005-2010) and the applied age correction factor -1 in 2022 (2021: -1).

The Fund kept operating expenses in 2022 within budgeted margins to maintain the Fund's financial position.

The investment portfolio consisted in 2022 mainly of government bonds, secured loan facilities and real estate investments resulting in a steady flow of interest income.

Risk Management

The Executive Board has adopted the Risk Charter, which describes the structure and implementation of Enterprise Risk Management (ERM) regarding the financial and non-financial risks of the Fund, as shown in table 8.

Table 8: 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 Risk Officer is committed to identifying, evaluating, and managing risks to the Fund and implementing and maintaining control procedures to reduce significant risks to an acceptable level.

To meet this responsibility, a Risk Register is maintained, and its purpose is to:

- highlight the scope of the risks to which the Fund is exposed and the tolerance which the Risk Officer (and the Fund) have for those risks;
- rank those risks in terms of likelihood and impact; and
- identify management actions that are either currently being taken or that it is believed should be taken to mitigate the identified risks to an acceptable level.

The Risk Register is reviewed by the Risk Officer quarterly, and any proposed changes are then referred to the Risk & Compliance Committee and the Executive Board at each quarterly meeting.

The main risks to which the Fund is exposed are:

Operational risk: there is a risk that administrative expenses are not covered by premiums contributions, resulting in prospective fewer benefits for the participants due to reduced returns of assets. The small size of the entity may also affect the efficiency of the operations and the Fund's necessity to outsource activities. Furthermore, untimely identification of transactions exceeding budget affects the plan assets and non-plan assets management. Moreover, a lack of oversight on investment property management may result in a reduction of asset value either through loss of future income or maintenance quality of the asset.

IT Risk: the reliability of the mortgage program may result in adequate reporting or inefficient use of human resources.

Credit risk: adverse economic conditions affecting mortgage holders, and dependency on one economy may affect the repayment capacity of mortgage holders or bondholders.

Valuation risk: the accuracy of appraisal reports and the proper valuation of investments pose a risk that the correct valuation is included in the figures of the Fund and thus potentially affecting returns and supervisory ratios.

Liquidity risk: investment Strategy that is inconsistent with Funding Strategy may lead to the Fund not being managed properly through setting employer contribution rates incorrectly and thus resulting in the future liabilities of the Fund not being able to be covered by its assets.

Outsourcing risk: key functions that are outsourced may affect the loss of control, loss of innovation, loss of organizational trust, and higher-than-expected transaction costs.

Risks related to interest rate, concentration, liquidity, and other price sensitivity related to equities are considered in the risk management process but have not been categorized as requiring immediate attention. For reporting purposes, the effects of these risks are disclosed in the notes of the financial statements.

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

Information on state of affairs

The Fund has shown a growth in 2022 in the number of policies and participants. The number of policies increased from 12,489 to 13,670 during 2022 and the number participants increased from 11,075 in 2021 to 12,096 in 2022.

Of the total policies, 5,232 (2021: 4,811) are active policies of the DC Fund. The change in the active policies is specified in the following table.

Table 9: Movement in active policies	2022	2021
Active policies as of January 1	4,811	5,002
New policies from new participants from existing and new affiliated companies	1,156	537
Less: Allocation to the following categories: vested policies, new annuitant's policies and policies related to one-time payments and transfers	(735)	(728)
Active policies as of December 31	5,232	4,811

The project for granting mortgages to the participants, which started in 2008, has further expanded in 2022. At the end of 2022 there were 83 (2021: 77) mortgages issued, with a total value of AWG 13,900,912 (2021: AWG 13,340,603) of which AWG 243,524 (2021: AWG 412,496) is still pending to be disbursed for construction mortgages. Overdue mortgage loans are monitored, and necessary action is taken.

Investment development

General economic developments have a direct impact on the investments of the Fund. As a result, 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 10 illustrates the allocation into different categories of the total investment of the Fund:

Table 10: Investment category	2022	2021
	%	%
Bonds	44	40
Loans	18	21
Time deposits	4	4
Mortgages	9	9
Fixed income investments	75	74
Investment property	13	14
Shares	12	12
Balance as of 31 December	100	100

Actuarial developments

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 11.

Table 11: Actuarial analysis

in AWG	2022	2022	2021	2021
Result on the contributions and others				
Contribution by the employers and participants	13,749,220		11,353,138	
Calculated premium	(13,745,943)		(11,351,732)	
		3,277		1,406
Result on investments				
Result on investments	7,509,757		6,662,537	
Yield on pension for the risk of the fund including DC pensioners	(972,683)		(873,338)	
Yield on pension for the risk of the participants	(4,811,988)		(4,039,923)	
Impairment mortgages	-		-	
		1,725,086		1,749,275
Result on mortality and others				
Result on disability	-		-	
Result on mortality	(337,379)		(231,738)	
		(337,379)		(231,738)
Result on distribution cost				
Pension administrative expenses	(2,023,887)		(2,293,812)	
Cost component included in premium	1,529,695		1,251,909	
Release calculated cost	20,341		16,800	
		(473,851)		(1,025,103)
Result on value transfers and refunds				
Release due to value transfers and refunds	1,551,475		1,486,531	
Refunds and value transfers	(1,602,378)		(1,418,828)	
		(50,903)		67,703
Other results				
Result on change in actuarial assumptions	-		-	
Result on others	349,405		93,971	
		349,405		93,971
Net result according to financial statements		1,215,635		655,514

Actuarial developments

In 2022 the Fund maintained the mortality tables GBM /GBV 2005-2010 (2021: GBM /GBV 2005-2010). For further details on the actuarial developments, we refer to the actuarial declaration for the financial year 2022 as issued by Actuarial Consultancy Caribbean (AC²) B.V and pages 34 – 36 (provision).

Developments in 2022

Details of the pension portfolio

As per year-end, the Fund had a total of 13,670 (2021: 12,489) policies, of which the composition is specified in the following table 12.

Table 12: Pension Portfolio

DB policies	2022	2021
Active policies	177	190
Vested policies	313	312
Annuitants' policies	172	161
Partners pension policies	11	10
Orphan policy	-	-
Total policies	673	673

DC policies	2022	2021
Active policies	5,232	4,811
Vested policies	7,156	6,497
Annuitants' policies	572	479
Partners pension policies	31	27
Orphan policy	6	2
Total policies	12,997	11,816
Total policies	13,670	12,489

The number of participants can be specified in the following table 13.

Table 13: Number of participants

Group	DC participants		DB participants		Total participants	Total participants
	2022	2021	2022	2021	2022	2021
Active	5,031	4,606	171	184	5,202	4,790
Vested	5,963	5,444	304	303	6,267	5,747
Annuitants' policies	424	354	158	147	582	501
Partners and orphan pension	34	27	11	10	45	37
Total participants	11,452	10,431	644	644	12,096	11,075

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

For the year 2022 the actuarial interest percentage was for the Defined Benefit plan 4% (2021: 4%). For the Defined Contribution plan a rate of return percentage of 3.75% (2021: 3.5%) 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 the Fund and depends among others on the performance of the Fund's investments.

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

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.

The Executive 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 the Fund

- Planning

The rapid changes in the financial industry call for clear strategies and swift decision-making. Long-term strategic planning at the Fund is carried out in close contact between the Executive Director and the Executive Board and is deduced from the ALM study dated January 2021.

- Investment Policy and an AO/IC-Manual

The investment activities are laid down in the Investment Policy Statement (IPS) dated October 2021. 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 October 2021.

- 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.

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 on 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 Executive Board members receive a monthly remuneration.

