



# GENERAL ASSEMBLY MEETING 2023

JUNE 21, 2023



# AGENDA

- Opening & introduction
- Approval minutes 2022 GAM
- Report by Executive Board
- Highlights 2022 financials (Ernst & Young)
- Actuarial report (Actuarial Consultancy Caribbean)
- Discharge of the Executive Board
- Events after statement & challenges
- Free word
- Closing



# OPENING & INTRODUCTION



# **APPROVAL MINUTES 2022 GAM**

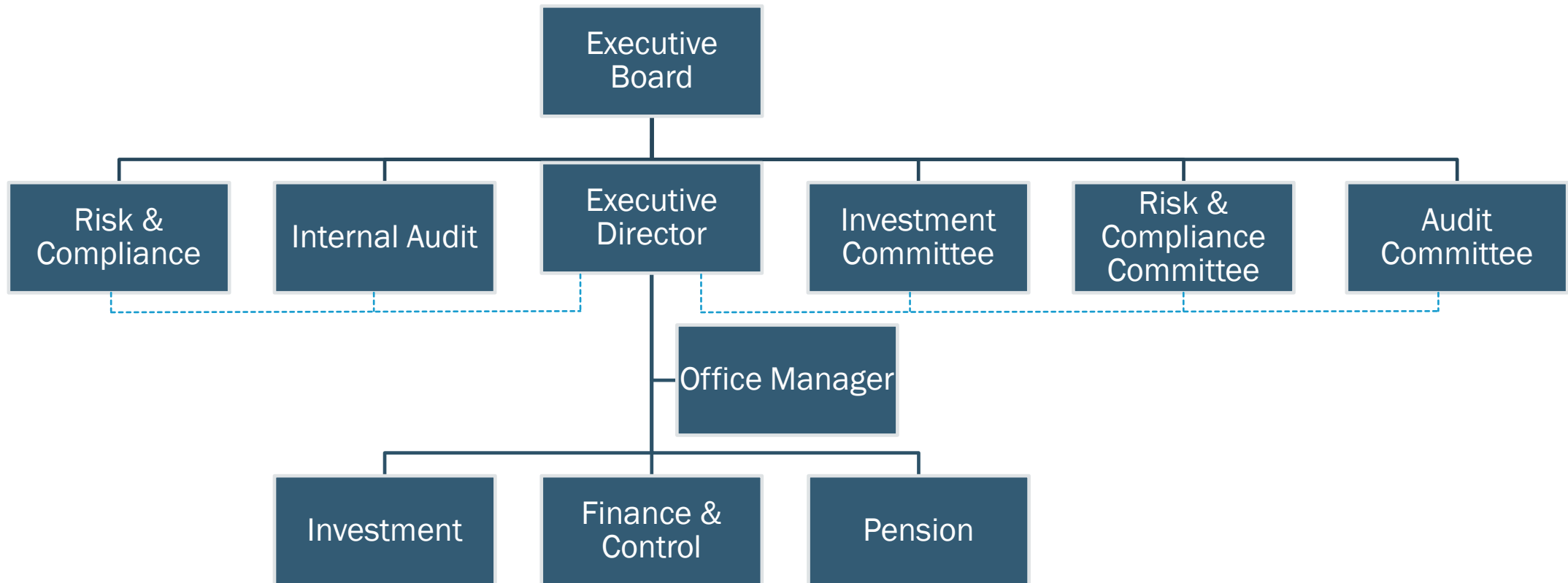


# REPORT BY EXECUTIVE BOARD

# REPORT BY EXECUTIVE BOARD: TOPICS

1. Governance structure
2. Risk management
3. Membership & premium development
4. ABTN
5. Strategic Investment Policy (SIP)
6. Ring-fencing policy

# REPORT BY THE EXECUTIVE BOARD: ORGANIZATIONAL CHART



# REPORT BY THE EXECUTIVE BOARD: ORGANIZATIONAL CHART

The Executive Board consists since July 1, 2012, of 2 employer's representatives and 2 participant's representatives.

