

MINUTES OF THE VIRTUAL GENERAL ASSEMBLY MEETING 2022

Time: 10.00 a.m.

Date: June 17, 2022

PFTSA BOARD MEMBERS PRESENT:

Mr. Ernesto Albertus

Mrs. Thais Nierop-Kappel

Mr. Paul Vandormael

Mr. C.E. Heyliger (former PFTSA Board member)

PFTSA BOARD MEMBERS ABSENT WITH NOTICE:

Mr. Glenn Farro

Mrs. Marielsa Croes

Mr. E.O. Croes (former PFTSA Board member)

COMPANIES AND PARTICIPANTS:

Lateefah Craigg	PFTSA
Ginette Daou	PARADISE BEACH
Evert Pereira	PECARUBA
Anoushka De Cuba	EAGLE ARUBA
Zelda Curiel	DIVI RESORTS
Tessely Koolman	LA CABANA BRC
Indira Tromp	ARUBA BEACH CLUB
Seon Bryan	BSL
Marycella Weise	DE PALM TOURS
Gina Pieters	PARADISE BEACH
Alis A Rojas	MEGA RESORTS
Desiree Nicolaas	DIVI RESORTS
Nathalie Da Costa	DIVI RESORTS
Maoreen Every	ECO DMS ARUBA
Mayra Christiaans	PFTSA
maria Esguerra	MEGA RESORTS
Ernesto (Freddy) Albertus	PARADISE BEACH
Randolph Ponson	ARUBA NATIONAL PARK
Claysandy Carolina	CCRIBBEAN
Imelda Koolman	PARADISE BEACH
MELVIN COLIN	PARADISE BEACH
JOSE PALOMINO POSSO	PARADISE BEACH
Gersuila Delany-Hoftijzer	ARUBA AIRLINES
Stephanie Boyce	BOYCE LAW ARUBA
Maritza B. Boyce	BOYCE LAW ARUBA
Norenza Tujeehut	PFTSA
Nathalia Avila Sanchez	PFTSA
Tyron De Kort	ARUBA AIRLINES
Egmar Irausquin	ELITE

Paul Vandormael	PFTSA
Roselenn Croes	MEGA RESORTS
Debby Hart	PFTSA
Thais Nierop	PFTSA
Brisly Flanegin	MEGA RESORTS
Raoel Wijngaarde	ARUBA AIRLINES
Ogilva Lopez	MEGA RESORTS
Florence Stadwijk	ECO DMS ARUBA
Clifford Heyliger	PFTSA

PFTSA STAFF:

Executive Director Mr. Marion Agunbero
 Moderator Mrs. Isidra Briezen
 Mrs. Natalia Laclé

Actuary:

Ms. Elma Velgersdijk (represented by Mr. Claysandy Carolina)

Accountant:

Mr. Ryon Dijkhoff

Agenda:

Opening & introduction
 Approval minutes 2021 GAM
 Report by the Board
 Highlights 2021 financials (Grant Thornton)
 Actuarial report (Actuarial Consultancy Caribbean)
 Discharge of the Executive Board
 Events after statement and challenges
 Free word
 Closing

1. Opening and introduction

The moderator Mrs. Isidra Briezen opens the meeting at 10.12 a.m. and welcomes everyone to the General Assembly Meeting 2022. Mrs. Briezen explains that in conformity with the Central Bank, PFTSA must organize annual General Assemblies (GAM) to inform its clients of the goings on and progression in PFTSA. During this meeting, the evolution of 2021 will be reviewed. Voting on the approval of the minutes of GAM 2021 and the discharge and continuation of the Board will be done online through multiple-choice questions. Member participants can ask questions in the chat box.

2. Approval minutes GAM 2021

The GAM took place in June of 2021. The member participants received a copy of the minutes of the 2021 GAM earlier this week and now get the chance to vote on the approval thereof.

3. Report by the Board (for tables and charts, please see the respective sheets in the PowerPoint Presentation)

Mr. Marion Agunbero offers an elaboration on the following points for the report by the board.

