

**MINUTES OF THE VIRTUAL GENERAL ASSEMBLY MEETING 2023**

Time: 9.00 a.m.

Date: June 21, 2023

**PFTSA BOARD MEMBERS PRESENT:**

Mr. Glenn Farro

Mr. Ernesto Albertus

Mr. Paul Vandormael

**PFTSA BOARD MEMBERS ABSENT WITH NOTICE:**

Mrs. Marielsa Croes

Mrs. Thais Nierop-Kappel

**COMPANIES AND PARTICIPANTS:**

[to be filled in]

**PFTSA STAFF:**

Executive Director Mr. Marion Agunbero

Moderator Mrs. Isidra Briezen

Mrs. Natalia Laclé

**Actuary:**

Ms. Elma Velgersdijk

**Accountants:**

Mr. Garrick de Cuba

Mrs. Ghislaine Ras

**Agenda:**

Opening & introduction

Approval minutes 2022 GAM

Report by the Executive Board

Highlights 2022 financials (Ernst & Young)

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 2023. Mrs. Briezen explains that in conformity with the Central Bank, PFTSA must organize annual General Assemblies (GAM) to inform its clients of the going on and progression in PFTSA. During this meeting, the evolution of 2022 will be reviewed. Voting on the approval of the minutes of GAM 2022 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 2022**

The GAM took place in June of 2022. The member participants received a copy of the minutes of the 2022 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. Membership & premium development
4. ABTN
5. Strategic Investment Policy (SIP)
6. Ring-fencing policy

### **1. Governance structure**

#### *Executive Board members:*

Mr. G.K. Farro  
Mr. E.F.C. Albertus  
Mrs. S.T.G. Nierop-Kappel  
Mr. P.D. Vandormael  
Mrs. M.R. Croes

#### *Operations:*

The Fund has 9 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.

#### *Committees*

As part of the new governance structure of PFTSA, the Board has appointed in 2020 three Committees:

- Risk & Compliance Committee
- Investment Committee
- Audit Committee

### **2. 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.

**Market 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

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)

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 volatility of the portfolio creates more opportunities on the upside but also higher risk on the downside.

Premium development & membership

Mrs. Natalia Laclé elaborates on the concerns regarding the pension income (see sheets 11, 12, 13, 14 and 15).

*[Slide 11, 12 and 13]*

In the graphs we can see the comparison of 2022 to 2021. In the year of 2022, we have received 10 new companies that have affiliated themselves with the fund. There were 5 companies that are no longer active. These are companies that are no longer in service and or did not comply with their contract. If we make an analysis of the companies affiliated with PFTSA, in 2022 we had 190 companies in comparison to 2021, during which we had 180 companies. Moving over to the participants PFTSA has our participants into the DB participants and DC participants. As for the DB participants we can notice that there wasn't a lot of changes in the comparison of 2022 to 2021. For the DC participants we do notice an increase in participants in comparison to 2021. In the year of 2021, we had 11,075 participants and, in the year of 2022, we were able to close with 12,096 participants. If we were to compare the policies in the year of 2021, we have 12,489 policies and closed the year of 2022 with 13,670. As can be seen there was a lot of progress in 2022, the fund is slowly growing and moving towards a bigger fund.

*[Slide 14]*

As for the pension contributions we would like to focus on the graph presented, the blue line in the graph represents the year of 2022 and the red line that represents the year of 2021. When comparing these two lines, we will notice the blue line (2022) was always above the red line (2021). This means that our contributions throughout each month of the year 2022 was higher than the year of 2021, resulting in an overall increase of 21.1% in comparison to 2021. When comparing the purple line (2019) and the blue line (2022). These two lines are relatively the same, but we do notice the blue line (2022) is a little bit higher than the purple line (2019), meaning that our contributions are a little bit higher than before the pandemic. If we take all this information into account, in a short summary 2022 has been a successful year and the fund is heading on the right path.

*[Slide 15 and 16]*

In regards to the section of our investments, we will see that in the year of 2022 92% of our investment has been local, 3% has been regional and 5% has been international. In accordance with our Strategic Investment Policy, we must slowly increase our international investment. When looking at our investment category, we notice that 78% of our income is based on fixed income and 22% of our income is based on equity. Our target is to achieve 42% based on fixed income and 58% based on equity.