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



# REPORT BY EXECUTIVE BOARD

## 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

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



**190 affiliated companies**

During 2022 10 new companies have joined PFTSA resulting in 131 active companies

**New affiliated companies**

**Vested companies:**

	<b>2022</b>	<b>2021</b>
Affiliated companies	190	180
Active companies	131	126
Vested companies	59	54



12,096 members

PFTSA has 5,202 active members and 582 retired members who will receive monthly pension benefits for the rest of their lives

DB participants	2022	2021
Active	171	184
Vested	304	303
Annuitants	158	147
Partners and orphans	11	10
<b>Total participants DB</b>	<b>644</b>	<b>644</b>

DC Participants	2022	2021
Active	5,031	4,606
Vested	5,963	5,444
Annuitants	424	354
Partners and orphans	34	27
<b>Total participants DC</b>	<b>11,452</b>	<b>10,431</b>

<b>Total participants</b>	<b>12,096</b>	<b>11,075</b>
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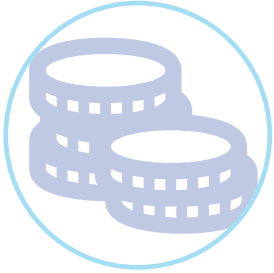
13,670 policies

PFTSA has 5,409 active policies and 7,469 vested policies. All other policies are members and/or partner's/orphan's receiving monthly a pension benefit

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

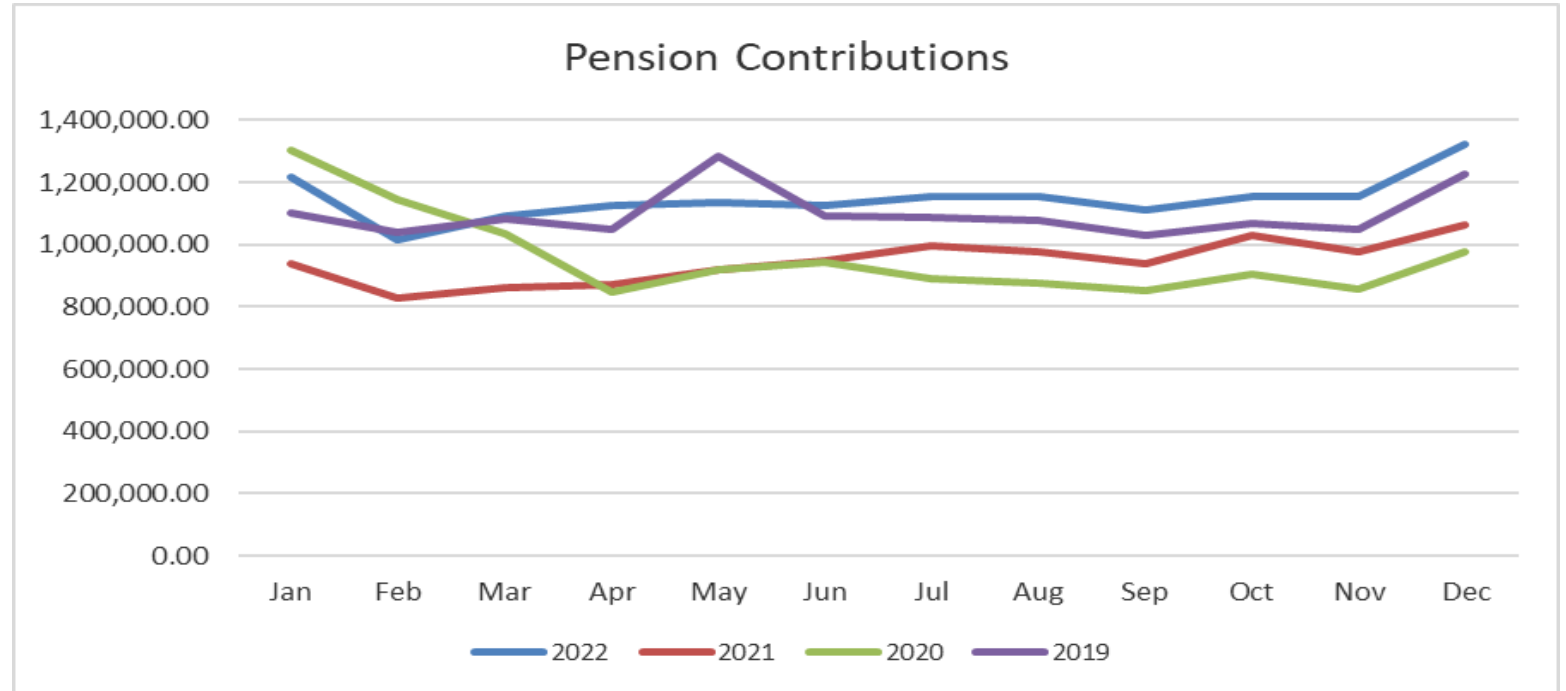
DC policies	2022	2021
Active policies	5,232	4,811
Vested policies	7,156	6,497
Annuitants' policies	572	479
Partners pension policies	31	27
Orphan policies	6	2
<b>Total policies DC</b>	<b>12,097</b>	<b>11,816</b>