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Financial Statements

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Statement of financial position

As at December 31, 2022 *in AWG*	*Note*	December 31, 2022	December 31, 2021
ASSETS			
Property, plant, and equipment	*5*	378,519	499,322
Investments for the risk of the Fund	*6*	14,033,449	14,616,355
Investments for the risk of the participants	*7*	119,508,890	109,124,709
Investment properties for the risk of the participants	*8*	19,956,209	19,299,663
Receivables	*9*	3,290,035	2,792,430
Cash and cash equivalents	*10*	19,899,934	13,367,284
Total assets		177,067,036	159,699,763
CAPITAL AND LIABILITIES			
Fund capital		-	-
Reserves		13,554,377	12,338,741
Total Fund capital		13,554,377	12,338,741
Provision for pension liabilities for risk of the Fund	*11*	14,386,049	14,099,158
Provision for pension liabilities for risk of the participants	*12*	147,616,434	131,500,521
Lease liabilities	*13*	893,361	994,703
Other liabilities and accrued expenses	*14*	616,815	766,640
Total liabilities		163,512,659	147,361,022
Total capital and liabilities		177,067,036	159,699,763
Pension liability reserve funding ratio - CBA[16]		102.70%	102.60%
Pension liability reserve funding ratio [17]		102.80%	102.50%

[16] Pension liability reserve funding ratio – CBA: (Total assets – solvency margin– short-term liabilities) /pension provision)
[17] Pension liability reserve funding ratio: (Total assets – solvency margin) /pension provision)

Statement of comprehensive income

in AWG	*Note*	2022	2021
REVENUES			
Premium Contribution for the risk of the participants	*18*	13,749,220	11,353,138
Net investment result for risk of the participants	*19*	7,103,711	5,748,101
Net investment result for risk of the Fund	*20*	406,046	914,436
Total revenues		21,258,977	18,015,675
EXPENSE			
Retirement benefits and refunds	*21*	1,602,378	1,418,828
Changes in pension provision for risk of the Fund	*11*	286,891	284,119
Changes in pension provision for risk of the participants	*12*	16,115,913	13,306,649
Pension administrative expenses	*22*	2,023,887	2,293,812
Net value of transfers		14,272	56,753
Total operating expenses		20,043,341	17,360,161
Total comprehensive income for the period		1,215,636	655,514
APPROPRIATION OF COMPREHENSIVE INCOME			
Added to the reserve for risk of the Fund		(277,380)	349,147
Added to the reserve for risk of the participants		1,493,016	306,367
		1,215,636	655,514

Statement of changes in Fund capital

For the year ended December 31
in AWG

	Fund capital	Reserves Risk of the Fund	Reserves Risk of the participants	Reserves	Total Fund capital
Balance as of January 1, 2021	-	442,430	11,240,797	11,683,227	11,683,227
Net comprehensive income for the period	-	349,147	306,367	655,514	655,514
Balance as of December 31, 2021		791,577	11,547,164	12,338,741	12,338,741
Net comprehensive income for the period	-	(277,380)	1,493,016	1,215,636	1,215,636
Balance as of December 31, 2022	-	514,197	13,040,180	13,554,377	13,554,377

Statement of cash flows

For the year ended December 31 *in AWG*	*Note*	2022	2021
Cash flow from pension activities			
Net contributions for the risk of the participants		13,477,487	11,687,446
Disbursement due to refunds and transfers		(14,272)	(56,753)
Disbursements due to retirement benefits and refunds	*21*	(1,602,378)	(1,418,828)
Paid administrative expenses		(1,969,797)	(2,510,632)
Paid interest on leases – PP&E		(20,060)	(25,599)
Net cash from pension activities		9,870,980	7,675,634
Cash flow from investing activities			
Net Proceeds from investments for risk of the Fund		676,028	681,358
Net Proceeds from investments for risk of the participants		6,819,166	5,593,401
Investments redeemed for risk of the Fund		671,676	738,098
Investments redeemed for risk of the participants		20,255,677	9,983,683
Acquisition of investments for risk of the Fund		(3,906,173)	(631,214)
Acquisition of investments for risk of the participants		(27,651,177)	(16,080,950)
Acquisition of property, plant, and equipment	*5*	(63,052)	(46,531)
Paid interest on leases – investment properties		(39,133)	(39,311)
Net cash used in investing activities		(3,236,988)	198,534
Cash flow from financing activities			
Paid principal portion of leases		(101,342)	(95,625)
Net cash used in financing activities		(101,342)	(95,625)
Net increase of cash and cash equivalents		6,532,650	7,778,543
Cash and cash equivalents as of January 1	*10*	13,367,284	5,588,741
Effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents as of December 31	*10*	19,899,934	13,367,284

Pension Fund
Tourism Sector Aruba

Notes to the Financial Statements

Notes to the financial statements for the year ended December 31, 2022

1. General information

Fund information

The Fund, with registered offices in Oranjestad, Aruba, was founded on March 27, 1992 on the initiative of the Aruba Hotel & Tourism Association ("AHATA") and the Federacion di Trahadornan di Aruba ("FTA"), as 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. The Fund is registered at the Chamber of Commerce under the number S171.

Currently, there are 190 (2021: 180) member companies affiliated with the Fund, who together represent 13,670 policies and 12,096 participants.

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

The Fund 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.

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

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.

Managed Pension Plans

As of 2004, the Fund administers two plans, namely, a Defined Benefit (DB) Plan ("for the risk of the pension Fund" or "Fund 1") and a Defined Contribution (DC) Plan ("for the risk of the participants" or "Fund 2"). As of this date, the Fund ceased allowing participation in the DB-Plan and the participants can continue only with the DC-plan. The pensions built up in the DB-Plan until 2003 have not been transferred to the new pension plan (DC-plan).

In the DB-Plan the participants have built up old-age pension, partner pension and orphan's pension. These pensions are based on pensions purchased from a defined contribution and guaranteed by the Fund. Active and vested policies in the DB plan have guaranteed benefits based on the contributions funded.

In the DC-Plan the participants built up pension capital. based on defined contributions and annual returns and subsequently purchased to a guaranteed benefit when the pension age has been reached.

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 a 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 2009, the Fund changed the actuarial calculation rate previously used in the calculation of the defined benefit plan. Based on this 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 equivalent to using an interest market rate approach for the calculation of the technical provision for the defined benefit plan.

Funding arrangements

According to the Rules, the resources of the Fund for the risk of the participants derive from (a) contributions from employers, (b) contributions from its members, and (c) the income from the investment of its assets. The contributions are expressed as a percentage of each member's reference salary, which is equal to the basic remuneration for 40 hours work per week. The Fund for the risk of the Fund is not active and hence does not obtain contributions from employers or members.

Termination terms

When membership of the Fund terminates before the applicable age of retirement for a reason other than death or total disability, a transfer value is calculated based on the reference salary at the date of termination: i. Less than five years of service: where the member has less than five years of service, the transfer value is paid into another pension scheme or to the member himself; ii. Between five and ten years of service: the member has the choice between a deferred retirement pension, payment into another pension scheme, or, if the latter option is not possible, to himself; iii. Ten or more years of service: the member has the choice between a deferred retirement pension, and payment into another pension scheme, if the latter option is not possible, into a private insurance scheme offering comparable guarantees. Payment of a transfer value extinguishes any right to a pension, except for partial disability that is already being paid.

Significant Activities for the period

There were no significant activities during the year.

Pension Portfolio

DB policies	2022	2021
Active policies	177	190
Vested policies	313	312
Annuitants' policies	172	161
Partners pension policies	11	10
Orphan policy	-	-
Total policies	673	673

DC policies	2022	2021
Active policies	5,232	4,811
Vested policies	7,156	6,497
Annuitants' policies	572	479
Partners pension policies	31	27
Orphan policy	6	2
Total policies	12,997	11,816
Total policies	13,670	12,489

Number of participants

Group	DC participants		DB participants		Total participants	Total participants
	2022	2021	2022	2021	2022	2021
Active	5,031	4,606	171	184	5,202	4,790
Vested	5,963	5,444	304	303	6,267	5,747
Annuitants' policies	424	354	158	147	582	501
Partners and orphan pension	34	27	11	10	45	37
Total participants	11,452	10,431	644	644	12,096	11,075

Investment policy

The investment policy of the Fund is developed in such a way that the benefits of pension entitlements of the participants of the Fund can be realized. To achieve this objective, it is important that the funds entrusted to the Fund are managed and invested in a responsible and prudent manner. The Fund aims to achieve the highest possible return within the defined risk frameworks. This will be among others achieved through adequate diversification and elimination of concentration risk where feasible.