1. Governance structure
2. Risk management
3. General economic condition
4. Strategic Investment Policy (SIP)
5. Premium development & membership

6. Ring-fencing policy

Governance structure

Executive Board

1st Line:

Day to Day Risk Management

- Executive Director
- Business Units
- Investment
- Finance & Control
- Pension Administration
- Office Manager

2nd Line:

Advise, monitor and report

- Risk & Compliance Committee
- Risk & Control Officer (outsourced)
- Compliance Officer (outsourced)
- Investment Committee
- Audit Committee

3rd Line:

Independent Assurance

- Internal Audit

Risk Management

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

The main risks to which the Fund is exposed are:

Credit risk – the Fund invests most of its assets in local investments due to supervisory requirements.

Operational risk – there is a risk that administrative expenses are not covered by premium contributions, resulting in prospectively fewer benefits for the participants due to reduced returns of assets.

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

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

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.

General economic condition

Following the contraction of 22.6% in the local economic performance in the year 2020, the real Gross Domestic Product (GDP) is estimated to have recovered by 15.5% in 2021 mainly due to an increase in tourism activities and supported by continued governmental financial support. Based on preliminary projections, the real GDP is projected to increase by 7.7% in 2022, thereby remaining 4% lower than the 2019 GDP level in real terms. However, due to the remaining uncertainties of the consequences of Covid-19 combined with the ongoing conflict between Russia and Ukraine, Aruba still faces considerable possible downside risks. In addition, fragile public finance performances exacerbated by the effects of Covid-19 present fiscal and economic challenges that need to be overcome in the coming years. After a long period

of relative price stability, Aruba will most probably be facing a possible resurgence of inflation as of the year 2022. The consumer price index increased on average by a very modest 0.7% in 2021, mainly when compared to high inflation rates recorded in other countries. However, it is expected that price increases will accelerate in Aruba as well during 2022.

Strategic Investment Policy (SIP)

The ALM study by Willis Towers Watson that was concluded in January 2021 analyzed five different asset allocations for the international portfolio. Given the size of the Fund, the asset allocation options were restricted to low complexity and highly liquid asset classes. Since local assets are mainly allocated in fixed income instruments, the international portfolio is generally overweight to equity. This is also related to the fact that international fixed income products under the current and expected market circumstances do not support the Fund in achieving its objectives.

DC ALM Study:

Willis Towers Watson (WTW) conducted a DC Asset Liability Management (ALM) study in January 2021. This study generated the outcomes for five straw men in 2,000 scenarios. Calculations were performed based on contributions of both 6% and 25%. In the subject ALM study, WTW presented five investment mixes.

WTW proposes to create an international portfolio in line with market capitalization, consisting of 35% global developed equity and 5% emerging market equity. Based on the findings and considerations of the ALM study, it was concluded that it is beneficial for the Fund to create an international portfolio in line with market capitalization, consisting of global developed equity and emerging market equity. In this regard due account was taken of the additional volatility that will be incurred in the investment portfolio caused by the geographical shift (also because of the absence of market pricing for the local portfolio) combined with the shift towards a higher equity allocation. This increase in the volatility of the portfolio creates more opportunities on the upside but also higher risk on the downside.

Premium development & membership

Mrs. Natalia Laclé gives a brief presentation on the pension income (see sheets 21, 22, 23, 24 and 25).

As we know, in the year of 2021, we still felt the effect of the pandemic. However, the island did recover 62% of its tourism in comparison to 2019. In the graphs we can see the comparison of 2021 to 2019, for the first half of the year there was a recovery of pension income of approximately 80% to 85% and in the second half of the year there was a recovery of approximately 90% to 95%.

This shows that we are on the way to recovering and normalizing to the level of 2019, which could be considered as a regular year. In the year of 2021, we have received 4 new companies that have affiliated themselves with the fund, we give a warm welcome to Raddison Blu, Blue Village, Natura Development (Embassy Suites) and Expert Concierges. Sadly, we also have to say our goodbyes to 4 companies that are no longer in service, which are Aruba Night, I love Hookah, Sweet Peppers Restaurant and Welcome Marketing. If we make an analysis of the companies affiliated with PFTSA, in 2021 we had 180 companies in comparison to 2020, during which we had 176 companies. The active companies have stayed the same in 2021 as in 2020 and the companies that are inactive are now 54 in comparison to 2020, during which 50 companies were inactive. Lastly, we will look at the development of the active policies. We started the year with 5002 active policies, and we have received 537 new policies in the year of 2021 (such as new employees in service or employees that want to have a higher percentage to save for a higher pension). We have 728 policies that have become inactive, due to employees who are no longer in service, have reached the pension age or have transferred their pension to another fund. We close the year with 4,811 active policies, a little bit less than 2020, however with a percentage of “premies” relatively the same as 2021.