<b>Total policies</b>	<b>13,670</b>	<b>12,489</b>
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**13,749,220 premium income**

In 2022 the contribution of the participants increased with 21.1% compared to 2021



## 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%

# 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%



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

# REPORT BY EXECUTIVE BOARD: ABTN

- Mission, vision and strategy of PFTSA have been added in this document
- New organizational structure
  - New organizational chart
  - Introduction of three Committees
  - Risk management (Three Lines of defense model)
- Some pension definitions have been rewritten as described in the State Ordinance on General Pension
- Actuarial principles have been updated as already discussed in 2021
- Disability risks have been removed (since 2019 no disability risk is insured)
- Strategic investment policy updated

# PFTSA THREE LINES MODEL



# RISK MANAGEMENT

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 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.

# RISK MANAGEMENT

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 premiums contributions, resulting in prospective fewer benefits for the participants due to reduced returns of assets
- **IT risk:** the reliability of the mortgage program may result in adequate 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

# RISK MANAGEMENT

- 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.

# REPORT BY 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 Source: CBS Consumer Price Index 2021 (<https://cbs.aw/wp/wp-content/uploads/2021/05/12-December-2021.pdf>)

# REPORT BY EXECUTIVE BOARD: STRATEGIC INVESTMENT POLICY

- 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.



# 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.



# **HIGHLIGHTS 2022 FINANCIALS (ERNST & YOUNG)**

# Pension Fund Tourism Sector Aruba

General Assembly

June 2023



Building a better  
working world

## CONTENT

### EY services

Financial highlights

Approval

## EY services

- ▶ 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”)