The strategic investment policy was prepared and approved by the Executive Board of the Fund in October 2021 and is an update of the Investment Guideline Proposal dated February 2018. The strategic investment policy will be updated and/or revised at least every three years. The strategic investment policy will also be amended in case of material changes: e.g., policy, market, etc.

The strategic investment policy is based on the earlier mentioned ALM study conducted by Willis Towers Watson (WTW) in which an assessment was carried out on the optimal balance between the allocations of the investments portfolio and the projected future obligations of the pension fund towards its members. Specifically, the following approach was taken in the ALM study:

- An analysis was done based on 2,000 scenarios which generated the outcome for five test profiles. These five test profiles are representative of the Fund population. Calculations were performed based on a premium contribution of both 6% and 25%.
- The 2,000 outcomes were presented as percentiles in a block diagram to show both expected values and the dispersion of the outcomes for each of the test profiles. This was done for multiple investment mixes to be able to compare these investment mixes and see which are optimal for any given straw man.
- Five investment mixes were assessed. Each mix consisted of a 60% allocation to local assets. The remaining 40% was used to obtain exposure to foreign investments.

Regulatory Environment

PFTSA is supervised by the CBA. With this, the legal framework, such as laid down in the State Ordinance Company Pension Funds, the actuarial guidelines of the CBA and the solvency guidelines of the CBA applicable to the fund. The solvency of the pension fund is measured by the coverage ratio, which is defined as the ratio between the value of the pension assets and the value of the provision for pension obligations. The definition of the gross coverage ratio is expressed in the following formula:

$$\text{Gross coverage ratio} = \frac{\text{Pension Assets} - \text{short-term liabilities}}{\text{Provision for pension obligations}}$$

To prevent the coverage ratio from falling because of a decrease in the value of the investments to an unacceptable low level, the pension fund is also required to hold a solvency margin. Maintaining a solvency margin is expressed in the net coverage ratio according to the following formula:

$$\text{Net coverage ratio} = \frac{\text{Pension Assets – short-term liabilities – solvency margin}}{\text{Provision for pension obligations}}$$

In accordance with the solvency guidelines of the CBA, both the gross and the net funding ratio must be a minimum amount to 100%. Both the gross funding ratio and the net funding ratio are higher than 100% as of December 31, 2022. The available resources are enough to provide the facility to fully cover the pension obligations, as included in these financial statements, and to meet the solvency margin required by the CBA to mitigate any negative investment result.

2. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) applicable to companies reporting under IFRS. They have been prepared on the basis that the Fund operates on a going concern basis.

Foreign currency translation

Functional and presentation currency

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

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.

Comparative figures

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

Investments

Investments for the risk of the Fund and 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 statement of comprehensive income.

The Fund classifies these financial instruments into the following categories:

A. Investments for the risk of the Fund (refer to note 6):

- 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 7):

- 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. Based on the nature and calculations of the investments, the amortized cost using the effective interest method mirrors the fair value of these investments.

Investments in unlisted fixed investments consist of issued private loans and purchased Land Aruba government bonds, corporate bonds, term deposits, mortgages, and others. 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

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.

Changes in the value of these investments in unlisted investment funds, as well as dividend yields, are accounted for as net investment results for the 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.

Financial Instruments not categorized as investments.

Financial assets and financial liabilities are recognized in the Fund's statement of financial position when the Fund becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value, except for rental or premium receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Impairment

Impairment of Financial Assets – Non-plan assets

The financial instruments related to the Fund's operational activities 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". The Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Impairment of Non-Financial Assets – Plan 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.

Impairment of Financial Assets – Plan assets

Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset than can be estimated reliably. Objective evidence that investments are impaired can include:

- delinquency by a borrower or issuer, restructuring of a loan or advance by the Pension Fund on terms that the Pension Fund would otherwise consider
- indications that a borrower or issuer will enter commercial bankruptcy
- indications that a borrower or issuer will encounter loss of income, either as borrower or co-borrower.
- indications that economic conditions will impact the borrower's or issuer's business or industry
- indications of significant recession in the borrower's or issuer's country
- other observable data relating to an individual asset

Delinquency (past due) is defined as payments that are 90 days in arrears or greater.

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.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the period in which the property is derecognized.

Leased assets.

The Fund as a lessee

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 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 the 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 the 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.

The Fund as a lessor

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 is classified as an operating lease if it does not.

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.

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
-	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.

Transfers

The Fund may transfer plan assets from Fund 1 to Fund 2 or vice versa based on ring-fencing policy. Transfers between funds are based on the fair value of the transfer of the approved transfer date. Transfers balances not converted in investments reside in the current account of the respective fund and hence allocated to the proper fund as plan assets.

Fund Capital

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

Provision

A provision is recognized if, because 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:

Provision for pension liabilities for the risk of the Fund (defined benefit)

- Discount rate: 4% (2021: 4%).
- Mortality table: The mortality table used GBM/GBV 2005-2010 (2021: 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 for retirees. For children (under 21 years), the mortality risk was set at zero.
- Age difference: All participants are assumed to be married. Male participants are assumed to be two years older than female participants; the provision is set at the net cash value of the regulatory benefits accrued until the 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 cost.
- Cost deduction: 0.5% (2021: 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's discretion.

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 for the assets of the Fund.

All the participants of the defined benefit plan are vested. Since 2004, the qualifying employers have not provided contributions to the defined benefit plan anymore as the Fund ceased participation.

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

Provision for pension liabilities for the risk of the participants (defined contribution)

- Discount rate after retirement: 3.75%
- Mortality table: the mortality table used is, GBM/GBV 2005-2010 (2021: 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 (2021: -1 year) for retirees. For children, the mortality risk was set at zero.
- Cost deduction: 10% (2021: 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 cost.
- Interest granted: 3.75% (2021: 3.5%).

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.

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 financial liability when its contractual obligations are discharged or canceled or expire.

Financial assets and liabilities are offset, and the net amount is 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 other liabilities and accrued expenses. These are recognized initially at fair value plus any directly attributable transaction costs and after the initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Revenues

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 the collection is accounted for in the benefit payments and administrative expenses.

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. Net investment results include direct expenses, which are expenditures directly related to investment-producing activities, such as professional fees, allocation personnel expenses, operating expenses of investment properties, and other operating expenses of investment activities.

Other income

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

Expenses

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.

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 the 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 that the adjustment of the actuarial interest rate in line with guidelines has on the provisions for pension is recognized in the statement of comprehensive income at the end of the reporting period.
- Change in actuarial assumptions: the effect that 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.

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

The changes reflect the difference between the beginning and ending values at the 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 comprehensive income in the period for which the 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 that 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 that the adjustment of the actuarial assumptions has on the provision for pension is recognized in the statement of comprehensive income at the end of the reporting period.

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 2022 as in 2021, 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 directly linked to investment activities of the Fund.

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.

Related parties

Related parties are persons or entities that are related to the reporting entity. These include a person or a close member of that person's family who has control or joint control of the reporting entity, has significant influence over the reporting entity, or is a member of the key management personnel of the reporting entity.

Additionally, it also includes an entity that is related to a reporting entity when:

- They are members of the same group.
- The entity is an associate or joint venture of the other entity.
- The entities that are joint ventures of the same third party.
- One entity is a joint venture of a third entity, and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.
- The entity is controlled or jointly controlled by a related party person.
- A related party person has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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 with salary, benefits, and incentives based on individual performance.

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.

3. Critical accounting judgements and key sources of estimation uncertainty

In applying the Fund's accounting policies, which are described in note 2, the Executive Board is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Fund's accounting policies.

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Executive Board has made in the process of applying the Fund's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

Impairment testing.

Following the assessment of the recoverable amount of plan financial assets, which have been determined to be impaired, the Executive Board consider the recoverable amount of plan financial assets to be most sensitive to the market value of the appraisal report. Appraisal reports mentions the estimated cost per square meter for construction and land, estimated fencing cost, estimated market values per square meter, foreclosure percentage from market value based on current and anticipated market conditions that have been considered and approved by the Executive Board. The estimates have historically been relatively stable. However, due to the uncertain nature of assets and unstable market conditions, the estimates may be more sensitive. The effects of the global supply chain and inflation have an indirect impact on the real estate industry and on construction costs. The sensitivity analysis in respect of the recoverable amount of plan financial assets is presented in note 15.