Ring-fencing policy

PFTSA does not have an explicit policy in place in which the allocation of the investments and costs related to the current DC and DB schemes are determined. This policy is necessary because each fund operates

based on different requirements/assumptions and characteristics and as it is the case in the Netherlands, “cross subsidy” is not allowed (e.g., costs of one fund being covered by the other fund). In Aruba we do not have such a policy mandate, but we are of the opinion that there should be clear policy in place on the allocation of investments and costs related to each scheme. We approached WTW to assist us in drafting a policy on the matter.

4. Highlights 2021 financials Grant Thornton (for tables and charts, please see the respective sheets in the PowerPoint Presentation sheets 28, 29, 30 and 31)

Mr. Ryon Dijkhoff, as the Grant Thornton representative, gives a short presentation of the financial highlights (see sheets 28, 29, 30 and 31 of the PowerPoint Presentation). He explains the presentation with some highlights such as the following.

Statement of comprehensive income (see sheet 29):

Decrease is mainly caused due to lower pension contribution, seeing as the decline in the salary income of the participants is caused by COVID-19. Increase in net investment result for the risk of the participants is due to Afl. 544,000 higher changes in fair value of the investments in shares and bonds and Afl. 733,000 higher interests in bonds. This increase was mitigated by a decrease in loan income mainly from the loan to Wondersea. Due to the past due obligation of Wondersea for more than 90 days, the interest income has not been accrued since July 2021, also due to Afl. 367,000 higher investment charges. Increase in the net investment results for the risk of the Fund is largely due to the improvement in the change in fair value of the investments in shares through the Solar assets manager. There is a lower change in provision than the prior year due to a lower contribution being received.

Statement of financial position (see sheet 30):

Fund & Participants

The increase in plan assets - investments for the risk of the participant are largely due to the acquisition of new investments, that is, Afl. 4.5 million bonds in Land Aruba bonds from Meta Fund and FPEF, Afl. 3.4 million loans granted to Makija Holding NV from Ennia Caribe Leven Aruba NV, and Afl 2 million in new Time Deposit at CIBC Bank Aruba. This increase was largely offset by the maturity of the USD-Time deposit bonds, which fund has not been reinvested yet, redemptions according to the payment schedule of APA Loan, SOGA Loan.

Investment Property

The increase is due to a revaluation of the properties and increase in the investment in the air-conditioned units in the property Lands lab.

Statement of financial position (see sheet 31):

The increase in cash is due to redemptions of investments which funds were not invested as per 31 December 2021. Increase in the pension liabilities is partly due to more participants and policies in 2021 compared to 2020. We refer for detail to the participant data. Also, the increase pension liabilities for the risk of the fund are the interest received for the year. The increase pension liabilities for the risk of participants are less than in 2020 in percentages due to the 3% given to participants in comparison to 3% in prior year due to the COVID-19 pandemic. We have performed work on the participant data of PFTSA, by testing "basisgevens". The actuary (a management expert) does the calculation of the provision which is based on variable assumptions (rekenrente, overlevingskansen etc.)

5. Actuarial report (for tables and charts, please see the respective sheets in the PowerPoint Presentation sheets 32, 33, 34 and 35)

Mr. Claysandy Carolina will be representing Mrs. Elma Velgersdijk of AC2 Curacao. He gives a brief presentation on the results of the year of 2021. The coverage ratio CBA is at 102.5%, which means that the coverage ratio remains over 100%, so PFTSA has managed the funds well. The assets are enough to cover the pension liabilities, meaning that the financial position is sufficient. The financial position is due to the good investment returns in the year of 2021. As well as an increase of pension capitals of 3.5%.

Ms. Velgersdijk will give a fully positive actuarial report, with the sole comment that more buffers are necessary, this for any unexpected cost that could present itself.