Ring-fencing policy

PFTSA has a policy in place in which the allocation of the investments and costs related to the current DC and DB schemes are determined. WTW was approached to assist the fund in drafting a policy on the matter and this was approved by the Board. 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 a clear policy in place on the allocation of investments and costs related to each scheme.

**Report by executive board: going concern assumptions.**

Based on its assessment for the year 2022 and beyond, the measures introduced and considering the uncertainties that exist as per the date of issuance of these financial statements, management concludes that it does not consider the impact to cast significant doubt upon the PFTSA's ability to continue as a going concern. In accordance with the solvency guidelines of the CBA, both the gross and the net funding ratio must be a minimum amount to 100%. The gross and net funding ratios 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 PFTSA consistently met all the coverage ratios as prescribed by regulatory requirements of the CBA.

The subsequent event has not had any impact on the current year results of the financial statements.

**4. Highlights 2022 financials Ernst and Young (for tables and charts, please see the respective sheets in the PowerPoint Presentation sheets 28, 29, 30, 31, 32, 33, 34, 35 and 36)**

Mr. Garrick de Cuba and Mrs. Ghislaine Ras, as the Ernst and Young representatives, give a short presentation of the financial highlights (see sheets 28, 29, 30 and 31 of the PowerPoint Presentation). They explain the presentation with some highlights such as the following.

EY services (Mr. Garrick de Cuba)

Issue an opinion on the financial statements. Financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs). We expect to issue an unmodified auditor's report ("goedkeurende controleverklaring").

Coverage ratio (Mrs. Ghislaine Ras)

The coverage ratio of the fund remained above the CBA requirements throughout the year of 2022. We can also notice a slight increase in the net coverage ratio compared to prior year of 2021.

Participant data (Mrs. Ghislaine Ras)

As for the defined benefit (DB), there were slight changes in the year 2022 comparing to the year of 2021. As for the defined contribution plan (DC), there is an increase when comparing the year of 2022 to year of 2021. When comparing the two years we can notice that the fund is growing and heading on the correct path.

Assets (Mrs. Ghislaine Ras)

If we compare the assets of the year 2022 to the year 2021, we can see that there was an increase in the total assets. The total assets increased from 159,699,763 in 2021 to 177,067,036 in 2022.

Capital and liabilities (Mrs. Ghislaine Ras)

If we compare the liabilities of the year 2022 to the year 2021, we can see that there was an increase in the total liabilities. Total liabilities increased from 159,699,763 in 2021 to 177,067,036 in 2022.

Statement of comprehensive income (Mrs. Ghislaine Ras)

If we compare the comprehensive income of the year 2022 to the year 2021, we can see that there was an increase in income. Total income increased from 655,514 in 2021 to 1,215,636 in 2022.

**5. Actuarial report (for tables and charts, please see the respective sheets in the PowerPoint Presentation sheets 38, 39, and 40)**

Mrs. Elma Velgersdijk presents the actuarial report of AC2 Curacao. She gives a brief presentation on the results of the year of 2022. The coverage ratio CBA is at 102.8%, 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.

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**

The participants are given the opportunity to vote online for the discharge and continuation of the Board.

**7. Events after statement & challenges (for tables and charts, please see the respective sheets in the PowerPoint Presentation sheets 44 through 50)**

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**, our target is to initiate this project in 2024.

**Eagle Center**, between PFTSA and HOH (Hospital) we are working towards a project to establish a Dialysis Centrum.

**Renovation of Orange Plaza**, the renovation and beautification of Orange Plaza Mall is near completion.

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 Wednesday, June 21, 2023. She adds that the financial statements 2022 will appear on the website [www.pftsa.com](http://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. Garrick de Cuba, Mrs. Ghislaine Ras and Ms. Elma Velgersdijk for their services, as well as all other outside experts for their support.

The meeting is closed at 10:20 a.m.

Signatory

Mr. Glenn Farro  
Chairman to the Board