Discount rate used to determine the carrying amount of the Fund's defined benefit obligation.

The determination of the Fund's defined benefit obligation depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to market yields at the end of the reporting period for high-quality corporate bonds. Significant assumptions are required to be made when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, the quality of the bonds and the identification of outliers that are excluded. These assumptions are a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Fund's financial statements within the next year. Further information on the carrying amounts of the Fund's defined benefit obligation and the sensitivity of those amounts to changes in the discount rate are provided in note 15.

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.

In estimating the fair value of an asset or a liability, the Fund uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Fund engages third-party qualified appraisers to perform the valuation. The valuation committee works closely with qualified external appraisers to establish the appropriate valuation techniques and inputs to the model. The Finance and Control manager reports the valuation committee's findings to the Executive Board of the Fund every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities. The valuations of private equity investments, contingent consideration in business combinations and nonderivative financial assets held for trading are particularly sensitive to changes in one or more unobservable inputs, which are considered reasonably possible within the next financial year. Various valuation methods are used to determine the fair value of the financial instruments. The levels below provide 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 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 based on 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 Fund 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 determination of fair value for level three plan financial assets, the Executive Board considers the fair value amounts of plan financial assets to be most sensitive to the market value of the appraisal report. Appraisal reports consist of occupancy rates, discount rates, future rental income and estimated maintenance expenditures that have been considered and approved by the Executive Board. The occupancy rate and the discount rate are most sensitive to changes due to the nature of the investment properties. Appraisal reports are prepared by an independent and qualified appraiser. Qualified appraisers are considered an NRVT Register – Taxateur or members of a similar association.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provision for pension liabilities for the risk of the Fund (defined benefit)

The Executive Board's estimate of the defined benefit obligation is based on a few critical underlying assumptions, such as mortality, discount rate and anticipation of future salary increases.
Variations in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expenses amount. The information about assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year in relation to the provision for pension liabilities for the risk of the Fund are described in note 11.

Provision for pension liabilities for the risk of the participants (defined contribution)

The Executive Board's estimate of the defined contribution obligation is based on several critical underlying assumptions such as mortality and discount rate. Variations in these assumptions may significantly impact the defined contribution obligation amount and the annual defined contribution expenses amount. The information about assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year in relation to the provision for pension liabilities for the risk of the participants are described in note 12.

4. 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.

IFRS Standards and Interpretations	Commentary
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 regarding 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 can replace any missing inputs or processes and continue 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 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

IFRS Standards and Interpretations	Commentary
	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.

Standard number	Standard name
IFRS 17 (including the June 2020 amendments to IFRS 17)	Insurance Contracts
Amendments to IFRS 10 and IAS 28	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
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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.

Pension Fund
Tourism Sector Aruba

Notes to the Financial Position

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Pension Fund Tourism Sector Aruba

Notes to the financial position

5. 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, 2021						
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
Changes in 2021						
Investments	-	-	3,407	-	43,124	46,531
Investments disposal	-	-	(10,862)	-	(25,967)	(36,829)
Depreciation	(100,133)	(8,822)	(22,470)	(24,660)	(39,013)	(195,098)
Depreciation disposal	-	-	10,862	-	25,502	36,364
Total change	(100,133)	(8,822)	(19,063)	(24,660)	3,646	(149,032)
Balance as of December 31, 2021						
Cost	486,378	44,107	147,333	137,000	283,568	1,098,386
Accumulated depreciations	(164,507)	(14,551)	(96,504)	(91,530)	(231,972	(599,064)
Carrying amount	321,871	29,556	50,829	45,470	51,596	499,322
Changes in 2022						
Investments	-	-	-	-	63,052	63,052
Investments disposal	-	-	-	-	(20,552)	(20,552)
Depreciation	(100,133)	(8,821)	(19,572)	(18,810)	(36,519)	(183,855)
Depreciation disposal	-	-	-	-	20,552	20,552
Total change	(100,133)	(8,821)	(19,572)	(18,810)	26,533	(120,803)
Balance as of December 31, 2022						
Cost	486,378	44,107	147,333	137,000	326,068	1,140,886
Accumulated depreciations	(264,640)	(23,372)	(116,076)	(110,340)	(247,939)	(762,367)
Carrying amount	221,738	20,735	31,257	26,660	78,129	378,519

The property, plant and equipment are not encumbered. All depreciation and impairment charges are included within depreciation, amortization, and impairment of non-financial assets.

6. 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 the 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 into the following categories, including the applied valuation methods of the three levels of fair values:

in AWG	Level 1	Level 2	Level 3	December 31, 2022
Non-current Plan Assets				
6.1 Listed investment funds	120,646	-	-	120,646
6.2 Unlisted fixed investments	-	-	13,912,803	13,912,803
Balance as of December 31, 2022	120,646	-	13,912,803	14,033,449
Minus: Short term investments	(120,646)	-	(500,000)	(620,646)
	-	-	13,412,803	13,412,803

in AWG	Level 1	Level 2	Level 3	December 31, 2021
Non-current Plan Assets				
6.1 Listed investment funds	1,998,501	-	-	1,998,501
6.2 Unlisted fixed investments	-	-	12,617,854	12,617,854
Balance as of December 31, 2021	1,998,501	-	12,617,854	14,616,355
Minus: Short term investments	(1,998,501)	-	(34,362)	(2,032,863)
	-	-	12,583,492	12,583,492

Reconciliation of Level 3 fair value measurements of financial instruments.

	Unlisted fixed investments
Balance at January 1, 2021	12,676,087
Total gains and losses:	-
In comprehensive income	-
Purchases	
Issues	-
Settlements	(58,233)
Transfers out of level 3	-
Transfers into level 3	-
Balance at January 1, 2022	12,617,854
Total gains and losses:	-
In comprehensive income	(1,429)
Purchases	3,757,250
Issues	-
Settlements	(34,362)
Transfers out of level 3	(2,426,510)
Transfers into level 3	-
Balance at December 31, 2022	13,912,803

6.1 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, 2021	254,106	1,538,615	205,780	1,998,501
Purchases and acquisitions	-	148,923	-	148,923
Sales and redemption	(120,948)	(359,668)	(156,698)	(637,314)
Change in fair value of investment	(12,512)	(231,043)	(24,998)	(268,553)
Transfer to listed investments fund for the risk of the participants	-	(1,096,827)	(24,084)	(1,120,911)
Balance as of December 31, 2022	120,646	-	-	120,646
Minus: Short-term investments	(120,646)	-	-	(120,646)
Long-term portion	-	-	-	-

6.2 Investment in unlisted fixed investments

The government's 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.