6. Discharge of the Board

Before the participants are given the opportunity to vote online for the discharge and continuation of the Board, Mr. Agunbero welcomes Mrs. Thais Nierop-Kappel and Mr. Paul Vandormael, who have joined the board, replacing Mr. Clifford Heyliger and Mr. Erwin Croes. Mr. Marion Agunbero would like to thank both Mr. Clifford Heyliger and Mr. Erwin Croes for their dedication and efforts for their duration as board members.

7. Events after statement & challenges (for tables and charts, please see the respective sheets in the PowerPoint Presentation sheets 38 through 45)

Mr. Marion Agunbero elaborates on the events after statement and challenges, this presentation was split into two sections: the “project in progress” and the “challenges ahead”.

Projects in progress

The following projects in progress are:

The Bloemond housing project is in the process of drafting an allotment plan “verkavelingsplan”. The implementation date for this project is set for the year of 2023.

Eagle Center, PFTSA and HOH are having ongoing conversations to establish a Dialysis Center. There has been some setback with this project in the past, but we were able to reach a current momentum with which we are nearing the development of the project.

Renovation of Orange Plaza, we are currently in the process of collecting multiple contractors’ offers for the renovation and beautification of Orange Plaza.

New Investment Manager, PFTSA has selected a new Investment Manager for its foreign investment portfolio. The current portfolio is divided between two asset managers and going forward it will be managed by one asset manager.

The environment in which the fund is operating continues to pose significant uncertainties and challenges. In this regard, the fund is exposed to continued economic, demographic, and operating challenges that impact PFTSA’s objectives and continuing operations. We are going through transitions in many areas in the coming years and decades (energy, technology, economy, etc). Several key challenges have been identified that we believe are affecting and will shape PFTSA for the foreseeable future. These challenges demand ongoing response and our strategic plan aims to address these inherent issues and challenges.

Identify key challenges using the multilevel concept.

Macro level: autonomous developments: globalization, demographics.

For example, demographics (aging process), financial-economic crises (2008/2020), Covid-19 pandemic, climate change, digitalization cyberthreats and inflation.

Meso level: operating regime/structures, laws & regulations, policies.

For example, pension & supervisory laws, regulations & policies (prudential & compliance supervision, financial markets, monetary policy (40-60% investment rule).

Micro Level: practices, experiments, projects financial-economic crises, climate change, pandemics.

For example, projects, governance structure, practices, staffing, internal procedures & culture.

Challenges ahead

1. Financial market and financing requirements:

For example, growing limitations to find suitable local investment opportunities in combination with declining interest rates/returns & foreign investment restrictions.

2. Regulations vis-à-vis economies of scale :

For example, growing complexity as a result of expanding regulatory requirements & scrutiny that impacts the operations in terms of increasing costs & the need for the right organizational scale.

3. Information/data security and workflow management:

For example, increasing importance of information/data security & workflow process management.

4. Evolving demographics:

For example, ongoing aging of the population/workforce (longevity risk) and service expectations among clients.

5. Pension systems:

For example, shift from defined benefits to defined contributions pension systems. More individual approach. Social security financing.

6. Macroeconomic conditions:

For example, volatile and external dependent tourism-based economy which can impact our member employers.

To cope with these challenges, four company pension funds in Aruba (including PFTSA) have initiated conversations to examine options for cooperation in the areas of:

- Creating local investment pools.
- Sharing costs related to governance and compliance requirements.
- Integrating pension activities.
- Discussion with Centrale Bank van Aruba, leading to CBA agreeing to eliminate the current sectoral restriction for pension funds.
- A meeting was held with the Minister of Labor to initiate the process of amending the current pension law & to eliminate the sectoral restrictions.

8. **Free word**

There were no questions or remarks on the part of neither the participants nor PFTSA Board and staff.

9. **Closing**

The moderator thanks all participants for attending the PFTSA GAM on this Friday, June 17, 2022. She adds that the financial statements 2021 will appear on the website www.pftsa.com

Mr. Agunbero thanks the participants for attending the virtual meeting. He expresses his gratitude to his dedicated staff and the Board members, to Mr. Ryon Dijkhoff and Ms. Elma Velgersdijk for their services, as well as all other outside experts for their support.

The meeting is closed at 11:29 a.m.

Signatory

Mr. Glenn Farro
Chairman to the Board