# CONTENT

EY services

**Financial highlights**

Coverage ratio

Participants data

Assets

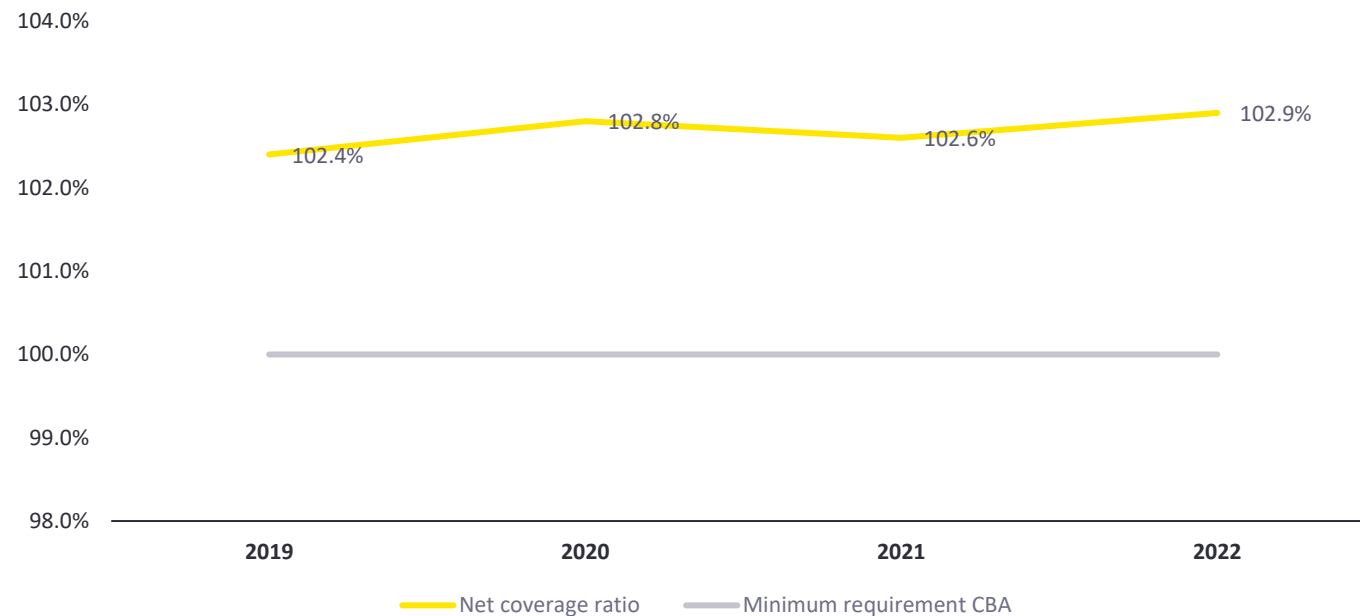
Capital and liabilities

Statement of comprehensive income

Approval

## Coverage ratio

- The coverage ratio remained above the CBA requirements
- Slight increase in the net coverage ratio compared to prior year



# CONTENT

EY services

**Financial highlights**

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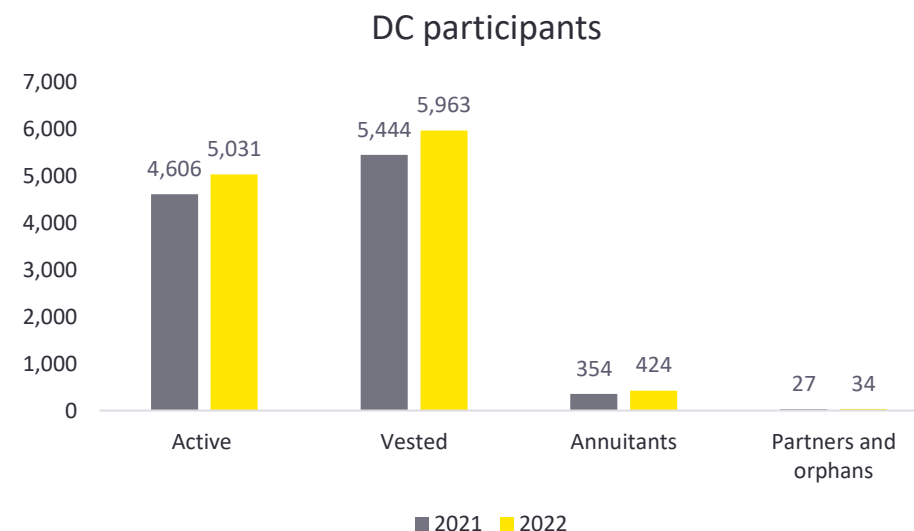
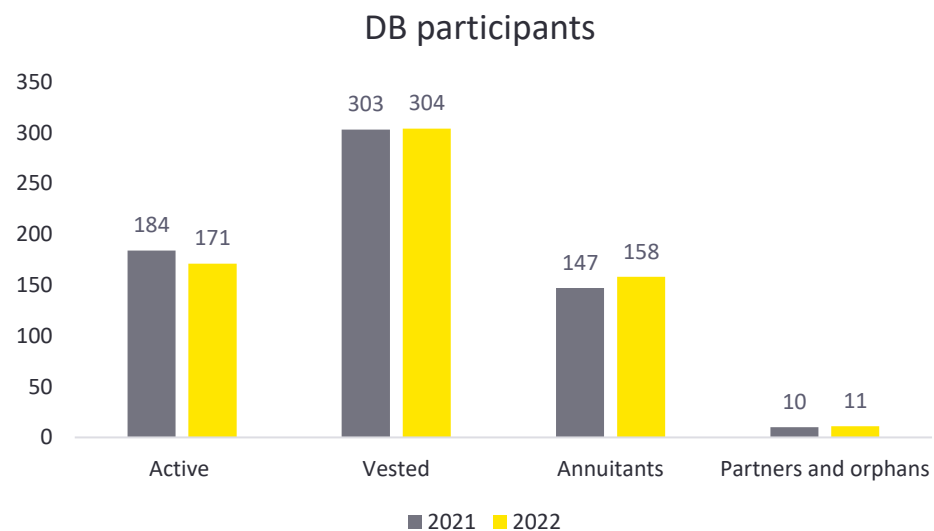
Capital and liabilities

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## Participants data

- Defined benefit (DB)
- Defined contribution plan (DC)