At the end of 2022, the time deposits have a maturity period that varies between 3 to 4 years. These deposits earn between 4.0 to 5.0% interest per annum. The terms and conditions of the bonds and time deposits were as follows:

in AWG	Bonds	Time deposits	Loans	Total
Balance as of December 31, 2021	8,156,982	2,000,000	2,460,872	12,617,854
Acquisitions	3,757,250	-	-	3,757,250
Redemption	-	-	(34,362)	(34,362)
Amortization, Capitalization, and impairment	(1,429)	-	-	(1,429)
Transfer to unlisted fixed investments for the risk of the participants	-	-	(2,426,510)	(2,426,510)
Balance as of December 31, 2022	11,912,803	2,000,000	-	13,912,803
Minus: Short term investments	(500,000)	-	-	(500,000)
Long-term portion	11,412,803	2,000,000	-	13,412,803

in AWG	Type	Maturity	Interest %	Outstanding 12-31-2022	Outstanding 12-31-2021
Land Aruba	Bonds	2021 -2037	4.25 – 6.5	11,912,803	8,156,982
Volkskredietbank van Aruba	Time Deposits	Jul - 2024	5.0	1,000,000	1,000,000
Volkskredietbank van Aruba	Time Deposits	Dec - 2025	4.0	1,000,000	1,000,000
SOGA – HOH	Loan	Jan -2043	6.5	-	2,460,872
				13,912,803	12,617,854

7. 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 the 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, including the applied valuation methods of the three levels of investments:

in AWG	Level 1	Level 2	Level 3	December 31, 2022
7.1 Listed investment funds	9,315,160	-	3,115,500	12,430,660
7.2 Unlisted fixed investments	-	-	94,521,058	94,521,058
7.3 Unlisted investment funds	-	-	12,557,172	12,557,172
Balance as of December 31	9,315,160	-	110,193,730	119,508,890
Minus: Short-term investments	(9,315,160)	-	(3,911,722)	(13,226,882)
Long-term portion	-	-	106,282,008	106,282,008

in AWG	Level 1	Level 2	Level 3	December 31, 2021
7.1 Listed investment funds	3,523,100	-	3,128,008	6,651,108
7.2 Unlisted fixed investments	-	-	90,785,352	90,785,352
7.3 Unlisted investment funds	-	-	11,688,249	11,688,249
Balance as of December 31	3,523,100	-	105,601,609	109,124,709
Minus: Short-term investments	(3,523,100)	-	(8,456,373	(11,979,473)
Long-term portion	-	-	97,145,236	97,145,236

Reconciliation of Level 3 fair value measurements of financial instruments.

	Listed Investments Funds	Unlisted fixed investments	Unlisted Investment Funds	Total
Balance at January 1, 2021	3,022,608	85,699,967	11,589,515	100,312,090
Total gains and losses:				
In comprehensive income	118,150	(376,033)	322,565	64,682
Purchases	21,250	13,888,446	-	13,909,696
Issues	-	-	-	-
Settlements	(34,000)	(8,427,028)	(223,831)	(8,684,859)
Transfers out of level 3	-	-	-	-
Transfers into level 3	-	-	-	-
Balance at December 31, 2021	3,128,008	90,785,352	11,688,249	105,601,609
Total gains and losses:				
In comprehensive income	21,492	1,444,734	868,923	2335149
Purchases	-	11,279,843	-	11,279,843
Issues	-	-	-	-
Settlements	(34,000)	(11,393,120)	-	(11,427,120)
Transfers out of level 3	-	(22,261)	-	(22,261)
Transfers into level 3	-	2,426,510	-	2,426,510
Balance at December 31, 2022	3,115,500	94,521,058	12,557,172	110,193,730

7.1 Investment in listed investment funds

in AWG	Bonds	Shares	Alternatives investments	Total
Balance as of December 31, 2021	3,153,733	3,497,375	-	6,651,108
Acquisitions	9,497,758	6,444,349	-	15,942,107
Redemption	(6,451,722)	(4,012,155)	(26,567)	(10,490,444)
Change in fair value of investment	(85,455)	(710,050)	2,483	(793,022)
Transfer from listed investments fund for the risk of the fund	-	1,096,827	24,084	1,120,911
Balance as of December 31, 2022	6,114,314	6,316,346	-	12,430,660
Minus: Short term investments	(4,516,314)	(6,066,346)	-	(10,582,660)
Long-term portion	1,598,000	250,000	-	1,848,000

Bonds

In AWG	Maturity	Cost	Interest %	Outstanding 12-31-2022	Outstanding 12-31-2021
Building Depot Curacao B.V.	Nov-29	1,700,000	5.0	1,598,000	1,632,000
Kovack Securities Inc.[18]	-	630,937	-	-	629,233
Prime Real Estate Fund Brion B.V. dba Curaçao Heritage Fund	Nov-23	850,000	5.0	892,500	892,500
Principle Government Money[19] Market Fund	-	3,623,814	-	3,623,814	-
				6,114,314	3,153,733

The bonds are secured and shared pro rata based on the participation by first-ranking mortgages and pledges on other securities collateral, except for the money market fund, which is unsecured.

Shares

In AWG	Type	Cost	Outstanding 12-31-2022	Outstanding 12-31-2021
Kovack Securities Inc.	Shares	2,386,796	-	2,893,867
Prime Real Estate Fund Brion B.V. dba Curaçao Heritage Fund	Shares	500,000	625,000	603,508
Several shares through Principal Bank	Shares	5,789,667	5,691,346	-
			6,316,346	3,497,375

[18] Investment in bonds through the asset manager Kovack Securities Inc. are held for trade, therefore the maturity date is not considered.
[19] Investment in Government Money Market Fund through Principal bank are held for trade, therefore the maturity date is not considered.

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7.2 Investment in unlisted fixed investments

in AWG	Bonds	Time deposits	Loans	Mortgages	Total
Balance as of December 31, 2021	46,279,683	4,000,000	27,703,595	12,802,074	90,785,352
Acquisitions	5,000,000	-	3,456,898	1,913,652	10,370,550
Redemption	(1,371,429)	-	(6,647,208)	(1,242,316)	(9,260,953)
Amortization, Capitalization, and impairment	(32,254)	-	176,458	-	144,204
Transfer from unlisted fixed investments fund for the risk of the fund	-	-	2,426,510	-	2,426,510
Other	-	-	-	55,395	55,395
Balance as of December 31, 2022	49,876,000	4,000,000	27,116,253	13,528,805	94,521,058
Minus: Short term investments	(905,714)	-	(989,247)	(749,261)	(2,644,222)
Long-term portion	48,970,286	4,000,000	26,127,006	12,779,544	91,876,836

Bonds

The bonds have a maturity period that varies between 1 to 15 years. These bonds earn, depending on the terms, between 4.00% and 7.25% interest per annum.

In AWG	Maturity	Interest %	Outstanding 12-31-2022	Outstanding 12-31-2021
Several Land Aruba issuing	2021-2035	4.00 -6.125	31,251,143	31,283,397
AIB Bank N.V.	Jul -2027	4.375	5,000,000	5,000,000
AIB Bank N.V.	Nov -2027	4.375	5,000,000	5,000,000
AIB Bank N.V.	Aug -2025	3.125	5,000,000	-
NuCapital Beheer Aruba N.V.	Dec-2024	7.25	2,742,857	4,114,286
Trinidad & Tobago Republican	Aug-2026	4.50	882,000	882,000
			49,876,000	46,279,683

The NuCapital bond is secured, and shared pro rata based on the participation of pledges on other securities collateral.

Time Deposits

At the end of 2022, the time deposits have a maturity period that varies between 3 to 4 years. These deposits earn, depending on the terms, between 3.0% and 5.0 % interest per annum.

In AWG	Maturity	Interest %	Outstanding 12-31-2022	Outstanding 12-31-2021
Volkskredietbank van Aruba	May-24	5.00	1,000,000	1,000,000
FirstCaribbean International Bank (Cayman) Limited – Aruba Branch/ Aruba Bank NV	Dec-25	3.00	1,000,000	1,000,000
FirstCaribbean International Bank (Cayman) Limited – Aruba Branch/ Aruba Bank NV	Feb-24	3.125	2,000,000	2,000,000
			4,000,000	4,000,000

Loans

At the end of 2022, the loans have a maturity period that varies between 4½ to 25 years. These loans earn, depending on the terms, between 4.5% and 7.0% interest per annum.

In AWG	Maturity	Interest %	Outstanding 12-31-2022	Outstanding 12-31-2021
Stichting Onroerend Goed Aruba (HOH)	Jan-43	6.50	10,094,839	7,776,919
Aruba Ports Authority N.V.	Oct-32	5.40	3,667,245	3,951,404
Aruba Ports Authority N.V. (tugboat)	Oct-33	5.40	1,050,155	1,121,970
Stichting Fundacion Cas pa Comunidad Arubano (FCCA)	Sep-32	5.00	4,166,667	4,583,333
Wondersea Investment N.V.	Sep-21	8.50	-	5,585,114
Aruba Airport Authority N.V. – Gateway 2030 project	Dec-38	4.50	1,475,197	1,216,859
Makija Holding N.V.	Aug-36	5.50	3,466,051	3,467,996
Alka Resort NV	Sep-36	6.25	325,869	-
Mack's Total Finance VBA	Jul-27	6.00	1,000,000	-
Caledonia Properties N.V. (St Regis)	Jul-36	7.00	1,870,230	-
			27,116,253	27,703,595

The most important securities for the loans are mortgage rights on the premises and land, assignment of the rights to movable property and inventory, assignment of claim rights and pledging of shares.

The redemption for the loans in 2023 amounts to AWG 989,247.

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Mortgages

Residential mortgages are granted to participants of the Fund. They have a maturity period that varies between 3-30 years. The mortgages earn, depending on terms, between 5.95% to 7.0% interest per annum.

7.3 Investment in unlisted investment funds

Shares

in AWG	Shares		Total
	AGF	Mack's Total Finance	
Balance as of December 31, 2021	5,188,249	6,500,000	11,688,249
Acquisitions	-	-	-
Distribution paid/ Capital returned	-	-	-
Change in fair value of investment	868,923	-	868,923
Balance as of December 31, 2022	6,057,172	6,500,000	12,557,172
Cost as of December 31, 2022	3,685,198	6,500,000	10,185,198

Aruba Growth Fund C.V.

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.

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. The Fund records the NAV as determined by the independent party. The NAV was adjusted upwards in the last available valuation that was carried out by the independent party at the end of December 31, 2022.

Mack's Total Finance VBA

The Fund participates in Mack's Total Finance VBA. The current participation is for a total of 65,000 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. The total cumulative preferred shares participation in Mack's Total Finance VBA is valued at purchase price for AWG 6.5 million.

8. Investment properties for the risk of the participants

Properties with a leasehold provision recognized 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 13. The movement in the category of investment property is specified as follows:

in AWG	Investment property (excluding project in Progress)	Project in progress	Total 2022	Investment property (excluding project in Progress)	Project in progress	Total 2021
Balance as of January 1	10,900,000	7,810,780	18,710,780	10,515,224	8,171,686	18,686,910
Change in fair value	107,520	228,310	335,830	(53,059)	(13,086)	(66,145)
Completed projects	-	-	-	350,000	(350,000)	-
Investments	646,880	7,380	654,260	87,835	2,180	90,015
Disposal	(320,400)	-	(320,400)	-	-	-
Balance as of December 31	11,334,000	8,046,470	19,380,470	10,900,000	7,810,780	18,710,780
Land right-of-use	349,631	226,108	575,739	357,516	231,367	588,883
Balance as of December 31	11,683,631	8,272,578	19,956,209	11,257,516	8,042,147	19,299,663

Investment properties at the end of December 2022 consist of four commercial properties, of which two are leased to third parties.

The investment properties are valued based on the fair value valuation method. The fair value of the Fund's main property assets is estimated based on appraisals performed by an 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 on each reporting date.

The range of yields applied to the annual net rentals to determine the fair value of properties for which current prices in an active market are unavailable vary between 6.0% -7.00% (2021: 6.5% -7.00%).

The Fund entered operating leasing arrangements as a lessor for its investment properties. The average term of operating leases entered 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 is managed by the Investment Account Manager.

9. Receivables

The receivables can be specified as follows:

in AWG	December 31, 2022	December 31, 2021
Premium receivables	1,176,416	950,544
Interest receivables – for the risk of the Fund	224,367	209,700
Interest and dividend receivable – for the risk of the participants	1,653,840	1,551,605
Other	235,412	80,581
Balance as of December 31	3,290,035	2,792,430

10. Cash and cash equivalents

The cash and cash equivalents can be specified as follows:

in AWG	December 31, 2022	December 31, 2021
Caribbean Mercantile Bank N.V.	4,995,536	4,579,361
Aruba Bank N.V.	13,488,803	3,304,129
FirstCaribbean International Bank (Cayman) Limited, Aruba Branch	-	31,545
FirstCaribbean International Bank Curaçao N.V.	-	4,603,295
RBC Bank – WISE, Trinidad & Tobago	1,969	176,732
RBC Bank N.V.	893,699	140,501
Kovack Securities – bank accounts	-	94,066
VP Bank (Switzerland) AG, Zurich	98,711	127,033
Vidanova Bank N.V.	421,216	310,622
Balance as of December 31	19,899,934	13,367,284

The bank balances consist of current accounts and savings accounts. The savings accounts earn an interest between 0.50% and 0.75%. The interest is paid quarterly. The account held at the FirstCaribbean International Bank (Cayman) Limited, Aruba Branch, was transferred to Aruba Bank N.V. in February 2022 due to the closure of the Aruba Branch. Furthermore, the cash and cash equivalents are not restricted.

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	2022	2021
Balance as of January 1	12,023,658	2,075,500	14,099,158	13,815,039
Correction	-	3,107	3,107	-
Interest	475,394	82,652	558,046	546,424
Retirement benefits	(245,470)	(19,284)	(264,754)	(247,986)
New partner pension	-	17,042	17,042	45,756
Surrender value	(26,190)	(2,604)	(28,794)	(32,017)
Deceased members with or without partners	(27,261)	(4,917)	(32,178)	(55,913)
Risk premiums	81,334	(41,617)	39,717	32,815
Paid out costs	(4,909)	(386)	(5,295)	(4,960)
Balance as of December 31	12,276,556	2,109,493	14,386,049	14,099,158
Less: short-term portion			(292,989)	(266,209)
Long term portion			14,093,060	13,832,949

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

in AWG	2022	2022	2021	2021
	Policies	*AWG*	*Policies*	*AWG*
For active members – regular / additional	177	3,890,522	190	4,057,289
Vested members – regular / additional	313	6,842,667	312	6,578,829
Annuitants, partner, and orphan	183	3,652,860	171	3,463,039
Balance as of December 31	673	14,386,049	673	14,099,158

The expected distribution of the timing of the benefit payments are detailed following with a weighted average duration of the defined benefit obligation of 23.99 years:

	Within 12 months	2 – 5 years	5 -10 years	Beyond 10 years
Expected Benefit payments	291,346	1,450,113	2,562,053	8,069,470

Effect discount rate

The actuarial interest rate used to determine the provision for pension obligation for the risk of the fund is set at 4%. The table below shows the effects on the provision if the actuarial interest rates used are met and would be reduced or increased by 1.0%.

In AWG	Change in provision for the year	
	+ 1%	- 1%
31 December 2022	1,934,754	(2,391,392)
31 December 2021	1,975,202	(2,457,037)

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)	2022	2021
Balance as of January 1	122,022,527	9,477,994	131,500,521	118,193,873
Corrections prior year	4,980	-	4,980	(68,361)
Pension accrual and contribution	13,745,943	-	13,745,943	11,351,732
Surrender value	(493,956)	-	(493,956)	(450,263)
Result on Surrender	(25,940)	-	(25,940)	(220,979)
Deceased	(203,882)	(54,001)	(257,883)	(128,941)
Interest	4,649,920	414,637	5,064,557	4,366,837
Pensioners	(2,638,593)	2,847,759	209,166	224,586
Retirement benefits	-	(752,303)	(752,303)	(592,039)
Disbursements expenses	(1,367,626)	(15,046)	(1,382,672)	(1,263,750)
Risk premiums	-	156,497	156,497	81,097
Correction	7,224	(159,700)	(152,476)	6,729
Balance as of December 31	135,700,597	11,915,837	147,616,434	131,500,521
Less: short-term portion			(910,709)	(700,905)
Long term portion			146,705,725	130,799,616

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

in AWG	2022	2022	2021	2021
	Policies	*AWG*	*Policies*	*AWG*
For active members – regular	5,232	93,101,152	4,811	84,739,471
Vested members – regular	7,156	42,599,445	6,497	37,283,056
Annuitants, partner, and orphan	609	11,915,837	508	9,477,994
Balance as of December 31	12,997	147,616,434	11,816	131,500,521

Effect discount rate

The actuarial interest rate used to determine the provision for pension obligation for the risk of the participants is set at 3.75%. The table below shows the effects on the provision if the actuarial interest rates used are met and would be reduced or increased by 1.0%.