## CONTENT

EY services

### Financial highlights

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#### Assets

Capital and liabilities

Statement of  
comprehensive income

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## Assets

Assets	December 31, 2021	December 31, 2022
Property, plant and equipment	499,322	378,519
Investments for the risk of the Fund	14,616,355	14,033,449
Investments for the risk of the participants	109,124,709	119,508,890
Investment properties for the risk of the participants	19,299,663	19,956,209
Receivables	2,792,430	3,290,035
Cash and cash equivalents	13,367,284	19,899,932
<b>Total assets</b>	<b>159,699,763</b>	<b>177,067,036</b>

# CONTENT

EY services

**Financial highlights**

Coverage ratio

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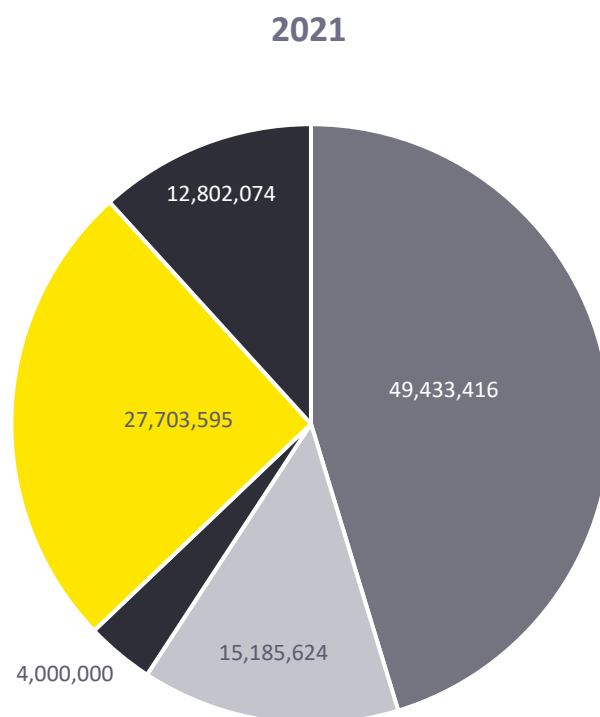
**Assets**