In AWG	Change in provision for the year	
	+ 1%	- 1%
31 December 2022	1,037,963	(1,214,299)
31 December 2021	830,523	(972,647)

13. Lease liabilities

in AWG	December 31, 2022	December 31, 2021
Current	107,386	101,342
Non-current	785,975	893,361
Balance as of December 31	893,361	994,703

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 Center: 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.

Future minimum lease payments on 31 December 2022 were as follows:

	Within 1 year	1-5 years	After 5 years	Total
in AWG				
Lease payments	160,535	313,129	1,643,487	2,117,151
Finance charges	(53,149)	(162,775)	(1,007,866)	(1,223,790)
Net present values	107,386	150,354	635,621	893,361

14. Other liabilities and accrued expenses

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

Other Liability and accrued expenses

in AWG	December 31, 2022	December 31, 2021
Accrued liability	295,940	362,568
One-time pension payment payables	158,853	90,721
Insurances	92,350	260,548
Deposits and rent received in advance	39,063	40,563
Payroll and related accruals	30,609	12,240
Balance as of December 31	616,815	766,640

15. Financial Risks

Financial Risk factors

The Pension Fund's activities expose it to a variety of financial risks: market risk (including interest risk and currency risk), credit risk, concentration risk and liquidity risk, and insurance risk. The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All securities investments present a risk of loss of capital. The maximum loss of capital on bonds, equities, investment funds and purchased options is limited to the fair value of those positions. The management of these risks is carried out by the Fund in line with investment guidelines approved by the Executive Board. The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

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, 2022	December 31, 2021
Bonds	68,023,763	57,844,504
Loans	27,116,253	30,164,467
Mortgages	13,528,805	12,802,074
Time deposits	6,000,000	6,000,000
Total fixed rate financial assets	114,668,821	106,811,045

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, 2022, 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% (2021: +/- 1%). These changes are reasonably possible based on the 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 on each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

In AWG	Profit for the year	
	+ 1%	- 1%
31 December 2022	994,185	(1,068,131)
31 December 2021	997,238	(990,486)

Other price risk

The Fund is exposed to other price risks in respect of its listed equity securities. For the listed equity securities, an average volatility of (18.53) % has been observed during 2022 (2021: 6.34%). This volatility figure is a suitable basis for estimating how comprehensive income 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, comprehensive income and equity would have changed by AWG (2,054,774) (2021: AWG 467,126).

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.

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 91% (2021: 89%) in local currency and for 9% (2021: 11%) in foreign currency (ANG and USD). The local currency has historically been linked to the United States Dollars. The local currency as well as the ANG have a fixed exchange rate.

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

in AWG	2022	2022	Total	2021	2021	Total
	Local	*Foreign*		*Local*	*Foreign*	
	91%	*9%*	*100%*	*89%*	*11%*	*100%*
Bonds	60,906,803	7,116,960	68,023,763	53,554,665	4,289,839	57,844,504
Time deposits	6,000,000	-	6,000,000	6,000,000	-	6,000,000
Loans	27,116,253	-	27,116,253	24,579,353	5,585,114	30,164,467
Mortgages	13,528,805	-	13,528,805	12,802,074	-	12,802,074
Investment property	19,956,209	-	19,956,209	19,299,663	-	19,299,663
Shares	12,557,172	6,316,346	18,873,518	11,688,249	5,035,990	16,724,239
Alternative investments	-	-	-	-	205,780	205,780
Balance as of December 31	140,065,242	13,433,306	153,498,548	127,924,004	15,116,723	143,040,727

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.

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 that 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	Real Estate	Others	Total
2022						
Bonds	44%	44,045,946	18,744,460	2,490,500	2,742,857	68,023,763
Time deposits	4%	-	6,000,000	-	-	6,000,000
Loans	18%	6,192,597	5,166,667	5,662,150	10,094,839	27,116,253
Mortgages	9%	-	13,528,805	-	-	13,528,805
Investment property	13%	-	-	19,956,209	-	19,956,209
Shares	12%	-	18,248,518	625,000	-	18,873,518
Balance as of December 31	100%	50,238,543	61,688,450	28,733,859	12,837,696	153,498,548

in AWG	%	Government	Financial institutions	Real Estate	Others	Total
2021						
Bonds	40%	40,322,379	10,883,339	2,524,500	4,114,286	57,844,504
Time deposits	4%	-	6,000,000	-	-	6,000,000
Loans	21%	6,290,233	4,583,333	9,053,110	10,237,791	30,164,467
Mortgages	9%	-	12,802,074	-	-	12,802,074
Investment property	14%	-	-	19,299,663	-	19,299,663
Shares	12%	-	16,120,731	603,508	-	16,724,239
Alternative investments	0%	-	205,780	-	-	205,780
Balance as of December 31	100%	46,612,612	50,595,257	31,480,781	14,352,077	143,040,727

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

Regarding the creditworthiness of borrowers of fixed-income portfolio, these are held in the form of government bonds and corporate bonds, time deposits and loans at local banks or comparable institutions that fall (partially) under the supervision of either the CBA or the Centrale Bank van Curaçao en Sint Maarten (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 the 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. 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 of 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 a significant increase in credit risk as indicated in the following section.

ii) Impairment losses

The aging 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, 2022		December 31, 2021	
in AWG	Gross	Impairment	Gross	Impairment
Not past due	224,367	-	2,670,572	-
Past due less than a year	-	-	-	-
Past due more than a year	-	-	-	-
Total	224,367		2,670,572	-

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

	December 31, 2022		December 31, 2021	
in AWG	Gross	Impairment	Gross	Impairment
Not past due	43,665,488	-	37,498,164	-
Past due less than a year	183,670	150,073	6,404,981	828,685
Past due more than a year	34,906	32,846	32,846	32,846
Total	43,884,064	182,919	43,935,991	861,531

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

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. Approximately 9% (2021: 7%) of the investment portfolio is located abroad (i.e., United States, Trinidad & Tobago, Curaçao) and consists of corporate bonds, shares, and traded securities. The concentration risk of the total investment portfolio of the Fund is considered medium. This is based on the recent history related to the Covid-19 crisis and subsequent economic downturn. Despite several economic downturns, the Fund was able to maintain its return on investment in a very stable position compared with the local and Dutch pension funds. The international financial markets are more susceptible to market movements that impact on the return directly. In the case of the Fund, due to its local investment participation, it has been able to uphold its return effectively. In addition, the Fund has a heightened concentration risk in Land Aruba bonds, which it considers to be low-risk profile considering the sovereign nature of the bonds.

in AWG	2022	2022	Total	2021	2021	Total
	Local	*Foreign*		*Local*	*Foreign*	
	91%	*9%*	*100%*	*93%*	*7%*	*100%*
Bonds	60,906,803	7,116,960	68,023,763	53,554,665	4,289,839	57,844,504
Time deposits	6,000,000	-	6,000,000	6,000,000	-	6,000,000
Loans	27,116,253	-	27,116,253	30,164,467	-	30,164,467
Mortgages	13,528,805		13,528,805	12,802,074	-	12,802,074
Investment property	19,956,209		19,956,209	19,299,663	-	19,299,663
Shares	12,557,172	6,316,346	18,873,518	11,688,249	5,035,990	16,724,239
Alternative investments	-	-	-	-	205,780	205,780
Total	140,065,242	13,433,306	153,498,548	133,509,118	9,531,609	143,040,727

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	14,386,049	292,989	14,093,060
Pension liabilities for risk of the participants	147,616,434	910,709	146,705,725
Other liabilities	616,815	616,815	-
Balance as of December 31, 2022	162,619,298	1,820,513	160,798,785

in AWG	Carrying Amount	Less than 1 year	More than 1 year
Pension liabilities for risk of the Fund	14,099,158	266,209	13,832,949
Pension liabilities for risk of the participants	131,500,521	700,905	130,799,616
Other liabilities	766,640	766,640	-
Balance as of December 31, 2021	146,366,319	1,733,754	144,632,565

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 (2021: 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 2022 (2021: -1). These tables, in accordance with the actuary of the Fund, provide a prudent insight into the life expectancy of 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 2022, the Fund's Executive Board has decided to apply a rate of return of 3.75% (2021: 3.5%) 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% (2021: 4%) has been applied. For both plans 0.5% is deducted for costs for the vested participants.

ii) Sensitivity analysis

The following table illustrates the sensitivity of the provision to a reasonably possible change in discount rates of +/- 0.50% and +/- 1%). These changes are reasonably possible based on the 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	15,517,016	14,386,049	13,368,694
Defined Contribution Provision	148,199,274	147,616,434	147,077,549

	-1.00%	Basis	+1.00%
Discount rate	3.00%	4.00%	5.00%
Defined Benefit Provision	16,777,441	14,386,049	12,451,295
Defined Contribution Provision	148,830,733	147,616,434	146,578,471

The following table illustrates the sensitivity of the provision to a reasonably possible change in age correction (+/- 1 year). All other variables are held constant.