Capital and liabilities

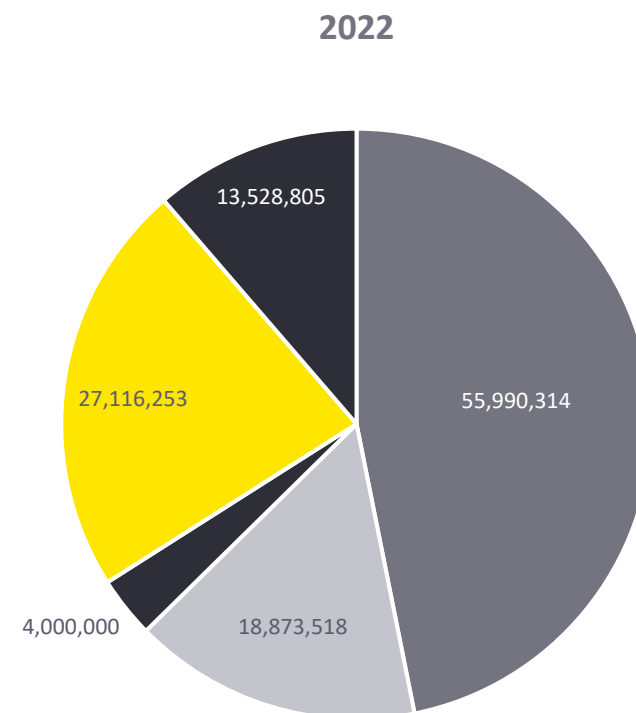
Statement of comprehensive income

Approval

## Distribution of investments *For the risk of the fund*



■ Bonds ■ Shares ■ Time deposits ■ Loans ■ Mortgages



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# CONTENT

EY services

**Financial highlights**

Coverage ratio

Participants data

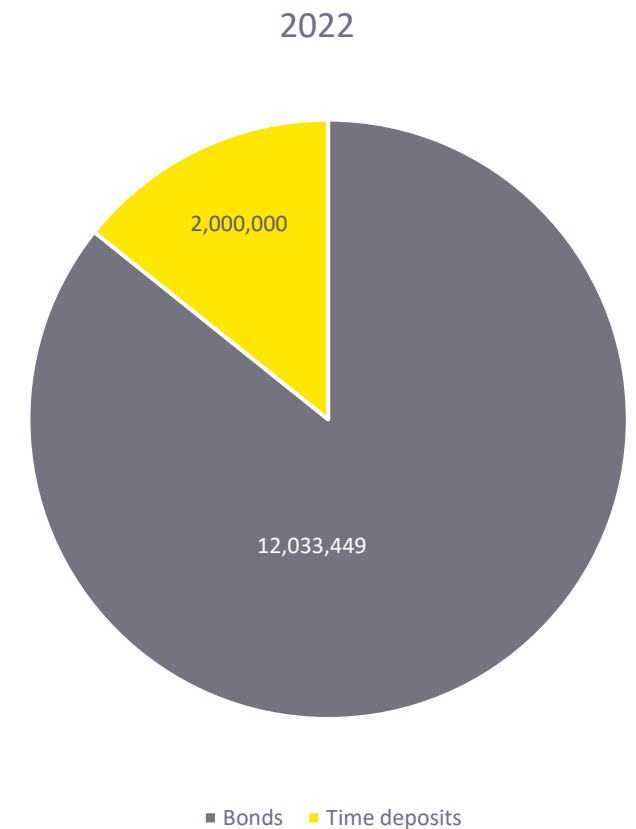
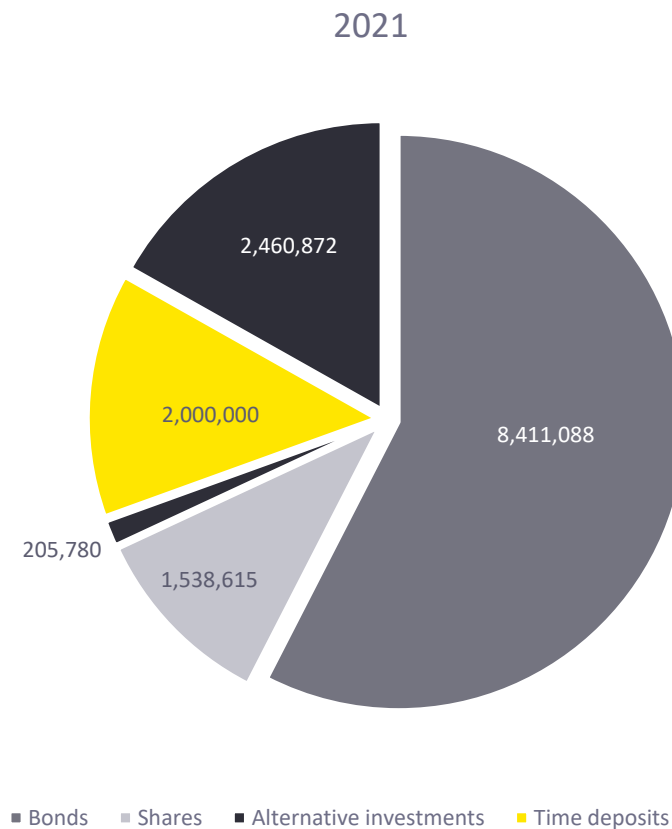
**Assets**

Capital and liabilities

Statement of comprehensive income

Approval

## Distribution of investments *For the risk of the participants*



## CONTENT

EY services

### Financial highlights

Coverage ratio

Participants data

Assets

### Capital and liabilities

Statement of comprehensive income

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# Capital and liabilities

Capital and liabilities	December 31, 2021	December 31, 2022
Reserves	12,338,741	13,554,377
<b>Total fund capital</b>	<b>12,338,741</b>	<b>13,554,377</b>
Provision for pension liabilities for risk of the Fund	14,099,158	14,386,049
Provision for pension liabilities for risk of the participants	131,500,521	147,616,434
Lease liabilities	994,703	893,361
Other liabilities and accrued expenses	766,640	616,815
<b>Total liabilities</b>	<b>147,361,022</b>	<b>163,512,659</b>
<b>Total capital and liabilities</b>	<b>159,699,763</b>	<b>177,067,036</b>

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EY services

### Financial highlights

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Capital and liabilities

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# Statement of comprehensive income