	-1 year mortality	Basis	+1 year mortality
Defined Benefit Provision	14,772,049	14,386,049	13,991,479
Defined Contribution Provision	147,942,360	147,616,434	147,284,035

The following table illustrates the sensitivity of the provision to a reasonably possible change in mortality table. All other variables are held constant.

	Basis GBM/V 05-10	GBM/V 07-12
Defined Benefit Provision	14,386,049	14,543,277
Defined Contribution Provision	147,616,434	147,747,183

16. Contingent liabilities, assets, and commitments

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, 2021	12,498,403
New Commitments	10,137,171
Less: realized commitments	(2,667,545)
Commitments as of December 31, 2022	19,968,029

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

Lease contracts

As of March 2020, the Fund has a lease agreement 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.

in AWG	Within 1 year	1 to 5 years	Later than 5 years
Building WVB lease	101,760	135,680	-
Equipment lease	16,472	8,236	-
	118,232	143,916	-

Property tax and land lease (investment property)

in AWG	Within 1 year	1 to 5 years	Later than 5 years
Property tax	92,604	358,727	3,194,568
Property land lease	42,303	169,212	1,643,487
	134,907	527,939	4,838,055

17. Related parties

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 2022, the basic salaries, social security contributions and other short-term benefits to the key officers of the Fund are as follows:

in AWG	2022	2021
Short-term employee benefits:		
Salaries including bonuses	411,837	389,261
Social security costs	66,108	53,770
	477,945	443,031
Post-employment benefits:		
Defined contribution pension plans	15,390	15,285
Total remuneration	493,335	458,316

Furthermore, the Fund has granted one mortgage to one of the Executive Board members with an interest rate of 5.95% and a loan period of 15 years. As of December 31, 2022, the outstanding balance of this mortgage amounts to AWG 39,227 (2021: AWG 59,929).

During the year, the Fund entered into the following transactions with other related parties.

in AWG	2022	2021
Investments for the risk of the participant	2,742,857	4,114,286
Income:		
Contribution	146,362	132,577
Interest income	290,000	343,857
Expenditures:		
Property, lant and equipment	16,327	26,625
Direct expenses for the risk of the participant	21,083	20,745
Pension administrative expenses	2,234	750

Pension Fund Tourism Sector Aruba

Notes to the Statement of Comprehensive Income

Notes to the statement of comprehensive income for the year ended December 31, 2022

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 the Fund, as described in the rules and regulations (RRDC172022), 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 premiums; however, the total contribution may not exceed 25%.

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

in AWG	2022	2021
Employers' contributions	6,682,570	5,551,415
Regular contributions by the participants	6,682,570	5,551,415
Additional contributions by the participants	384,080	250,308
	13,749,220	11,353,138

Concentration

The top ten participating employers with the Fund represent approximately 69% (2021: 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	2022	2021
Interest income	6,048,614	4,721,361
Investment property income	817,833	887,644
Dividend income	604,823	547,394
Change in fair value of investment properties	335,830	(66,145)
Change in fair value of investment for risk of the participant	75,902	861,541
Allowance for credit losses	225,961	(376,033)
Other income	78,816	32,648
	8,187,779	6,608,410
Direct expenses	(1,084,068)	(860,309)
	7,103,711	5,748,101

The future minimum guaranteed receipts related the investment property income are detailed as following:

in AWG	Within 1 year	1 to 5 years	Later than 5 years
Property income	696,078	2,253,420	2,816,775

Interest income:

in AWG	2022	2021
Bonds	2,607,349	2,472,731
Time deposits	145,082	192,360
Mortgages	808,744	739,521
Loans	2,478,180	1,305,181
Savings	9,259	11,568
	6,048,614	4,721,361

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	2022	2021
Interest income bonds, time deposits, and loans	681,793	680,416
Dividend income	17,012	18,259
Change in fair value of bonds, shares, and alternative investments	(268,553)	233,078
	430,252	931,753
Direct expenses	(24,206)	(17,317)
	406,046	914,436

21. Retirement benefits and refunds

The retirement benefits consist of the following:

in AWG	2022	2021
For risk of the Fund		
Retirement benefits	283,324	260,568
Partner pension	25,567	20,260
Orphan pension	343	343
Deceased benefit	-	-
Emigration	-	-
For the risk of the Participants		
Retirement benefits	870,235	823,283
Partner pension	31,428	25,709
Orphan pension	4,459	20,803
Deceased benefit	-	116,397
Emigration	387,022	151,465
	1,602,378	1,418,828

There was a substantial increment in the retirement benefits and emigration for the risk of the participant. The increase is because each year new pensioners are added to the retirement benefits and in 2022 we had more requests for the surrender of the accumulated capital due to emigration.

22. Pension administrative expenses

The pension administrative expenses can be specified as follows:

in AWG	2022	2021
Salaries and remuneration (excluding Executive Board)	848,279	1,078,058
Professional fees	345,125	421,931
Information and technology	169,553	178,284
Depreciation	183,855	195,098
Executive Board fee and expenses	242,491	206,347
Other operating expenses	234,584	214,094
	2,023,887	2,293,812
Number of permanent employees employed by the Fund	9	10

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

in AWG	2022	2021
Salaries and wages	935,974	968,406
Social premiums	102,786	116,334
Other staff expenses	55,547	67,414
Pension premium contribution	46,689	50,447
Direct expenses for risk of the participant	(292,717)	(124,543)
Allocation to the risk of the Fund	(35,868)	-
Allocation from the risk of the participants	35,868	-
	848,279	1,078,058

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

Pension accrual

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

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.

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. Approval of Financial Statements

Approval financial statements

On June 15, 2023, the Executive Board approved the 2022 financial statements of the Fund to be presented for approval at the General Assembly. Also, the 2022 financial statements were reviewed by the Audit Committee. During the General Assembly Meeting held on June 21, 2023, the members approved these financial statements.

Aruba, June 21, 2023

Mr. G.K. Farro
Chairman of the Executive Board

Mrs. M.R. Croes
Vice Chair of the Executive Board
Executive Board Member representing participants

Mrs. S.T.G. Nierop-Kappel
Executive Board Member representing employers

Mr. E.F.C. Albertus
Secretary of the Executive Board
Executive Board Member representing employers

Mr. P.D. Vandormael
Executive Board Member representing participants

Independent Auditor's Report

Pension Fund
Tourism Sector Aruba

Independent Actuary’s Report

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To: the Executive Board of Pension Fund Tourism Sector Aruba Foundation

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Pension Fund Tourism Sector Aruba Foundation (hereafter "the Foundation"), which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Foundation as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for our 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 are independent of the Foundation in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and 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). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Foundation's 2022 Annual Report

Other information consists of the information included in the Foundation's Annual Report other than the financial statements and our auditor's report thereon. The Executive Board is responsible for the other information.

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 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 and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Executive Board determines is necessary to enable the preparation of the 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.

The Audit Committee is responsible for the supervision of the Foundation's financial reporting process.

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 skepticism 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.

- 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 Audit Committee 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.

Other matter

The financial statements of the Foundation for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on June 17, 2022.

Aruba, June 21, 2023
12218283 067/gdc/vg
for Ernst & Young Accountants

Garrick de Cuba, MSc, RA