Revenues and expenses	2021	2022
Premium Contribution for the risk of the participants	11,353,138	13,749,220
Net Investments result for the risk of the participants	5,748,101	7,103,711
Net Investments result for the risk of the fund	914,436	406,046
<b>Total revenues</b>	<b>18,015,675</b>	<b>21,258,977</b>
Retirement benefits and refunds	1,418,828	1,602,378
Changes in pension provision for risk of the fund	284,119	286,891
Changed in pension provision for risk of the participants	13,306,649	16,115,913
Pension administrative expenses	2,293,812	2,023,887
Net value of transfers	56,753	14,272
<b>Total operating expenses</b>	<b>17,360,161</b>	<b>20,043,341</b>
<b>Total comprehensive income for the period</b>	<b>655,514</b>	<b>1,215,636</b>



## CONTENT

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EY services

Financial highlights

**Approval**

# Approval



# **ACTUARIAL REPORT (ACTUARIAL CONSULTANCY CARIBBEAN)**

# Actuarial Report 2022

## PFTSA

Elma Velgersdijk  
June 2023



*Actuarial Consultancy Caribbean*

# Financial Position

Afl 1,000	2022	2021	2020	2019	2018
Total Assets	177,067	159,700	145,603	130,808	97,998
Other liabilities	1,510	1,761	1,911	1,148	626
<b>For pensions</b>	<b>175,557</b>	<b>157,938</b>	<b>143,692</b>	<b>129,660</b>	<b>97,372</b>
Accrued pensions	162,002	145,600	132,009	118,893	89,105
<b>Surplus</b>	<b>13,554</b>	<b>12,339</b>	<b>11,683</b>	<b>10,767</b>	<b>8,267</b>
Funding ratio	108.30%	108.40%	108.80%	109.10%	109.30%



# Financial Position

- Coverage ratio CBA 102.8%
- Assets are enough to cover the pension liabilities
- Financial position is good (funding ratio > 100%)
- Good investment results
- Increase of pension capitals with 3.75%
- More buffers necessary, for extra costs







AC

Actuarial Consultancy Caribbean



# **DISCHARGE OF THE EXECUTIVE BOARD**



# **EVENTS AFTER STATEMENT & CHALLENGES**

# EVENTS AFTER STATEMENT & CHALLENGES: PROJECT IN PROGRESS

- Bloemond Housing Project target to initiate in 2024
- Eagle Center: PFTSA and HOH (Hospital) are working towards a project to establish a Dialysis Centrum
- Renovation of Orange Plaza Mall near completion
- PFTSA selected LCG from the U.S.A. as its new investment advisor for its foreign investment portfolio

# KEY DRIVERS IN THE OPERATING ENVIRONMENT

- 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 operations continuously.
- 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 that 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 MULTILEVEL CONCEPT

Macro level: autonomous developments: globalization, demographics, financial-economic crisis, climate change, pandemics

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

Micro level: practices, experiments, projects

# MULTILEVEL

Macro Level		Demographics (aging process), financial-economic crisis (2008/2020), Covid-19 pandemic, climate change, digitalization cyberthreats and inflation
Meso Level		Pension & supervisory laws, regulations & policies (e.g. prudential & compliance supervision, financial markets, monetary policy (40-60% investment rule))
Micro Level		Projects, governance structure, practices, staffing, internal procedures & culture

# KEY CHALLENGES FACING PENSION FUNDS IN ARUBA

- Financial market and financing requirements
- Regulations vis-à-vis economic of scales
- Information/data security and workflow management
- Evolving demographics
- Pension systems
- Macroeconomic conditions



# CHALLENGES AHEAD

- In order 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 investments pools.
  - Share costs related to governance and compliance requirements.
  - Integrate pension activities.
- Discussion with Centrale Bank van Aruba led to CBA agree to eliminate the current sectoral restriction for pension funds.
- Meeting was held with the Minister of Labor to initiate the process of amended the current pension law & to eliminate the sectoral restrictions.

## CHALLENGES AHEAD

- Recently the small pension funds & APFA have submitted a memo proposing changes in the current solvency requirements applicable for pension funds.
- A meeting has been scheduled with the CBA for next July to further discuss this proposal.
- PFTSA is working on a new long term strategic plan in conjunction with Cornerstone Economics.

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## FREE WORD

# Questions?



**CLOSING**

We would like to thank you  
for your attention